Saimaa University of Applied Sciences
Faculty of Business Administration Lappeenranta
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Productisation of professional services. Case: Kymenlaakson Ensi- ja turvakotiyhdistys Ry

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Abstract

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The aim of this Bachelor's thesis was to productise a professional service provided by the client company, Kymenlaakson Ensi- ja turvakotiyhdistys ry. The aim of this study was to solve what factors need to be taken into account during the productisation process of a service to make it a successful and clear service product. The commissioner of this study was the executive director of Kymenlaakson Ensi- ja turvakotiyhdistys ry, Tiina Palviainen.

The theoretical part of this study covered the literature review of productisation of services. The study elucidates what the definition and objectives of productising is, what its benefits and challenges are and what the productisation process consists of. The study also covers information about professional services and service pricing. The data for this thesis were acquired from scientific publications such as books, articles and reports, as well as interviews, reports and manuals provided by the client company. For the empirical part of the study, the author planned and implemented a productising plan for a social service provided by the client company.

As a result of this project, the target service, Alvari-perhetyö® was productised into a form in which it could be introduced to Kymenlaakso area county decision makers when the health, social services, and regional government reform takes place on 1 January 2020. The productisation process includes service pricing, creating service modules, creating an information package in the form of a presentation and providing the client company information about productisation.

Keywords: productising, professional service, service pricing, pricing methods, service product

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1 Introduction

This thesis was commissioned by a child welfare organization Kymenlaakson Ensi- ja turvakotiyhdistys ry based in Kotka, Finland. Due to the upcoming changes in Finnish governmental administration, a need has arisen in the client company to productise its services into an organized product-like format.

The upcoming health, social services, and regional government reform on 1 January 2020 will be one of the biggest ever administrative and operational changes in Finland. This reform will have a major impact on the operation of welfare and social service providers and the jobs of hundreds of thousands of people in Finland. The aim of the reform is to transfer the organization of healthcare and social services from municipalities (local authorities, 295 in mainland Finland) to counties. 18 counties will be established (Figure 1) that will be managed by elected councils and funded by the central government of Finland. (Ministry of social affairs and health 2017.)

As the decision-making power shifts from municipal authority to counties, services provided by social service providers will have to be prepared for the reviewing of the county policymakers. A major portion of services purchased from Kymenlaakson Ensi- ja turvakotiyhdistys ry is done by the municipal authorities in Kotka, Finland. If the county policymakers decide to discontinue purchasing their social services, the client company will lose its biggest financer for their services.
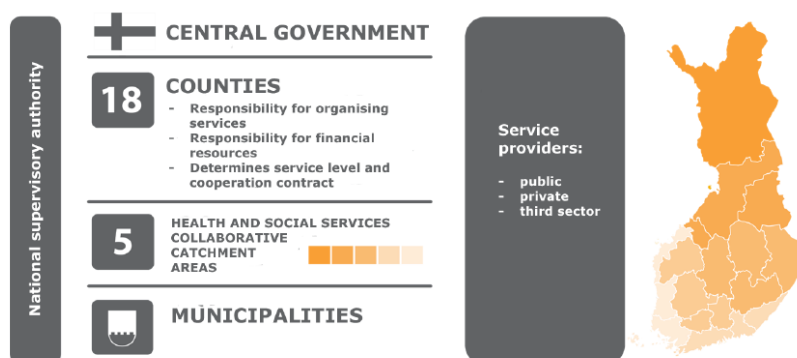

Figure 1. New structure of health and social services (Alueuudistus.fi 2017).

1.1 Project objectives and aims

The aim of the theoretical part of this study is to provide information about productisation, its objectives, challenges, and benefits and the productising process. Additionally, this thesis will cover information about professional services and their pricing. The theory covered in this study served as a framework for the practical productising process of the client company.

The questions the theoretical part of the thesis aims to answer are: What is productising and its objectives? What are the challenges and benefits of productising? What is the nature of a professional service? What factors need to be taken into account during the pricing of services?

The aim of the practical part of this study was to productise a professional social service called Alvari-perhetyö® for Kymenlaakson Ensi- ja turvakotiyhdistys ry. This study is intended to serve as a framework for productising other services for the client company in the future.

The objectives the client company set for the author were to breakdown Alvari-perhetyö® service into modules, create a promotion presentation of the service including service description, calculating the costs of producing the service and on the basis of that and the budgetary estimate of 2017, price the service and give deeper knowledge of productising for the client company personnel.

1.2 Limitations and delimitations

The practical part of this study includes the productisation process for professional social service, Alvari-perhetyö®, what was done, and what was the end result. The study does not include the productisation for other services provided by the client company. This study also does not seek to affect how the service is implemented in practice by the client company. This thesis also includes an introduction to the case company, its market area, and the case service.

1.3 Data collection and working methods

During the project, the author had access to interviews with the client company representatives complimented with data concerning the company. This data

includes budgetary estimates for the year 2017, company annual report of 2016, quality manual for Alvari-perhetyö® services, company service quality criteria and manuals and price lists for other social service units working for The Federation of Mother and Child Homes and Shelters.

