

Defining the service value of Hotel F6

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<p>This thesis is about creating memorable customer experiences and identifying how to create additional value to a service product. It's created as a manual for hospitality companies', in this case Hotel F6's benefit and guidebook to define how to survive in experience economy and to create a business strategy with focus on individual customers and their needs.</p> <p>In the theory part meaning of an experience is explained and the subject (and the importance) of creating memorable experiences is discussed. As resources, many academic articles and books are used as well as different websites. The whole thesis intertwines around publications by Pine and Gilmore about experience economy. The focus of the theory part is in helping the reader to understand the changing market place and to highlight the vitality of successful differentiation and value creation. To accomplish this, many tools are introduced e.g. Four Experience Realms, Experience Pyramid and the model of The Progression of Economic Value.</p> <p>In the research part Hotel F6 is taken under magnifying glass and qualitative research is performed by interviewing the general manager and hotel manager. The aim of this empirical research is to find out if Hotel F6 has successfully added value to their service product so that the experience itself exceeds the pecuniary worth of their goods and services, and how is the process executed. The interviews consisted of eleven identical questions to both interviewees in the end of January. The dialogues were performed separately and they were recorded. In addition to the interviews customer feedbacks and website research is used as a resource.</p> <p>As the world is changing, service is not enough anymore for today's informed, networked and connected consumers. People are playing more active role and individual experiences tailored to their personalized needs. Companies need to acknowledge that the offering is no longer the product or material provided but the transformation process experienced by the individual customers. By transformation in this context is meant a long-lasting effect on the person that causes a change to their view on things. If this path of experiences provided for the consumer, is successful it leads to positive, memorable experience, and hopefully, customer loyalty. To reach this ideal level of experience the whole company (marketing, product design, customer service and retail partners) needs to work together towards their common goal. In return it is possible to improve customer and employee satisfaction, increase revenues and lower costs.</p>	
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1 Introduction

From 2.4 million working individuals in Finland, 1.7 million was working in service sector in 2011. This is over 70% of the workforce and 66% of the GDP. The more developed the country, the more its gross domestic product consist of services. (Tuulaniemi 2011, 21.) Today service sector makes up the biggest part of the economy in the world, up to 70% of GDP. (World Bank 2016.) Endless possibilities lie in service industries yet businesses rarely take the full use out of them.

People have changed the way they buy products and services; they are buying solutions that make their lives easier or more enjoyable. Consumers are more informed, networked and connected than ever and they have moved from knowledge based decision making to emotion based. (Tuulaniemi 2011. 47) Along with digitization, globalization and convergence of industries, organizations of today need to adapt to the changing market place, and start paying attention to consumers' actual needs and wishes. Service industry offers numerous new possibilities to companies; as the service relationship is impossible to copy, by providing services differentiation is ensured and more customer loyalty and commitment is gained. (Tuulaniemi 2011, 18- 23.)

In the theory part of this thesis I present the ongoing experience economy, through Pine and Gilmore's publications, and new customer-based value creation it brings with it. Service Design is introduced as a tool to help the companies to provide successful services through the changing business environment and to offer products that meet their expectations and satisfies their needs. Value co-creation is emphasized as a key to ensure demand and usability of the offering.

Value creation is a big theme in the theory part of this thesis, and it's important that the reader understands terms *value* and *value proposition*. By Value is meant the relation between the cost and the gain. Cost is not only about the price, the money spent, but it means what the person is willing to sacrifice to be able to get the service/product. This can include e.g. time and effort. Value is the benefit experienced by stakeholders. Products and services are usually purchased in a hope of doing something specific, satisfy a need or to solve a problem. (Tuulaniemi 2011, 30- 31.)

Value proposition is an essential part of a business strategy. It's a promise made by the company about the value of their product or service. It works a summary of what does to company offer to their customers. Value proposition describes the offering, defines the

target group, informs about the customer benefit and delineates the differentiation factors. Value is always relative and depends on customers past experiences and expectations. Through tools such as Service Design, it's possible to find out why and how customer is willing to consume a specific product or service. This enables the company to increase the value of their offering, therefore, also the price of it. (Tuulaniemi 2011, 33.) It is essential to understand that offering consumed is no longer a product or the sold material, but the individual process of transformation that customer experiences.

In the empirical research the focus is on Hotel F6 which is used as a case study and a pioneer of value creation. Hotel F6 is a small, family-owned boutique hotel located in the center of Helsinki. They have recently climbed their way to first place in TripAdvisor, out of the 63 hotels in Helsinki. The goal of the research is to find out if they manage to create value successfully to their guests beyond their actual product. The service process and the design aspect of it has been studied through interviewing the general manager and hotel manager of Hotel F6.

I chose this subject for my bachelor thesis after spending four months studying Hospitality Innovation and Imagineering in NHTV Breda Netherlands, in autumn 2015. Big part of the studies consisted of learning to understand the concept of Service Design by applying it in real life projects with several companies, including a local hotel and a hospital. The goal was to analyze and improve their service processes to more customer-oriented direction by using design thinking. I am interested in Service Design also as a career option, especially combined with hospitality and tourism industry, and hope to use the knowledge I learned in Netherlands, and by writing this thesis, in my future job.

2 Creating experiences

An experience means the sum of the interactions a customer has with an organization and its products and services provided. (Business Dictionary 2016.) Experiencing is a feeling, an act of undergoing or coming across something. Experiences is how people give meaning to their lives (Boswijk, Thijssen & Peelen 2007, 12.) In a tourism and hospitality context Pine and Gilmore defined it nicely in 1999 and 1998;

“A distinct economic offering that are as different from services as services are from goods; successful experiences are those that the customer finds unique, memorable and sustainable over time, would want to repeat and build upon, and enthusiastically promotes via word of mouth.” (Walls, Okumus, Wang & Kwun 2010, 11.)

Controlling an experience is extremely hard as every individual will have different experience even if the service and product are exactly the same. Past experiences, personal needs and feelings will affect the customer’s expectations and the whole entirety, defining how the experience comes out. When creating a great customer experience it all comes down to the touchpoints. By touchpoints are meant all the moments of interaction that the organization has with the customers. For example these moments can be the looking at the website, making the reservation through phone call and arriving to the hotel reception. What makes the task so hard is that often marketing, product design, customer service, sales, advertising agency and retail partners have to work together consistently to create these touchpoints. (Richardson 2010).

To make the process easier for the organization, customer journey mapping is a tool used in Service Design which is a term explained more thoroughly in the chapter four. In customer journey map the interactions between the customer and the company are visualized step by step and all the touchpoints where these two participants encounter are recognized. (Service Design Tools 2009.) This helps the company to understand the true motives behind customer’s actions e.g. product queries, and to develop their service experience.

In the field of hospitality the experience is directly related to the interaction between a host and a guest. Both of the participants engage the interaction voluntarily and it is the context of the interactions that determine the rules and norms applicable to the situation. Economic value of the interaction is created by the host providing accommodation and/or food and drink to the guest. When the goal is to make a profit, the hospitality experience needs to be worth more than the pecuniary worth of the goods and services. A guest will pay for the added value of the experience, how much, depends on the choices of context made by

the provider and the way they choose to interact with the customers. It all comes down to what the organization promises to offer to the guest. This promise is called *value proposition*. (Smit, van Prooijen-Lander & Melissen 2013, 157)

Creating distinctive experiences is something the hotel industry today is trying to achieve and what Hotel F6 claims to offer along with “Nordic Home-like Luxury” in their new, unique boutique hotel in the heart of Helsinki. (Hotel F6 2017.) Hotel F6 is a newcomer to Nordic Hotels and Resorts which includes 17 hotels around Norway, Denmark and Sweden, and now one addition in Finland. They name energy, courage and enthusiasm as their main themes when describing the company’s vision and the red thread leading the recruiting process and the structure of daily management. The concept is looking to provide its guest a unique and luxurious experience, offered by customer service professionals with high standards and desire to satisfy their guests’ needs. In addition, all the hotels are working with the environmental group ISO 14001 and most of the premises have earned the Svan logo, an official Nordic Ecolabel given by the Nordic Council of Ministers. All the hotels by the Nordic Hotels and Resorts have a strong, independent brand and it’s important that their own identity is adduced. (Nordic Hotels & Resorts, 2015; Joutsenmerkki, 2016.) The aim of this thesis is to find out what does this experience consist of and what are those factors that create additional value for the guests visiting this currently number one hotel in Helsinki. (TripAdvisor 2017.)

2.1 Making it meaningful

According to Arjun Chaudhuri (2006, 27.) emotion can’t be wrong. Even though consumer may be wrong about their beliefs when it comes to the product, they can’t have misconceptions about their emotional response to a product or a service. In a way, customers may not be always right but their feelings are. Emotions are the base of brand-loyalty and Hotel F6 is not wrong in trying to create and influence on their guests’ emotions. Emotions are fast, catchy and memorable and seem to lead to better pay of attention, process of information and retention in memory. In a contrast one consumer buys a car because she “loves it” and other buys another label because it’s cheaper. Which one will be more loyal to the company in the future? (Chaudhuri 2006, 28-29.)

The more focus is paid on the individual qualities and wishes of the customer when creating the experience the higher are the chances of creating an ideal experience for the customer. This can be seen as the quest for the Holy Grail of the Service Experience. (Kuiper & Smit 2011, 99.) According to Pine and Gilmore (1999, 30.)

When staging an experience for a customer, it's not about entertaining them rather than engaging them. To demonstrate how to enrich the experience provided, Pine and Gilmore have created a figure of "Four Experience Realms" which shows "the sweet spot" of the experience.

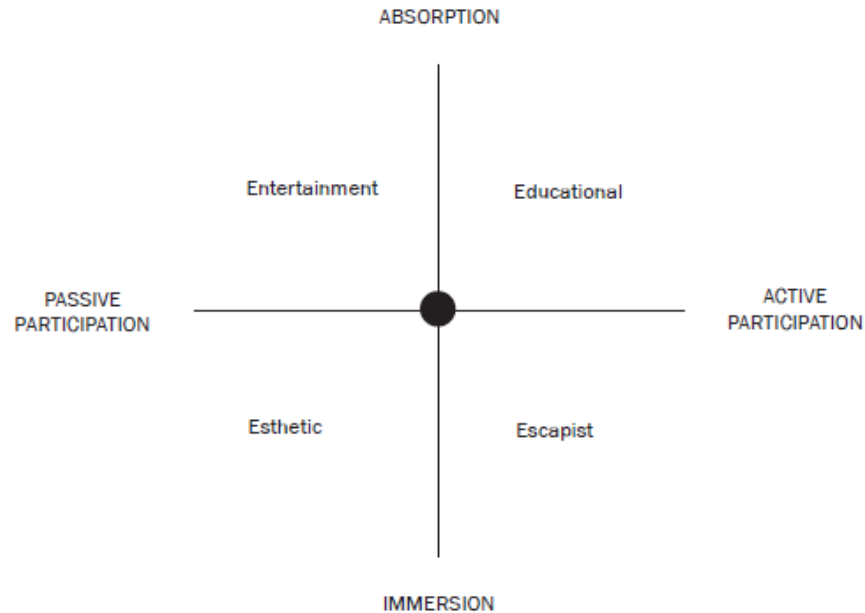


Figure 1. Four Experience Realms (Pine & Gilmore 1999, 30.)

