

HANKEN

Svenska
handelshögskolan



MEDDELANDEN WORKING PAPERS

530 (2007)

Hannele Kauppinen-Räsänen, Christian Grönroos &
Johanna Gummerus

*INTERPRETATION OF SERVICES MARKETING
CONCEPTS*

ISBN 978-951-555-965-4

ISSN 0357-4598

HELSINGFORS 2007

SWEDISH SCHOOL OF ECONOMICS AND BUSINESS ADMINISTRATION, FINLAND

MEDELANDEN FRÅN
SVENSKA HANDELHÖGSKOLAN
SWEDISH SCHOOL OF ECONOMICS
AND BUSINESS ADMINISTRATION
WORKING PAPERS

530

Hannele Kauppinen-Räsänen, Christian Grönroos & Johanna Gummerus

INTERPRETATION OF SERVICES MARKETING CONCEPTS

2007

Interpretation of Services Marketing Concepts

Key words: conceptual marketing knowledge, service quality, servicescape, internal marketing, augmented service offering

© Swedish School of Economics and Business Administration,
Hannele Kauppinen-Räsänen, Christian Grönroos & Johanna Gummerus

Hannele Kauppinen-Räsänen, Christian Grönroos & Johanna Gummerus
Department of Marketing and Corporate Geography
Swedish School of Economics and Business Administration
P.O.Box 479
00101 Helsinki, Finland

Distributor:

Library
Swedish School of Economics and Business Administration
P.O.Box 479
00101 Helsinki
Finland

Phone: +358-9-431 33 376, +358-9-431 33 265
Fax: +358-9-431 33 425
E-mail: publ@hanken.fi
<http://www.hanken.fi/public>

SHS intressebyrå IB (Oy Casa Security Ab), Helsingfors 2007

ISBN 978-951-555-965-4
ISSN 0357-4598

INTERPRETATION OF SERVICES MARKETING CONCEPTS

Hannele Kauppinen-Räsänen*, Christian Grönroos, and Johanna Gummerus
CERS Centre for Relationship Marketing and Service Management
Hanken Swedish School of Economics and Business Administration
P.O. Box 479
FIN-00101 Helsinki
Finland

* Tel: +358 9 431 33381, Mob: +358 50 433 5805

E-mail: hannele.kauppinen@hanken.fi

Hannele Kauppinen-Räsänen, PhD, is a researcher at Hanken, Swedish School of Economics and Business Administration in Helsinki, Finland. Her current research focuses on marketing communication, packaging, semiotics, and on consumer and services related issues.

Christian Grönroos is a Professor at Hanken, Swedish School of Economics and Business Administration in Helsinki, Finland. His research interests are related to service and relationship management. He is one of the pioneers in that research area and one of the early developers of the service management and marketing thought labelled The Nordic School. He is also the founder of CERS Centre for Relationship Marketing and Service Management.

Johanna Gummerus, M.Sc. (Econ) is a doctoral candidate at Hanken, Swedish School of Economics and Business Administration in Helsinki, Finland. Her research focuses on e-commerce, loyalty, customer relationships, and trust.

ABSTRACT

Scholarly research has produced conceptual knowledge that is based on real-life marketing phenomena. An initial aim of past research has been to produce marketing knowledge as a base for efficient business operation and for the improvement of productivity. Thus, an assumption has been that the knowledge would be applied by organisations. This study focuses on understanding the use of marketing knowledge within the field of service marketing. Hence, even if marketing knowledge about service-oriented principles and marketing of services is based on empirical research, there is a lack of knowledge on how this marketing knowledge is in fact applied by businesses.

The study focuses on four essential concepts of services marketing knowledge, namely service quality, servicescape, internal marketing, and augmented service offering. The research involves four case companies. Data is based on in depth interviews and questionnaire-based surveys conducted with managers, employees, and customers of these companies. All organisations were currently developing in a service-oriented and customer-oriented direction. However, we found limitations, gaps, and barriers for the implementation of service-oriented and customer-oriented principles. Hence, we argue that the organisations involved in the study exploited conceptual knowledge symbolically and conceptually, but the instrumental use of knowledge was limited. Due to the shortcomings found, we also argue that the implementation of the various practices and processes that are related to becoming service-oriented and customer-oriented has not been fully successful. Further, we have come to the conclusion that the shortcomings detected were at least in some respect related to the fact that the understanding and utilisation of conceptual knowledge of service-oriented principles and marketing of services were somewhat limited.

ACKNOWLEDGEMENTS

We want to express our gratitude to Antonia Hamberg, Pia Ramm-Schmidt, Gabriella Riska, and Lotta Sandbacka, who were part of this research assisting in data collection and doing initial analysis of the case studies. They showed great enthusiasm for the research and developed excellent reports that form the basis for the present study. We also want to thank Professor Tore Strandvik for his valuable comments.

The study is funded by Tekes, and is part of Serve - Innovative Services Technology Programme valid 2006-2010. The four case organisations involved in the study have contributed to the research in hand not only with practical support, and with time resources allocated for the interviews, but also by financing the research. Hence, we are grateful for all the support given by the parties involved.

TABLE OF CONTENTS

1 INTRODUCTION	1
1.1 Research Area	1
1.2 Research Problem	1
1.3 Aim of the study	2
2 THEORETICAL FRAMEWORK	2
2.1 Theme 1 - Service Quality	3
2.2 Theme 2 - Servicescape	4
2.3 Theme 3 - Internal marketing	4
2.4 Theme 4 - Augmented service offering	5
3. EMPIRICAL RESEARCH PROCESS	6
3.1 Case study approach	6
3.2 Interviews	8
3.3 Survey	8
4. CURRENT STATE OF CONCEPTUAL KNOWLEDGE	9
4.1 The concept of service quality	9
4.2 The concept of servicescape	13
4.3 The concept of internal marketing	16
4.4 The concept of augmented service offering	19
5. FINAL CONSIDERATIONS	23
6. MANAGERIAL LESSONS TO BE LEARNED	25
6.1 Service quality – a perception of excellence	25
6.2 Managing the servicescape as means of providing service quality	26
6.3 Internal marketing – a precondition for providing service quality	27
6.4 Augmenting the service offering for providing added value	28
REFERENCES	30
INDEX	32
APPENDIX 1: Interview guide for servicescape	33
APPENDIX 2: Wilcoxon Signed Ranks test comparison of before and after	34

LIST OF TABLES

Table 1. Data collection and sample	7
Table 2. Customers' quality perception - Case 1	11
Table 3. Customers' quality perception - Case 2	11
Table 4. Customers' quality experience vs. expectations - Case 1	12
Table 5. Customers' quality experience vs. expectations - Case 2	12
Table 6. Managers' perceptions of servicescape – Case 1 and Case 2	14
Table 7. The features that have an impact on the perception of servicescape - Case 1..	15
Table 8. The features that have an impact on the perception of servicescape - Case 2..	15

INTERPRETATION OF SERVICES MARKETING CONCEPTS

1 INTRODUCTION

1.1 Research Area

Traditionally, a distinction has been made between manufacturing industries that offer goods and service industries that provide services. Today, such a line cannot be drawn, as service processes are part of all business operations (Gummesson 2002). It is stressed that all organisations provide services, and that services need to be paid attention to as they may add value to the customer regardless of the type of organisation (Grönroos 2007). Another aspect of today is that the industrial structure has undergone a great deal of changes, and hence, the essential roles of services and the service industries are well acknowledged, not least for their impact on economic growth (Hipp and Grupp 2005). Service industries account for an even greater share of wealth and employment; today, it is estimated that services account for 70 % of the BNP and the employment in Finland. In order to develop services, a number of political actions have been taken. One is setting up Serve in 2006, a technology programme managed by Tekes. The program is valid for 5 years, and during that time a sum of 100 millions of euros is invested on various projects aiming among other things at strengthening and diversifying the development of services in Finland.

The study reported here is part of that programme.

1.2 Research Problem

Due to scholarly research a set of theories, concepts, models, methods, and facts have been established that are based on real-life marketing phenomena (Ottesen and Gronhaug 2004, Gronhaug 2002). An initial aim of these studies has been to produce marketing knowledge as a base for successful business operation, i.e. for efficiency and improvement of productivity. Thus, an assumption has been that this knowledge would be applied by marketing practitioners and within organisations (Ottesen and Gronhaug 2004).

Due to the fact that services have a considerable role on several levels of the society and due to its presumable benefits, from employment of individuals to providing potential for a more affluent society, it is essential to understand how such knowledge is applied within organisations. In fact, research claims that marketing practitioners do not in general exploit scholarly marketing knowledge (e.g. Gray et al. 2005, Ottesen and Gronhaug 2004). However, if it is exploited, it can be used at different levels, namely instrumentally, conceptually, and symbolically (Menon and Varadarajan 1992). Instrumental use means that knowledge is directly applied within organisations to solve problems, including operational use, and strategical definition of essential concepts. Conceptual use means a less direct and more an indirect use of knowledge, where organisations do not recognise the benefits of using the knowledge instrumentally, but rather use it as illumination of the knowledge base in general. Symbolic use of knowledge refers to a type of misuse of knowledge. This means that conceptual knowledge is, for example oversimplified or the context is not taken into consideration.

The study reported here focuses on the marketing knowledge within the field of services marketing. Hence, even if knowledge about services-oriented principles and marketing of services is based on empirical research, it is not known how these marketing theories, concepts, and models are in fact applied.

1.3 Aim of the study

The aim of this study is to map how services marketing knowledge is applied by marketing practitioners and within organisations. The study focuses on four essential concepts of services marketing knowledge referred also simply to as themes, namely

- Service quality
- Servicescape
- Internal marketing
- Augmented service offering

In order to fulfil its main purpose the study aims at identifying the current state of marketing knowledge in four case organisations, i.e. how knowledge about the four themes are understood and on which level they are applied, i.e. instrumental, conceptual or symbolic level. The study aims also at contributing to a beneficial use of the marketing knowledge by suggesting why and how marketing knowledge should be utilised. The conclusions drawn are not only based on information received from managers, but the study also reveals evidence gained from employees and customers.

2 THEORETICAL FRAMEWORK

Services have several unique characteristics that distinguish them from physical goods, meaning that knowledge about goods cannot be transferred to understand services. Particularly such characteristics as the simultaneous process of production, distribution, and consumption as well as services being intangible and heterogeneous describe services (Grönroos 2007). Further, such characteristics as services being activities or processes, customer participation in the production of services, and the interaction between the organisation and the customer define services (Grönroos 2007). A service being a process means that the customer experience and the production of the service cannot be separated from each other. This is due to the fact that a service is experienced at the same time as the service production is taking place. As a consequence, a service indicates that the customer participates actively as a co-producer in the production of the service. Customer participation indicates that a service can take many forms within the same service organisation. This means that service experiences vary as services are experienced subjectively. As a consequence, a single service may lead to various quality perceptions. Nevertheless, it is essential to emphasise the role of these characteristics as they have implications for services-oriented principles and marketing of services, and consequently also for the understanding of conceptual knowledge of services and themes discussed in this study.