Data for the theoretical part of the study were acquired from published literature about the subject such as books, eBooks, online publications, websites and research articles.

Working methods during the practical part of the project included designing, using various designing computer software, analyzing (service target market, target customer, pricing methods), price calculation, interviewing and group work with the company personnel.

2   Professional services and pricing

Professional services can be defined as intangible instruments of trade that create benefit and are based on expert knowledge. Basic features of services are their intangibility, their process-like nature and the similarities in their producing, marketing and consumption processes. A service becomes a professional service when expert knowledge is used in its producing. (Lehtinen & Niinimäki 2005, p. 9.)

According to David H. Maister (1993, p. 5), professional services consist of services that are produced by highly skilled individuals, have a strong component of face-to-face interaction with the customer and involve a high degree of customization in their production.

John Baschab and Jon Piot define professional service companies as units in which experts are providing services that are not based on a tangible product. In their definition, Baschab and Piot include professions that deal with similar kind of issues in delivering specific and specialized services through people, for example, accountants, consultants and physicians. (Baschab & Piot 2004, p. 7.)

A service composes of different processes that form the final service process. A service process is a set of actions that aim for achieving a specific result for the

customer (Davenport & Beers 1995, p. 57). A service process is a set of actions that is needed for a service to be fulfilled in a preferred way (Edvardsson & Olsson 1996, p. 148).

Maister states that to survive and thrive, every professional service firm must satisfy three goals: service, satisfaction, and success (Figure 2). Managing a professional service firm requires balancing between the demands of the client marketplace, the realities of the people marketplace (the market for staff), and the firm's economic ambitions. (Maister 1993, p. 3.)

Figure 2. Three goals for survival (Maister 1993, p. 4).

According to Jorma Sipilä (1995, p. 26), the division in physical products and intangible services can be too imprecise and artificial. A product should be seen as a complete entity that has tangible and intangible elements. Professional services are products that have a high information and knowledge intensity in intangible qualities (Figure 3).

Knowledge intensity of products		
Product type	Low	High
Physical	Traditional industry	High-tech industry
Service	Normal service	Professional service

Figure 3. Knowledge intensity of products (Sipilä 1995, p. 26).

Professional services consist of knowledge, skill, and emotion, which makes their pricing difficult. Professional service prices are often considered high even though their price level is often lower than that of simple services. The customers' mental image of the price is often affected by the abstract nature and the risks and uncertainty relating to professional services. In contrast to the potential benefits to the customer, the prices of professional services are relatively low. (Sipilä 1995, p. 32.)

The complexity of professional services and the service situation brings tension to service pricing. A well-performed service can prominently benefit the customer or potentially even save a customer's life. In contrast, a poorly performed service may have a great amount of negative value to the customer. A good advice worth of millions or a bad advice worth nothing or even negative value can be given equally easily. (Sipilä 1996, p. 140.)

From the company point of view, pricing is one of the key procedures, for it has a straight effect on revenue. Regardless, pricing is often disregarded too quickly in productisation. (Tonder 2013, p. 88.)

Service pricing has many purposes in organizations that offer expertize knowledge. In principle, pricing should be done in order to create more work

and jobs through increased sales. Price is a compensation for work that is done or a product that is produced. Price is an element that can be used to finance new services. For an expertise organisation, setting the right price is a strategic matter. In the end, the way from pricing to invoicing and from that to a profitable business is short. (Sipilä 1996, p. 140.)

Price is an indication of the value that the service offers to the customer. With proper price control, a company can choose its customers and guide their behaviour. Pricing can also be used as a learning platform within the company by setting the prices lower for processes under development and higher for standardized processes. (Sipilä 1996, p. 140.)

2.1 Factors affecting pricing

According to Jaakkola, Orava & Varjonen (2009, p. 29), there are three key variables that affect the service price:

- current market state as a base,
- expenses of producing the service,
- competitor prices.

When considering the current market state, the firm needs to reach its economic goals while competing with other service providers. Things to take in consideration regarding the current market state are demand and consumption, added value the service creates and the expectations customers have for the price.

The expenses of producing the services are the base for pricing: this is how the profitability and the economic efficiency of the service are secured. Productising helps break down the costs of the service, for example, the amount of labor and resources used for it. (Jaakkola et al. 2009, p. 29.)

Other factors to be considered include the competitor prices. The real costs of producing a service determine the lower limit of the price and the market state and demand determine the upper limit. (Jaakkola et al. 2009, p. 29.)

Pricing should be done in harmony with the rewarding system used in a company. For example, a company should consider whether a customer can be

charged the standard price if the employees are working overtime with extra compensation to produce the service. Or, can a customer be charged the standard price if the work is produced via subcontracting with an hourly fee. (Sipilä 1996, p. 141.)

Most common variables affecting professional service price levels are the benefit and value the service provides to the customer, the significance of the customer relationship to the business, the financial impact of the customer, the complexity of the task and the rarity of expertise needed to perform the service. (Sipilä 1996, pp. 142-143.)