There are two different dimensions seen in the figure 1. First represents the activity or passivity of the customer, meaning if the customer is actively participating in creating the experience e.g. trekking at a hiking trip, or if he or she is only standing by and watching as in being in the audience of a theatre. Second dimension characterises if the customer is immersed in the experience or simply absorbing it. As an example, a person is immersed when playing a virtual reality game where person feels "wrapped" in the experience. Then again watching TV is an example of absorbing the experience, activity also called as entertainment. (Pine & Gilmore 1999, 30-31; Tarssanen & Kylänen 2009, 9.)

In the four realms of the figure lie words; entertainment, educational, esthetic and escapist. Oxford English Dictionary defines entertainment as "the action of occupying a person's attention agreeably; amusement." (Pine & Gilmore 1999, 32.) As explained before it is passively absorbed through senses. Educational experience requires more of an active participation from the consumer and it must actively engage the mind and/or the body of the customer. The aim is for the user to increase the customer's knowledge and/or skills.

When it comes to an escapist experience, the immersion of the customer is much greater and has a more active role to play in the whole process. This kind of experience can be found in casinos or playing a game of paintball, where the customer is able to affect in the performance. Last realm of the figure is the esthetic, where the customer is immersed in the experience, yet is not actively participating in the value creation. This can be experienced for example by visiting an art gallery or by standing in awe on the edge of Grand Canyon.

When an escapist wants to *do*, someone taking part in an educational experience wants to *learn*, or in an entertainment experience wants to *sense*, the one taking part of an esthetic experience just wants to *be there*, and take it all in. (Pine & Gilmore 1999, 32- 35.) When trying to achieve a meaningful experience it's important to pay attention in these realms and dimensions and find that "sweet spot" that includes a right amount of everything creating an all-comprehensive product. When addressing the design questions for example:

1. What can I do to improve the esthetics of the experience?
2. Once they arrive, what should your guests do?
3. What do you want the guest to learn from the experience provided?
4. To get your guest to stay, how can you make them entertained?

The stage is set for the service provider to start competing in the experience level, instead of service level (Pine & Gilmore 1999, 39- 40.) Yet the sweet spot is easier to reach when organizing e.g. tourism activities where the participants can be actively part of the experience creating, but how can a hotel achieve the sweet spot for their guests?

This is something the creators of Hotel F6 have taken into serious consideration in the design process and beyond. It would seem Hotel F6 has gotten very close to the sweet spot judging from the great reviews they are getting (TripAdvisor 2017; Booking.com 2017.) What comes to the esthetics of the hotel, the atmosphere and the home-like feeling of the place are one of the most praised qualities and surely makes it easy to be immersed in. Bar Runar, located at the hotel lobby, has also had its share of applauds among the hotel guests and locals. The bar has its visitors' hearts melting with their beautiful interior design as well as unique personality and approachable service, not to mention skilfully made craft-cocktails and great selection of wine and beer. On weekends changing DJs are taking care of the entertainment. (Ylä-Mononen 2016; Vainio 2016; Hotel F6 2017.)

More on the active side Hotel F6 wants to bring out relaxed and approachable aspect of service which results in staff truly getting to know their guests. This will enable the staff members to recommend and offer various activities interested by their guests, in cooperation with several third-party companies in the area. The reception staff is staying up to date and takes the time to help their guests, whether it's about giving the directions or to assist a customer who lost their passport.

2.2 Experience tools

In their handbook Tarssanen & Kylänen (2009, 11.) introduce an experience pyramid that presents the most essential elements of what a tourism product should contain to provide the customer a meaningful experience. The model represents an ideal product that companies should be aiming for. The pyramid is meant to be examined from two perspectives: the product's detailed elements and the level of the consumer's experience. This tool is created to help analyze different aspects in creating new experience and improving already existing ones. The product detailed elements are explained in the next section.

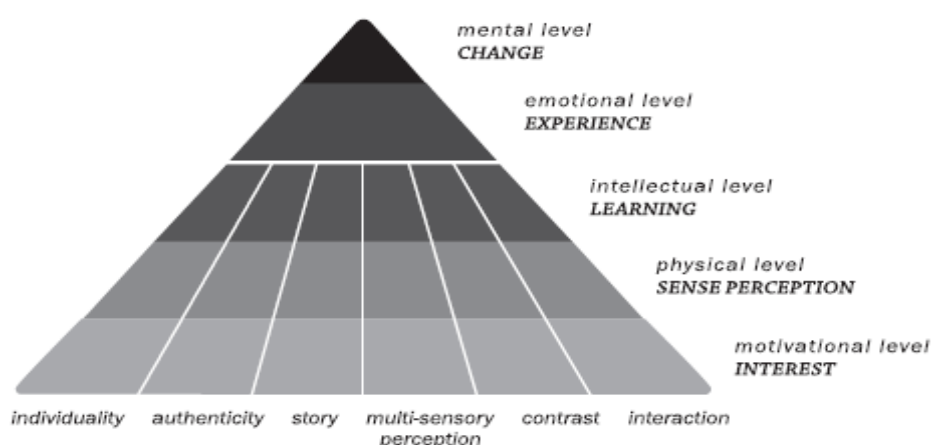


Figure 2. Experience Pyramid (Tarssanen & Kylänen 2009, 11.)

On the horizontal scale first element is *individuality*, meaning different from others, unique. It is implied that the product needs to be customer oriented, flexible and able to customize the offering according to the preferences and needs of the consumer. Second element introduced is *authenticity*. Any product is authentic if the customer considers it to be credible and genuine. Big part of it depends on its culturally ethical sustainability. One of the most important elements is creating a *story*. To make the product coherent, it needs to have a story to bind different elements together and to make it catchy. The story justifies the order of events and give them purpose but also appeals to the customer in emotional and intellectual levels. Factual and fictional elements need to be included in a good story,

e.g. ancient legends mixed up with local facts make up a great combination. (Tarssanen & Kylänen 2009, 12- 13.)

In the element of *multi-sensory perception*, the product should include sensory activating functions to create a memorable event for the customer. These can be factors that include hearing, smelling, feeling and seeing. The more there are, the more intense is the immersion of the customer's experience. Yet authenticity is important to preserve, if there are too many perceptions provided on purpose, the quality of the experience might suffer. It's also important that the experience is in *contrasts* with consumer's everyday life. Contrasts is an indication to the differentiation of the product and consumer's perspective. Meaning customers looking for experiences have a need to go through something new and different, something they won't experience in their daily life. This is tightly connected to culture and nationality. Past experiences and environments are the base of expectations and what may be familiar for someone, can be a memorable experience for another. By *interaction* is meant the communication between the service provider and/or the participants. The prevalent team spirit plays an essential role as experiencing something together with others raises the social status of the individual and adds value to the product itself. (Tarssanen & Kylänen 2009, 13- 14.) When creating a new experience, or developing an already existing one, using these elements when designing the product will help the provider to get closer to meeting the true expectations and needs of an experience seeking customer.

On the horizontal axis of the experience pyramid there are the factors affecting the customer's own experience. In *Motivational level* interest, a need arises. It is where the expectations of the consumer are created, hence, can be still affected. Therefore, marketing of the product should be as authentic as possible so that customers will have realistic expectations of what the actual products will be. In *Physical level* customer gets a first touch with the product itself. The environment is undergone through senses as the product is received and acknowledged. A good experience is safe and pleasant, and all the basic needs such as hunger and thirst, lavatory needs and warmth are taken care of, with the exception of extreme sports, which has the excitement of well-known risk. (Tarssanen & Kylänen 2006, 147- 148.)

The third one, *Intellectual level*, is where the customer decides if they are satisfied with the experience or not. The customer thinks and applies knowledge and forms his or her opinions. A good product will give the consumer an opportunity to learn something new and a chance to develop and get new information, either consciously or unconsciously. If all the previous stages have been executed successfully, it is possible the customer will

reach *Emotional level*; a meaningful experience. Yet this part is highly individual for everyone, and it is very hard to predict. The emotional level is where the actual experiencing happens and the aim is to create a positive emotional response; joy, excitement and affection. (Tarssanen & Kylänen 2006, 148- 149.)

The final, and most desired, phase of the experience is reaching *Mental level*. In this phase a strong emotional reaction to a meaningful event may lead to a personal change which may bring modifications to the individual's physical being, state of mind or lifestyle (Tarssanen & Kylänen 2006, 149.) To reach this level the company needs to not only consider the action of providing the service but the whole customer journey from end-to-end.

Understanding the context of it all is the key. Transformations based on the customer journey aren't easy and it may take years to perfect, yet according to research it is worth it. As a reward the company gets improved customer and employee satisfaction, increased revenue and lower costs. (Rawson, Duncan & Jones 2013) As Steve Porter, president for the USA's InterContinental Hotels Group said at the opening of first Indigo hotel "For the first time in the hotel industry, we're defining customers by a mind-set rather than a price point." Being successful in the hospitality industry comes down to understanding the connections between *expectations, value proposition, satisfaction, and loyalty*. (Smit, et al. 2013, 157-158)

Another great tool to help the companies understand the creation of experiences is the Interactive Experience Model, originally created by Falk and Dierking in 1992. It's commonly acknowledged in hospitality industry and used to demonstrate that the way customer

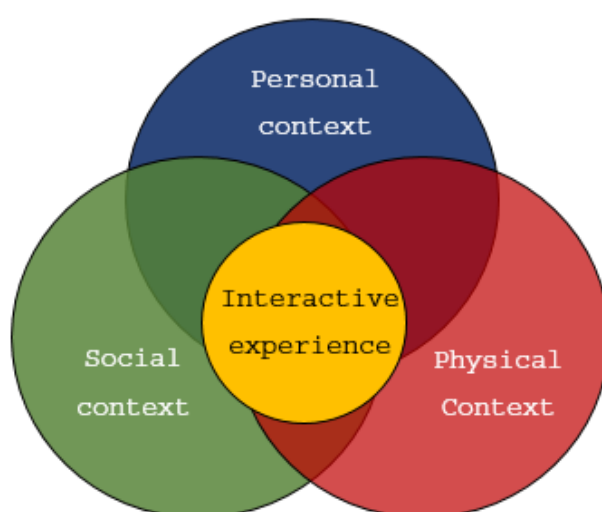


Figure 3. The Interactive Experience Model (Smit, et al. 2013, 161)

participates and interprets an experience is strongly influenced by his personal context (e.g. motivation, personality, expectations), social context (e.g. present company, other guests, staff) and physical context (e.g. building, smell, interior design).

2.3 Flow state

In the 1970's an American psychologist Csikszentmihalyi studied work experience in connection to happy life and came across a phenomenon called *flow*. Effects of the flow state are losing track of time and not noticing physical signals such as thirst or hunger. A common characteristic of these people is that they are passionate of their work and there by intrinsically motivated. In 1990 Csikszentmihalyi found out that experiencing flow state is in positive connection to a person's happiness. Research shows that people doing sports or playing music can often reach flow as well as strategy games such as World of Warcraft can make people "loose themselves" in the game and create feeling of flow. (Kuiper & Smit 2011, 97.)