The four themes of the study are closely connected to each other, and they are all part of the service process. Hence, they should all be taken into account in the successful management of services. The first theme is service quality, and it is an essential concept that can be regarded at the same time as indistinct and difficult to measure. Nevertheless, research has produced conceptual knowledge to understand the perception of quality. Here it is referred to as external quality, and it is a customer-oriented concept indicating what quality is composed by and how it is perceived from the customer perspective. The second theme of the study is servicescape, i.e. the environment where the service takes place. It includes characteristics that are present during the service process. According to previous research, one of the preconditions for providing external quality is internal quality, and thus, the third theme; internal marketing discusses service quality from an employee-oriented perspective (Grönroos 2007). Internal marketing indicates serving the customer found within the organisation, namely employees (Bruhn 2003). The fourth theme of the study is the augmented service offering; it defines various means that the organisation must take into consideration in order to provide high external quality. Hence, these means are referred to as preconditions for external service quality.

2.1 Theme 1 - Service Quality

Quality is an essential service concept, since it is an important indicator of customer satisfaction, which again may be related to the success, efficiency, and productivity of the organisation (Bruhn 2003, Parasuraman 2002). Hence, providing service quality is recognised as a strategic tool. In one of the initial studies aiming at conceptualising service quality, Grönroos (1984) distinguishes between technical and functional quality of services. Technical quality is explained as what is provided by the service; i.e. it is the technical outcome resulting from the interaction with the organisation, such as the results of having a meal, or being transported (Grönroos 2007). According to the literature functional quality includes such characteristics as , accessibility, reliability, assurance, tangible, empathy, and responsiveness (Kang and James 2004). Grönroos (2007) specifies that functional quality is influenced by such characteristics of the service provider and its employees as professionalism and skills, attitudes and behaviour, accessibility and flexibility, and reliability and trustworthiness. It is also influenced by the organisations action concerning service recovery, supported by the perception of the servicescape, and influenced by the reputation and credibility of the organisation providing the service (Grönroos 2007). Hence, functional quality is based on the achievement or the excellence of the service process, also explained as how the customer perceives the service process, i.e. the interaction with the organisation (Grönroos 2007). Eventually, the experienced technical and functional qualities create an image of the organisation and thus, the image as an intangible aspect of the organisation also influences the experienced quality. For example, a positive image of the organisation means that the customer is more willing to accept poorer service quality temporarily than in the case of a negative image of the organisation.

Perceived service quality, however, is not only based on the actual experiences, as expectations of the services also have an impact on quality perceptions. For example, Parasuraman et al. (1991) put forward that expectations can be distinguished into five dimensions: reliability, tangibles, responsiveness, assurance, and empathy. Accordingly, expectations of the service are related to the ability of the organisation to provide the

service as promised, to physical aspects such as servicescape, willingness to serve the customer, the commitment of the organisation to provide the promised service, and the sense of caring in providing the service.

2.2 Theme 2 - Servicescape

Many studies have witnessed that the retail environment can substantially influence customers (e.g. Turley and Milliman 2000, Bitner 1992). Literature refers to this phenomenon, depending on research stream, as atmospherics, shopping environment, or servicescape. In this study we focus on the concept of servicescape, which refers to the physical setting where the service takes place, i.e. where the service is produced, distributed, and consumed.

Cova and Aubert-Gamet (1999) suggest that the role of the retail environment and the physical setting increases due to the level of intangibility of the service. One of the rationales behind this reasoning is that customers need the physical evidence for assessing the quality of a service, and that the physical retail environment functions as a cue for that (Shostack 1977). This means that the environment has an instrumental impact on customers' assessment of service quality (Cova and Aubert-Gamet 1999).

Several taxonomies and frameworks exist on the characteristics of the servicescape, even if most are about the physical dimensions or features of the retail environment (Tombs and McColl-Kennedy 2003). For example, Turley and Milliman (2000) suggest a classification of exterior, general interior, store layout, interior displays, and human variables. The classes include such features as parking, entrances, lighting, sounds, traffic flow, departments, product displays, posters, crowding and for example employee clothing. In addition to physical dimensions research acknowledges that the perception of the servicescape and the service quality is influenced by such characteristics as personal experiences, and spatial context. Personal experiences refer to social aspects such as the perceived image that the customer has of the organisation. It also includes such aspects as the customer's mood, which according to research determines in some respect how the customer perceives the servicescape (Namasivayam and Mattila 2007). Spatial context is an abstract dimension of the servicescape, and it refers to spatial aspects of the retail environment. For example, according to Aubert-Gamet (1997) such physical features of the servicescape as internal layout may lead to a sense of crowding or spaciousness, which can have an impact on the perceptions of the servicescape and behavioural intentions.

2.3 Theme 3 - Internal marketing

The concept of internal marketing is based on regarding employees as customers, and jobs as services for improving external service quality (Ahmed et al. 2003). Thus, employees' welfare, satisfaction, motivation, and efficiency are central concepts of internal marketing. Internal marketing involves processes, such as rewarding employees in order to create and support service-oriented behaviour and customer-oriented attitudes in the organisation. It includes communication that the organisation provides in order to create ways of acting in a service-oriented manner and to foster customer-oriented thinking in the organisation. Further, internal marketing comprises training, for example. Accordingly, it can be implied that a prerequisite for internal marketing is leadership-oriented management, which means setting up goals and guidelines,

delegation of responsibility in an organisational climate of open communication (Grönroos 2007).

Even if the fundamentals of internal marketing are shared, several definitions and taxonomies exist on internal marketing. According to Grönroos (2007), internal marketing means acting upon employees as if they were customers. It means providing quality to the customers found within the organisation, namely the employees. It also means creating customer consciousness among employees and supporting interactive marketing (Grönroos 2007). Internal marketing indicates that the employees are regarded as part of the strategy of the organisation. This means that the organisation invests in the employees, and considers that they and their knowledge is the most essential resource of the organisation. As said, internal quality is regarded as one of the prerequisites for providing quality for the external customer, and eventually for gaining financial success (Grönroos 2007). Internal marketing is indeed acknowledged as a means of providing external quality. Still, due to the several definitions on internal marketing, no agreement exists on what underlying principles and processes should be implemented in internal marketing. Accordingly, no unified framework exists (Ballantyne 2000). However, research emphasises that internal marketing should involve such practices and processes as information, communication, training, education, motivation, HRM, involvement (Grönroos 2007, Ballantyne 2000, Gummesson 1991), integration, commitment, clarity of purpose, coherence, focus (Ahmed and Rafiq 2003), empowerment, top-management support, physical environment, and inter-functional co-ordination (Ahmed et al. 2003). Ballantyne (2000) stresses the aims of the processes and practices as means for developing of knowledge.

2.4 Theme 4 - Augmented service offering

The augmented service offering is an approach to understand what adds value to the core service. It is also defined as a means to provide external quality or to create the perception of external quality. Hence, as an approach the augmented service offering defines practices or processes that must be taken into consideration by the organisation in order to be able to enhance the offering in a way that creates value for the external customers.

In order to create understanding of how to enhance the offering, Grönroos (1990) distinguishes between the core service and supplementary services. The core service relates to the primary service or benefit that the customer receives from the service. It is also defined as being the fundamental reason for why the organisation is in the business, for example transportation for an airline. The supplementary or peripheral services are defined as being enabling (facilitating) and enhancing (supporting) services, such as baggage storage and catering during the flight.

The augmented service offering encompasses various features, such as the accessibility of the service (e.g. skilled employees, suitable office hours), the quality of customer's interaction with the organisation and its employees, and customer's participation and activation in the service process (e.g. kindness, politeness) (Grönroos 2007, Storey and Easingwood 1998).

In addition to paying attention to the various features that constitute the augmented service, some preconditions must be met. The preconditions or management practices within the organisations have an impact on how customers' perceive the service and the augmented service offering. Hence, they influence customers'

perceptions of service quality, even though customers typically are not aware of them. Accordingly, in order to augment the service offering in a way that adds value for the customer the following prerequisites must be met, i.e. the practices of customer orientation, the creation of a service system, internal marketing (also discussed separately as a theme), and relationship marketing (Grönroos 2007).

In short, customer orientation indicates that the organisation focuses practices and processes on the needs of the external customers. For example, it requires knowing who the customers are, why they are customers, and being aware of their needs and behaviours. Hence, customer orientation is regarded as a strategic advantage in achieving the objectives of customer satisfaction and loyalty (Grönroos 2007, Wren et al. 2000). In order to create a service system that responds to customer needs, Normann (2000) suggests the service system to be regarded from a holistic perspective. It means describing why and how the service works. It means, for example, identification of targeted customers, definition of the provided service including its values, and recognising the resources and actions of the employees, customers, and technology that interact in the service processes. Internal marketing (the third theme of the study) constitutes a strategy for regarding the internal customers, i.e. the employees, as a means for providing external quality. Hence, it is a prerequisite for providing quality for the external customers. Relationship marketing indicates basically regarding the customers as partners with whom the company creates mutual value from a longitudinal perspective (Grönroos 1997). Trust, mutual benefits, and fulfilment of promises are key aspects of relationship marketing. Ford et al. (1998) point out that relationship marketing means creating, developing, and steering customer relationships. It is based on continuous interactions instead of single events. Hence, the core is to establish functional relationships with the customers in order to ease co-operation, and eventually create customer loyalty.

3. EMPIRICAL RESEARCH PROCESS

3.1 Case study approach

The focal study was conducted with the case study approach. The approach offers insights into a phenomenon as seen by those involved in the research. The core of the approach is an in-depth focus on a particular phenomenon within a real-life context (Yin 1994). The approach is preferred when “how” and “why” questions are posed (Sayed 2006). The aim of the current study was to investigate how conceptual services marketing knowledge is understood and used by organisations. Further, as the research problem is exploratory, descriptive, and organisational, the selected approach was perceived as appropriate. Since the aim was related to the service sector, multiple case companies representing different services were employed, and each case was examined in-depth. This approach was helpful for fulfilling the aims of the study and for establishing an understanding of the studied phenomenon.

The study involved four case companies. According to Eisenhardt (1989) a suitable number of cases are between four and ten. If they are less, it may be difficult to identify patterns, and if they are more, the volume of data may become unmanageable. The selection of the cases was purposive, and the chosen cases had both common as well as differentiating characteristics. Firstly, all organisations were involved in

providing services for their customers. In two of the cases the customer was a consumer, i.e. B-C, and in the two other cases the customer was another organisation, i.e. B-B. Secondly, the organisations represented four different types of business operations and services: delivery and logistics services, food sector, professional services, and transport-related retailing, service, and maintenance. Thirdly, the case organisations were all involved in sectors where business operations are based on human resources. Fourthly, each organisation is a major player and market leader within its own sector when it comes to the knowledge base or as measured in sales.

Case studies can employ various methodologies. This study is based on interviews, a questionnaire-based survey, and secondary data, such as written instructions given for the employees. Accordingly, the purpose of using various methodologies was to provide more rigorous findings. The participants of the study included managers, employees, and customers. Data collection is depicted in Table 1.

Table 1. *Data collection and sample*

		CASE 1		CASE 2		CASE 3		CASE 4	
		Theme 1	Theme 2	Theme 1	Theme 2	Theme 3	Theme 4	Theme 3	Theme 4
MANAGERS	Interview	5 respondents		7 respondents		5 respondents		4 respondents	
EMPLOYEES	Interview					4 resp.		7 resp.	
CUSTOMERS	Interview						4 resp.		5 resp.
	Survey								
		182 resp.							