2.2 Pricing methods

Because of the complex nature of professional services, there are often a substantial amount of variation in pricing methods. There are not only differences between different industries but also inside company level. Some organizations operate partly or fully with governmental funding, whereupon funding often occurs as budgetary reserves instead of service pricing process. (Sipilä 1996, p. 141.)

Each pricing model has its advantages and disadvantages. Managing different pricing models give the business insight about adapting to different situations and customer types (Sipilä 1996, p. 148). According to Mika Tonder (2013, p. 90), pricing methods can be separated into three primary practices: cost-based pricing, market-, competition- and customer-based pricing and target-pricing.

In cost-based pricing, the main basis for the service's selling price is production expenditures in the service value chain in addition with the desired contribution margin. The advantage of cost-based pricing is its transparency and fairness. These attributes are significant especially when multiple parties are involved in producing the service. The disadvantage of cost based pricing is that it may lead to service overpricing if competitors and current market situation is not taken into account in the pricing process. (Tonder 2013, p. 90.)

In market-based pricing the price of a service is based on market price that is created by the correlation between market demand and the competitors' prices.

The success of this kind of pricing is depended on how aware the company is about the current market situation, customer behavior and competing products and services. In practice, market based pricing is implemented so that production costs constitute the lower limit and the market demand constitutes the upper limit of the end price. (Tonder 2013, p. 90.)

Customer-based pricing is a derivative of the market-based pricing method. Customer based pricing means setting the service selling price to a level that is adjusted according to each customer and customer segment. In practice customer based pricing is applied fairly widely: different denizen customer systems and customer specific discounts are examples of customer based pricing. Customer based pricing is based on the costs a customer causes to the business. An existing customer relationship is considerably cheaper to maintain than creating a new one. (Tonder 2013, p. 90.)

Target-pricing is based on the product development and marketing strategy of a business according to which the selling price of a service is determined by its life cycle or the competitive situation of the company. Good examples of target pricing are pro-bono and radiohead pricing models. Pro-bono means producing a service for free in the name of achieving greater good. In reality pro-bono pricing seeks to achieve positive public image to improve sales. Radiohead pricing means providing the customer a choice to pay or not to pay. This kind of pricing takes the customers' ability to pay in to account while seeking to expand the customer base and ease the launch of a new product. (Tonder 2013, pp. 90, 93.)

3   Productisation

In literature, there is no universally accepted definition for productisation. The idea of productising can be described as modifying a service into a product-like, fully standardized commodity (Jaakkola et al. 2009, p. 1). Productising is packaging the service offering as modules, or a unified offering to the customers (Leon & Davies 2008, pp. 153).

According to Jari Parantainen (2007, p. 11), productisation has many definitions, one of them being the outcome of work that refines expertise and knowledge into a service-product that is ready to be sold, marketed and distributed.

"To productise", according to Investopedia, is the ability to turn an idea, a process, a prototype or an area of expertise into marketable and saleable product. For example, a marketer's or a web designer's know-how can be turned into a book or an instructional DVD that can be studied by anyone who wishes to know more about the subject. (Investopedia 2017.)

Productising is encapsulating the value a service offers by describing and standardizing its different sections. Productising is creating a common understanding about what is the value a service creates (Tuominen, Järvi, Lehtonen Valtanen & Martinsuo 2015, p. 5).

Productisation should not be mixed with standardizing regardless of their similarity. The aim of productising is to find a balance between standardizing and tailoring. When done accordingly, productising unifies the service output, creates repeatability and efficiency and creates value for the service provider and the customer. (Tuominen, et al. 2015, p. 5.)

3.1 Inbound and outbound productising

Jaakkola, Orava and Varjonen (Figure 4) recognize activities related to service production as service process that is divided into processes visible and not visible to the customer or "Front office" and "Back office".

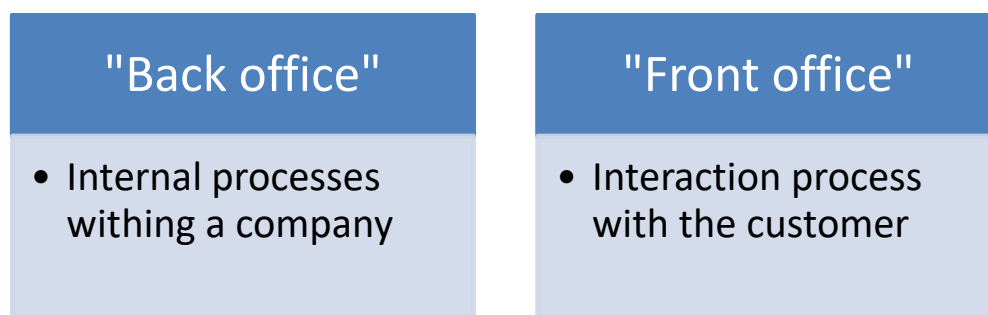| "Back office"	"Front office"
• Internal processes withing a company	• Interaction process with the customer

Figure 4. The dimensions of service process (Jaakkola, Orava & Varjonen 2009, p. 15).

This separation is also viable in service productisation.

Tuominen et al. separate productisation into two levels, outbound (front office) productising and inbound productising (back office). Outbound productising consists of creating a description of the service elements visible to the customer. The aim is to provide the customer with a coherent view of the fundamental service elements, which are usually divided into a description of the service and sales material. (Tuominen et al. 2015, p. 5.)