Csikszentmihalyi has created three basic requirements to reach flow state. First of all it's essential for the person to be engaged in an activity with a clear direction, structure and goal. Second of all the person needs to be in balance between the challenge of the activity and their skills. They need to be confident that the tasks can be completed successfully. And third of all, the task at hand needs to provide fast and clear feedback to the person so that they are able to adapt to the requirements of the assignment and stay in flow. (Kuiper & Smit 2011, 97.)

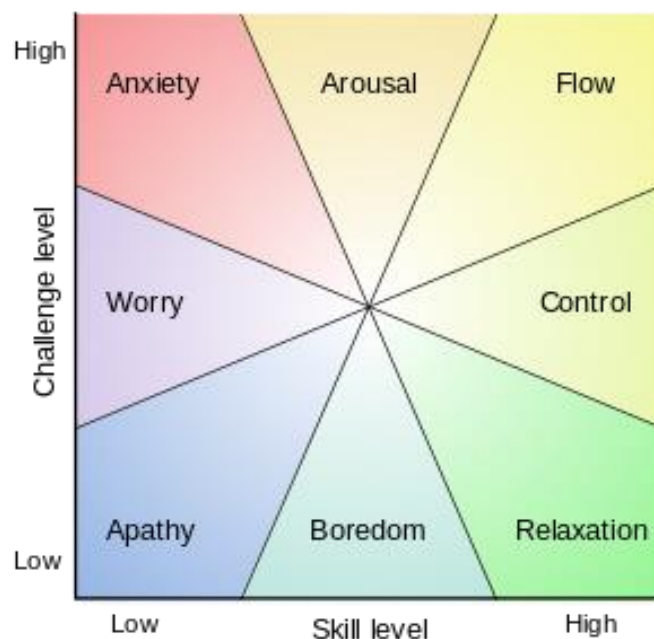


Figure 4. Flow Mental Status by Csikszentmihalyi (Kuiper & Smit 2011, 998.)

Csikszentmihalyi describes reaching flow state as the optimal experience that releases chemicals that bring the person a state of happiness. This is also addictive which is something today's experience creators should exploit as it will attract customers to the product provided. In the Figure 4, by Csikszentmihalyi, the mental status of the person is measured by level of skills and challenge. If these both dimensions are low the person is led to apathy, the opposite of flow state. (Kuiper & Smit 2011, 98.)

Combined with the Four Experience Realm by Pine and Gilmore introduced on the page five, to create a meaningful experience with a sensation of flow, the organizer needs to target the two active quadrants of the model; *educational* and *escapist*. In both cases the balance of the participant's skills and the challenge offered needs to be carefully considered. (Kuiper & Smit 2011, 99.)

Based on Thijssen's definition of meaningful experience, there are 12 characteristics that will add value to the experience:

1. Clear goal and motive
2. Unique and individual process
3. Sense of control of the situation
4. Process of doing
5. Involving all the senses
6. Human contact
7. Authenticity
8. The level of concentration and focus that is able to change perception of time
9. Balance of challenge and competence
10. Element of 'flow'
11. Emotionally moving
12. Meaning and significance through transformation

(Kuiper & Smit 2011, 27-28.)

These characteristics can be hard to fulfill in a hotel product but they definitely should be acknowledged.

3 Experience economy

In this chapter I will explain the economic path which led us to experience economy we are currently living. This journey is mainly seen through Joseph Pine's and James Gilmore's eyes as they are considered to be the "founding fathers" of service economy. Even though it took us a while to get here, experience economy is not a new concept. Already the Greeks and Romans were aware that money can be made by providing experiences. (Boswijk, et al. 2007, 1.) In their article in Harvard Business Review "Welcome to the Experience Economy" (1998), Pine and Gilmore clarify how the world has moved on through the agrarian economy to goods-based industrial economy to the service economy and finally to the current experience economy.

"An experience occurs when a company intentionally uses services as the stage, and goods as props, to engage individual customers in a way that creates a memorable event. Commodities are fungible, goods are tangible, services intangible, and experiences *memorable*." (Pine & Gilmore 1998, 3.)

In "The Experience Economy" Pine and Gilmore point out people have always wanted to learn, improve and reform. This is why we seek out new and more exciting experiences. We want to change ourselves something different, to what seems to be better. For example in the medical industry; customers don't want the medical services or the hospital experience, but to get from sick to healthy. What makes experiences to stand out is that they are memorable, while goods are tangible and services intangible. These are unique features of services; intangible, meaning they can't be stored, as the consumption and production of a service happens at the same time. (Moritz 2005, 4.) Yet there are also tangible factors, which can be e.g. the reception desk, the decorations in the hotel lobby, or the clothes the receptionists is wearing. The experiences consist of the interactions between the staged event and the state of mind and being of the consumer; all the experiences are individual. It's all about "ing the thing", e.g. not making a better car but making a better driving experience.

In their book *The Experience Economy* later in 2011, Pine and Gilmore have an excellent example of this by starting from coffee beans, the core ingredient, expressing the agrarian economy. From this the world moves on to grinded coffee, a product in a goods-based economy. In the service economy coffee is made in to a hot beverage that is

The Progression of Value

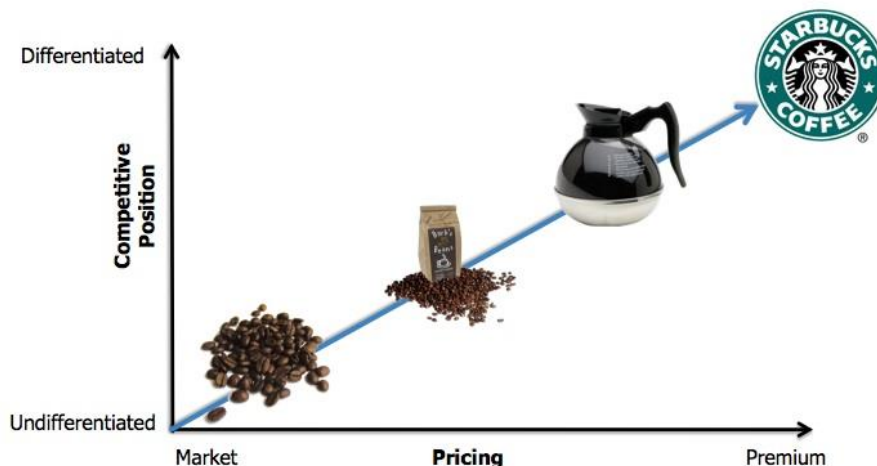


Figure 5. The Progression of Value (Pine & Gilmore 1999, 229.)

served for customers in an intangible way and a great example of an experience economy survivor is Starbucks as they have differentiated themselves from other companies also serving coffee (see Figure 5). Writing the customer's name in the cup, more typos the better, suddenly adds value to the service and creates an experience that is more valuable than the cup of coffee the customer is actually paying for. As the value grows so does the price and the competitive position of the product served. This is the next step what Pine and Gilmore called the *progression of economic value* (see Figure 6).

The Progression of Economic Value

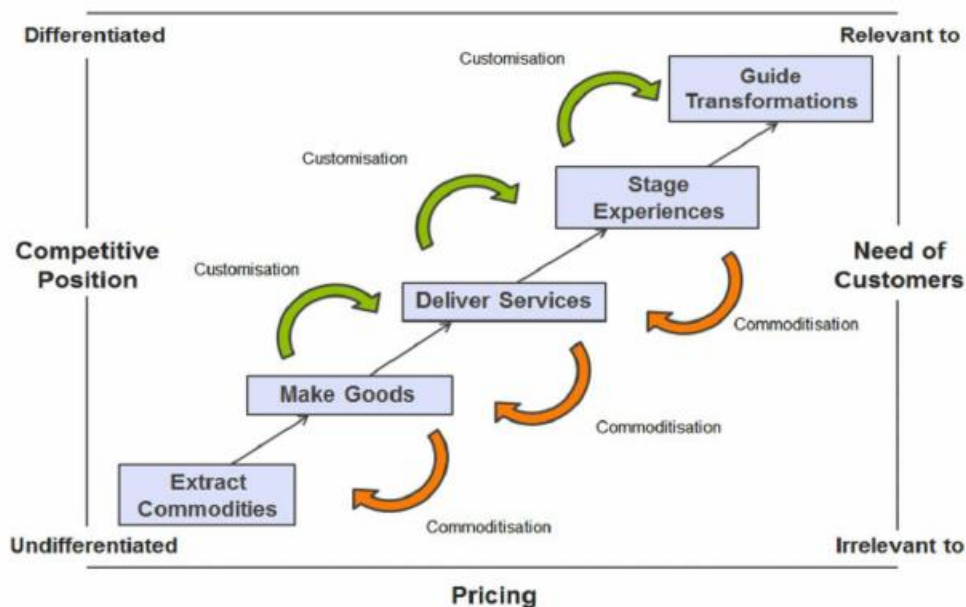


Figure 6. The Progression of Economic Value (Pine & Gilmore 1999, 166.)

The difference between service and experience is as clear as between goods and services. When one buys a service, they purchase an intangible activity that is performed for the consumer. Yet when purchasing an experience the consumer is paying money to enjoy a series of meaningful event which engage them in a personal way. (Pine and Gilmore 1999, 10- 13.) In Joseph Pine's lecture about Progression of Progression of economic value in 1999, he says the main thing is to use goods as props and services as a stage to engage the customer in a personal level that will create a memory. (Boswijk, Thijssen & Peelen 2007.)

When the company guides the transformation process the offering is the individual, the customer, not the materials used or what it makes. (Pine and Gilmore 2011, 242-244.) By transformation is meant a lasting effect on the individual that causes the consumer to change their view on things. When this transforming experience is staged, it is a process of a range of experiences in a sequence of time. The cause of a change in the behavior and opinion of an individual, is the mutual connection experienced with others. Managing this transformation not only requires knowledge of the consumers' values and needs but also the competencies and skills of the participants, as well as their expectations. (Kuiper & Smit 2011, 30-31.)

As a conclusion, according to Pine and Gilmore's theory the economic value of a certain product or service increases when tailored to suit customer's needs. The more individually designed is the experience, the more it is worth. If the journey is performed well, it can create a positive memory in connection to the organizer, e.g. a hotel, and this in turn can lead to customer loyalty. (Smit, et al. 2013, 158-160)

In the case of Hotel F6 their value proposition is to offer more than service, more than a hotel; a home-like atmosphere, real, hearty connection with locals in stylish surroundings. (Hotel F6 2017.) As a lot of their guests are business travelers, they are clearly appealing to customers' needs to feel as they are welcome and belong. They are creating an elegant living room for their guests, encouraging them to approach the staff. Their promise is very appealing especially to people traveling alone who might be busy with their work schedule and are maybe missing home or feeling lonely. Their value proposition is extremely emotive and if the message isn't enough, the hotel dog Runar, also widely used in the marketing, will pull in even the most rigid businessman. One of the perks of Hotel F6 not being a part of big well-known chain in Finland, is that many are lacking previous experiences. This creates "a clean slate" from them start on without premade expectations and image for the guests to rely on.