Case companies 1 and 2 function in the B-to-C sector, case 1 providing delivery and logistics services, and case 2 operating within the food sector. Cases 3 and 4 are B-to-B companies; case 3 can be characterised as being a professional service organisation providing knowledge-intensive services, and case 4 deals with transport-related retailing, service, and maintenance. The different themes were assigned to the cases as follows: Conceptualisation of service quality (Theme 1) and Servicescape (Theme 2) were studied in the B-to-C organisations (cases 1+2). This was considered to be appropriate since service quality and servicescape play an important role in satisfying end customers that experience service quality at first hand, and are in frequent contact with the physical resources. Internal marketing (Theme 3) and augmented service offering (Theme 4) were studied in the B-to-B organisations (cases 3+4). Here, we aimed to assess to what degree internal marketing was taking place, as well as the extent to which the augmented service offering fulfilled customer needs.

As Table 1 indicates, service quality and servicescape (Themes 1 and 2) were studied by interviewing 12 managers and conducting a survey with 182 customers. Studying the state of internal marketing (Theme 3) included data from interviews with 9 managers and 11 employees. Examining the augmented service offering (Theme 4) involved interviewing 9 managers and 9 customers.

3.2 Interviews

Interviews were conducted by using purposeful sampling. Snowball sampling technique was utilised to come into contact with gatekeepers, simultaneously aiming at recruiting a wide range of participants. This technique is helpful particularly for interviewing participants of an organisation, when the researcher has limited knowledge about the organisation, has problems in contacting participants, when confidential information is sought for, and when the researcher wants to secure that the participants are located in different positions within the organisation (Jadenska and Kraimer 2005)

We interviewed a range of managers, employees, and customers to ensure various reflections and to establish current perspectives on the themes and key issues of the study. Managers were interviewed as they can provide insights about the organisational perspectives on the conceptual knowledge. Employees, on the other hand, are those who in fact employ the knowledge. Customers are those who consume the service and hence, perceive the conceptual knowledge in practice, i.e. through the interaction with the services provided by the organisations. Interviews were carried out in-depth and individually face-to-face, via telephone, and by questioning via e-mail. We drafted interview guidelines in order to ensure consistent interviewing procedure. The guidelines were related to the conceptual themes of study, and were all rooted in the aims to investigate the defined key issues. The interviews lasted from 30 to 120 minutes: an average being 100 minutes. A total of 41 interviews were conducted.

In interviews with the managers of the case organisations, two themes were encompassed (themes 1+2 or themes 3+4), and a total number of 21 managers in four case organisations were interviewed (5+7/5+4). Interviews encompassing theme 3, internal marketing, were conducted with 11 employees of two case (3+4) organisations. The augmented service offering was investigated by interviewing a total of nine B-B customers (cases 3+4). All interviews were recorded, transcribed, coded, and structured according to the interview guidelines. Analysis was performed and patterns were identified. A copy of an interview guide is attached (see Appendix 1).

3.3 Survey

A questionnaire-based survey was used in order to perceive customer perceptions in the context of a retail environment (customers of case companies 1+2). The survey covered the themes service quality and servicescape, i.e. themes 1 and 2.

The questionnaire was developed based on theory, and was further improved with insights received from the qualitative interviews with managers. The initial section of the questionnaire requested information about demographic information, such as gender and age. The theme of service quality was measured by a question that was filled in by stating a preference from 1 to 7 for a range of characteristics assumed to be related to service quality perceptions. Service quality was also covered by questions probing for customers' quality expectations that existed prior to the interaction with the service provider and consumption of the service, and quality experience after the consumption. These questions were measured on a five-point scale, ranging from strongly disagree to strongly agree. The theme of servicescape was covered by questions aiming at assessing the perception of the servicescape and features having an impact on this perception. These questions were measured on a five-point scale. A draft questionnaire was

pretested on 20 respondents. Some minor modifications were made, and a revised questionnaire was distributed.

The sample that participated in this study consists of customers of two case companies. In other words, only customers that consumed the service in question were asked to participate in the study. Data was collected at six retail environments concerning case 1 and at five service points concerning case 2. A total number of 182 respondents filled the self-administered questionnaire. Of these respondents, 65 percent were female, and the average age was 39.

Data was analysed using descriptive statistical analysis. By using this technique, the study attempted to comprehend how service quality and servicescape were perceived. In addition to descriptive analysis, Wilcoxon signed-ranks test is used. Wilcoxon test involves comparisons of differences between measurements, meaning that it requires that the data is measured at an interval such as before and after. In this study, Wilcoxon signed-ranks test was used to assess changes between service quality expectations and service quality experience due to before and after service consumption. This is a non-parametric statistical technique, and it is used when there is no hypothesis testing as such, and the data do not meet the distribution requirements for parametric tests. In fact, null hypothesis is that no changes appear. Thus, it does not require assumptions about the form of the distribution of the measurements. It should therefore be used whenever the distributional assumptions that underlie the *t*-test cannot be satisfied.

4. CURRENT STATE OF CONCEPTUAL KNOWLEDGE

The aim of the study is to identify the state of conceptual knowledge in organisations, i.e. how managers understand and utilise conceptual service marketing knowledge. Such knowledge is expected to be mirrored in customer perceptions – internal or external. In order to bring deeper understanding to the four themes under study, we will discuss either how customers perceive the themes or how employees perceive them, depending on the theme. In other words, the themes will include empirical evidence from manager–customer perspectives or manager–employee perspectives.

4.1 The concept of service quality

The concept of service quality is reviewed through evidence received from interviewing managers and through customer surveys.

The manager perspective

Service quality is approached by looking at how the organisations perceive the customers and how the organisations regard quality. First, here are some expressions that describe how the managers of the two organisations **perceive the customers**.

The most essential thing is that customers get what they want. It is the customer that decides what the case 1 is´

The customer knows what she will receive from us´

‘Customer perspective and taking into account customers needs is THE THING’

The following expressions describe how the managers **regard quality**.

'Quality is linked to the product, raw-material, customer service at the point of sale, cleanliness, and advertisement'

'If everything ok, the sales person is awake, is clean and smiles, and the environment is clean and steady, that is quality and that is what is important to the customer'

'...Quality means reliability. How nicely you smile to a customer is of secondary importance'

'Customer service is one part of training. That is the core of the business'

'If we indicate in advertisements that the employees smile... Then quality means that the employees will smile'

'Fastness is one essential characteristic'

In general it can be concluded that the organisations were service-oriented, having introduced a customer orientation in the business. This emerged not only from the comments expressed by the managers, but also from the written instructions provided for the employees. In these written instructions the organisations have described, for example, in detail customer service processes.

The concept of quality turned out to be easy to comprehend and express. Further, as the examples above show, quality aspects of services, and the role of service quality for the business are well acknowledged by the organisations. Further, the quality aspect of services is indeed also paid attention to. This means that actions were taken aiming at providing external quality, for example, by training the employees. However, we found several deficiencies. First of all, even if actions for ensuring high service quality were taken, the concept of quality was not defined in the organisations. Quality was most often described as indicating reliability, steady level of service, close customer relationships, confidence, and fastness of service. As it appears, the perspective of the quality concept is wide and abstract. Second, it turned out that service quality was in fact in some respect related to the core customer service. This means that providing customer service was perceived as an activity that by itself indicated service quality. Third, due to the shortcomings mentioned above it also seemed that product and service quality were not distinguished from each other. Fourth, even if the customer's role was acknowledged, quality perceptions from the consumer's perspective were not always dealt with. This was manifested in the written instruction, i.e. business manuscript of one of the case companies.

The customer perspective

Here we discuss the aspects related to how the consumer perceived quality, and what characteristics constituted consumers' service quality perceptions. First, descriptive statistics for both cases are discussed. The statistics are displayed in tables 2 – 5. Second, the results from Wilcoxon test are examined. Tables 2 and 3 show how customers have stated their preference according to seven service characteristics. Some of the characteristics are those that the case organisations assume consumers' quality perceptions are based on, whereas others are based on findings from previous research. Tables 4 and 5 show the relation between customer expectations and experiences regarding the seven characteristics. The tables depict how the customers perceived the

service, and these results are based on the Wilcoxon test reported in appendix 2 (experiences vs. exceptions).¹

Table 2. *Customers' quality perception - Case 1*

	N	Max	Min	Mean	Rank order	Std. Deviation
Fastness and flexibility	85	6	1	2,48	1	1,444
Reliability	88	7	1	2,75	2	1,464
Professionalism and skills	88	7	1	2,91	3	1,544
Customer service	88	7	1	3,24	4	1,661
Service recovery	83	7	1	4,99	5	1,542
Servicescape	84	7	1	5,45	6	1,134
Advertisements	86	7	1	6,03	7	1,530
Valid N (listwise)	83					

Table 3. *Customers' quality perception - Case 2*

	N	Max	Min	Mean	Rank order	Std. Deviation
Fastness and flexibility	86	7	1	2,38	1	1,312
Reliability	89	6	1	2,15	2	1,361
Professionalism and skills	84	7	1	3,19	3	1,266
Customer service	90	6	1	3,28	4	1,683
Service recovery	84	7	2	5,00	5	1,053
Servicescape	85	7	2	5,39	6	1,372
Advertisements	89	7	3	6,38	7	1,133
Valid N (listwise)	82					

To begin with, the statistics for both cases show comparable order of preferences for the characteristics tested. The statistics also show that in both cases, the strongest quality perceptions were related to fastness and flexibility, and reliability. However, the tables also show that customers valued professional and skilled employees almost to the same extent as the first two characteristics. The preference order shows that service recovery was not ranked as high as customer service. Servicescape and advertisements were stated to be the least preferred characteristics. The reader must note that the tables show an order of preference. Thus, it does not mean that service recovery, for example, is not essential for the quality perception. It shows that in these two cases fastness and reliability were perceived to be more essential for the quality perception than service recovery. The reader should also note that the characteristics tested for are limited to predefined classes. Further, some characteristics have an impact, which the consumer may not always be aware of. For example, servicescape and advertisements contain features that may have an impact, which is not obvious to the consumer.

¹ A negative ranking in Appendix 2 indicates that the experience was lower than the expectation, i.e. n-sum of customers perceived quality disappointment concerning the feature in question. The positive ranking indicates that the experience surpassed expectation resulting in a positive perception of the tested feature.

Table 4. *Customers' quality experience vs. expectations - Case 1*

	Experience was higher than expected	Experience was lower than expected	Experience = expectation	Total %
The service was fast and flexibility	35	18	47	100
The service was reliable	32	14	54	100
The employees were professional and competent	33	19	48	100
Customer service was polite and sympathetic	33	16	51	100
Service recovery was appropriate	37	20	43	100
The servicescape was functional and pleasant	20	22	58	100
Service expected due to advertisements was fulfilled	28	1	71	100

Table 5. *Customers' quality experience vs. expectations - Case 2*

	Experience was higher than expected	Experience was lower than expected	Experience = expectation	Total %
The service was fast and flexibility	35	22	43	100
The service was reliable	32	14	54	100
The employees were professional and competent	30	21	49	100
Customer service was polite and sympathetic	60	22	18	100
Service recovery was appropriate	32	17	51	100
The servicescape was functional and pleasant	18	25	57	100
Service expected due to advertisements was fulfilled	25	16	59	100

According to the findings, customers did in general experience what they expected. Thus, about half of the customers could rely on their expectations to predict what to experience from the interaction with the service providers. It also shows that every third customer was in fact positively surprised by the experience. This means that their perception of experience exceeded their expectations. However, in order to improve the quality of the service, attention should be paid to the middle column that shows the characteristics of the service that were in fact lower than expected. Hence, it appears that in average every fifth customer was in fact disappointed with the service quality. Further, it is essential to note that even if every third customer seemed to be pleased with the experience, it does not mean that the service should not be improved. On the contrary, it must be noted that the level of expectation was not revealed by the questionnaire (i.e. a very low expectation can be easily exceeded). When looking at the specific features, it appears for both cases that servicescape was perceived as less functional and pleasant than the customers had expected. This is also true for the perceptions regarding the skills of the employees. The Wilcoxon test reveals that for both cases, service recovery appeared to be a disappointment, meaning that the employees had not responded to customer complaints as expected. In case 2, the survey revealed that fastness and flexibility of the service as well customer service as such have potentials for being improved in order to raise the level of service quality.