Inbound productising consists of internal processes within the company, describing and harmonizing the service production process. Illustrating the service process, procedures and responsibilities are the basic tasks of inbound productising. Customer point-of-view should be taken into consideration in both productisation levels; how the service process is portrayed to customers and what are the customers' processes. (Tuominen et al. 2015, p. 5.)

Inbound productising consists of processes not visible to the customer. These processes include improving company know-how, improving leadership and quality control management and implementing product development projects and internal databases. The objective of inbound productising is to develop the operation of the business into a more professional and effective direction. Additionally, inbound productising improves cumulative learning inside the company. (Sipilä, 1995 p. 165.)

3.2 Objectives and benefits of productisation

The objective of productising expertise knowledge is to make it more marketable. Information hidden in a professional's head cannot be benefitted from or sold efficiently if not productised. There are many ways of productising expertize. Information and knowledge can be summarized in articles, books or seminars. It can be programmed into a form of a computer software or even transformed into a machine. By productising, information gets an identity from which a brand can be created. (Parantainen, 2007 p. 82.)

According to Mika Tonder, the base objective of productising is to increase company profit. To maximize potential sales, customer needs should be

mapped out as well as possible. The business production aims to fulfill the demand of the customer which the baseline of the productisation process. (Tonder 2013, p. 12.)

The objectives of the productising process can be to enhance service production, marketing, and sales, internal flow of information and cooperation within a company as well as clarifying the role of the productised service. The objectives can also be categorized accordingly to the qualities of the service under examination. The objective of productisation is to create a service that is easy to sell, clearly defined, of steady quality, repeatable and applicable for further development (Tuominen et al. 2015, p. 9). Also, the objective of productising is to make the product more tangible. (Salmi, Torkkeli, Ojanen & Hilmola 2008, p 16.)

It is important to take into account that the objectives of productising are not automatically same on company, team and employee level. Companies have different motivations when productising and to achieve a successful outcome, it is important that a commonly clear goal within the company is created. A mutual agreement is more likely to be beneficial for all parties involved. (Tuominen, et al. 2015, p. 9.)

There are many different benefits that can be achieved by productising. When setting goals for the productising process a company should reflect which of these benefits they primarily pursue. (Tuominen, et al. 2015, p. 7)

By productising, a company makes a service easier to market and sell through creating a common understanding of the service which unifies communication within the company and to the customer. A common understanding of the service also clarifies its role in the company when employees identify its correlations and synergies with other services produced by the company. (Tuominen, et al. 2015, p. 7.)

Through productising, a service becomes more homogenous and more repeatable through combining procedures, standardizing and sharing company knowhow. When the company staff gets involved to the different stages of the productisation process, internal flow of information and teamwork get enhanced.

Productising also allows easier future development of the service through creating a common language and understanding of the service. (Tuominen, et al. 2015, p. 7.)

3.3 Challenges and risks

There are many risks included in productising that should be recognized. A solution for many of these can be found by including both the employees and the customers to the different stages of productising through the process. If customers and staff are not included to the proses there is a risk that the productised service will not answer to the customer needs. (Tuominen, et al. 2015, pp. 7-8.)

Not informing and including company employees properly during the process, productisation can have negative effects. For example, according to Sipilä (1995, p.166), for some employees, productising might only mean extra work without value. In some cases, senior workers may act in a jealous way by withholding their expertise knowledge when it is needed for the productising process.

If not conducted with discretion, productisation can be seen as a threat. Experts within the company often want to hold on to their "silent information" and expertise which means that the best procedures can't be included in the service. (Tuominen, et al. 2015, p. 7.)

One of the biggest challenge of productisation is finding a right balance between customer-level tailoring and standardizing. The service may become overproductised where it is founded on narrow-minded vision and does not answer to customer needs. There is a risk that procedures and processes created by productisation turn out to be too strict and inflexible which leads to improvising and motivational erosion of employees who have gotten used to freedom in their work. If standardizing is taken too far, it suppresses the creation of new ideas in service creation. (Tuominen, et al. 2015, p. 7.)

Lehtinen & Niinimäki (2005 p. 30) state that the greatest challenge in productising is that the customer ends up buying the wrong product because

the seller focuses on only selling the product regardless of what the needs of the customer are. The product-focused view in productising can be dangerous when the service-product developer falls in love with his creation and proceeds to offer it to customers who are not looking for a service of identical qualities.

3.4 Productising process

The productising process of a company should be based on its strategy. This strategy is the common thread that guides the company's operation. During the preparation stage of the productising process, a company should assess, what are their operational strategy and basic mission. (Lehtinen & Niinimäki 2005, p. 20.)

There are multiple ways of approaching how the productising process is conducted. In this chapter, two views from different authors are introduced.