3.1 Value creation

The world is changing: digitization, globalization, industry deregulation and the convergence of industries are creating an overwhelming margin pressure to the managers, who are now realizing, that the traditional cost reduction and outsourcing aren't solving the problems as they used to. As the philosopher, Cornelius pointed out in 1988, we have reached a point of moving from a structure of social rules to more communicative self-direction. A logic where people are guided from outside, where companies try to steer their customers to a wanted direction, is not successful anymore. In a more self-directed world communication has become more valuable and parties are seen as equals, the roles of a commander and the obedient have disappeared. (Boswijk, Thijssen & Peelen 2007, 6- 7.)

Managers have begun talking about value creations more and more. It seems that customer satisfaction, and measuring it, no longer helps companies to explain the choices of consumers. It has been suggested that value is, in fact, what the customers are looking for and satisfaction is only the "report card" of how well the company is performing in offering that value to their customers. (Chaudhuri 2006, 133.) In his book, Chaudhuri (2006, 135) introduces two perspectives to value. Merchandise value, meaning customer's perception of the tangible and intangible features of the product which combined define the quality, weighed against the sacrifices made by the consumer (e.g. price and time). Then again, differentiation value is customer's perception of the uniqueness compared to competition. Where merchandise value is created by offering good quality for a cheaper price, differentiation value consists of the highest quality offered in a higher price than competition.

It is suggested that consumers derive a sense of pleasure in the knowledge that they found something positively unique and the value also increases when something of worth is in short supply, temporarily available. It seems that consumers feel good when breaking away from the routines and the ordinary. This is different kind of satisfactions which in-

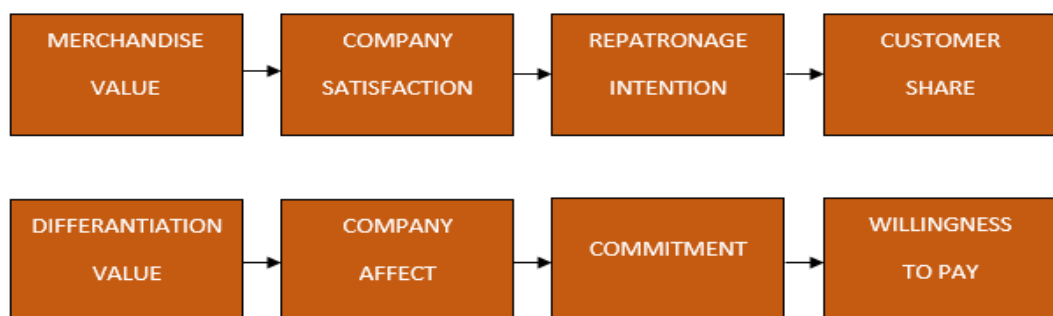


Figure 7. Model of Consumer Value Outcomes (Chaudhuri 2006, 138)

volves affection and enjoyment. In return, these feelings create willingness to pay for the product or service (see Figure 7). (Chaudhuri 2006, 137-139.)

With the changing competitive landscape that has set in motion by convergence of industries and technologies, the product variety and expand of offerings has led to the question, if the huge amount of options is actually creating more value to the consumers. As it turns out this kind of competitive scheme often leaves consumers with confusion and difficult choices instead of satisfaction. As a solution, value needs to be co-created with the consumers and the innovations of the providing organizations should be focused on making more co-creation experiences. Companies are pressured away from company-centric way of thinking, the demand for experiences through personalized interaction is on the rise. As the society is consisting of more networked, informed and connected consumers, they have questioned our basic conception of value and now want more of an active role. Companies are invading upon other industries and creating new product spaces and expanding their markets. (Prahalad & Ramaswamy 2003, 12- 13.)

There are many different definitions of the word value co-creation but the one made by Ballantyne, Williams & Aitken in 2011 seems to say it best:

“Value co-creation refers to the involvement of customers in the creation or delivery of products or services; value co-creation implies an element of inseparability of the customer from enterprise.” (Bharti, Agrawal & Sharma 2015, 575.)

Today's consumers are craving for an active role, a peak to the backstage, when creating an experience. When trying to be innovative and to improve the experience, the main effort is usually in updating technology or in the product development. When on the pursue for an individualized experience and co-operation with the customers it doesn't stop at asking their help when developing a product. The value created is actually defined by the experience of the consumer, at a specific time and place, in the context of a specific occasion. According to Prahalad and Ramaswamy, an experience environment can be seen as a strong network of the organizations capabilities (e.g. technology and social possibilities) combined with the consumer interaction channels (e.g. devices and employees). Yet the network needs to be flexible enough to serve many different individual needs and preferences specific to a certain context and time. The experience needs to be agile and able to offer to a variety of possible customer-company interactions by actively involving the consumer in the process. This is the base of customer's willingness to pay for the product and the path for profitability through creating economic value. (Prahalad & Ramaswamy 2003, 13- 15.)

In his book, *Change by Design* (2009, 18.) Tim Brown points out that as most of the businesses strategies are designed for efficiency and the main goal is profit, their tries for new ideas and developments can be very predictable and incremental, which make it easy to be copied by competitors. This explains the quantity of similar products for example in the hotel industry. A lot of businesses are looking for a technological breakthrough without thinking about how a new product like that would fit in the existing business system and the market place.

Moving on to the experience economy, the managers are encouraged to focus on the Experience Space and move from the thinking from the company's perspective to customer's point of view. When developing new technologies, it has suddenly come to attention that these kind of new "improvements" are important to consumers only when they provide the users more freedom, make their lives more convinient or create experiences they desire. (Prahalad & Ramaswamy 2003, 17.)

In the model of Experience Space (see Figure 8) introduced in the article of 'The New Frontier of Experience Innovation' the customer is in the middle as an individual and some kind of an event triggers the co-operation experience. The experience is influenced by the context of the event (time and place) and the involvement of the customer. Yet it is the actual personal meaning for the consumer that determines the value of the interaction. So as it's concentrating on event, it still very sensitive for the context where the event happens and gives the customer the possibility to interact with the system, which are the most important dimensions when making the customers the heart of a co-creation experience.

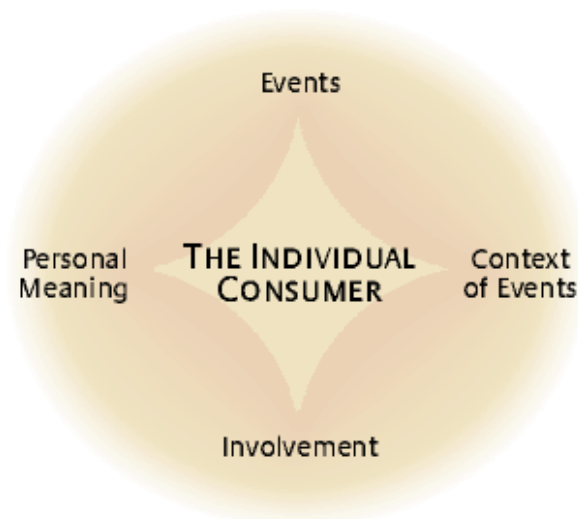


Figure 8. Experience Space (Prahalad & Ramaswamy 2003, 14.)

This kind of experience environment enables the customer communities to take control and expand the environment by adding competence and innovation. This way they add value to the process and the final product by getting directly involved in making their own individual experience. (Prahalad & Ramaswamy 2003, 14.) Creating additional value is part of many companies' business strategy as it has a competitive advantage. It's also possible to increase or decrease value by changing the price or the amount of benefit it gives to the consumer. (Tuulaniemi 2011, 37.) In the Figure 9 additional value creation is demonstrated.

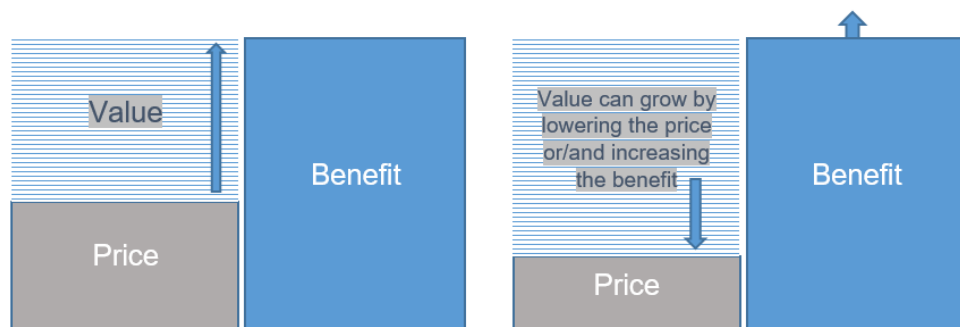


Figure 9. Increase of Value (Tuulaniemi 2011, 37.)

The value profit chain is introduced in a book by Heskett, Sasser and Schlesinger (2003).

Theory combines series of interrelated phenomena as follows:

1. Customer loyalty is the main driver of growth and profitability.
2. Customer loyalty is created by customer satisfaction in relation to competition.
3. Customer satisfaction results from high levels of value in relation to competition.
4. Value is created by satisfies, committed and productive employees and it is a perception by the consumer.
5. Employee satisfaction is created by the fairness of the management, quality of peers in the workplace, opportunities to personal growth, capability to deliver results, customer satisfaction in consumer-facing work and the adequate compensation (wage).
6. These relationships are self-reinforcing and can either work for the benefit or against the company's performance.

By acknowledging these guidelines and by pursuing a successfully working profit chain the company can achieve remarkable results. (Heskett, Sasser & Schlesinger 2003, 19.)

4 The rise of Service Design

In this chapter I will introduce Service Design as a concept and explain the idea and master minds behind the new way of thinking. Service design has gained strategic importance since 1980s due to increased competition scene that has encouraged companies to use innovation and creativity in their business strategy. (Kozak & Gürel 2015, 225.) But Service Design truly had its breakthrough when B. Joseph Pine II and James H. Gilmore introduced their ideas in an article “Welcome to the Experience Economy” published in Harvard Business Review in 1998. Since then, this new way of thinking has ascended and integrated management, marketing and design. Service design acts as an interface that brings together the customers and the organization in a unique way. (Moritz 2005, 25.)

So what does design have to do with services? According to Merriam-Webster's Dictionary (2016), the word to “design” means to plan and make decisions about something that is being built or created for a specific use or purpose. When combining with service sector this means a situation where the specifics of service environment, process and employees are united effectively towards one goal: a positive customer experience. It is typical for problem solving in design to analyse and distribute the large complex in smaller, more manageable pieces. This way the problems can be solved independently and finally combined with the complete end solution. This is something utilized e.g. in method of customer journey mapping. Also, prototyping and visualization are also great tools adopted from product design. (Tuulaniemi 2011, 58- 63.)