4.2 The concept of servicescape

The concept of servicescape is reviewed through evidence gained from interviewing managers and through questioning customers by a survey.

The manager perspective

The concept of servicescape is examined by means of how the case organisations consider the concept of servicescape and how it is taken into account in the business strategy. First, some expressions that describe how the managers of the case organisations perceived the retail environment or the servicescape.

‘Servicescape is the most essential issue’

‘Attractiveness... the enjoyment of the retail environment...’

‘When the customer comes in, sees the environment, and thinks that is the kind of products...’

‘We think about it a great deal. The environment plays such an essential role, and it represents the company and its contact interface to the customers. The face plus functionality plus customer service tells what the company image is’

‘Colours have sort of the most essential role’

‘... the general face ... it is defined somewhere...’

‘In the placement of furniture, we think about clearness and from the consumer point of view, about clearly identified functionality’

Both organisations considered that the retail environment plays an essential role in the business. The written instructions of case 1 defined the use of such detailed characteristics as colours, shapes, and materials. However, when it comes to the functional aspects of the environment more flexibility was allowed. The interviews revealed for both cases that cleanliness was considered as the most essential aspect of the servicescape, having the strongest impact on how the environment was experienced. Further, the two case organisations described servicescape with such characteristics as lightning, music, and fragrance, image through various signboards, social aspects, and service. Accordingly, employees’ role in providing service was indeed considered as an essential aspect having an impact on consumers’ evaluation of the servicescape. In case 2, the written instruction of the organisation not only mentions the characteristics that constitute the servicescape environment, but it also defines some reasons for using these features: their functions, meanings, and benefits. Further, case 2 included into servicescape such features as accessibility, employees, and functionality. In addition, colours were mentioned as a means to create an image of the organisation. Table 6 summarises the manager’s perspectives of the servicescape.

Table 6. *Managers' perceptions of servicescape – Case 1 and Case 2*

	Perceptions Case 1	Perceptions Case 2
Personal experiences, such as social aspects	A part of the service image	A tool to achieve service quality
Physical dimensions of the environment, such as signs	The visual appearance	Image and face of the retail
Spatial context, such as atmospherics	The physical environment	The physical environment in which the customer spends time
Conclusions	Servicescape is perceived as essential. It is often related to image, and perceived as an abstract, and partly as an undefined concept. A plan for servicescape exists, but a strategy for its implementation is lacking.	Servicescape is stated to be an essential part of providing service. A strategy exists, but the shortcoming is its implementation

As it seems the case organisations have slightly different perspectives of servicescape. Case 1 related servicescape more often with adjectives than with concrete substantives. In general servicescape was more linked to a spatial issue, and concrete aspects were seldom mentioned. In case 2, the servicescape was most often connected to concepts such as service image and service quality. Thus, visual features are regarded as tools to create organisational image. Further, servicescape is regarded as a tool to achieve service quality. Servicescape was also defined as a physical environment for customer interaction. Thus, it is regarded as an essential part of providing services.

Even if both case organisations had indeed paid attention to the impact of servicescape, the interviews revealed some shortcomings. First of all, the concept servicescape lacked a clear definition. It seemed that in both cases, the organisations had a holistic view on the concept, which means that the overall view on servicescape was indeed paid attention to. However, specific and detailed features were taken less into consideration. It turned also out that the retail environments were created on the basis of customers' and employees' functional needs. Hence, the environments were not created from the perspective that they would create added value to the service, and hence be part of perceived service quality or the augmented service offering. For example, the distinction between abstract and concrete elements was not clear. The second issue concerns strategy. In case 1, it seems that a plan exists, but an overall strategy for the implementation of servicescape is lacking. This became evident from the fact that employees and customers were not included in the servicescape, even if these two are the most essential aspects constituting it. In case 2, despite the organisation having a strategy for servicescape, the same problems as in case 1 prevail. In other words, a strategy for implementation is lacking. In sum, we could point out shortcomings in the practical aspects of the implementation of strategy and internal marketing (including internal communication) as the major reasons for the problems in both cases. Thus, we conclude that so far, the implementation of the strategy concerning the servicescape in the two case organisations has not been fully successful.

The customer perspective

Here we discuss how the various features tested contribute to customers' perception of the servicescape. These features were sourced from previous research as well as the interviews conducted with case company management. The statistics are displayed in tables 7 - 8.

Table 7. *The features that have an impact on the perception of servicescape - Case 1*

	N	Minimum	Maximum	Mean	Std. Deviation
The place being trendy	76	1	5	2,22	,961
Furnishing	79	1	5	2,77	1,176
Functionality	80	1	5	3,96	1,107
Colours	77	1	5	2,58	,937
Fragrance	78	1	5	2,71	1,033
Cleanliness	80	1	5	3,79	1,040
Humour of the employees	78	1	5	3,00	1,184
Clothing of the employees	78	1	5	2,62	1,119
Fastness of the service	80	1	5	4,20	1,107
Social density	80	1	5	3,43	1,261
Other customers behaviour	80	1	5	3,46	1,282

Table 8. *The features that have an impact on the perception of servicescape - Case 2*

	N	Minimum	Maximum	Mean	Std. Deviation
The place being trendy	82	1	5	2,50	1,033
Furnishing	82	1	5	2,94	,986
Functionality	82	1	5	3,28	,985
Colours	82	1	5	2,71	,949
Fragrance	82	1	5	3,80	,853
Cleanliness	82	2	5	4,04	,949
Humour of the employees	82	1	5	3,41	1,030
Clothing of the employees	82	1	5	2,59	1,143
Fastness of the service	82	1	5	4,20	,895
Social density	81	1	5	3,09	1,063
Other customers behaviour	81	1	5	3,44	1,000

In case 1, the features of fastness, functionality, and cleanliness were appreciated most by customers. In case 2 fastness, cleanliness, and fragrance were perceived as essential aspects of the servicescape. In addition, the behaviour of other customers was emphasised by the customers of both cases. The image of the retail environment being trendy and the clothes of the employees were noted to be of less important.

Particularly the importance of fastness of the provided service in case 2 is interesting. Although the managers stated that the business itself should not be associated with fastness, the evidence shows that customers value fastness, and apparently this feature is closely related to their image of the business.

Next, we investigate the themes internal marketing and augmented service offering with the help of cases 3 and 4, i.e. a professional knowledge service organisation and a transport-related retailing, service and maintenance organisation.

4.3 The concept of internal marketing

The concept of internal marketing is reviewed through evidence gained from interviewing managers and employees. To begin with, the theme is examined by looking at how the concept of internal marketing is defined within the organisations. Then the various methods for fulfilling the perspective of internal marketing are discussed, after which the managers' perspectives of the various activities that internal marketing involves are examined. Finally, employee view on the implementation of internal marketing is examined.

The manager perspective

The **overall managers' perspective** on internal marketing was expressed as follows.

'...internal marketing, yes it is after all much about communication, modification of thoughts and attitudes'

'...internal marketing is of course, i.e. internal networking – interaction, and we gaining the atmosphere, and we knowing what people do.'

The following phrases came up when it came to describing various means to carry out internal marketing in terms of customer orientation, co-operation, and attitudes towards employees. First, **customer orientation**,

'I think... we don't work enough for the customer orientation. It requires more humbleness, and then we would be on the right track...'

'If problems come up, it is both written and unwritten [rule] that one should contact the customer immediately. But the view on 'contacting the customer directly' varies'

'It is not obvious. ... But it is the phenomenon of the new era that one is customer-oriented.'

'Customer orientation means that we listen to the customer's needs and offer our jobs and inputs based on them'

'...a kind of comprehensive thinking is missing'

Expressions on **co-operation**:

'The co-operation between the managers functions well. But the communication and co-operation between ... (the different departments) ... is not so good'

'We have a strongly established culture, but then we have an infrastructure that supports drawing lines' (between different departments)

'There is a lot to do. We have a great deal of meetings ...own departments, the department thinking ... we take care of our own businesses..'

'We all have the same problems, that is that all should achieve the goals, and through co-operation it is easier'

'Many things work best when it goes the unofficial way'

'...one thing that came up was the insignificant interaction, communication and co-operation, and the hopes for increasing them, through the whole organisation, on every level...'

Aspects of the **attitudes towards employees:**

'I would claim that such an attitude, and know-how, and motivation, and enthusiasm of employees is the most central resource. So I would go behind that phrase and look what the employees are, because the employees are not necessarily a resource, if they are feeling ill and things are not as they should be'

'...the resources of an organisation of this kind are the skilful individuals, if their motivation is not in place, then we are in trouble'

In addition very diverging comments came up

'The guys at the floor should not make so many decisions, as they may not understand the value of the customer for the organisation'

'The supervisors have an essential role ... (the employees) have we said should not communicate so much ... as their comments may not be the best possible ones...'

Finally some comments expressing how the managers viewed various **activities, or tools** for implementation of the means of internal marketing:

'...we have various information occasions...'

'...we have constantly various training 'rumbas' where whatever special know-how is trained.'

'We have so-called road-shows, where all employees are involved and develop the operations, and give their view on how to develop.'

'We try to go through all customer feed back'

'We have tried to in payment of wages ... that we would have commission system...'

'...we try arranging internal informative meetings and a little more relaxed meetings and then there are social events, encouragement to attend them. Also instruments and gadgetry are kept in order... That the settings are good, that's what we try to keep on'

'Official information is sent by e-mail through (an internal magazine)...'

'...we are starting a new program, middle management program, which is essential to get new managers from them in the future'

In general it appeared that neither of the case organisations had a strategy for internal marketing that they would have applied. This became evident despite the fact that they considered internal marketing as a means for providing customer satisfaction. However, this does not mean that the organisations would not have recognised aspects of internal marketing. On the contrary, the organisations implemented many of the characteristics concerning the philosophy, methods, and tools discussed in this study.

Both B-to-B case organisations paid attention to customer orientation, and were aware of employees' impact on providing external service quality. Further, each case confirmed the essential roles of co-operation, communication, and training. In addition, the organisations regarded the employees and their knowledge to be their main resources. Hence, many actions were mentioned that enable the implementation of the means to achieve a strategy of internal marketing.

However, one shortcoming is that in the organisations, internal marketing was in fact associated with separate aspects such as internal communication, co-operation, internal information, and internal networking. This means that a defined strategy for viewing internal marketing as an organisational philosophy including methods, and tools for its implementation is lacking within the organisations.