Jari Parantainen states that the first three issues to consider in the beginning of any productisation process, are to determine how to differentiate the company from the competitors in a manner in which the customer feels easy to approach and choose you. Secondly, the company needs to create successful service-packets, and thirdly, remove the possible feeling of risk the customer has (Parantainen 2007, p. 39). The price, the service content, and the person(s) responsible for the service need to be determined early on to succeed in the productisation. These features are the foundation of the process. (Parantainen 2007, p. 25.)

According to Parantainen (2007, p. 135), the first stage of productising includes creating a promise to the customer that makes them buy your service. The most successful promise can be created in ten stages: 1) choosing the customer 2) recognizing their problem 3) clarifying why this problem has not been solved yet by anyone else 4) creating "an outrageous promise" 5) differentiating your service from competitors 6) describing the benefits for the customer 7) naming the service-product 8) assessing the price 9) listing the delivery content 10) dealing with counter arguments. These ten stages will give birth to the core of the services marketing material and sales pitch.

The objective of the "outrageous promise" is to tell the customer, which of their many problems you will solve. A good promise makes your target customer group stop and tune in with you. The promise should not be a bunch of slogans but, for example, an elevator pitch that is clear and understandable for all in your target group. The outrageous promise should indicate how determined you are to solve their problem. (Parantainen 2007, p. 164.)

The first stage of the productising process should make the customer want to buy your product. The second stage of the process is used for developing your service. This stage consists of 1) drawing the "big picture" 2) writing down the manuscript of the service 3) composing the specification of demand 4) assembling working instructions 5) launching the service 6) compiling ideas for improvement. (Parantainen 2007, p. 196.)

Jaakkola et al. introduce a model according to which the productisation process can be conducted. This model (Figure 5) focuses on developing service supply, service content and implementation, communication, pricing and monitoring with the means of productisation (Jaakkola et al. p. 5). The model summarizes what the goals of productising are, what functions of the organization are being improved, in which practical manners it is done and how it is achieved and finally, what concrete benefits productising creates.

There are many alternatives to the models used for the productising process. The developing process of a service is not necessarily linear. Some stages can be carried out simultaneously. Every company plans and implements their own development process according to their own situation and demands. (Jaakkola et al. p. 5.)
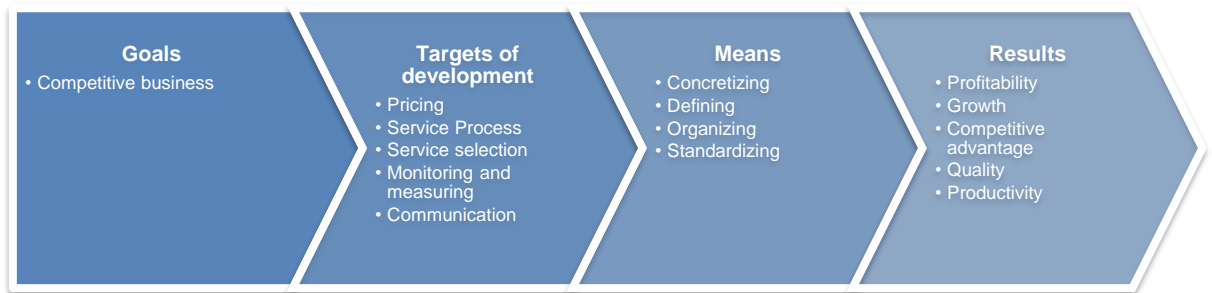
Figure 5. Productisation process (Jaakkola et al. 2009, p. 6).

4 Productisation of Alvari-perhetyö®

This chapter will cover information about the client company and the practical work of the thesis. The theoretical data of the previous chapters served as a guide book for the practical work of this thesis.

4.1 Client company introduction

Kymenlaakson Ensi- ja turvakotiyhdistys ry is a member association of Federation of Mother and Child Homes and Shelters that operates in Finland. The association was founded in 1945 and consists of the central unit in Helsinki and 29 member units that are located all around Finland. The mission of the association is to defend the interests of children, support parenthood, prevent domestic violence and secure the rightful access to safe environment during upbringing of children. The actions of the union are based on equality, solidarity and justness. The member associations of the Federation of Mother and Child Homes and Shelters provide institutional and open social services, aim to impact the society and offer its members the possibility to participate and influence. (Federation of Mother and Child Homes and Shelters 2017.)

4.2 Alvari-perhetyö®

Alvari-perhetyö® is long lasting (1-3 years on average), intense help for families with domestic troubles and are under child welfare clientele. The service is based on deep, supporting involvement in the client's life and routines. The

work is done by Alvari social workers mainly in the family's own home with the support of different child welfare officials. (Alvari-perhetyö® quality manual 2013)

4.3 Analysis of the target market

Services similar and almost identical to the ones provided by the client company are currently being provided by other service suppliers. This means that when the health, social services, and regional government reform on 1 January 2020 becomes active, competition between Finnish social service providers will be tough.

Over 95% of the revenue of Kymenlaakson Ensi- ja turvakotiyhdistys ry comes from public funding (Kymenlaakson Ensi- ja turvakotiyhdistys ry financial statement 2016). The objective of the reform is to transfer the organization of healthcare and social services from municipalities to counties. If the county decision-makers choose not to continue purchasing services from the client company, it will have a major impact on the company's ability to operate or even survive.

