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CREATING CUSTOMER VALUE THROUGH
INDUSTRIAL SERVICES
CASE: RAUTE TECHNOLOGY SERVICES

Master's Thesis, Marketing

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ABSTRACT

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Abstract <p>The role of marketing can be seen as to assist the company on creating superior value for its customers, so that they would succeed against their competitors. Creating superior value has not always been essential, as in the past firms could achieve profitability due to regulated markets, controlled distribution channels or scarce resources. An increasing number of industrial manufacturing companies are moving from offering solely products to offering combinations of products and services. Customers benefit from industrial services as they support and enable the value generation of the products they have purchased. To firms, offering services is a matter of competitive advantage since services are harder to copy and easier to customize, due to their intangibility and heterogeneous nature.</p> <p>This study aims at contributing to the research of value creation phenomenon in the business-to-business (B2B) markets, focus being in the industrial service markets. This is done through analyzing the case of Raute Technology Services. Raute is a Finnish technology company, which provides machinery, equipment and services for veneer, plywood and LVL (Laminated Veneer Lumber) producers. For this single case study, ten Raute employees, as well as ten of their customer companies, were interviewed about the themes surrounding value creation.</p> <p>The objective of this study was to review the existing literature about value creation processes in the context of B2B markets, to discuss characteristics of industrial service markets in the value creation context and to study how Raute Technology Services and its customers currently identify the value creation processes and the customer value proposition of Raute Technology Services.</p>	
Keywords Marketing, business-to-business, industrial services, customer-perceived value, customer value proposition	
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1 INTRODUCTION

1.1 From manufacturing markets towards the reign of services

In Finland, the early 2010s will be remembered as the era of industrial restructuring, as the newspaper headlines informed day after day about new layoffs, company close-downs and corporate acquisitions. It has been estimated that in Finland 1.3 million people live in areas impacted by sudden restructuring (Hakala 2013). However, according to a study by Honkatukia, Tamminen & Ahokas (2014, 2-9), Finland still has a chance to reach firm economic growth, although in the future the amount of industrial manufacturing jobs will decrease and the economy will become more service oriented. Honkatukia et al. (2014, 2-9) argue that the industrial restructuring should be seen as a transition stage from a manufacturing orientated reign to a service orientated one. It has been predicted that the role of services in the Finnish economy will grow enormously in the future.

Already now, services constitute a significant amount of the industrial manufacturing companies' production. In 2008, approximately 40% of the industrial workers had service related jobs. The share of services in Finland's exports grows rapidly. In 1990, the value of service exports to GDP (gross domestic product) was only 3 to 4%, when in 2010 it was already 12%. Service exports are not as sensitive to economic fluctuations as goods exports. Even during the recent economic recession, the value of service exports stayed constant or even increased. It has been estimated that in 2030, over three-quarters of the annual value added will come from services and that about three-quarters of the Finnish workforce will work in a service related job. (Honkatukia, et al. 2014, 2-9.)

The role of marketing in an enterprise can be described as assisting the company on creating superior value for its customers, hence making the firm's offerings stand out in the markets and thus bringing competitive advantage to the firm (Tzokas & Saren 1999, 53). Creating superior value has not always been essential as in the past companies could achieve profitability due to regulated markets, controlled distribution channels or scarce resources (Doyle 2000). These kinds of opportunities are now almost nonexistent because of industry deregulation, liberalization of economies, globalization of markets, new information technology and rising customer expectations. Changes in the marketing context have led to ultimate changes in what is regarded as important in marketing (Lindgreena & Wynstra 2005, 733).

In the past, companies tried to strengthen their market position with quality management programs, or by rearranging their organizational structure. However, concentrating solely on quality is not enough due to the changing circumstances. (Woodruff 1997, 139-140.) Today, customer is

no longer a passive consumer of the supply chain, but part of the value creation process together with the company (Wang, Lo, Chi & Yang 2004). Understanding what brings value to the customer is crucial, since value creation leads to greater levels of customer satisfaction, which in turn can be linked with greater levels of customer loyalty and retention, positive word of mouth and higher market share (Ulaga & Chacour 2001, 526).

According to Ulaga & Chacour (2001, 526), delivering superior value to customers is a key on creating and sustaining long-term business relationships. Therefore, companies need clear customer value propositions where they:

“...make their offerings superior on the few elements that matter the most to target customers, demonstrating and documenting the value of this superior performance, and communicating it in a way that conveys a sophisticated understanding of the customer’s business priorities” (Anderson, Narus & van Rossum 2006, 94).

This study aims at contributing to the research of value creation phenomenon in the business-to-business (B2B) markets, focus being in the industrial service markets. This is done through analyzing the case of Raute Technology Services.

Raute is a Finnish technology company, which provides machinery and equipment for veneer, plywood and LVL (Laminated Veneer Lumber) manufacturers. Raute is a global market leader in plywood industry, with a 15-20% market share. In 2013, Raute’s net sales added to 83.3 million euros. Raute Technology Services offers industrial services such as modernizations and upgrades, spare parts, maintenance and expert services for the veneer, plywood and LVL manufacturers. (Raute 2014.)

For this single case study, ten Raute employees were interviewed about the themes surrounding value creation. This was done in order to form an understanding of how Raute Technology Services comprehend the concept of customer value. The aim was to see what factors, in Raute Technology Services' perspective, bring value to its customers. Following this, thirteen individuals from ten different customer firms were interviewed about the same themes. This was done in order to analyze how value is formed in the customers' processes, how they perceive Raute Technology Services' customer value proposition and whether their understanding of Raute Technology Services' customer value proposition corresponds with Raute's internal view. Figure 1 illustrates the research objectives of this study.