The employee perspective

The employees expressed themselves when it concerned their view of customer orientation, co-operation, employees' attitudes towards the managers, and various tools for the implementation of internal marketing strategy, such as training in the following way.

Customer orientation:

'Sometimes I will call (the customer), if the supervisors do not have time to do that, if I have something that must be fixed... And the thing is that customers trust more what the employee (who does the work) says than what the supervisor does. Many (customers), if supervisors have said something, they still ask and check it (with us).'

Co-operation and employees' view on managers:

'There are people that I do not even know when they come by'

'Exactly the fact that we are categorised in the wrong way: there are the supervision ...salesmen and so on. ... In the circle of acquaintances one can co-operate quite well'

'There are also other cases than me, where the managers do not have a clue...'

'Perhaps the management does not completely understand us, or what we can do with these resources. It is linked to the commercial operations'

'Sometimes there are thanks, but not from the management, but from the colleagues and the different departments'

Finally some comments expressing how the employees viewed various **activities, or tools** for implementation of internal marketing:

'The salary would probably not have any impact, because it's probably too small'

'There should be more training. It is left scarce, and we should get more technical training for this job' (case 4)

'I think that we can quite independently decide whether we want to take part of courses' (case 3)

The conclusion to be drawn is that several gaps can be detected when it comes to the implementation of internal marketing. To begin with, the empowerment of employees when it comes to customer interaction is insufficient. For example, in case 4, employees were not expected to contact customers directly, even if it appeared that they did so when the situation so required. Also, communication appeared to be inadequate. There is respect for the management, and the employees said that they understand the challenges the managers had to meet. However, many employees had a vague picture of what the management in fact does and how it functions. In case 3 the employees mentioned that they assume that the management does not know what the employees do. Further, the employees perceived means for training and education as limited. These conclusions support the deductions made that internal marketing is not implemented in the case organisations.

4.4 The concept of augmented service offering

The concept of augmented service offering is reviewed through evidence obtained from interviewing managers and customers in case organisations 3 and 4. In this study we suggested customer orientation, creation of a service system, internal marketing, and relationship marketing to be preconditions for extending the core service and for providing augmented service offering.

The manager perspective

First, managers' view of being **customer-oriented**:

Customer orientation was discussed as one method for internal marketing, and thus it has been discussed in connection with the previous theme. As it appeared customer orientation was paid attention to in both cases, but it appeared also that it was not entirely implemented in the organisations. The following expressions support the conclusion

'The better our internal operations work, the more time we have for being customer-oriented... It happens that one forgets ... that it is our internal operations that drive us further...'
'...waited for customer to come and buy, but now we have gone much further, but still marketing and active customer contact, there is lot to do ... the whole organisation must be customer-oriented. To realise that it is the customer that pays our salaries. We have to make her life easier, serve, be flexible, and understand things'
'I think it is not in that way ... the customer is not the one ... not even at the manager level it is thought about or defined, that who are our main customers, and should we think about other ways of acting or other customer groups'
'...how we look outside, and modified us sort of to be little more customer friendly and there were the experts and marketing people involved'

Creation of a **service system**

There were several comments related to the issue of service system, i.e. all resources and processes within and actions taken by the organisations to provide services.

'...from placing our service points, opening hours, entering the store, how you are being noticed when you are making an appointment...'
'If we acted really project like, and all follow-ups and systems were in order, it would be more efficient, and probably customer image of us working would improve'
'...type of customer thinking does not yet exist, it has not been dabbled'

Internal marketing

The findings regarding internal marketing have been discussed separately in connection to the theme of internal marketing (see chapter 6.3.) Here, we confine ourselves to stating that neither of the case organisations applied internal marketing as a strategy. In both cases 3 and 4, the concept of internal marketing was related to internal communication and co-operation. In addition, in case 3 it was also linked with internal networking indicating co-operation.

Relationship marketing

The perceptions on relationship marketing were closely related to being customer-oriented.

'Knowing who the customers are, customer groups, segmentation due to soft and hard values, to provide services and products that provide added value to the customer, being organised in a customer-oriented way...'

'The better we know our customers, the wider becomes the area where we can do businesses'

'When one talks about segmentation one should talk about big things, and break it to pieces in order to get the same perspective, but today I think it is too easy to pick on small things, one starts almost to look at individual customers'

'It is the same thing as to send e-mails: it must become ones everyday life...it requires that one works actively and in the long run with the system in order to make it to become a routine and so that it becomes interesting and alive'

'We aim at personal contact because in the future it is easier when one knows the people. It is important to know what they do for living, not only who they are. Then it is much easier to call them and to get little inside information, because in the future they may need services, and then one can be better prepared'

'...it is noted that if they work, long run relationships - that is how the work goes right'

'That could be, one could say that that instructs a little or even obligates partly to keep in touch, it is not for the worse'

The significance of being customer-oriented was acknowledged by the case organisations. In case 4 customer orientation was expressed by means of providing value-based service offering. This appeared to be the case already when business operations were planned, i.e. customer needs came before the product. Accordingly, case 3 defined that customer orientation includes knowing who the customers are, their needs, and their businesses. Case 3 considered customer orientation to be a new concept that has been introduced only lately as means to make the business more efficient. However, it was regarded as a natural way of operation, even if it was stated that it was not obvious that the organisation in fact operated in a customer-oriented manner. Further, it was believed to be a way to take the customer into consideration.

When it comes to defining the service system it turned out that neither of the cases had a clear definition of that. This means that neither case organisation had a clear view of what their service offering was in fact based on, i.e. what characteristics the total service consisted of. In case 3 the managers' view on their service offering was quite diversified. One explanation for this finding is that the service offered to the customer is most often based on customer needs, and a customer orientation is applied in that sense. In case 4 the offering was stated as providing the core product, and services related to that. Hence, a view on service augmentation existed, even if it can be claimed that it is not communicated through the whole organisation. Thus, the means of augmenting the service offering through creating a service system was not implemented. However, many of the elements of service system were paid attention to. For example, the organisations shared the view that the organisation's culture is a critical aspect for how the customers are looked upon by the staff, and for how service-oriented the staff is. Further, the role of information and communication was pointed out. However, technical resources for its implementation were regarded as insufficient in both cases.

The basis of internal marketing is to provide the employees with internal quality in order to be able to provide the customers with external quality. As discussed, several features required for internal marketing existed within the organisations. However, it appeared also that many features of internal marketing were lacking. Nevertheless, the most essential finding was that both organisations lacked a clearly stated strategy for its implementation. As a consequence, the service offering is not augmented from the core service to become service offerings that would add value to the customer.

The core in relationship marketing is to establish functional relationships with the customers in order to ease the co-operation between the organisation and the customer. The reason to create relationships was evident in both cases, i.e. to ease co-operation and interaction with the customers. However, neither of the organisations saw that relationship marketing would create bases for customer commitment, and eventually loyalty.

To conclude it is evident that the concepts discussed are perceived as complex and abstract. The respondents interviewed within the both case organisations had different perceptions and definitions on the practices and processes studied. This indicates that there is no established strategy for implementation of the prerequisites examined in order to augment the service offering.

The customer perspective

Here we will discuss how the customers of the two cases expressed the means of augmenting the service offering, the underlying thought being that augmenting the service offering provides service quality. These are means that the customer is not typically aware of. However, customer expressions indicate that some critical aspects should be taken into account by the organisations.

Being customer-oriented

The following comments express how the customer felt about the degree of customer orientation of the organisations.

- '...They do not serve the customer. They work on their own terms. Not on customers' conditions...'
- 'Their way of acting is completely comparable with Finnish consulting firms'
- 'I do not feel the need to increase it (being customer-oriented). And the expertise is the most important'
- 'Somewhat customer-oriented. They acknowledge customer needs quite well'
- 'Their customer orientation is rather biased. They take care of the customer when it comes to serving the customer with their own knowledge. They could be more customer-oriented...'
- 'The discussions on customer needs are most often only related to particular projects in negotiating offers and deals'

Providing a service system

Some shortcomings were paid attention to regarding the service the organisation provided. One deficiency pointed out by the customers of case 4 was that the various departments do not seem to co-operate. This means that the organisation does not view their business from a holistic perspective, i.e. as a service system.

Internal marketing

One aspect of internal marketing not only pointed out by the managers but also noted by the customers was the lack of skilled staff. This notion was particularly related to case 4. Hence, following comments appeared

'I do not know where it goes wrong. Don't they have time, do they have too much work. I do not know...'

'...In other words the problem is recognised, so why are there always too few men. Always too little resources ... they know that an order will be wrong ... and still there is too little staff...'

'It is not my business that there is no one to do the work. I cannot call my customers and tell them that I won't work today because I do not have a driver. I have to find one'

Relationship marketing

Basically customers felt that they were treated with respect. However, customers felt also that co-operation and communication could be more active from the service-provider's side. This is valid for both cases.

'They should be more active. Usually I contact them. Perhaps once a year. Usually I call them' 'A good example is that a letter may come ... we invite you ... because we have noted that such a problem has existed'

'if someone would come and say that we have investigated that you would probably need...that would make a big impact on me, because then I would feel that they have made their homework...'

'So far very little. The traffic is usually the other way around...'

'The delivery of general ... information is insufficient; of course if you asked you would get the information. Information could be spread for example at customer happenings or written...'

In general, customers were quite pleased with the core products or services that the organisations provide, i.e. the expertise when it came to case 3 and the physical product in case 4. Hence, the customers did not have any complaints when it came to the core for why the organisations are in the business. The products and services were considered as reliable, and they were in fact perceived to be better than competitors'.

However, there is a shortcoming related to extending the product or service to include services that add value to the core offering. Augmentation of services was not implemented in any of the cases. In case 3 the customer perceived participation in and interaction with customers in the service process, for example, through delivering information as insufficient. It appeared that the customers would appreciate more active integration through co-operation. For example, collecting feedback was suggested as means for that. The customers of case 4 perceived particularly that the actions taken by the organisation after the purchase of the core product were insufficient. Hence, the businesses of the organisation revolve around the core service. Actions that support the service and facilitate it were not implemented as expected by the customers.

To conclude, the customers perceived in both cases that the service providers were somewhat passive, and hence more active co-operation could be beneficial in order to create and maintain relationships.

5. FINAL CONSIDERATIONS

The study aimed at mapping how service marketing knowledge is applied as means for managing a service business by marketing practitioners and within organisations. As previous research has claimed, practitioners do not exploit such knowledge (e.g. Ottesen and Gronhaug 2004). This study supports that claim.

All our case organisations were currently developing in a service-oriented and customer-oriented direction, although the level of service orientation and customer orientation varied between the organisations. This means that they all recognised service orientation and customer orientation as means for improved performance, even if some organisations had longer traditions in addressing the importance of providing services, whereas some had only recently introduced a services perspective in the organisation. The same goes for the focus on customers' needs. Hence, some organisations had focused on responding to customer needs for a longer time, whereas some had only lately begun to include customer perspectives in their business. Thus, actions were taken by all organisations for achieving the aims set.