4.4 Implementation

The objectives of the practical part of this bachelor's thesis were to

1. Create a promotion presentation of the service including a service description for the review of county decision makers.
2. Breakdown Alvari-perhetyö® service into modules.
3. Calculating the costs of producing of the service and on the basis of that and the budgetary estimate of 2017, do the pricing for the service. This included choosing a suitable pricing method based on the nature and qualities of the service.

Additionally, the author was assigned to give deeper knowledge of productising for the client company personnel. This was achieved by consulting the company personnel during the meetings and interviews throughout the productising process. In addition, the final version of this bachelor's thesis will be handed in for the client company's use.

The data collection for the practical part of this thesis included interviews and different material about the company, the service and the competitors all provided by the client company.

The interviews were divided into one main meeting and several smaller discussions with the company personnel. The duration of the main meeting was approximately four hours. The theme and goal of these interviews was to find out and determine what the case company's goals and criteria were, to change ideas and to receive information about the service, its nature and how it is produced.

The interviews were documented and later analysed based on the theory that was collected in the first part of this thesis. The interviews were carried out in unstructured manner.

The productising process for Alvari-perhetyö® service included the examination and revision of the service through interviews and different materials of the service. The interviews were conducted in person by the author with the case company executive manager, Tiina Palviainen and the corresponding employee of Alvari-perhetyö®, Hanna Kivilahti.

With the help of materials collected from sources mentioned above, the author conducted the productising process of the service (Figure 6). The productisation process was planned according to a modified version of the model introduced by Jaakkola et al. (Figure 5).
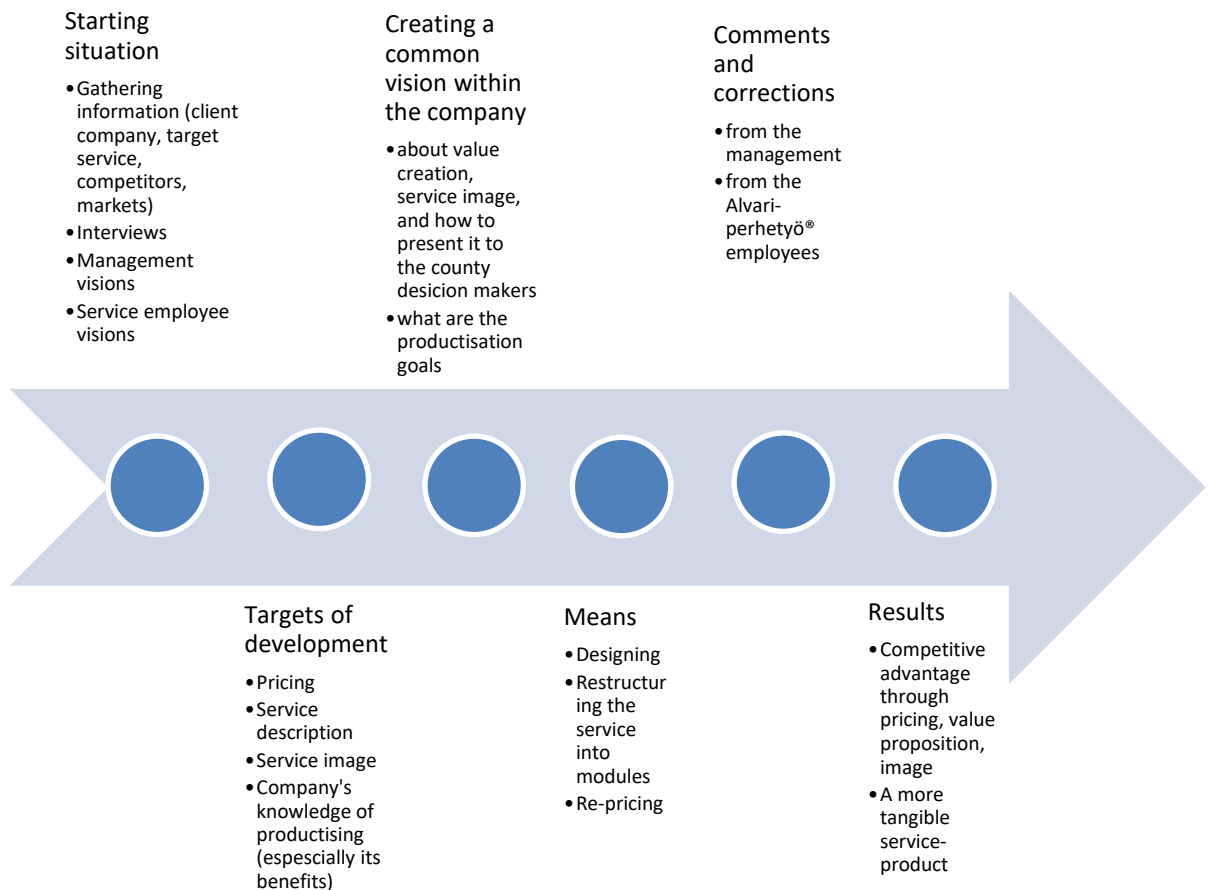
Starting situation
- Gathering information (client company, target service, competitors, markets)
- Interviews
- Management visions
- Service employee visions

Creating a common vision within the company
- about value creation, service image, and how to present it to the county desicion makers
- what are the productisation goals

Comments and corrections
- from the management
- from the Alvari-perhetyö® employees

Targets of development
- Pricing
- Service description
- Service image
- Company's knowledge of productising (espescially its benefits)

Means
- Designing
- Restructuring the service into modules
- Re-pricing

Results
- Competitive advantage through pricing, value proposition, image
- A more tangible service-product

Figure 6. Thesis productising process.