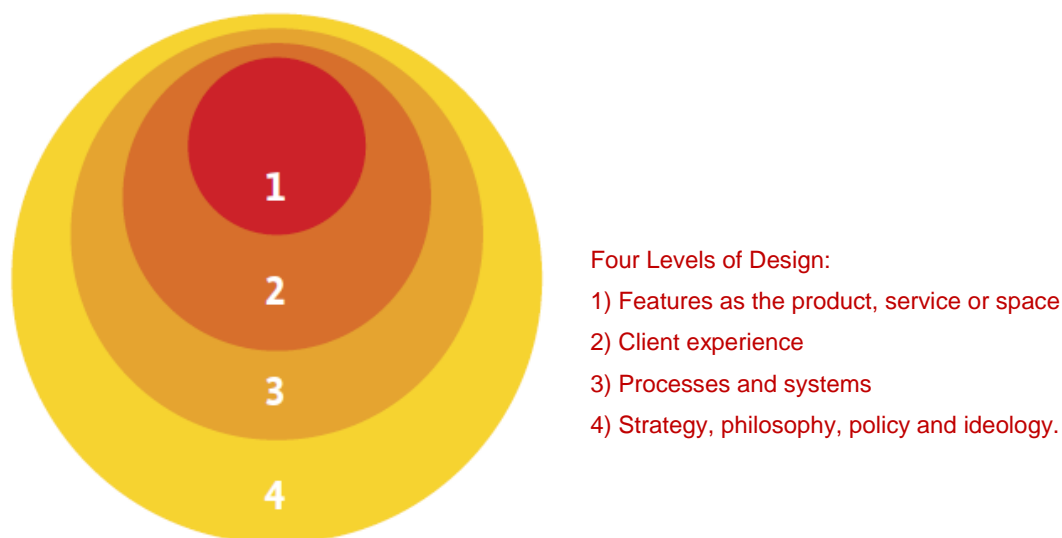


Figure 10. Four Levels of Design (Moritz 2005, 32-34.)

As demonstrated in Figure 10, design has four levels. First is features as the product, service or space, second client experience, third processes and systems and fourth strategy, philosophy, policy and ideology. Examples of these can be a hotel room, the psychological experiences of the guest, the service system of a front office and the strategies the company is using to reach customer satisfaction. It's important to understand the goals, motivations and current needs of a customer when applying Service Design, however without forgetting the needs of the organization. This can be achieved by researching the target group's behaviour and finding out the needs that even they might be unaware of. (Moritz 2005, 32-34.)

Stefan Moritz (2005, 7.) defines Service Design as a new comprehensive, multi-disciplinary and integrative field that helps companies to either innovate, as in create new, or improve their existing services. Its goal is to benefit both, the customer and the organization, by making the service process more useful, useable and more desirable for the consumers as well as more efficient and operative for the company. As its simplest Service Design is about placing the customers in the centre of the service process and examining the customer journey in their perspective. It is used to gather information about the consumers and applying that information in a beneficial way both the customer and the company. It is part of a larger phenomenon where empathy and innovation are used as tools to increase the satisfaction of consumers.

Service Design is combining innovation and creativity, and bringing it to the business world. The terms "customer expectations-based design" and "product/service-based thinking" are attracting attention and to achieve the Service Design goals the companies need to adjust their objectives and strategies. (Kozak & Gürel 2015.) Traditionally companies use market research and customer feedback as a source of information to increase their customer satisfaction, yet according to Satu Miettinen, these tools don't give information about the actual customer experience. In the core of Service Design there are understanding their customers and it aims to empower the consumer with a more active role in their own experience creation. The ultimate goal of a service designer is to create an experience with 100% customer satisfaction. (Miettinen 2011, 13)

In Service Design co-creation is a vital part of the product and service development process. It is a combination of cultural, social and humane interaction where design methods are used to bring all these together. Through careful design, services can have a unique competitive advantage when it's not able to be copied by others. (Miettinen 2011, 21.) When the needs and expectations of the customers are used as a starting point for the design process, the usability of the product or service is ensured. As mentioned before,

when the service is customized to individual's wishes, it creates additional value for the product. For example, Adidas, has used co-creation successfully for their advantage on their webpage where the customer is able to design their own sneakers. Another great example is social media platforms such as Facebook who only provides the stage for the service, yet consumers are the ones creating and dominating the content. Co-creation enables the customer to build the service experience in collaboration with the company and in-result company creates an experience that has demand and value for the consumers; consumers get their needs satisfied. (Miettinen 2011, 23 -25)

As service is abstract by its nature, the provider needs to offer the consumer proof of the service if they want to strengthen their competitive position and lower the bar for buying. The service needs to be made visible for the consumer. This kind of evidence can be e.g. tickets, cards, brochures or invoices. These give the consumer a concrete confirmation of the service which would otherwise be invisible. (Tuulaniemi 2011, 92)

4.1 Changing to design thinking

Service Design isn't abstract mapping of customers' feelings or experience design. It's taking concrete actions to combine the consumer needs and expectations with organization's commercial goals to a functional service concept. The end product needs to be sustainable economically, socially and ecologically. (Tuulaniemi 2011, 25) Because Service Design is more customer-and result-oriented, it has more strategic opportunities than traditional methods e.g. great service at itself is an amazing marketing channel. What is better advertisement than satisfied customers telling about their experiences to friends? (Tuulaniemi 2011, 51-52)

Design thinking is an important feature of a service designer. It leans on empathy and noticing things others don't and ability to utilize these perceptions in an innovative way. The goal is to invent new creative solutions to improve existing products, services and entire business models. Following changing market scene, improving skills and features related to services and the ability to innovate, are vital traits for a service design thinker. The aim for the organization is to define their strategic direction by utilizing the consumer information, inner and outer trend knowledge and by anticipating future changes in the business environment. Service Design provides a platform where new technology, customer needs and innovative ideas collide. (Miettinen 2011, 27- 29)

According to Thomas Lockwood (2010) the word "design thinking" refers to applying designer's sensibility and methods in problem solving. It highlights observation, collabora-

tion, visualization and fast learning. Also, concept prototyping and concurrent business analysis are important traits that lead the company to new innovations and different business strategy. (Lockwood 2010, xi.) The mind-sets of the individuals inside the organization can make a huge difference. There are some emotional conditions that help the design thinking to flourish e.g. mindfulness, open-minded collaboration, abductive thinking, permission to fail and creativity. (Lockwood 2010, 43.)

To help companies in the development process of their service product and to make the customer's needs central part of their business strategy, there are three steps to follow:

1. In the development projects company needs to change the customer needs and opportunities to extensive service goals.
 2. Service creation needs to be optimized so that those goals can be achieved. Through interactive design and testing methods the weak touchpoints of the service process can be identified and corrected.
 3. The service production needs to be measured and evaluated continuously so that any changes can be detected.
- (Miettinen 2011, 15.)

The Service Design process uses creative problem solving principles. This means a series of logically proceeding, repetitive operations. As there are no clear guidelines to the design process, everyone is free to adapt the models to their own services, yet the main stages stay the same. (Tuulaniemi 2011, 126) In Figure 11 the different stages of Service Design Process are demonstrated. In the research and observe part the designer pursues

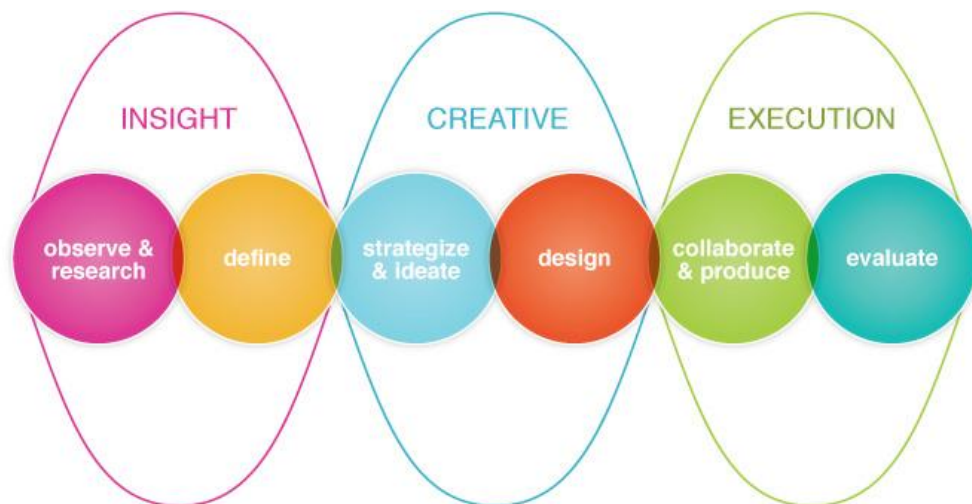


Figure 11. The Process of Service Design (Tuulaniemi 2011, 127.)

to understand the service environment, resources and the needs of ideal customers by interviews, discussions and surveys. Next step is to identify the problems, setting goals

and gain understanding of the company's objectives. At the creation part alternative solutions are innovated and conceptualized. Best ideas are selected and they move on the next step. In the fifth step the service concept is prototyped and tested with the customers to see if the solutions are functional in practice and the production of the service is finalized. Last step is to evaluation of the development process and if it was successfully implemented. The service production and improvements are measured and the service is adjusted according to the results. (Tuulaniemi 2011, 128.)

4.2 Hotel Sector

Kozak & Gürel (2015, 225) defines Service Design as a combination of all the tangible and intangible components required for a better customer experience. In their review they bring in attention that Service Design has a great potential to increase the service value in hotels. One of the main reason for failing to meet their guests expectations is ineffective service offerings despite of the hotel managers' efforts which are usually within the scope of technical services. To increase the value of their service hotel managers should concentrate on the whole service path and those touchpoints where the value is created. Other reason mentioned is the incapability to adapt in changing environmental conditions. This can be seen clearly in the hotel industry as many of the hotels are known to be very similar to each others and having difficulties to differentiate themselves from the competition. Offering a personalized valuable service for the guests is something that the managers of today are struggling with. Service design thinking is seen as a functional solution. As Kozak & Gürel (2015, 225) adduce; "The goal in Service Design is to reveal the service that meets the customer expectations in conjunction within the service system".

Service quality is traditionally measured by quantitative research methods, meaning questionnaires usually given to the guest in the end of the service process. The problem in this procedure is that a guest who has just gone through inadequate service process rarely is interested in development of the company or giving improvement suggestions. These customers often have already made their decision not to use the company's services again and many feedback forms lack the space for customer's improvement ideas. Service Design pursues to be proactive by researching true needs of the target group. In this way, the "grievances" are already fixed before they have a chance to take place. Listening to the customer is always a positive thing, yet asking directly might not always give the wanted level of knowledge, but it can help. However, paying attention to consumer's actions is always more beneficial and they can reveal the true motivations, values and needs of the consumer. (Tuulaniemi 2011, 72-73)

One great example of a hotel using service design in their business strategy is Zoku which was opened in the heart of Amsterdam, in autumn 2015. Zoku is an innovative design by Concrete Studio in co-creation with Hotels Ahead by Hans Meyer and Marc Jongerius. Included in the design process there was also exclusive, highly motivated group of passionate individuals. Zoku is a hybrid combining home- and working-life into one compatible and flexible living arrangement. The hotel aims provide a platform for their guests to network with like-minded travelers and locals. The hotel is designed “IKEA” style with adjustable room interiors to create “mini apartments” to travellers who might be on the road for longer periods. Their innovation was to make the livingroom the focus of the hotel room enabling people to cook in their own kitchen, have dinner parties with their friends and relax on the sofa. The whole idea is to be able to enjoy “normal life” abroad and to dare to invite people to the place without a huge bed taking over the whole space. (Zoku 2017.) The designers of Zoku used Service Design through out the whole desing process and invited customers, housekeeping staff and many others to co-create with them. Zoku is designed to be attractive to modern day nomads and the changeability of the space enable multible use; for resting, for work, for fun.