We found that some of the investigated themes or the fundamental principles behind the conceptual knowledge, such as internal marketing were not used at all in the organisations, whereas some elements of the investigated themes were acknowledged, such as the role of training of employees as practice of internal marketing. Another essential finding was that as all concepts were not acknowledged, gaps for successfully providing external service quality was detected, such as the link between internal and external quality. Hence, we have further concluded that a holistic view is missing. For example, due to the lack of a holistic view on how the maintenance of high internal quality enhances the external quality, actions to enhance the motivation for customer-oriented behaviours among the employees were less effective. This means that the negative consequences of a lacking understanding of the strategic and holistic role of the conceptual knowledge of internal marketing could clearly be observed.

In order to get a deeper understanding of the utilisation of the concepts investigated, the study collected data from the customers or employees, depending on the theme. Hence, the comparisons of manager – customer perspectives or manager – employee perspectives reveal several deficiencies in the utilisation of service marketing knowledge in the case organisations. The main concern that rises is the fact that there is room for quality improvement in each case. For example, this turned out to be true when it comes to defining service quality and specifying customers' quality perception and determining what constitutes the servicescapes in cases 1 and 2, as well as introducing internal marketing and augmenting the service offerings in cases 3 and 4. Even though many identical perceptions existed, manager – customer perspectives and manager – employee views varied in many respects. The deviating perceptions concerned, for example, the servicescape element of cleanliness. Managers stated that it is a key issue of service quality, and an element of the servicescape. Still, living up to the means of cleanliness was experienced as insufficient by the employees. Further, consumers stated that the experienced service recovery was an essential aspect of service quality, yet recovery of problems was poorly managed. In fact, this was an element not pointed out by managers at all. Managers as well as customers pointed out training as a key issue of providing service quality; but the employees felt they were not trained enough.

Accordingly, we found that several of the practices and processes examined in this study were acknowledged within the organisations. This means, for example, that some of the issues investigated were not only acknowledged within the organisation but they were in fact used, even if with another conceptual label. This concerns, for example, the conceptual themes of service quality and servicescape. However, we have highlighted shortcomings, due to which we have concluded that the implementation of the various practices and processes examined has yet not been fully successful. Thus, we have pointed out limitations to consider, gaps to fill, and barriers to overcome. The shortcomings and problems detected were at least in some respect related to the fact that the understanding and utilisation of conceptual knowledge of services-oriented principles and marketing of services were non-existent, limited to an extent, or even inaccurate.

We have stressed that marketing knowledge can be used on different levels, i.e. instrumental, conceptual, and symbolic (Menon and Varadarajan 1992). Hence, we maintain that the established service marketing knowledge was, first of all, utilised symbolically. We observed that same concepts were used with various meanings within the same organisations. This means that accurate and clear definitions of the concepts were lacking. Thus, we could detect confusion and miscommunication within the organisations and fragmented implementation of the conceptual knowledge. Second, conceptual use of the concepts studied could also be detected, which means that the conceptual knowledge was used as an abstract illumination. Past research supports that such wide application can be beneficial. However, the issue is that in using abstract concepts, the organisation may run into the problems mentioned above, i.e. that all members of the organisation do not understand the concepts. Hence, the result may be confusion and miscommunication, somewhat comparative to using the concepts symbolically, i.e. with the wrong content. Hence, in order to operationally exploit existing conceptual knowledge, such knowledge should be translated into concrete definitions and systematically instrumentalised in relation to the organisation's own business. This means developing performances that are not based on ad-hoc principles. Instead they are proactively based on clear conceptual statements that are communicated to the whole organisation. In addition, a successful exploitation of conceptual knowledge requires that the organisations understand where the knowledge is used.

The study has explored and analysed the current use of service marketing knowledge, and the findings suggest that there are several improvements to make. We have not attempted to give instructions on how to proceed in order to improve performance, even if some considerations have been put forward. Instead, we aimed at identifying limitations, gaps, and barriers that hinder successful implementation of conceptual knowledge, as we believe that an in-depth examination of these issues will provide some solutions. Conceptual knowledge is a structured means to express aspects of real-life marketing phenomena, but it should be seen concretely. We found that marketing knowledge was not utilised instrumentally or operationally nor was it defined strategically. In other words, a taxonomy explaining and defining the concepts of service quality, servicescape, internal marketing, and augmented service offering did not exist in the organisations. Quite clearly this has had a negative impact on the effective development of, for example, quality and the physical setting of the service processes. Similar negative effects can be seen in the context of developing service offerings. When an understanding of the holistic nature of an augmented service

offering is not present in the organisation, consistent and customer-oriented offerings (service offerings) are not created.

The question that rises is why organisations translate conceptual knowledge to a level of abstraction that leads to confusion, miscommunication, and fragmented implementation. Questions that also remain for further studies is why such translation takes place, and why organisations do not implement conceptual service marketing knowledge as intended.

6. MANAGERIAL LESSONS TO BE LEARNED

According to the literature a number of reasons can be established why conceptual knowledge is beneficial and why it should be utilised by practitioners and within organisations (e.g. Dacko 2006, Ottesen and Gronhaug 2004, Menon and Varadarajan 1992)

First of all, conceptual knowledge may provide a common base for understanding many aspects of doing business, i.e.

- Help to raise relevant and important questions
- Provide explanations, predictions, and understanding of various issues
- Provide a broader base for understanding problems

Second, it may function as a tool for

- Categorising, interpreting, and understanding data in order to be able to distinguish relevant information from unimportant information
- Avoiding information overload

Third, conceptual knowledge can be beneficial for making decisions. Hence, conceptual knowledge can

- Be used to illuminate and guide important decisions
- Reduce uncertainties
- Increase trust in making decisions
- Help making better decisions
- Reinforce the commitment to a decision

Fourth, conceptual knowledge may provide trustworthiness, i.e.

- Convince or neutralise criticism
- Promote support

6.1 Service quality – a perception of excellence

The quality aspect of services was something that each case organisation aimed at. This means that the significance of providing service quality was acknowledged in all organisations. However, it appeared that it was not at all clear to managers what

constitutes high-perceived service quality. Hence, we claim that on one hand, the definition of service quality was inadequate. On the other hand, we also question whether managers' impressions of the customers' quality perception match customers' actual perceptions.

Our conclusion is that the two (manager vs. customer) perceptions did not match completely. In other words, the case organisations did not entirely understand what their customers' quality perceptions were based on. Thus, we stress that in order to create offerings with a high quality some clarifications must be made in the organisations. First of all, the organisations should define quality as a holistic concept. Second, the constituents of the service process should be specified. This means that the organisation should understand how the customer participates in and interacts with the service process. It also includes defining the various phases of the process. In other words, an understanding of the process enables structuring the service process, and hence, managing it. It is essential to point out that structuring the process in order to, for example, be able to duplicate the service process does not mean that the service provided would not be based on customers needs. On the contrary, successful provision of services requires that customers' needs are the core of the service. Third, after the process is defined, the organisation should determine how the various characteristics of the process contribute to the quality perception. For example, fastness and reliability were essential aspects of service quality as mentioned by customers, but also recognised by managers and employees. However, as customer expectations concerning fastness and reliability were not always met, customer disappointment followed. Further, more active integration and co-operation as means for improving external service quality (in terms of co-operations between functions and processes in the organisations) were called for by customers in cases 3 and 4. According to the customers, these were not paid attention to.

To conclude, the organisations would benefit from defining the concepts of service quality and service processes, and from determining the various features that have an impact on quality perceptions. This does not only mean that the factors affecting customers' quality perception are defined, but that the service process itself is thoroughly understood. It means translating quality expectations into concrete actions of the entire organisation that aim at meeting these expectations. It presumes clear action statements that are communicated throughout the organisation.

6.2 Managing the servicescape as means of providing service quality

A great deal of money is spent on designing and redesigning retail environments. According to past research, the physical setting functions as a tangible cue that has an impact on customers' quality perceptions. Still, previous research claims (e.g. Aubert-Gamet and Cova 1999) that service providers have little understanding of the impact of the physical environment on consumers' behaviour. The findings of this study support that claim.

The impact of servicescape on service quality perceptions was acknowledged by the case organisations of this study. However, as it appeared the various aspects or characteristics of the servicescape that influence customers' quality perception were not specified. Therefore, we argue that the understanding of the concept of servicescape was inadequate. On one hand, it appeared that the various features of the servicescape were determined to a limited extent if at all. On the other hand, it appeared that when

specifications were made, managers and employees had differing views of how the servicescape was specified and this had negative effects on the planning process and on the servicescape that in fact was developed. Apparently this resulted in varying implementations of the written instructions. We have to question whether a limited or incomplete specification or a specification that is perceived in different ways in the organisation make it possible to develop a physical setting for the service process (servicescape) that supports a high level of service quality.

Regarding the servicescape, the present study shows that in general, customer experiences exceeded customer expectations. Regarding specific features examined, it turned out that fastness, fragrance, functionality, cleanliness, and other customers' behaviour functioned as indicators of the servicescape. Still, we stress that not only is the organisations' understanding of the concept of servicescape inadequate, but that the view on what in fact constitutes a servicescape is biased. It appears that the organisations' view on servicescape was holistic rather than detailed. According to our perspective this is eligible, but only when concrete specifications of what constitutes a servicescape is included in that view. However, we found that such specifications were lacking. When specifications were made, the concrete features concerned mainly physical elements.

Our conclusion here is that the organisations should give careful consideration to what constitutes the servicescape. We suggest that the organisations determine the specifications of their servicescapes in detail. This would benefit service quality. It means not remaining limited to physical elements, but also considering the influence of personal and spatial aspects. Foremost, it indicates defining a strategy specifying the role of the various characteristics, and how they can be steered in order to influence the service process. This means that, foremost, the role of various characteristics or aspects of the servicescape should be defined and a strategy regarding how to develop them in order to manage the service process should be put in place. All this must be clearly communicated throughout the organisation.

6.3 Internal marketing – a precondition for providing service quality

We have pointed out that past research proposes several definitions on internal marketing, its underlying principles and hence, several frameworks exist. Despite that, it can be maintained that at the heart of internal marketing lies the emphasis on employees. Further, research agrees on several of the practices and processes for implementing internal marketing. In this study we have stressed the viewpoint that in order to provide external service quality, the organisation should satisfy the internal customers by providing high internal quality.

The case organisations of this study indeed acknowledged the significance of employees by emphasising that employees and their knowledge are the organisations' main resources. The organisations had also recognised the significance of satisfying employees' needs. Hence, actions were taken for meeting those needs, such as training, education, and rewarding employees. The organisations also stressed the role of co-operation and communication, for example. As it appears, the organisations utilised many of the practices and processes of internal marketing in order to satisfy the employees. Still, we stress that none of the case organisations had embraced internal marketing as a philosophy, according to which a strategy for internal marketing

programme would be created and implemented. In fact, internal marketing was most often associated with single practices such as internal communication, co-operation, internal information, and internal networking, which mean that the perspectives on internal marketing were rather limited.