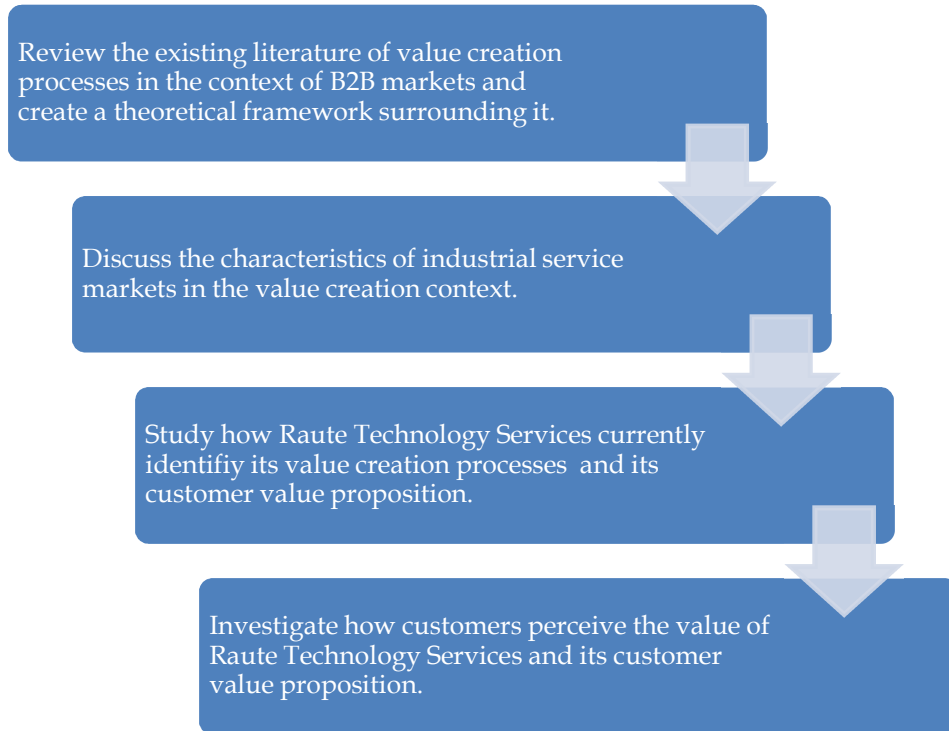


FIGURE 1 Research objectives

1.2 Research questions

The research questions of this study are as follows:

1. How Raute Technology Services currently identify its value creation processes and its customer value proposition?
2. How customers perceive the value of Raute Technology Services and its value proposition?

1.3 Key concepts

To avoid confusion, the following definitions, presented in Table 1, are given to clarify how some of the concepts discussed in this study are intended to be understood.

TABLE 1 Key concepts

Business-to-business (B2B) markets	Businesses that market their offerings to other businesses, instead of individual consumers (AMA 2014; Căescu & Dumitru 2011, 275.)
Industrial services	Services, such as maintenance, repair, and consulting, offered by industrial manufacturing companies to support the usage of tangible goods produced by the company. (Oliva & Kallenberg 2003, 163.)
Customer-perceived value	Value is the customer's overall subjective evaluation of the offering's benefits and utility, based on the perceptions of what is received and what is sacrificed with that offering (Zeithaml 1988, 13-14).
Customer value proposition	Value propositions help companies to co-create value in their customer relationships (Grönroos 2008), by making their offerings superior on the few key elements important to the target customers and communicating these elements in a way that considers the customer's business priorities (Anderson et al. 2006, 94).

2 B2B MARKETS AND INDUSTRIAL SERVICES

2.1 B2B markets

Business-to-business markets (B2B) can be defined as businesses that market their offerings to other businesses, instead of individual consumers. A similar concept with B2B marketing is industrial marketing. The difference between these two concepts is that industrial marketing means marketing goods and services between industrial manufacturers and wholesalers, whereas B2B marketing is between manufacturers and wholesalers, as well as wholesalers and retailers. (AMA 2014; Căescu & Dumitru 2011, 275.) Therefore, industrial marketing can be defined to be a subcategory of B2B marketing. In this study the term B2B marketing is used to cover industrial marketing as well.

Business markets differ from consumer markets in several ways. First of all, consumer markets are typically characterized by minimal personal interaction between the consumer and the seller. However, this is not the case with business markets, where personal interaction and close relationships between the seller and buyer are emphasized. (Leek & Christodoulides 2012, 106-107.) The number of customers is also smaller in B2B markets. Thus, there tends to be a larger volume of sales per customer. The nature and complexity of industrial products and services differ from typical consumer products and services. Due to the complexity of the offerings, as well as of the diversity of industrial demand, the seller needs to hold a high expertise on how the offering will bring value to the customer's business operations. This requires not only knowing the offered products and services well, but also understanding the customer's business and the industry. (Kotler & Pfoertsch 2007, 21.)

2.2 Characteristics of industrial services

Grönroos (1990, modified in 2000) has defined the concept of service the following way:

"A service is a process consisting of a series of more or less intangible activities that normally, but not necessarily always, take place in interactions between the customer and service employees and/or physical resources of goods and/or systems of the service provider, which are provided as solutions to customer problems."

Hence, the most important characteristic of a service is its process nature, which consists of simultaneously produced and consumed series of activities. Services are produced together with a number of different

resources, such as customers, in order to find solutions to their specific issues. (Grönroos 2000, 47-48.)

An increasing number of industrial manufacturing companies are moving from offering solely products to offering combinations of products and services. Services, such as maintenance, repair and consulting, are offered to support the usage of tangible goods produced by the supplier companies. In literature, these services are known as product-related services, industrial services, product-services, service strategy in manufacturing or after-sale services. (Oliva & Kallenberg 2003, 163.) Customers benefit from industrial services as they support and enable the value generation of the products they have purchased. To companies offering services is a matter of competitive advantage. This is since services are harder to copy and easier to customize, due to their intangible and heterogeneous nature. Services offered by industrial manufacturing companies differ from other types of services as the number of potential customers is smaller, and as the customers usually utilize complicated and high capital equipment (Paloheimo, Miettinen & Brax 2004 18-19).