Image 1 & 2. Hotel room in Zoku, Amsterdam. (Zoku 2017.)

5 Background information

The newest achievement of the Saari-family, Hotel F6, was opened on Fabianinkatu 6, in the heart of Helsinki, in June 2016. It's founded and owned by a family of successful entrepreneurs of the Finnish restaurant and hospitality industry.

Mia Saari and Pertti Hynninen began their collaboration in the beginning of 1990's and nearly ten years later Royal Ravintolat Oy was officially born. The Royal Ravintolat is the largest private group of restaurants consisting of its parent group Royal Ravintolat Oy. In the end of the millennium, Mia Saari's husband Kasper Saari joined as the CEO of the company for almost two decades and became also one of the co-owners along with Pertti Hynninen's wife, Marianne. (Soininen, 2010, 6-9; Intera Partners, 2011) Later on Intera Partners bought 65 percent of Royal Ravintolat. (Soininen, 2010, 6-9.) Royal Ravintolat Oy also founded and owned Hotel Haven and Fabian until the year 2015, when they were sold to Kämp Group. Today the concept includes 44 restaurants around Finland and together they employ over 1000 people. Royal Ravintolat has named their target revenue for 2017 to be over 100 million euros. (Royal Ravintolat, 2017.)

5.1 Hotel F6

Could be said the apple doesn't fall far from the tree, when looking at Mia and Kasper Saari's son, Roni Saari, who has taken charge of the company's hotel operations and is currently the General Manager of the newly opened Hotel F6.

As mentioned, Hotel F6 is a family owned boutique hotel in the center of Helsinki. It consists of 66 rooms available in standard, superior or deluxe classes. At their website, rooms are described elegant and stylish yet warm and cozy. The hotel wants to create an atmosphere of high class and at the same time be inviting and welcoming to all guests. Their Finnish home-style breakfast is highly appreciated and the fact that it's mainly made of organic and local ingredients, is emphasized several times. Added value to the combination brings "the backstage pass" to see in your own eyes, how the guests' breakfast is done in open wall kitchen (Hotel F6, 2016).

Hotel F6 states to be a service-centric company that aims to let their family-oriented lifestyle show in everything they do. They assure guests of their "warm and fuzzy" atmosphere and name as their goal to be "one big happy family" with the whole staff. A relaxed

and cheerful picture of the staff in their website sure does strengthen the image (see Image 3). (Hotel F6 2016.)



Image 3 & 4. Hotel staff and front (Hotel F6 2016)

As a trademark of the hotel could be mentioned the beautiful octagon courtyard the hotel proudly introduces. What also makes the patio unique is that some of the hotel rooms are actually facing the inner courtyard bringing the hotel a surprising feeling of a city home and frankly brings back the memory of the 90's TV-show Melrose place with its colorful residents and tight living neighbors. This patio creates a relaxed environment for casual encounters with your fellow hotel guests and almost makes you want to heat up the barbeque. A great example of the playfulness of the hotel is the orange scooter and "Tuk Tuk" on the patio.

5.2 Success story

By 11th of December 2016 Hotel F6 has reached 3 351 likes and has 3 339 followers on Facebook. Not to mention respectful number of 779 people have tagged themselves to the location in the past six months. On Instagram, the hotel has 968 followers and the number keeps rising every day. Hotel F6 has also reached the position as the TripAdvisor's number one hotel in Helsinki, an international travel website that provides a platform for customer's reviews on travel-related content. This hotel has beaten all 64 other competing hotels in Helsinki available through the website in only six months. Of course, as the hotel is very new there are only 136 reviews written at the time being, comparing to its rivals such as Lilla Roberts; 289 reviews, Hotel Kämp; 1 179 reviews, Hotel Haven 878 reviews and Hotel Fabian; 1 016 reviews. Hotel F6 has also reached first place, passing

54 hotels within Helsinki, at Booking.com with review points of 9,5/ 10. (TripAdvisor 2016; Booking.com 2016; Hotels.com 2016)

According to guest review platforms mentioned before, most thanked qualities of Hotel F6 are the cheerful staff, great location, delicious and unique breakfast, attractive interior design and courtyard as well as the cozy atmosphere at Bar Runar. Only few improvement points were named by the guests, such as the patio used as a smoking room, there were a few complaints about the noise coming from the Bar Runar late in the evening and more warm dishes were missed at the breakfast table. Yet a factor creating most discomfort seemed to be the building project next door to the Hotel and the noise hazards created by the construction workers. Luckily this inconvenience was only a temporary nuisance. (TripAdvisor, Booking.com, Hotels.com. 2016)

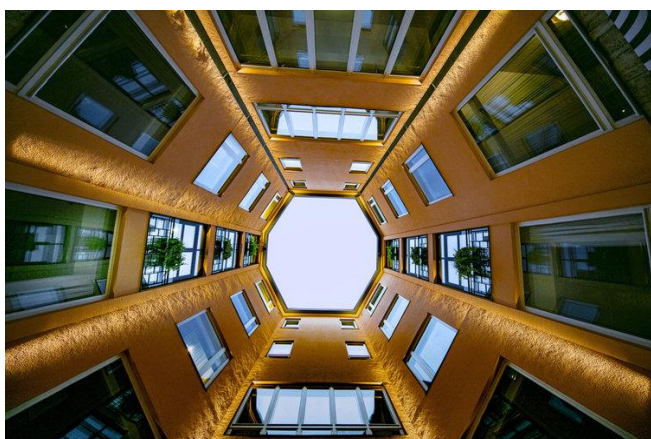


Image 5 & 6. Hotel patio (Hotel F6 2016)

The night manager Kaisa-Mari Konu and managers on duty Aino Antila attract attention with their noticeably responsible reply behavior towards all the feedback considering Hotel F6. Their answers are always individually forwarded towards the guest and answer their specific feedback with grace and solid information, more importantly, hardly any feedback goes unnoticed.

5.3 The competition

As their biggest rivals, Roni Saari names Hotel Haven, Hotel Fabian and Hotel Lilla Roberts. Ironically, all these hotels have been previously co-owned by Saari's family before being sold to Kämp Group. All of these hotels are located in the center of Helsinki with moderate room capacity from 58 to 130.

Hotel Fabian, almost a neighbor of Hotel F6, was rewarded with TripAdvisor traveller's choice award in 2015 and is right behind Hotel F6 on the second place at Trip Advisor's best reviewed list in 2016. They offer rooms in three different classes: Comfort, Style and Lux. They also have a bar and a patio, like Hotel F6. When it comes to differentiating from the competition, Hotel Fabian offers nine Lux- rooms which include a mini-kitchen for their guests to use. The interior is very modern and relies on white, black and grey color combinations with occasional color drops.

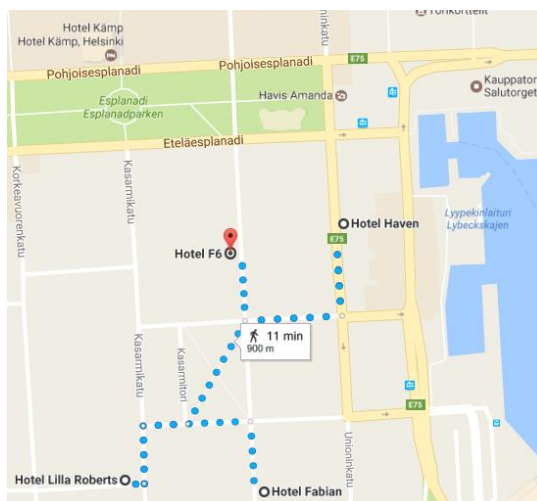


Image 7. Hotel locations (Google Maps 2016.)

Hotel Haven, right next to the harbor's market place, expresses more classic style with aim to provide a cozy and homelike feeling to their guests. Their lounge bar located at the lobby wants to offer a meeting place for friends. Their selling points are high quality services, history of the building and great location. There's also a possibility for a use of meeting facilities

Hotel Lilla Roberts, holding fourth place in the game of thrones, in the battle of ruling of Trip Advisor, is on the other side of Kasarmintori from Hotel F6. The long history of the building is brought up strongly. As its rivals, Lilla Roberts offers three types of rooms; Comfort, Style and Lux. They trust in modern elegance in their interior design. Lilla Roberts also has a similar "Nordic theme" as Hotel F6.

The flagship of Kämp Group, Hotel Kämp is also seen as a competition because of their high-quality service and nearby location. A well-known reputation of luxurious service offering and matching price level with several international celebrity overnight guests is what comes in mind when mentioning this deluxe hotel located right on the Esplanade.

6 The research

The research was conducted by interviewing two professionals of the hospitality industry. Qualitative research method was chosen because it was the best way to get the inside knowledge needed of this subject. Only the managers of the hotel were part of the design and opening process of the hotel, as well as had information about the marketing and strategy of the company. Yet a receptionist and a tourism activity organizer has a different perspective to the matter and valuable experience. By interviewing some of the key workers of the company, information that can't be found in books or articles, was revealed. Along with honest opinions and different perspectives.

The interviews chosen to the research process were Roni Saari, one of the owners of Royal Ravintolat and the General Manager of Hotel F6 and Elli Suutarinen Front Desk Manager of Hotel F6 and an industry professional with a lot of experience with opening new hotels and working as a manager in hotels such as Haven and Lilla Roberts.

The interviews were based on 11 questions, covering subjects about the target group Hotel F6 is trying to reach and attract, how does the hotel differentiate itself from other similar boutique hotels nearby, how are they able to create memorable experiences for their guests and how has the industry changes in past 10 years, and what is yet to come. The research took place face to face at Runar Bar in the end of January. At this time the theory research was nearly finished and proceeding to the qualitative research felt natural.

Interviews were done in Finnish as it is the native language of all the participants and was a way to keep the conversation going effortlessly and in relaxed, comfortable tone. The interview questions and results were translated in English later on. All of the interviews were recorded with permission.

Few of the questions presented in the interviews were similar to each other to ensure getting many perspectives on the subject and to lead the interviewees deeper in the topic. Also, some of the answers were quite short so it was good that there were more elaborating questions to get the best result out of the two interviews.

6.1 Summary of the interviews

All interviewees are clearly on the same page when it comes to company policies and common goals. Importance of taking extraordinary good care of their guests and going the

extra mile to make their visit enjoyable, easy going and effortless shines through all the interviewees answers.

When it comes to an ideal guest of Hotel F6, Roni Saari describes a youthful, but not necessarily young, business woman who appreciates a small and unique boutique hotel with personalized service and product. Yet it is admitted by both interviewees that unfortunately it is still mostly business men that travel and create the majority guest type for Hotel F6. However, Elli Suutarinen emphasizes that they work hard not to create a narrow box around them, rather than welcome anyone and everyone as their wanted guest. As a matter of fact, there are plenty families and event guest such as couples spending their wedding night. Also, the seasons create a very different guest types; at summer time Helsinki is overflowing with tourists all over the world. These vacationers also demand totally different service product. As it may be enough for a busy overnight businessman to have the necessities and be on his way, travellers on vacation have much more time and interest to take advantage of full knowledge receptionist have of Helsinki and its places to be.