The limited view on internal marketing was not only due to the fact that a strategy for internal marketing was lacking. This is also supported by evidence gained from employees. In fact, we found several barriers that must be overcome in order to be able to provide internal quality. To begin with, lack of empowerment not only has an impact on employees' satisfaction, but it limits the organisations' mission of being customer-oriented as well. Evidently, the lack of or limited communication also hinders that. Further, the inadequate co-operation between various departments not only has effects on communication, but it also hinders knowledge exchange within the organisation. We also stress that lack of or limited co-operation and communication function as a barrier for development of relationships within the organisation. Today, research (e.g. Ballantyne 2000) emphasises group learning instead of individual learning, and the barrier mentioned prevents this as well. We also found traces of mistrust and lack of managers' support. Hence, actions taken for securing commitment to become service-oriented and customer-oriented are needed. This concerns committing managers as well as employees. This argument is related to the fact that service is not only a practice served by frontline employees, but a process involving the whole organisation. However, our main concern is related to the fact that employees themselves felt that actions taken by the organisation were insufficient. For example, the employees perceived the training given as inadequate. It turned out that the employees, despite the training, could not meet the technical requirements, for example. Further, training appeared to be on an ad hoc basis. This means that it was not systematic and structured, or planned on the long term.

In conclusion, it is essential to point out that those single practices or processes identified in the case organisations are not sufficient. On the contrary, we stress that a systematic approach to internal marketing is required. In other words, a strategy is required, which defines and includes planned practices or processes. We also imply that such a defined programme would be beneficial for all our case organisations. As identified above, many internal marketing processes already existed. However, a strategy defining the internal marketing programme is required in order to validate or reinforce, co-ordinate and enhance existing practices and processes.

6.4 Augmenting the service offering for providing added value

Past research demonstrates that service augmentation serves several purposes. Hence, augmentation is emphasised as a means of differentiating the offering and even of creating customer loyalty (e.g. Colgate and Alexander 2002). In this study we have discussed augmentation from the perspective that it is a strategic decision with the objective to provide added service value.

The case organisations did not have any established strategy for augmenting the core service in order to provide added value and enhance customers' quality perception. This conclusion is based on the fact that the preconditions for augmenting the service offering were not met. The preconditions studied were concepts of being customer-oriented, service system, internal marketing, and relationship marketing. Hence, it turned out that even if these practices were acknowledged by the organisations, the

definitions of the practices and processes varied within the organisations. Further, when the organisations had implemented related practices it appeared that the means for their implementation were not sufficient. The conclusion that preconditions were not met by the case organisations is based on evidence exposed by customers, employees, and managers. We have exemplified several issues that function as barriers for providing added service value. To begin with, although the importance of service quality and service process were recognised by managers, service quality and service process itself were considered inadequate by the customers. Hence, these gaps raise several essential questions. First of all, as questioned earlier, do managers' views on what constitutes customers' quality perceptions respond to what customers really perceive? Second, we have also discussed whether managers know how the various characteristics of the service process contribute to the quality perception. Third, we question whether the organisations know what their total service offering in fact is based on?

As it appeared, several gaps could be detected that were linked to a limited understanding of the service process and of the impact of the various features in the process. For example, fastness and reliability were emphasised by the managers as essential for high quality. This turned out to be true from the customers' perspective as well. Hence, it appears that the managers acknowledge at least in some respect what the customers value in the service. The issue is; are the quality expectations met? Our study found also features of the service process that were not pointed out by the managers, but mentioned by the customers, such as service recovery. As it appeared, actions taken for service recovery were essential for customers, and customer disappointment could be detected when adequate service recovery was lacking. This indicates a limited perspective of the concepts of service quality, service process, and augmentation of the service offering including the service system. Hence, the organisations did not provide tools for the employees to recover quality perceptions after initial failures. The fact that customer expectations were not met was also discovered in cases 3 and 4. In these cases customers urged for more active co-operation and interaction. Hence, customers perceived that they received quality, but that providing added value through means such as co-operation could enhance their quality perception. The previous issues indicate that the aspect of customer orientation, creation of a service system, and relationship marketing are not thought of in the organisations. Further, employees of cases 3 and 4 stressed the role of training, empowerment, and communication, but complained that these were provided in an insufficient way. As said, these are tools for providing internal quality, which then are prerequisites for providing external quality.

To conclude, it is evident that the previous concepts discussed are perceived as complex and abstract. Particularly, a holistic perspective of augmenting the service offering has not been considered, and the basic issues of service quality and service processes have not thoroughly been defined. However, we suggest that the organisations would benefit from augmenting the service offering. Hence, to begin with, the organisations should consider what service quality and service process include, and how customer-perceived service quality is provided. Then, a strategy is required that defines the various preconditions for implementing service augmentation.

REFERENCES

- Ahmed, P. and M. Rafiq 2003. Internal Marketing Issues And Challenges. *European Journal of Marketing*. 37 (9), 1177-86.
- Ahmed, P., Rafiq, M., and N.M. Saad 2003. Internal Marketing And The Mediating Role Of Organisational Competencies. *European Journal of Marketing*. 37 (9), 1221-41.
- Aubert-Gamet, V. och B. Cova 1999. Servicescapes: From Modern Non-Places To Postmodern Common Places. *Journal of Business Research*. 44, 37-45.
- Ballantyne, D. 2000. Internal Relationship Marketing: A Strategy For Knowledge Renewal. *International Journal of Bank Marketing*. 18 (6), 274-86.
- Ballantyne, D. 2004. A Relationship Mediated Theory of Internal Marketing. Doctoral Dissertation, Publications of the Swedish School of Economics and Business Administration, No. 123, Helsingfors: Ekonomi och Samhälle.
- Bitner, M.J. 1992. Servicescapes: The Impact Of Physical Surroundings On Customers And Employees. *Journal of Marketing*. 56 (Apr.), 57-71
- Bruhn, M. 2003. Internal Service Barometers. Conceptualization And Empirical Results Of A Pilot Study In Switzerland. *European Journal Of Marketing*. 37 (9), 1187-204.
- Dacko, S.G. 2006. Narrowing The Skilled Gap For Marketer Of The Future. *Marketing Intelligence & Planning*. 24 (3), 283-295.
- Edvardsson, B. 1992. Service Breakdowns: A Study Of Critical Incidents In An Airline. *International Journal of Service Industry Management*. 3 (4), 17-29.
- Eisenhardt, K.M. 1989. Building Theories From Case Study Research. *Academy of Management Review*. 14 (4), 532-50.
- Ford, D., Gadde, L-E, Håkansson, H., Lundgren, A., Snehota, I., Turnbull, P. & D. Wilson 1998. *Managing Business Relationship*. Chichester: John Wiley & Sons.
- Gray, B.J., Ottesen, G.G., and S. Matear 2005. Disseminating Academic Research Information To Marketing Practitioners. The Receiver's Perspective. *Marketing Interlligence & Planning*. 23 (2), 124-35.
- Gronhaug, K. 2002. Is Marketing Knowledge Useful? *European Journal Of Marketing*. 36 (3), 364-72.
- Grönroos, C. 1984. A Service Quality Model And Its Marketing Implications. *European Journal of Marketing*. 18 (4), 36-44.
- Grönroos, C. 1997. From Market Marketing Mix To Relationship Marketing – Towards A Paradigm Shift In Marketing. *Management Decisions*, 35 (2), 322-39.
- Grönroos, C. 1990. Marketing Redefined. *Management Decision*. 28 (8), 5-9.
- Grönroos, C. 2007. *Service Management And Marketing. Customer Management In Service Competition*. 3rd ed. Chichester: John Wiley Sons, Ltd.
- Gummesson, E. 1991. Marketing Revisited: The Crucial Role Of The Part-Time Marketer. *European Journal of Marketing*. 25 (2), 60-7.
- Gummesson, E. 2002. Practical Value of Adequate Marketing Management Theory. *European Journal Of Marketing*. 36 (3), 325-49.
- Hamberg, A. 2006. Att Styra Ett Värdeskapande Tjänsteerbjudande – Teoretisk Bakgrund Och Praktisk Tillämpning. Unpublished master's thesis, Helsingfors: Swedish School of Economics and Business Administration.

- Hipp, C. and H. Grupp 2005. Innovation In The Service Sector. The Demand For Service-Specific Innovation Measurement Concepts And Typologies. *Research Policy*. 34, 517-35.
- Jadenska, K.E. and M.L. Kraimer 2005. Women's Perceptions Of Organizational Culture, Work Attitudes, And Role-Modeling Behaviors. *Journal of Managerial Issues*. 17 (4), 461-78.
- Kang, G.-D. and J. James 2004. Service Quality Dimensions: An Examination Of Grönroos's Service Quality Model. *Managing Service Quality*. 14 (4), 266-77.
- Lin, Y.I. 2004. Evaluating A Servicescape: The Effect Of Cognition And Emotion. *Hospitality Management*, 23, 163-278
- Namasivayam, K. and A.S. Mattila 2007. Accounting For The Joint Effects Of The Servicescape And Service Exchange On Consumers' Satisfaction Evaluations. *Journal of Hospitality and Tourism Research*. 31 (1), 3-18.
- Normann, R. 2000. Services Management. Strategy And Leadership In Service Business. 3rd ed. John Wiley & Sons, Chichester.
- Menon, A. and P.R. Varadarajan 1992. A Model Of Marketing Knowledge Use Within Firms. *Journal of Marketing*. 56 (4), 53-71.
- Ottesen, G.G. and K. Gronhaug 2004. Barriers To Practical Use Of Academic Marketing Knowledge. *Marketing Intelligence & Planning*. 22 (5), 520-30.
- Parasuraman, A. 2002. Service Quality And Productivity. *Managing Service Quality*. 12 (1). 6-9.
- Parasuraman, A., Berry, L.L., and V.A. Zeithaml 1991. Understanding Customer Expectations of Service. *Sloan Management Review*. 32 (3), 39-50.
- Ramm-Schmidt, P. 2006. Kundupplevd Tjänstekvalitet. Teoretisk Bakgrund Och Praktisk Tillämpning I Tjänsteföretaget. Unpublished master's thesis, Helsingfors: Swedish School of Economics and Business Administration.
- Riska, G. 2006. Begreppet Intern Marknadsföring – Teoretisk Bakgrund Och Praktisk Tillämpning. Unpublished master's thesis, Helsingfors: Swedish School of Economics and Business Administration.
- Sandbacka, L. 2006. Tjänstelandskap. Teoretisk Bakgrund Och Praktisk Tillämpning. Unpublished master's thesis, Helsingfors: Swedish School of Economics and Business Administration.
- Sayed, H.E. 2006. ERPs and Accountants' Expertise: The Construction of Relevance. *Journal of Enterprise Information Management*. 19 (1), 83-96.
- Shostack, G.L. 1977. Breaking Free From Product Marketing. *Journal of Marketing*. 41, 73-80.
- Storey C. and C.J. Easingwood 1998. The Augmented Service Offering. A Conceptualization And Study Of Its Impact On New Service Success. *The Journal of Product Innovation Management*. 15 (4), 335-15.
- Tombs, A. and J.R. McColl-Kennedy, J. R. 2003. Social-Servicescape Conceptual Model. *Marketing Theory*, 3 (4), 447-475
- Turley, L.W. and Milliman, R.E. 2000. Atmospheric Effects On Shopping Behaviour: A Review Of The Experimental Evidence. *Journal of Business Research*. 49, 193-211
- Yin, R.K. 1994. Case Study Research: Design And Methods. 2nd. SAGE Publications Inc., Thousand Oaks, California
- Wren, B.M., Souder, W.E., and D.Berkowitz, D. 2000. Market Orientation And New Product Development In Global Industrial Firms. *Industrial Marketing Management*. 29, 601-11.