2.3 Classifying industrial services

The literature has classified industrial services in a number of different ways. For instance, Mathieu (2001) has classified industrial services as those that support the supplier's product (SSP) and those that support the customer's action (SSC). SSP services, such as repair, maintenance, installation and monitoring, are activities that ensure the proper functioning of the product. These types of services are often highly standardized and entail low relationship intensity. SSC services include training, consulting and financing services, which customers can purchase without the product. These kinds of services demand high relationship intensity as they have to be customized to meet specific circumstances and needs.

Taking the manufacturer's perspective, Giarini (1999/2000) has categorized services into five groups depending on the phase of the manufacturing process:

1. Before manufacturing (e.g. research and development, design, financing)
2. During manufacturing (e.g. quality control, safety, maintenance)
3. Selling (e.g. logistics, distribution networks, information)
4. During usage (e.g. maintenance, spare parts, information, training, complaints handling, invoicing)
5. After usage (e.g. waste management, recycling)

Not all services are invoiced by the manufacturer separately. Often, services such as financing, distribution network, and training might be

part of the total package that includes product components as well. (Grönroos 2000, 2.)

Another method of classifying services is to categorize them according to whether they are discretely or continuously rendered, and whether they are high-touch or high-tech services. Discretely rendered services, such as repair services to certain equipment or providing spare parts to a machine, are transaction based. On the other hand, continuously rendered services involve constant interaction with the customer. These kinds of services, such as maintenance and consulting, often offer a good basis to develop a valuable relationship with the customer. However, as not all customers look for continuous relationships, discretely rendered services might be the right option to some circumstances and needs. High-touch services involve more interaction between the customer and the service supplier, whereas high-tech services are based on automated systems and information technology. (Grönroos 2000, 50.)

3 CUSTOMER VALUE IN B2B MARKETS

3.1 Value phenomenon in the marketing context

There is a general understanding that value can be defined in two different ways: value-in-exchange and value-in-use (Vargo et al. 2008). An increasing number of companies are moving from a goods-dominant logic to emphasizing value co-creation, such as lifetime and solutions services (Terho, Haas, Eggert & Ulaga 2012, 175). The value-in-exchange view is known as the goods-dominant logic or the traditional view of value creation. It stems from classical and neoclassical economics, understanding value as something that is being created by the company through goods and then delivered to the customers in exchange for money. (Vargo et al. 2008; Truong et al. 2012, 198.) Value-in-use, or service-dominant logic, sees that value-creating processes involve customers as co-creators of value (Truong et al. 2012, 198) and that value emerges through consumption in customer's value-generating processes (Ballantyne, Frow, Varey & Payne 2011; Grönroos 2008; Payne, Storbacka & Frow 2008; Vargo & Lusch 2004).

One of the earliest definitions on product and customer value is by Lawrence D. Miles in *Techniques of Value Analysis and Engineering*, published in 1961 (Lindgreena & Wynstra 2005, 734). Miles differentiates four kinds of values, which are use value, esteem value, cost value and exchange value. According to Miles, value could be defined as the minimum amount of money spent on manufacturing or purchasing a product to create suitable use and esteem features (Miles 1961). Distinguishing value through product attractiveness or the exchangeability of the offering represents a typical goods-dominant logic view of customer value.

The present understanding of customer value is that it is a trade-off between benefits and sacrifices involved in the exchange of the offering (Ulaga & Chacour 2001, 530). Value perceived by the customer is relative to the competition. Hence, by offering better value than its competitors, a company can improve its competitive advantage. (Ulaga & Chacour 2001, 529.) It is more probable for customers to stay in the relationship if the benefits exceed the sacrifices of the exchange (Zeithaml & Bitner 2003, 159). The sacrifices and benefits of an offering can be understood both in monetary and non-monetary terms (Biggeman & Buttle 2012). For instance, as improved trust, reputation and ease of use, as well as decreased time, effort and energy (Aarikka-Stenroos & Jaakkola 2012), or as enhanced revenues and costs (Grönroos 2011). The benefits, costs and value are determined by the customers, not by the sellers, as they evaluate which factors will either facilitate or block their goals (Anderson & Narus 2008; Woodruff 1997). Customers perceive value individually, thus

different customers perceive different values in the same offering (Ulaga & Chacour 2001, 529). Therefore, marketers can only provide value propositions based on what constitutes value to their customers (Vargo & Lusch 2004).

3.2 Value as a competitive advantage in the B2B markets

A critical challenge faced by B2B marketers is how to choose the right competitive means to achieve superiority in the delivery of value to the customers (O'Cass & Ngo 2012, 125). Hence, companies have to know what benefits create value to their customers and what factor diminish value creation. According to Lusch, Vargo & Wessels (2008), value is created when available resources are turned into specific benefits. Payne et al. (2008) have suggested that in order for companies to provide value to the customers, they either need to increase the amount of resources available to the customers, or to improve customer's operations in a way that the customer is able to use the current amount of resources more efficiently.

Literature provides different methods to classify what brings value to customers and how customer-perceived value should be measured. Often in the context of B2B markets, customer-perceived values are grouped into product-related, relationship-related and service-related benefits, or to tangible and intangible benefits (Lapierre 2000, 125; Mudambi, Doyle & Wong 1997).

Lapierre (2000) has argued that there are thirteen different factors that determine customer-perceived value and each of them can be categorized into product-related benefits, service-related benefits and relationship-related benefits. This is illustrated in Figure 2. In addition to those groups mentioned, these thirteen value drivers can be classified based on the benefits and sacrifices they deliver. Organizations can use this model in order to evaluate not only their processes, but also their competitors' operations.