5   Results

5.1   Presentation

The objective of the presentation was to provide information of the service and what value it can offer to client families and the county financers. The content of the presentation was discussed and decided during the meeting between the author and the client company personnel. The content of the presentation was set to be around 2-5 pages. The author was free to use his imagination for the design of the presentation.

The manner of approach the author took was to offer a short but dynamic cover page (Figure 7) with only the essential information about the service. The cover page was designed to resemble a leaflet to fit only the most relevant information

for the audience to examine. The aim of the cover page is to give the customer an idea, what the service is about, for who the service is for and what value the service can offer to the client families.

Figure 7. Presentation cover page.

The further content of the presentation (Figure 8) was set to be about advertising the many success stories of the previous client families working with Alvari-perhetyö® team. The author approached this content section by visualizing the journey the client families had taken during collaborating with Alvari-perhetyö®. This section covered three different example families on three presentation pages.

The goal of approaching the issue in this way was to present the difficult starting situation and problems the family was facing, the progress the family made and their situation at the end of Alvari-perhetyö® period.

Figure 8. Customer family journey example.

The final part of the presentation (Figure 10) covers the three service modules available for purchase including the prices and module content.

5.2 Modules

By modulating, a service or a product is divided into segments or modules that can be combined to fill the needs of a customer (Baldwin & Clark 1997, p. 84). When modulating services, the service-product is built together from multiple standardized parts and the service process is combined from multiple standardized actions (Sundbo 2002, p. 104).

During the planning of the case service modules, the author had access to materials from sister companies of Kymenlaakson Ensi- ja turvakotiyhdistys ry, which gave helpful information for the planning. One of these companies, Oulun Ensi- ja turvakoti ry had already productised one of their services called Ensikoti (Figure 9).

Figure 9. Ensikoti modules (Oulun Ensi- ja Turvakoti ry).

Alvari-perhetyö® was separated into three modules (Figure 10) that were designed in co-operation with the client company managing director Tiina Palviainen and Alvari-perhetyö® corresponding employee, Hanna Kivilahti. The modules needed to be created in a practical way of approach to not damage the service quality for the customer families. The division needed to be done in the best possible way to take into account pricing and customer invoicing, easy bookkeeping and overall easy transfer from the old system to the new. The modules also needed to be easy to purchase separately from each other considering the different needs of the client families. These modules were named and priced individually and given module descriptions.

The three final modules of Alvari-perhetyö® included three stages (content covered briefly):

Starting period – analysing and assessing the current situation of the family and their need for social rehabilitation, decision about the need for this kind of therapeutic social work and composing the service agreement.

Alvari-perhetyö® - engaging with the family including visitations, events, groups, social rehabilitation, individual work with the child and the parents.

End period – reduced intensity, preparing the family adjusting to life without social support by the organisation, end evaluation and discussions, follow-up meetings.
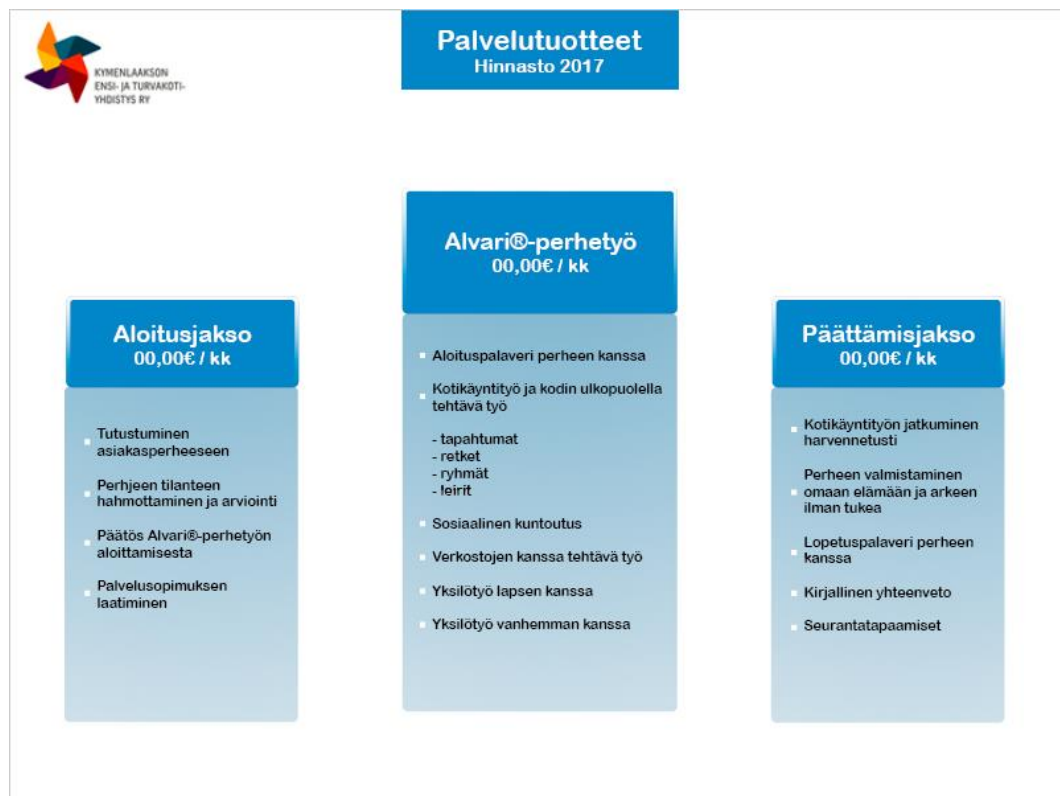