Hotel F6 is characterized by Mr. Saari as a family owned, homely, and most of all, sympathetic place. Even though money and effort has been invested in great beds, quality breakfast and cosy interior, the focus never leaves the even better service. This is what the company wants to present to their guests in their marketing and strategy. Ms. Suutarinen also mentions that modern technology including social media and online booking systems is a great channel to reach the desired target market. "It's the small things that count" says Mr. Saari.

When asked, what differentiates Hotel F6 from its competition "I guess you could say that we are bolder than the other boutique hotels when it comes to interior design e.g. the wall papers...we dare." says Mr. Saari. Ms. Suutarinen lists the approachability of the staff and warmth, family feeling of the place as a huge strength, yet without compromising the high-class service they provide. "Being luxurious nowadays is about being approachable and individual. I believe it had changes over time and hotel doesn't have to be stiff to provide luxury." says Ms. Suutarinen. She also states the fact that they aren't part of a big chain an advantage as they are able to fix any grievance they may have fast and easy, without bureaucracy slowing them down.

What makes a stay in Hotel F6 a memorable experience is little surprises e.g. hand written card that is sometimes "signed" by the hotel dog Runar. The experience is made as personalized as possible for each guest and returning guests get always a warm welcome back. As the staff makes time to getting know to their visitors they constantly try to show it

by remembering little details about them e.g. someone might like liquorice and find some waiting for them in the room on a return visit.



Image 8 & 9. Hotel dog Runar & personalized note for a hotel guest (Facebook. Hotel F6).

“The staff here isn’t afraid to talk to people and they all possess the willingness to serve the guests” says Mr. Saari. Also, the unique interior and atmosphere of the place creates its own value in the experience. “For example, our bar is not a typical hotel bar. It attracts also locals, not only the hotel guests” points out Ms. Suutarinen. As Bar Runar is gaining reputation also among the locals, it’s creating a truly Finnish living room experience for also the hotel guests. Hotel also has a habit of sending out discounts to their previous guest to encourage them to return.

To customise each visit staff in Hotel F6 makes sure they stay aware of current event in Helsinki area. By knowing the reason the guest is in the city helps the staff to share important information e.g. event locations and routes as well as occurrences that may difficult the guests journey to certain locations. Hotel F6 reception pursues to find out advance knowledge that may be valuable to arriving guests. This includes concierge services. Hotel F6 has also began cooperation with Wolt, a food home-delivery company. There are three electronical pads in the reception ready to use for ordering food via app. The hotel has set up the pads in such way that guests are able to order food deliveries straight to their room and the payment will go on their room invoice. This is truly modern as it’s common in hotels to frown upon guests taking their own food to the rooms. Hotel F6 has

even their own “menu of recommendations” of their preferred restaurants available on Wolt.

Ms. Suutarinen reminds that tailored experiences are easier to create in summer time as the guests (vacationers) are more adventurous and have more time to explore. Hotel F6 has some third-party packages available for guests interested in different activities in Helsinki. Great example is one of their receptionists, a Hospitality Specialist Riku Nurminen, who is the founder of HELtours - Helsinki Bike Tours and is organizing hugely successful personalized tours as well as the Hotel F6 guests as anyone else interested. “[At the tours] they really listen to the customers what kind of things they are interested in e.g. architecture and truly take the guest to see places that are valuable to them. They also might stop by at a terrace, the tours are really fun.” praises Ms. Suutarinen.

The hotel isn’t quite using co-creation with customers, not yet at least. According to Mr. Saari most of the cooperation with customers is through feedback. The employees also get a free night of stay in the hotel so they work as “experimental overnight guests”. Yet it’s pointed out that if the guest hopes something “out of ordinary” they make an effort to get it done. The hotel is mostly the craftsmanship of Kasper Saari, Roni Saari, Elli Suutarinen and the architect/interior designer Jaakko Puro. Mrs. Saari also adduces that his mother Mia Saari had a huge influence on the final looks of the place. As this team of top professionals has a lot of experience in opening boutique hotels in Helsinki, they didn’t feel the need to bring in so called outsiders to the combination. “As we previously opened Haven, Fabian and Lilla Roberts we mostly utilized the knowledge that we gathered from the feedback of those hotels and knew what not to do, learned from whenever there had been some kind of grievance” tells Ms. Suutarinen. Later on, also the bartenders Turo Kotajärvi and Jun Kondo joined the designer team and got a chance influence what their bar should be.

When it comes to the “Four Experience Realms” by Pine and Gilmore both interviewees are quite on the same page. According to Mr. Saari an example of reaching “the sweet spot” in their case could be e.g. an older Australian couple visiting Helsinki who, in Saari’s words, seemed a bit lost at arrival and were wondering what is there to do in Helsinki. Fortunately, they came across Riku Nurminen at the reception and ended up in his bike tour around Helsinki. The guests could not get if enough and praised the experience and the hotel to Mr. Saari. Even though the tour wasn’t organized by the hotel, but by making it happen to the guest, it created an unforgettable experience for the guests. Yet Mr. Saari points out that the situation is very different when it comes to business men only looking for to recharge before next meeting; they want food, shower and a good bed to sleep on.

On the figures below are how Mr. Saari and Ms. Suutarinen would place their hotel service in the Pine and Gilmore's Four Experience Realms diagram. The red dot being Roni Saari's placement and blue dot being Elli Suutarinen's placement. Both emphasizes the interior design giving the esthetics of the hotel a strong point. Also, they both felt like customers are immersed by the atmosphere and coziness of it all. Ms. Suutarinen mentions that as the reception has more time to communicate with their guest they truly have time to get to know them. The hotel also has contact to the local people in a way so the encounter with the guest isn't quite as passive as in some bigger hotels.

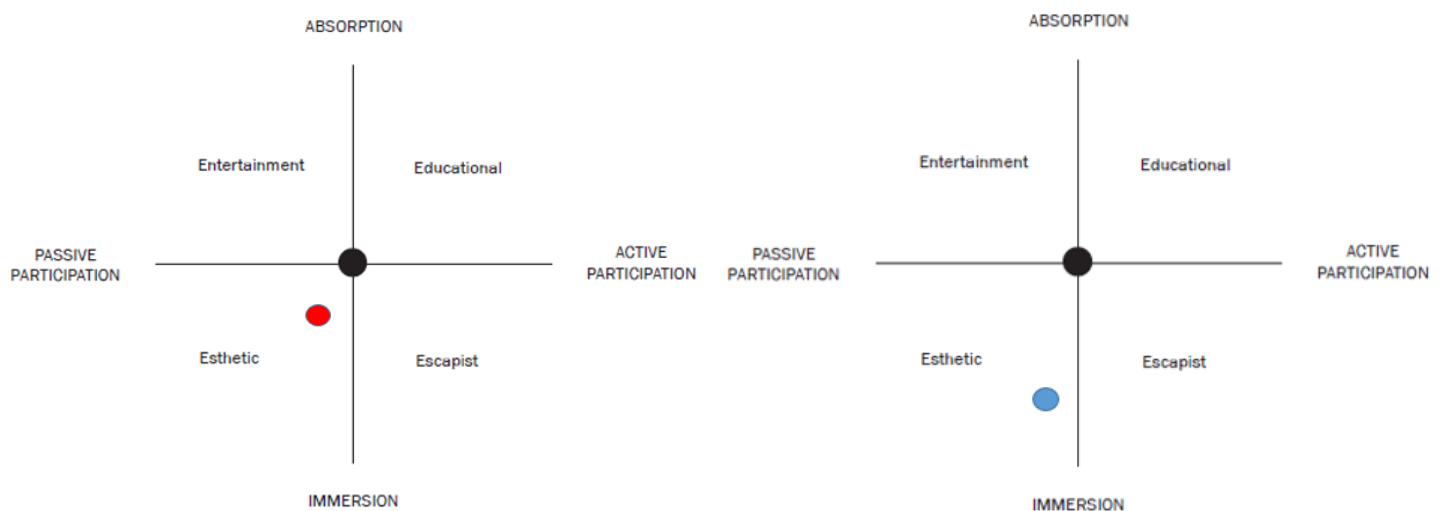


Figure 12 & 13. Four Experience Realms by Pine and Gilmore with added placements of Hotel F6 experience by Mr. Saari (on the left) and Ms. Suutarinen (on the right)

According to Mr. Saari the industry has become much more fast-moving in the past ten years. TripAdvisor has great power in affecting traveler's purchasing decisions and the hotel pricing has changed and is now closer to the variability of airlines. "When I started in 1997, so that's already 20 years ago, the prices were fixed in autumn and were left untouched. It was very static." says Mr. Saari. He also points out that the tempo of it all has picked up. Everything can be found online now and online travel agencies are booming. In the other hand this enables smaller companies to be seen as well and money creates an easy access to visibility e.g. via Booking.com, Expedia.com etc. People also appreciate personality e.g. in Instagram self-captured images create more attraction than professional made ads and pictures.

Ms. Suutarinen seems to agree on this; “Earlier, especially in Finland, there was only the big chain hotels, and still have a strong foot place here. But now people are clearly interested in this kind of small, unique, distinctive hotels, rather than those big chain hotels that are standard, same everywhere you go.” Ms. Suutarinen also brings out that people are clearly looking for experiences. Guests want to acknowledge that they are e.g. in Finland and it is like nowhere else. This can be seen in the places Hotel F6 recommend to their guest, “even though our interior isn’t quite classic Finnish style, we want the guest to get that “Finnish-feeling” (“Suomi-fiilis”). For example, in the summertime we sent a lot of people to Löyly”, says Ms. Suutarinen. Löyly found great success in the summer 2016 by opening a restaurant combined with unique sauna facilities on a perfect location next to the sea in Hernesaari, Helsinki. As the focus point moves from the big chains to smaller individual the hotel scene becomes more alive. This can also be seen in the restaurant industry which can only be seen as enrichment of the Helsinki culture and streetscape.

What can be expected in the next ten years? More distinctive options, greater experiences and individualized service. Maybe Finland will even have its long-awaited breakthrough in the tourism markets. “I believe that people will look for more personalized options, but that’s something I would have said also ten years ago. Safety is something that people won’t be willing to compromise “, says Mr. Saari. Also, Finnish nature is mentioned as an advantage; Lapland with Northern Lights and Helsinki with sea and archipelago are attracting interest all over the world. These and just the matter of clean air creates a great advantage at today’s markets. Ms. Suutarinen joins the opinion and adds the element of surprise in to the mix. “I think we’re heading towards more and more experiences and somehow to surprises. Hotel experiences are become more individualized and personal to the guests, especially when it comes to vacationers. “

6.2 Results

Hotel F6 is targeting business customers as their ideal clients yet still hope to attract vacationers at the same time. To people traveling for their work, functionality and easiness of the whole service process is the most important thing yet the staff of Hotel F6 is aiming to create a meaningful experience for them as well, wanted or not. Their mission is to create a sympathetic environment for their guests. This means a home like atmosphere with approachable staff, a place, where no traveller is lonely or an outsider. Traveling a lot alone for business can be exhausting and Hotel F6 intends to create a living room to relax in, even though far away home. They want to bring forward true Finnish hospitality for their guests by keeping the customer in the core of the service process and making the effort to truly getting to know their clientele. This can be seen in the way they make time to talk to

their guests and in small deeds such as leaving in the rooms personalized notes or the kind of candy the guests said they like. Hotel F6 has created a hybrid of comfortable luxury; high quality service and product combined with cosiness and effortlessness of your own home.