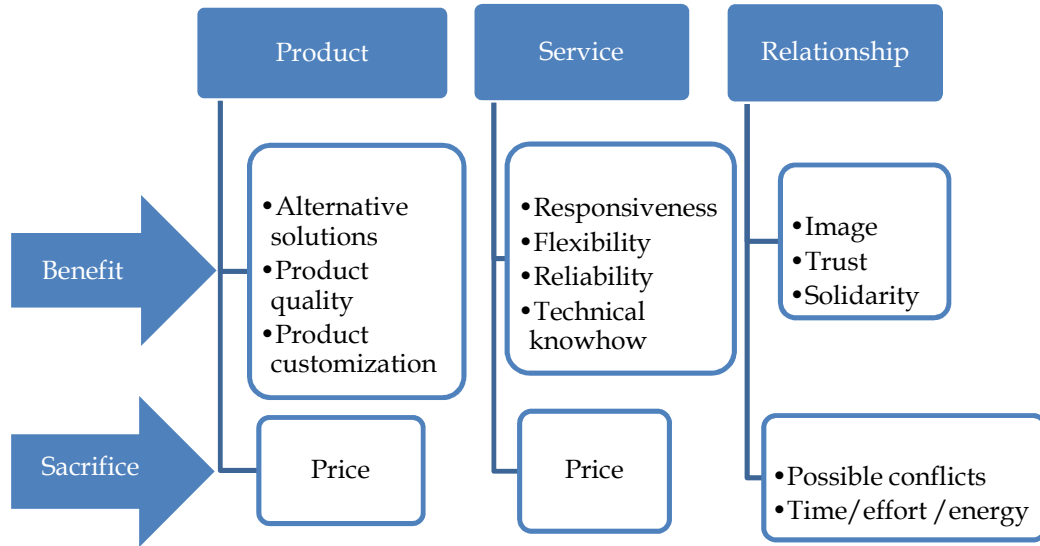


FIGURE 2 Factors constituting to customer-perceived value (Lapierre 2000, 125)

Alternative solutions describe the range of alternatives and supplier's capabilities to adapt their offerings in accordance with the customer's needs. Product quality consists of the durability, reliability and performance of the offering that is delivered to the customer. Product customization is the company's ability to offer custom-tailored products based on individual needs. Responsiveness is a service-related benefit, which describes how well the supplier listens to the customer, how often they are able to visit the customer and how quickly the supplier is able to answer customer's questions. Flexibility relates to supplier's ability to adjust their offerings to meet unexpected needs and the capability to provide suitable offerings in the case of sudden emergency. Reliability describes the supplier's ability to offer employees with sufficient expertise, the ability to keep promises, to deliver offerings on time and the ability to do things right the first time. (Lapierre 2000, 137-140.)

O'Cass and Ngo (2012) state that there are three different capabilities which provide benefits to customers in the B2B markets.

1. Utilizing company's product innovation capability in order to renew, improve and extend current product range in accordance with the changing business environment. (O'Cass & Ngo 2012, 125.)
2. An effective marketing of the offer. It has been argued that companies with a superior marketing capability are able to maintain a stable marketing planning, communication, pricing, selling and distribution. The marketing competence is hard to replicate, as it involves uniquely combining company's knowledge and skills about the markets. (O'Cass & Ngo 2012, 125.)

3. Market sensing. This means observing market trends in order to execute the right product and marketing innovations, which will help the company to provide superior value. (Ostrom, Bitner, Brown & Burkhard 2010; O’Cass & Ngo 2012, 126.)

Kuhn, Alpert & Pope (2008) have argued that in the B2B markets, value is derived mainly from the functional qualities of the offering and its performance features. Industrial services and lead times may also deliver value, but tangible products are required in order to justify the purchase decision. According to a study done by Keränen and Jalkala (2013, 8) customers see intangible benefits such as improved working conditions, increased knowledge, and ease of operations as valuable add-on benefits. Even future capabilities are important to customers, since a good seller-buyer relationship brings satisfaction and confidence to the customer. (Lindgreen, Hingley, Grant & Morgan 2012, 208.) However, if the supplier is not able to specify how intangible aspects are going to improve customer’s operations, the customers rarely can understand the worth of intangible benefits, and why suppliers should be paid for delivering them. Therefore, the salespeople have a vital role in understanding and communicating superior value propositions to the customer. Unless they are able to do that, the seller’s strategic method on value creation will not influence customer’s operations, and thus bring value to them. (Anderson, Kumar & Narus 2007.)

The role of customer-supplier relationship as a mediator of value has been studied after service-dominant logic became popular in the marketing research context. Lindgreen et al. (2012) state that relationships in the B2B markets bring value when:

1. Exchanges between the seller and the buyer become predictable, thus they learn to organize their processes, so that they support each other.
2. New solutions are fostered when mutual learning and adaptation take place in the relationship.

The role of dialogue in the value creation process between the supplier and the customer cannot be emphasized. The more information and knowledge is shared between the parties, the more the customer understands about the opportunities and resources available, leading to a greater value creation (Salomonson et al. 2012, 146). Haas, Snehota, & Corsaro (2012, 95) have proposed that four themes characterize value creation in a business relationship context. One of these is jointness, meaning that value does not derive from the exchange of the offerings, but from the relationship interaction. The second characteristic is balanced initiate, which means that both parties of the relationship have equal competence to create value. Hence, it is not the seller who will create and distribute value, but the value is co-created from the shared resources. The third characteristic is interacted value. This means that solutions to specific needs are created through the interactions between the supplier

and the customer. The fourth characteristic is socio-cognitive construction, which means that perceived value is subjective, as it depends on the context in which it is produced.