Figure 10. Service modules (prices not shown for company privacy).

Separating the service into modules makes it appear more tangible, organized and easy to purchase separately or combined. The modules are also practical, easy to execute and record by the client company.

5.3 Pricing

The pricing process for Alvari-perhetyö® service was done according to cost-based pricing introduced by Mika Tonder (2013, p. 90) and the three key variables presented by Jaakkola et al (2009 p. 29):

- current market state as a base,
- expenses of producing the service,

- competitor prices.

The pricing base was done by calculating and adding together the fixed and variable costs of producing the service.

Because Kymenlaakson Ensi- ja turvakotiyhdistys ry is a non-profit organisation, the objective of the pricing of any of its services is only to cover the costs of producing. For this reason, competing organization's prices were merely used to specifying the average market price level for similar services.

The author was advised by the client company to calculate the price per hour for producing the service in regards to the labour time used by the Alvari-perhetyö® personnel that is related directly to producing the service. This included all the work that is done to serve the customer from face-to-face sessions to planning and answering emails.

The author had access to sample screening sequences implemented by the client company to measure how much time each employee directly used to produce the service weekly. The formula used for the pricing is presented and explained in Figure 11.

$$\frac{XYZ}{TC} = \text{Cost of producing per hour}$$

Fixed and Variable costs *	TC
Working hours of one employee per year (not including vacations)	X
Direct labour time (%)**	Y
The number of service personnel	Z

*Based on Kymenlaakson Ensi-ja turvakoti yhdistys ry budgetary estimates for the year 2017

** Based on the work time screening sequences conducted by the company

Figure 11. Alvari-perhetyö® cost of producing per hour.

During the process, several pricing manners were considered. The final decision for charging for the service resulted in monthly charges for each module, adjusted by their intensity and resources and labour needed for producing it.

Several competitors' prices were examined during the setting of the final prices. The module end prices ended up completing their objectives being highly competitive while breaking even with fixed and variable costs of producing the service.

6 Discussion and project evaluation

As mentioned in the thesis introduction, the social and healthcare industries in Finland are undergoing through great changes during the next few years. Many companies need to implement extensive changes in their operation to be able to compete with other service providers and secure the continued purchases of their services by the local governments. This practical thesis aims to help the case company survive the competition.

This thesis project was assigned by Kymenlaakson Ensi- ja turvakotiyhdistys ry. The aim of the project was to productise a professional social service, Alvari-perhetyö®. The objectives and guidelines were set by the client company man-

agement, according to which the project was carried out by the author. The written thesis will be issued to the company to be used as a guide for productising other services in the future.

Carrying out the productising process for the client company's service required extensive knowledge about productising, pricing, the client company itself, and its target market. The needed information was acquired from literature listed in the list of references, client company documents, and from interviews and discussions with the client company personnel. By using this information, the author was able to apply suitable methods and theories to carry out the productising process.

Theories and models applied in this project were used, for example, in the productisation process of the case service that was planned using a process model introduced by E. Jaakkola, M. Orava & V. Varjonen (Figure 6), which was modified to be suitable for this case. Notes from J. Parantainen in chapter 3.4 were also taken into account during the implementation of the process.

The pricing for the case service was done by first studying different pricing methods for professional services introduced by M. Tonder in chapter 2.2 and choosing the most suitable one to fit the nature of the service. Notes by Jaakkola et al. (in chapter 2.1) also proved useful in the price generation process.

The service modules for this project were designed following the examples of sister companies of the case company, and using the information gained from interviews with the client company personnel.

In the perspective of the author, the productising process conducted for this bachelor's thesis was a success. The target service, Alvari-perhetyö®, was re-priced and restructured (on marketing point-of-view) accordingly, using theories gained from deep study of the productisation theory. For the audition of the county decision makers and the customer families, the author created a presentation that highlights the importance and the benefits of this service for the social well-being of families struggling with domestic problems, while being sentimental with respect to the subject. The true success of the productised service,

however, will be determined when the county financial decision-makers deter-mine if they continue purchasing the case service of this thesis.

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