INDEX

A

- Ad-hoc principles, 24
- Atmospherics, 4
- Augmented service offering, 3, 5, 19, 28
 - customer orientation, 19, 21
 - internal marketing, 6, 19, 22
 - relationship marketing, 20, 22
 - service system, 19, 21

C

- Case companies, 6
- Case study approach, 6
- Communication, 24
- Conceptual use, 1, 24
- Core service, 5
- Customer orientation, 6, 18
- Customer participation, 2
- Customer perspective, 10, 14, 21

D

- Service, 2

E

- Employee perspective, 18
- External quality, 3

F

- Facilitating services, 5
- Functional quality, 3
 - accessibility, 3
 - assurance, 3
 - attitudes and behaviour, 3
 - empathy, 3
 - flexibility, 3
 - professionalism, 3
 - reliability, 3
 - responsiveness, 3
 - tangible, 3
 - trustworthiness, 3

I

- Image of the organisation, 3
- Instrumental use, 1, 24
- Intangible, 2
- Internal marketing, 3, 4, 16, 27
 - clarity of purpose, 5
 - coherence, 5
 - commitment, 5
 - communication, 5
 - developing knowledge, 5
 - education, 5
 - empowerment, 5
 - focus, 5
 - HRM, 5
 - information, 5
 - integration, 5
 - inter-functional co-ordination, 5
 - involvement, 5

- motivation, 5
- physical environment, 5
- top-management support, 5
- training, 5

Internal quality, 3

Interviews, 8

M

Manager perspective, 9, 13, 16, 19

P

Perceived service quality, 3

Peripheral services, 5

Proaction, 24

Q

Quality expectation, 3

Quality experience, 3

Quality perception, 2

R

Relationship marketing, 6

Retail environment, 4

S

Serve, ii

Service process, 2

Service production, 2

Service quality, 3, 25

- functional quality, 3

- service recovery, 3

- technical quality, 3

Service system, 6

Servicescape, 3, 4, 13, 26

- crowding, 4

- employee clothing, 4

- entrances, 4

- lighting, 4

- parking, 4

- personal experience, 4, 13

- physical dimension, 4, 13

- posters, 4

- product displays, 4

- sounds, 4

- spatial context, 4, 13

- traffic flow, 4

Shopping environment, 4

Supplementary services, 5

Supporting services, 5

Survey, 8

Symbolic use, 1, 24

T

Technical quality, 3

- interaction with the organisation, 3

Tekes, ii

V,W

Wilcoxon test, 10, 34

APPENDIX 1: Interview guide for servicescape

Taustakysymykset

- Ajankohtainen tilanne organisaatiossa?
- Mitä palvelua yritys tarjoaa?
- Kilpailijat / korvikkeet?
- Tyypillisen palvelumaiseman/palvelun/toiminnan kuvaus.
- Erityisen vaativien tehtävien/toimintojen kuvas.
- Tyypillinen asiakas/henkilökunta?
- Organisaationne missio ja visio?

Alustavat kysymykset

- Tunteeko yritys asiakkaidensa tarpeet ja odotukset, sekä mihin nämä perustuvat?
- Palvelumaisema määritelty osana palvelun kokonaislaatua?
- Markkinointi: Palvelumaisema viestintävälineenä? Kommunikaatiomahdollisuudet?

Palvelumaisema

- Onko palvelumaiseman suunnittelu yrityksessä haastatellun henkilö mielestä oikea? Tehokas?
- Onko se tärkeä osa markkinointitoimintaa?
- Mikä sen arvo/hyöty on koko yrityksen päämäärien tavoittamisessa?
- Aikaisemmin palvelumaisemaan käytetty resurssimäärä?
- Kuinka usein kyseinen henkilö käsitystä – palvelumaisema? Kutsutteko käsitystä toisella nimellä?

Palvelumaiseman rooli palveluorganisaatiossa

- Mitä kuuluu palvelumaisemakäsitykseen?
- Mikä on palvelumaiseman tarkoitus?
- Millä tavalla palvelumaisema tukee asiakaskoettua kokonaislaatua?
- Mitä hyötyä palvelumaiseman suunnittelussa voi olla?
- Minkä näköinen on ideaali palvelumaisema?

Palvelumaiseman vaikutusta ihmisiin ja heidän käyttäytymiseen

- Ymmärtääkö koko organisaatio käsityksen tarkoitusta ja sen hyödynnettävyyttä? Pitäisikö kaikkien ymmärtää?
- Huomioko organisaatio henkilökunnan mielipiteitä? Millä tavoin?
- Kuinka usein palvelukunnan mielipiteitä tutkitaan? Miten?
- Kuinka laaja organisaatiohenkilökunnan ja asiakkaiden vuorovaikutus on?
- Miten asiakkaat kokevat palvelun laadun?
- Aikaisemmat yritykset vaikuttavat asiakkaiden odotuksiin, käyttäytymiseen ja koettuun palvelun laatuun.
- Mielikuvanne yrityksen palvelusta?
- Kuinka usein asiakkaiden mielipiteitä tutkitaan? Miten?

Palvelumaiseman suunnittelu

- Palvelumaiseman suunnitteluprosessi?
- Mistä prosessi alkaa? Ketkä osallistuvat?
- Organisaation laatustandardit?
- Mihin todisteisiin (tutkimuksiin) suunnittelu perustuu?
- Onko palvelumarkkinointiteoria hyödyllinen apuväline ja toteutettavallinen sellainen?
- Kenen vastuu palvelua ympäröivän fyysisen maiseman suunnittelu ja toteuttaminen on?
- Mitkä ovat yrityksen palvelumaiseman tärkeimmät elementit? Miten nämä ovat korostettu ja ohjattu?

Päämäärien tavoittaminen palvelumaiseman avulla

- Millä tavoin organisaatio hyödyntää palvelumaiseman strategisesta suunnittelusta?
- Missä tilanteissa palvelumaisema useimmiten pettää?
- Missä organisaatiossa olisi parantamisen varaa?

APPENDIX 2: Wilcoxon Signed Ranks test comparison of before and after

CASE 1

	N	Mean Rank	Sum of Ranks
The service was fast and flexibility	Negative Ranks	26,22	472,00
	Positive Ranks	25,88	854,00
	Ties		
	Total		
The service was reliable	Negative Ranks	21,56	366,50
	Positive Ranks	25,38	761,50
	Ties		
	Total		
The employees were professional and competent	Negative Ranks	21,21	297,00
	Positive Ranks	23,10	693,00
	Ties		
	Total		
Customer service was polite and sympathetic	Negative Ranks	21,23	276,00
	Positive Ranks	21,62	627,00
	Ties		
	Total		
Service recovery was appropriate	Negative Ranks	16,39	311,50
	Positive Ranks	21,75	391,50
	Ties		
	Total		
The servicescape was functional and pleasant	Negative Ranks	20,89	188,00
	Positive Ranks	17,00	442,00
	Ties		
	Total		
Service expected due to advertisements was fulfilled	Negative Ranks	25,84	413,50
	Positive Ranks	23,05	714,50
	Ties		
	Total		

(a): Before < After

(b): Before > After

(c): Before = After

CASE 2

	N	Mean Rank	Sum of Ranks
The service was fast and flexibility	Negative Ranks	24,87	373,00
	Positive Ranks	21,28	617,00
	Ties		
	Total		
The service was reliable	Negative Ranks	24,55	466,50
	Positive Ranks	22,76	614,50
	Ties		
	Total		
The employees were professional and competent	Negative Ranks	20,23	222,50
	Positive Ranks	21,28	638,50
	Ties		
	Total		
Customer service was polite and sympathetic	Negative Ranks	25,73	334,50
	Positive Ranks	19,60	568,50
	Ties		
	Total		
Service recovery was appropriate	Negative Ranks	19,55	430,00
	Positive Ranks	19,44	311,00
	Ties		
	Total		
The servicescape was functional and pleasant	Negative Ranks	21,60	324,00
	Positive Ranks	18,13	417,00
	Ties		
	Total		
Service expected due to advertisements was fulfilled	Negative Ranks	23,00	460,00
	Positive Ranks	27,94	866,00
	Ties		
	Total		

Meddelanden från Svenska handelshögskolan

Swedish School of Economics and Business Administration. Working Papers.

2005

- 508. Grönroos, Christian: What Can A Service Logic Offer Marketing Theory.
- 509. Jern, Benny: Swedish Premium Pension Funds: Attributes and Performance .
- 510. Vilanka, Olli: Open Access –julkaiseminen, linkittäminen ja tekijänoikeus - selvitys verkko-julkaisusopimuksissa huomioitavista seikoista.
- 511. Ahlgren, Niklas & Nyblom, Jukka: Tests Against Stationary and Explosive Alternatives in Vector Autoregressive Models.

2006

- 512. Harju, Kari & Hussain, Syed Mujahid: Intraday Seasonalities and Macroeconomic News Announcements.
- 513. Finne, Åke & Grönroos, Christian: Towards a Dynamic Communication Model: A Useful Tool in Relationship Communication.
- 514. Grönroos, Christian: On Defining Marketing: An Analysis of the Updated AMA Definition and an Alternative.
- 515. Spens, Karen, Kovács, Gyöngyi & Vellenga, David B.: A Scandinavian View on the Ranking of Logistics and Supply Chain Management Journals.
- 516. Harju, Kari & Hussain, Syed Mujahid: Intraday Linkages across International Equity Markets.
- 517. Andreev, Andriy & Sjöholm, Hans-Kristian: Projections of Pension Fund Solvency under Alternative Accounting Regimes.
- 518. Heinonen, Kristina & Strandvik, Tore: Consumer Responsiveness to Mobile Marketing.
- 519. Ahlgren, Niklas & Antell, Jan: Bootstrap and Fast Double Bootstrap Tests of Cointegration Rank with Financial Time Series.
- 520. Ekholm, Bo-Göran & Wallin, Jan: Flexible Budgeting under Uncertainty: A Real Options Perspective.
- 521. Salin, Denise: Organizational Measures Taken against Workplace Bullying: The Case of Finnish Municipalities.
- 522. Rokkanen, Nikolas: With Good Reputation Size Does Not Matter: Issue Frequency and the Determinants of Debt Maturity.

2007

- 523. Böckerman, Petri, Johansson, Edvard, Jousilahti, Pekka & Uutela, Antti: The Physical Strenuousness of Work is Slightly Associated with an Upward Trend in the Body Mass Index.
- 524. Kulp-Tåg, Sofie: Short-Horizon Asymmetric Mean-Reversion and Overreactions: Evidence from the Nordic Stock Markets.
- 525. Kulp-Tåg, Sofie: An Empirical Comparison of Linear and Nonlinear Volatility Models for Nordic Stock Returns.
- 526. Kulp-Tåg, Sofie: An Empirical Investigation of Value-at-Risk in Long and Short Trading Positions.
- 527. Segercrantz, Beata: Constructing Stability in Software Product Development during Organizational Restructurings.
- 528. Johansson, Edvard, Böckerman, Petri., Kiiskinen, Urpo & Heliövaara, Markku: The Effect of Obesity on Wages and Employment: The Difference Between Having a High BMI and Being Fat.
- 529. Pura, Minna & Gummerus, Johanna: Discovering Perceived Value of Mobile Services.
- 530. Kauppinen-Räsänen, Hannele, Grönroos, Christian & Gummerus, Johanna: Interpretation of Services Marketing Concepts.