According to Flint, Woodruff & Gardial (2002), knowing customer's current value is not enough, because what customers perceive valuable tends to change with circumstances. Therefore, suppliers should not only be able to respond to customers' expressed needs, but also to gain knowledge about their customers' businesses in order to anticipate their future needs. Proactive customer orientation, and its role on creating customer value in the B2B markets, has been underestimated by many companies. (Blocker, Flint, Myers & Slater 2011, 216.) Value anticipation from the supplier's perspective refers to predicting what service and product offering would yield the greatest value creation in the customer's processes. Looking from the customer's perspective, value anticipation is a sense that the supplier is able to predict customer's needs, and offer solutions to them even before they realize they have such needs. (Flint Flint, Blocker & Boutin 2011, 219; Blocker et al. 2011, 217.) Studies done by Beverland, Farrelly & Woodhatch (2004) conclude that the absence of seller's proactivity can diminish customer loyalty, as customer feels that the supplier does not understand their business needs.

In the context of value creation in the B2B markets, the concept of satisfaction and perceived value are separate. However, satisfaction can be seen as a response to perceived value. According to Woodruff (1997), customer's sense of value from the services and products offered by the supplier, can lead to feeling satisfied. The main difference between perceived value and satisfaction is that while satisfaction can only be assessed after consumption, value can be evaluated before, after and during usage. (Salomonson et al. 2012, 146.) Gross (1997) has argued that the term customer satisfaction in the B2B markets should be replaced with customer perceived value. This is as customer perceived value is a better determinant to evaluate how a customer will act in the future. Hence, it might be more convenient for companies to put more emphasis on researching customer perceived value, because it provides the means to understand future behavior.

3.3 Providing value through industrial services

Achieving competitive advantage through technological superiority is increasingly difficult (Grönsoos 1990) and maintaining cost leadership is often not realistic (Zeithaml & Bitner 1996). The profitability of industrial manufacturing is decreasing and the growth of revenue is slower than the overall economic growth. In much of the Western Europe, margins that the suppliers get for manufacturing machines and equipment have dropped between 1% and 2%. (Lepistö 2009, 18.) Due to globalizing

markets and developments in the information technology, companies can easily copy what their competitors are doing and utilize cheaper resources to gain the same benefits. Companies are faced with a challenge of how to differentiate themselves in the competitive markets.

Due to the intangible nature of services, an increasing amount of businesses have realized that a service based strategy is better at bringing competitive advantage than solely technology based strategy. This being said, it has also been argued that basic services are actually core resources that are required even to be able to exist in the markets. Therefore, in order for companies to achieve competitive advantage through services, they must be able to provide advanced services that offer superior value through customizations and proactive surveillance of customer needs. (Matthyssens & Vandenbempt 2008.) An increasing number of companies, especially in the B2B markets, have realized this and are moving from offering products to offering combinations of services and products, or even the complete systems (Windahl & Lakemond, 2010; Ulaga & Reinartz, 2011).

From the supplier perspective, integrating products and services to entire system of solutions, provides great financial benefits. Services require less capital and therefore have higher margins than products (Anderson, Fronell & Rust 1997; Ojasalo & Ojasalo 2008, 18). In addition, services resist economic fluctuations better than products, making them a more stable source of revenue (Quinn 1992). Integrating services to the installed base, which refers to the total number of products customer uses, brings significant business opportunities as those products often are long-lasting (Oliva & Kallenberg 2003, 163). Thus, companies have the opportunity to offer services to cover the entire lifecycle of the product. Whereas the profit margins of tangible products have decreased those of the industrial services, such as maintenance and spare parts can provide over 10% margins in Western Europe (Gebauer 2007, 278).

3.4 Customer value propositions

3.4.1 Goods-dominant perspective

The early literature sees value propositions as pre-packaged, deliverable value offerings that companies distribute to their existing or potential customers (Bower & Garda 1985). For instance, Lanning and Michaels (1988) have defined value proposition as "*a statement of benefits offered to customers, and the price these customers are willing to pay for the benefits*". Lanning and Michaels (1988) argued that value propositions are similar to a three-step value delivery system, which consists of choosing the value, providing the value and communicating the value. Later Lanning (1998) redefined his views on value propositions, by stating that value

propositions are experiences customers gain through the relationship with the supplier against those offered by the competitors. Lanning (1998) stated that the aim of a business is to create a value proposition, which is superior to those offered by the competitors. This approach challenged the traditional ideas of strategic management, in which creating value was seen as a supplier-orientated, not a customer focused one (Ballantyne et al. 2011, 203).

In the goods-dominant logic, value proposition is defined as a marketing offer that is formulated by the seller. The role of the customer is simply to be either approbative towards the offer or not approbative towards the offer. (Ballantyne et al. 2011, 203.) Treacy and Wiersema (1995) have argued that companies' marketplace success depends on the value approaches that the firms take in order to deliver value to their customers. According to Treacy and Wiersema (1995), there are three value approaches that a company can take in order to achieve market leadership:

1. Operational excellence, which means providing customers with services and products at the best price and least inconvenience
2. Product leadership, meaning focusing on innovation and delivering unique solutions
3. Customer intimacy, which means deep understanding of customer needs and fulfilling those needs.

These reflect supplier-led strategic choices that a company can take and build their customer value proposition around. However, this approach deflects attention from understanding individual customer needs and instead centers on the idea that value is solely delivered by the supplier.

3.4.2 Service-dominant perspective

From a service-dominant logic perspective, Flint and Mentzer (2006) have defined value propositions as something which are co-created by the network partners through knowledge sharing, rather than being pre-produced by the sellers. The importance of value propositions in the service-dominant logic has been highlighted by Vargo and Lush (2004), who argue that value propositions are the fundamental premise of service-dominant logic. Vargo and Lush (2004) state that since the benefits, costs and value of the offerings are determined by the customers, not by the sellers, marketers can only provide value propositions based on what creates value to their customers.

Frow and Payne (2008) have researched the extent to which value propositions have been used within companies. Their study investigated a sample of 265 managers on three different continents. What they found out was that although 65% of the firms used the term "*value proposition*", only 8% had developed a formal value proposition and regularly communicated it to their customers. (Ballantyne et al. 2011, 203.)