What differentiates Hotel F6 from their competitions is that managers have been opening many of the competing boutiques hotels in Helsinki. They have learned a lot of those experiences, and mistakes, and are now implying that they have brought the “crème de la crème” to this project. By keeping the hierarchy small, the product is kept agile and the grievances are easy and quick to rectify. It also seems that a big part of the staff has been acquaintances already before the Hotel F6 was opened. The recruitment is well thought through and the turnover is small, which is surely the corner stone of making it to number one in Helsinki on TripAdvisor so quickly. The managers underline several times the fact that the staff is appreciate the way they are and the personality of each member should shine through in every customer action. This kind of service model also encourages the customers to be themselves and creates added value to the authenticity of the experience.

In the interviews courage is mentioned as one of the advantages of Hotel F6 and a way to separate themselves from other boutique hotels. They want to be the experimental pioneers of Helsinki and they are keen on trying new things e.g. they are the only ones in Finland who are using the hotel programme Senium and jumped right on board with the food home-delivery company Wolt. They are attracting also locals to spend their evenings at the Bar Runar in addition to their hotel guests. In this way the bar is not only “the closest place to stay at when you’re new in town” but a place for locals and travellers to connect.

When it comes to Pine and Gilmore’s Four Experience Realms both interviewees agreed that their service product is located more on the passive side with esthetic qualities and experience of immersion. Yet the two have quite different perspectives when it comes to how the hotel industry has changed in the past 10 years. Mr. Saari emphasizes more of the practical side e.g. the faster phase and daily variability in pricing. As mentioned before, he speaks about converge of airline industry and hotel industry because of digitization. Also, he states that personalized marketing e.g. in social media, is valued more nowadays. Whereas Ms. Suutarinen highlights more of the focus moving away from big chain hotels and to more individualized small hotels. The uniqueness of the place adds far more value to the company and creating those meaningful, memorable experiences is on the rise.

In the next ten years, both are expecting to see more personalized options for travellers and people are hunting for the authentic experience by avoiding the mainstream choices. Also, themes such as safety, cleanliness and nature will be big in travel industry in the future. Mr. Saari also points out the increase in outsourcing and third party services, which he sees as a positive thing as the hotels can concentrate on the essentials. It will not be so much about having everything possible under the same roof than choosing one main object and doing it better than anyone else.

This research is valid and expected to be very useful to Hotel F6. The research did not include more interviewees as it was not seen as a necessary action. Majority of the questions intertwined around the design operation of Hotel F6, the goals and expectations of the managers and the definition of their value process. The top managers of the company seemed to be the right choice as they had different kind of inside knowledge of the overall view and aims for the company, e.g. a receptionist may not be aware of. Also the hotel is quite small and new, resulting in small staff, so the interviewees were also quite limited and two opinions are of course quite small portion, yet found the most valid in the subject at hand.

7 Conclusions

World is changing along with digitization, globalization and the convergence of industries and businesses of today need to be able to adapt to their new environment and changing market place. It seems that hotel industry is not quite as agile as many other industries and struggles not to fall behind. As mentioned by Tim Brown (2009, 18.) businesses need to ease on the strategies focusing on efficiency and profit, and start putting the customer in the center of their attention.

Also, the humankind doesn't have the luxury to spend more natural resources anymore. This is one of the reasons why the world needs to move from producing things to creating experiences. Providing services are ecological, beneficial for the consumer, and they can be created with small cost of energy. When providing services that answer to customers' needs, the contribution margin is also higher, which is of course an advantage also for the organization. (Tuulaniemi 2011, 20- 21.)

As experiencing is feeling based and extremely individual it is very hard to influence and the purpose of this thesis is to provide organizations a manual of how to guide and create those emotions in a beneficial way, for both the customer and the company, through the example of Hotel F6. When creating meaningful experiences, companies need to understand to try and engage their customers. To do this, the whole organization needs to work together including marketing, product design, customer service, sales, advertising agency and retail partners. In the hospitality industry, the experience is dependent on the interaction between the host and guest and the more attention the company gives to individual wishes of the guest the higher are the chances of reaching an ideal experience for the customer.

The aim in creating meaningful experiences is not to win but to get a double-win; two way interaction is considerably more effective in value creation than one way product or an advertisement. These desirable qualities can be approached by asking these questions:

1. How well does the service answer to guests' needs?
2. What distribution channels work the best?
3. How effortless is it to use the service?
4. What is the customer experience like?
5. How can we make the service distinctive, unique and memorable?

(Tuulaniemi 2011, 99- 101.)

According to Pine and Gilmore (2011, 242-244.) people have a compelling need to learn, improve and reform. This can be seen in the way the customers are looking for e.g. not a great airplane but a quick and comfortable travelling experience. Companies need to acknowledge that offering is no longer the materials or the product itself but the transformation process of their individual customer. If this path of customer experience is performed successfully it can lead to creating a positive memory connected to the organization which creates customer loyalty. (Smit, et al. 2013, 158-160)

As I have introduced before, when the product is tailored to suit guests individual needs the economic value of the product increases. This can be seen in the organization as the increase of income and competitive position of the product, also called as *the progression of economic value*. To reach these advantages companies need to start thinking from the customer perspective and make the effort to create meaningful experiences for their guests. To help the process many tools are provided, for example, experience mapping, Experience Pyramid and Four Experience Realms are created to help the organizations to find and pursue their sweet spot of experience.

By mapping the customers experience, the journey, companies are able perceive the touchpoints of their service product and it's a great way to find out where are the weak spots of the service path. It also gives the managers information if their value proposition is executed in a consistent way by the staff. This is something I would recommend to Hotel F6 management to find out just to become aware of their most important touchpoints and to measure the quality and value of each one. As Megan Grocki (2014) brings forward in her article, it is extremely beneficial to plot out customer's emotional landscape and acknowledge the key opportunities for deepening those relationships. A customer experience map can help to gain internal consensus on how guests want to be treated across distinct channels.

By using Service Design, the organization gets a clearer picture of the existing market and its needs, gets more value out of the resources available, can change the organization culture and gains a new perspective for future improvements. Also, it increases efficiency by bringing the clients and employees together which results in a higher quality service experience. This way the organization is bound to differentiate itself from the competition, create more attractive and emphatic brand, in other words, provide the basis for success. (Moritz 2005, 57.)

The purpose of the empirical research in this thesis is to find out if Hotel F6 has successfully added value to their service product, so that the experience itself exceeds the pecu-

niary worth of their goods and services. And if so, how is the process executed? As seen in the results, Hotel F6 has recognized the importance of individualizing their guest and providing personalized services. It's becomes clear by reading their customer feedbacks and reviews that they have successfully created plenty of memorable experiences but they haven't quite reached the transformative level yet. When thinking back to Experience Pyramid by Tarssanen and Kylänen, it seems that Hotel F6 has very well covered authenticity, individuality, interaction and story in their service product. Especially their historic story of Runar and how did the dog, and the bar, adopt the name. They appreciate authenticity in their service and they want to encourage people, staff and guest, to be themselves. They have also kept their social media marketing to a very "feet on the ground" matter and e.g. the pictures found on Instagram are genuine and personalized.

Multi-sensory perception Hotel F6 has beautiful design, inside and outside, so there is things to see. Comfortable beds and nice showers also great good feelings for their customers. What could be improves is adding some delicate smells into the combination, e.g. coffee or aromatherapy scents such as lavender to create calmness. Of course possible allergies and asthma need to be considered as there are many different guests. The music is great in the bar but maybe music could be added e.g. to the backyard or even to the rooms so that people will also be able to hear the atmosphere they want to create. Contrast is surely different than guests experience in their everyday life, just being in another city or country.

It's clear that the managers expect their guest to become very loyal after staying in the hotel and focusing on the great service seems to be working for them. Even though their core product is the nice hotel room with a good bed and clean showers, the value seems to be created by giving exceptional personal attention in the service touchpoints and creating genuine and sympathetic atmosphere in everything they do. Their value proposition is to offer a home-like, "part of the family"- feeling to their guests and they do appeal to emotions with their adorable Runar-dog. As the hotel is very small, the short hierarchy makes their service product very agile and easy improve with no bureaucracy slowing the changes down. As Roni Saari mentioned in his interview, it's the small things that matter and they are making an effort to notice those things and to effect on them. Hotel F6 is definitely very bold and even playful, when it comes to the design and the service. Feels like everything has been designed with a "twinkle in the eye" e.g. the Tuk Tuk's located in the backyard, which is clearly attractive for traveled and locals.

Hotel F6 is not utilizing co-creation in their service product at the moment except the availability of Wolt which enables the guests to order the food they prefer in the rooms. As

it came clear in the interviews, the managers didn't feel the need to bring "outsiders" to the design process because they had so much own experience on the field. Still in the future it could be extremely beneficial for them to use Service Design in their development of the service path and to measure the changes. Service Design is a great way to create a continuity in their adaptability to future changes in the industry. As the hotel is very agile, they could find out a lot of new information about the needs and wishes of their target group. As Roni Saari pointed out, the industry is becoming more and more fast-moving and the third-party services are becoming more common. Through precise research of their service path they could take their service to another level and create even better experiences, and maybe, even be able to effect on their guest transformation process.

As Hotel F6 wants to be a pioneer of hotels in Helsinki, and they are interested in trying new things, they could invest in bringing more innovations to their concept. For example, could they be able to bring flow state into the mix? This could be reached by virtual reality that is becoming more and more common in upcoming years. They could, for example, have virtual reality videos of the bike tours and other activity packages they offer to show (and sell) them more to the customers to engage them already to the ideas. They could also try to come up more ways to teach their guest things, e.g. about Helsinki and Finland in generally.

When looking at the history of Royal Ravintolat, Saari-family and their efforts towards Hotel F6 it can't be helped but to think that this might be as much as personal as business. Hotel F6 seems to have become the "Royal Baby" of the family, well looked after and cherished.

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Appendices

Appendix 1. Interview questionnaire

1. What is your main target group?
2. How does this reflect on marketing and strategy?
3. What differentiates Hotel F6 from other boutique hotels in Helsinki?
4. What makes staying at Hotel F6 a memorable experience?
5. How do you support customer loyalty, same memorable experience on return visit or new surprises?
6. Is tailoring an individual experience for each guest possible in Hotel F6? If yes, how?
7. How is co-creation of value utilized in Hotel F6?
8. How did the design process of Hotel F6 happen and who were involved?
9. How does the four realms of experience (Pine and Gilmore) fit in your service product?
10. How do you feel the industry has changed in the past ten years, in terms of service?
11. What do you expect to see in the next ten years?