Cheverton (2006) has examined some customer targets and corresponding value propositions. For instance, if the customer is driven by product leadership, the value proposition should focus on the aspects that improve the quality of the customer's offering and enhance the customer's possibilities to differentiate themselves with their offering. On the other hand, if the customer is driven by operational excellence, the value proposition should focus on reduced costs and factors that improve the efficiency of the customer's supply chain system. According to Terho et al. (2012, 180), the seller alone is not capable of drafting an efficient, customer-oriented value proposition. It requires dialogue with the customer, gathering and analyzing customer specific data and accumulated knowledge through the transfer of value-in-use data from customer to another (Terho et al. 2012, 180). Like Ballentyne et al. (2011, 209) have noted, value propositions should be viewed as "*communication practice that brings exchange activities, relationship development, and knowledge renewal closer together*".

3.5 Creating a customer value proposition

According to Anderson et al. (2006, 91), most value propositions make arguments about benefits and offerings to the customer without supporting them with appropriate evidence. Therefore, a company might be able to offer superior value to its customers, but it is likely that the customers will not understand this because the argument is not demonstrated well enough. Studies indicate that quantification efforts done by salespeople play an important role when crafting value propositions that have a potential to impact customer profits. Quantification methods, such as lifecycle calculations, value studies, customer specific value calculations and return-on investments, aim at building evidence, which will demonstrate the offering's value to the customer's business operations. Although salespeople might not be able to present exact figures on the value of the offering, it is vital to make the size of the value opportunity visible to the customer and to demonstrate the offering's contribution to the customer's profits. This is as the value-in-use of the offering is determined by the customer through consumption. (Terho et al. 2012, 180-181.)

Anderson et al. (2006) have classified the way companies use value proposition into three types: all benefits, favorable points of difference and resonating focus. "*All benefits*" are value propositions, which simply list all the benefits that the company offers. However, the disadvantage of this value proposition is that companies may claim benefits that actually do not bring value to the customers. "*Favorable points of difference*" is another group of value propositions. It acknowledges that the customer has a choice. This type of value proposition seeks to insure the customers of the

ways how the firm's offering is superior in comparison with the next best alternative. The final group of value propositions is "*resonating focus*", which according to Anderson et al. (2006), should be the gold standard. This type of value proposition makes the offering superior on the few elements that matter the most to a group of target customers. It validates the value of the offer through case stories and calculations, which convey an understanding of the customer's business needs. (Anderson et al. 2006, 92-93.)

Although communicating a point of difference in comparison with the next best alternative may seem enough, it does not convey the value of this difference to the customers. There is a risk that without fully understanding what brings value to the customers, the suppliers might emphasize those points of difference, which actually deliver relatively little value. The "*favorable points of difference*" value propositions differ from the "*resonating focus*" value proposition in two different ways. First of all, the resonating focus value proposition concentrates on couple of points of difference, which deliver superior value to a selected group of target customers. Secondly, unlike favorable points of difference propositions, resonating focus propositions might include a point of parity to demonstrate how the supplier's offering is capable of delivering the same value as the competitor, in addition to the points of difference. (Anderson et al. 2006, 94.)

Suppliers need to be able to make customer value research in order to find out what needs customers have and what benefits they look for. Demonstrating superior value through documented cost savings or through added value received by the previous customers, work well on emphasizing the offering's value potential. (Anderson et al. 2006, 95-96.) All and all, references are a good way of showing the history of past success and supplier's commitment towards delivering superior value (Terho et al. 2012, 181).

3.6 Communicating customer value propositions

Communication plays a vital role in the co-creation of value between the customer and the supplier. In a study conducted by Keränen and Jalkala (2013, 8), the importance of dialogue between the vendor and the customer is highlighted. According to the study, customers see intangible benefits such as improved working conditions, increased knowledge, and ease of operations as valuable add-on benefits. However, if the supplier is not able to clarify how these intangible features are going to improve customer's operations, the customer rarely can understand the importance of such intangible benefits. Thus, the vendors have a vital role in communicating superior value propositions to the customer. If this communication is not possible, the supplier's idea of value creation will not impact customer's processes and therefore bring value to them. (Anderson et al. 2007.)

According to research, the role of dialogue in the value creation processes between the supplier and the customer cannot be emphasized enough. Lindgreen et al. (2012) have concluded that the relationships in the B2B context bring value when:

1. Exchanges between the seller and the buyer become predictable, thus they learn to organize their processes in a way that they support each other.
2. New solutions are fostered when mutual learning and adaptation take place in the relationship.

Communication and close co-operation between the supplier and the customer need to take place, in order for the exchanges to become predictable and new solutions fostered as the result of mutual learning. The more information and knowledge is shared between the parties, the more capabilities the customer has to comprehend the different opportunities and resources that are available, thus leading to a greater customer value creation (Salomonson et al. 2012, 146). Haas et al. (2012, 95) have emphasized the role of dialogue and communication between the customer and the supplier by proposing that the value creation in business relationship contexts does not derive from the exchange of the offerings, but from the relationship interaction. This research also claimed that both parties of the relationship have equal competence to create value. Hence, it is not the seller who creates and distributes value, but instead the value is co-created from the shared resources. Solutions to specific needs are created through the interactions between the supplier and the customer.

Internal and external communication of Raute Technology Services was selected as one of the themes of this research as the concept of value is always subjective and based on the individual perceptions (Zeithaml 1988, 13-14). Thus, communication serves as a medium for expressing and

sharing that individually perceived value. According to Flint et al. (2002), knowing customer's current value is not enough, because what customers perceive valuable tends to vary with circumstances. Understanding what brings value to the customers requires internal and external communication of the benefits and sacrifices of the offering, which like stated earlier, are individually perceived. The sharing of customer-related information across the organization is important, as it determines the company's alertness to the altering customer needs (Kirca, Jayachandran & Bearden 2005, 24-41).

3.7 Conceptual framework of the study

Figure 3 lays down the conceptual framework of this study. It combines the previously discussed themes from appropriate literature. The given conceptual framework forms a platform through which the researched phenomenon and collected data are studied and analyzed. The aim was to choose such themes, which would guide on forming a holistic picture of how value is created in industrial service markets, specifically in the case of Raute Technology Services.

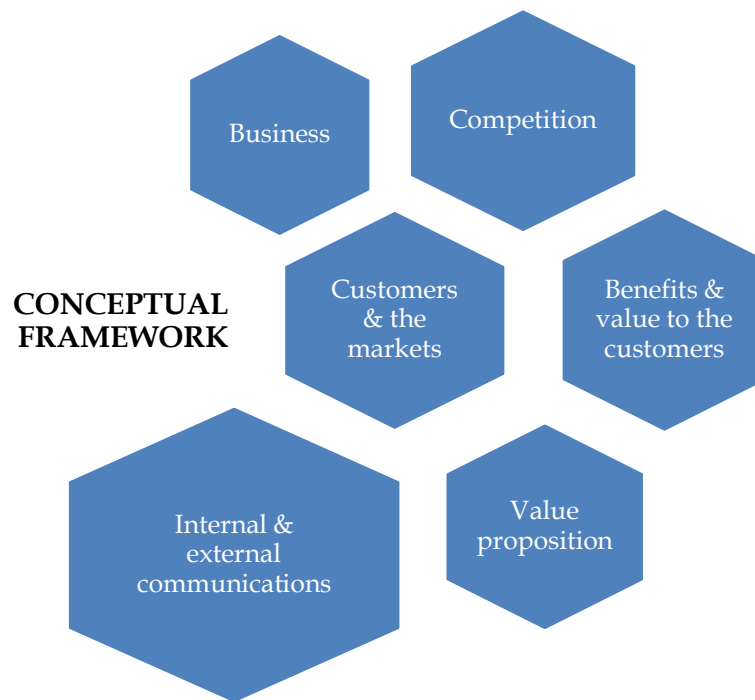


FIGURE 3 Conceptual framework

4 RESEARCH METHODOLOGY

4.1 Qualitative case study as a research strategy

A qualitative research method is based on the ideas of critical and constructivist epistemologies. Common to these founding theories is that they see reality being shaped through different social, political, cultural, economic and ethical factors. The constructivist epistemology views reality as something that is subjectively formed. Hence, information of the reality can be gathered from the interactions between the researcher and the examinees. Qualitative research as a research method is based on hermeneutics. This means that research is seen as a basis for forming and looking for interpretations of the reality. (Metsämuuronen 2011, 218.) The chosen qualitative research method is in consistent with the purpose of this study, which is to form a holistic understanding of the value creation phenomenon in the eyes of a company operating in the global B2B markets. Qualitative research method was seen as an appropriate approach to study value creation, which is an abstract and subjective phenomenon.

Syrjälä (1994) has listed some circumstances when using a qualitative research method is justifiable. Referring to the list presented below, a qualitative research method is appropriate for this study. This is as this research aims at understanding how customer perceived value is formed in a real-world situation, and how individuals interpret the value creation phenomenon.

1. When research focuses on the details of the events and not on the generalities.
2. When research is interested at particular events and how the individuals involved interpret the meanings related to the events.
3. When the aim is to research natural events, which cannot be studied in a controlled test situation.
4. When the aim is to obtain information about specific cause-effect relationships that cannot be studied in a controlled test situation. (Syrjälä 1994, 12-13.)

A single qualitative case study was chosen as the research strategy for this study, as it is a useful method to investigate how theories and models adapt to real world situations (Shuttleworth, 2008). A case study can be defined to be an empirical research method, which seeks to understand current events, or how people act in certain circumstances (Yin 1983, 23). It has been argued that the advantage of a case study is the fact that it provides a more realistic response to the research questions than would a purely statistical survey. However, it has been debated that since case studies always represents a narrow perspective to an issue, its results

cannot be generalized to fit the entire research question. (Shuttleworth, 2008.) Cohen and Manion (1995) have reasoned some of the benefits of choosing a case study research strategy:

1. Case studies are often action-based - their focus is functional and the results can be applied in practice.
2. Case studies have a “feet on the ground” approach, as they are based on the examinees’ own interpretations and experiences. Therefore, they provide a natural basis for generalizations.
3. Case studies allow generalizations.
4. The descriptive data obtained from case studies can be used for a variety of interpretations.
5. Case studies reveal the complexity and indentation of social truths. The best case studies are able to support alternative interpretations.
6. Case study reports allow the readers to make their own conclusions of the results. This is as case study reports differ from typical scientific research reports by lacking typical scientific jargon. (Cohen & Manion 1995, 123.)

Yin (2003) supports these arguments made by Cohen & Manion (1995), by supplementing that a case study is relevant when the focus is on current events, the researcher has little control over the event of behavior, and if the purpose of the study is to answer “how” and “why” questions. Although, a single case study allows the researcher to make only a limited amount of conclusions, a single case study is not a weakness as it enables concentrating on one subject (Koskinen, Alasuutari & Peltonen 2005, 46).

In this research a case study strategy was chosen, so that a detailed understanding of the value creation phenomenon in the B2B markets could be formed. According to Grönroos (2008), value in the B2B markets is co-created during direct interactions between the supplier and the customer. Value is perceived individually and therefore relative to the given circumstances. Thus, different people perceive different values in the same offering. (Ulaga & Chacour 2001, 529.) Hence, a qualitative case study suits the purposes of this study, as the value creation phenomenon is largely individually interpreted and essentially dependent on the surrounding circumstances.

4.2 Data collection

For this research, the main empirical data was collected through semi-structured interviews with the key individuals from the case company and its customers. Semi-structured theme interviews were chosen as the data collection method, because this method allows the interviewer to prepare the themes of the questions in advance, but allow adding more questions or changing the order of the questions during the course of the interview (Koskinen, et al. 2005, 104). Semi-structured interviews combine the elements of structured interviews and open-ended interviews. The idea is

that the interview questions are built around predetermined themes, which stay the same throughout the interviews, even though the order and form of the questions may vary (Hirsjärvi & Hurme 2010, 44; 47.) Thus, the interviewer has the power to make own interpretations of the interview situations and change the course of the interview based on those perceptions.

Typical to case studies, the choice of who to interview was made discretionarily, picking the individuals that would most likely increase understanding of the phenomenon and bring something new to the topic being explored (Eisenhardt 1989, 537).

The themes of the interviews were selected in order to form a complete understanding of Raute Technology Services' business, markets, competitors, customers, as well as of the benefits and value they deliver to their customers. Interviewing the customers enabled to understand their perspective on how Raute Technology Services' bring value to their processes. The six themes discussed in this research are presented in Figure 3 with the conceptual framework. Each interview covered the same themes, but questions were altered based on who was being interviewed. With the permission of the interviewees, all the interviews were recorded and transcribed in order to ensure the reliability of the research. A sample of the employee interview questions is attached to this research in Appendix 1 and a sample of the customer interview questions is attached to this research in Appendix 2.

4.2.1 Employee interviews

In order to establish an understanding of Raute Technology Services' value creation phenomenon, ten company employees were interviewed. The employee interviewees, presented in Table 2, represented different market areas and organizational levels. Currently, Raute's market is divided into five geographical market segments, which are Asia and Oceania (APAC), Europe, Africa and Middle East (EMEA), Russia and other CIS countries (CIS), Latin America (LAM) and North America (NAM).

Three of the interviewees, President and CEO of Raute Corporation, Group Vice President of Customer Care and EMEA and Group Vice President of Raute Technology Services, were members of Raute Corporation's executive team. Business Manager of Raute Technology Services was responsible for the expert services at Raute, as well as managing sales in Japan and South Korea. The maintenance specialists were responsible of doing repair and preventative maintenance service work at the customers' mills. The five market area executives were responsible of the sales in their assigned market areas. All the employee interviewees had direct contact with customers on a daily basis.

The interviews of Raute's employees were conducted during February and March of 2014. Seven of the interviews were conducted face-

to-face and three via Skype due to geographical constraints. All the interviews were in Finnish, except for one which was in English. Typically, the interviews lasted for approximately an hour. Notes about observations were made during the course of the interviews.

TABLE 2 The interviewees from Raute Technology Services

No.	Date of the interview (dd.mm.yyyy)	Interviewee	Location of the interviewee	Interview format	Length
1.	21.02.2014	Maintenance Specialist of Raute Technology Services	Nastola, Finland	Face-to-face	1:01:56
2.	25.02.2014	Vice President of Raute LAM	Santiago, Chile	Skype	1:19:31
3.	27.02.2014	Vice President of Raute APAC	Singapore, Singapore	Skype	0:58:05
4.	03.03.2014	President and CEO of Raute Corporation	Nastola, Finland	Face-to-face	0:33:58
5.	03.03.2014	Vice President of Raute CIS	Nastola, Finland	Face-to-face	1:13:22
6.	03.03.2014	Group Vice President of Customer Care and Raute EMEA	Nastola, Finland	Face-to-face	1:01:34
7.	03.03.2014	Business Manager of Raute Technology Services	Nastola, Finland	Face-to-face	1:09:31
8.	04.03.2014	Maintenance Specialist of Raute Technology Services	Nastola, Finland	Face-to-face	0:41:52
9.	16.03.2014	Group Vice President of Raute Technology Services	Nastola, Finland	Face-to-face	1:11:03
10.	27.03.2014	Vice President of Sales and Marketing, Raute NAM	Delta, Canada	Skype	1:19:26

4.2.2 Customer interviews

Currently, Raute's customers are segmented in a way that each geographical market segment is divided into strategic, developed, active and occasional/new customers. The current segmentation is largely based on the sales activity of the customer. Strategic and developed customers contribute to about 80% of Raute's revenue. Approximately 10% of the accounts belong to strategic and developed customer segments. On the other hand, active and occasional/new customers represent about 90% of all the customer accounts. Nearly 20% of the total revenue comes from the above customer segments. Table 3 represents the current principles of customer segmentation at Raute.

The sales volumes of each customer segment are based on estimations, since data about the sales revenues of each customer segment is not systematically collected. In addition, there is no information collected regarding how much Raute's resources are used for each customer segment or how much resources are used per individual customers. The customers of Raute Technology Services have not been segmented separately, but are included in the whole segmentation of Raute's customers. Therefore, it can be possible that some customers, who have been segmented as strategic to Raute, are not strategic customers to the Technology Services.

TABLE 3 Customer segmentation at Raute

No.	Customer segment	Segmentation principle of Raute	Sales volume
1.	Strategic	<ul style="list-style-type: none"> • Nominated account managers • Common research and development • Collect process data regularly • Process improvements through investments and technology service products 	80% of revenue from 10% of customer accounts
2.	Developed	<ul style="list-style-type: none"> • Nominated account managers • Regular co-operation through service contracts or other planned activities on a monthly basis • Plans to develop present operation through investments and technology service products 	
3.	Active	<ul style="list-style-type: none"> • Nominated account managers • Regular contacts through spare parts, maintenance or upgrades • Plans to develop present operation through investments or technology service products 	20% of revenue from 90% of customer accounts
4.	Occasional/new	<ul style="list-style-type: none"> • Buying potential small today, future unclear 	

The customer segmentation principles presented in Table 3, do not apply to this study. Therefore, the customer interviewees for this study were selected together with the market area executives, the Group Vice President of Raute Technology Services and the Group Vice President of Customer Care. The aim was to interview a variety of different types of customers from different customer segments and from different market areas.

Figure 4 introduces the customer segmentation principles that were used to select the customer interviewees for this research. The aim was to be able to interview at least one customer from each segment. The interviews were conducted during June, July and August.

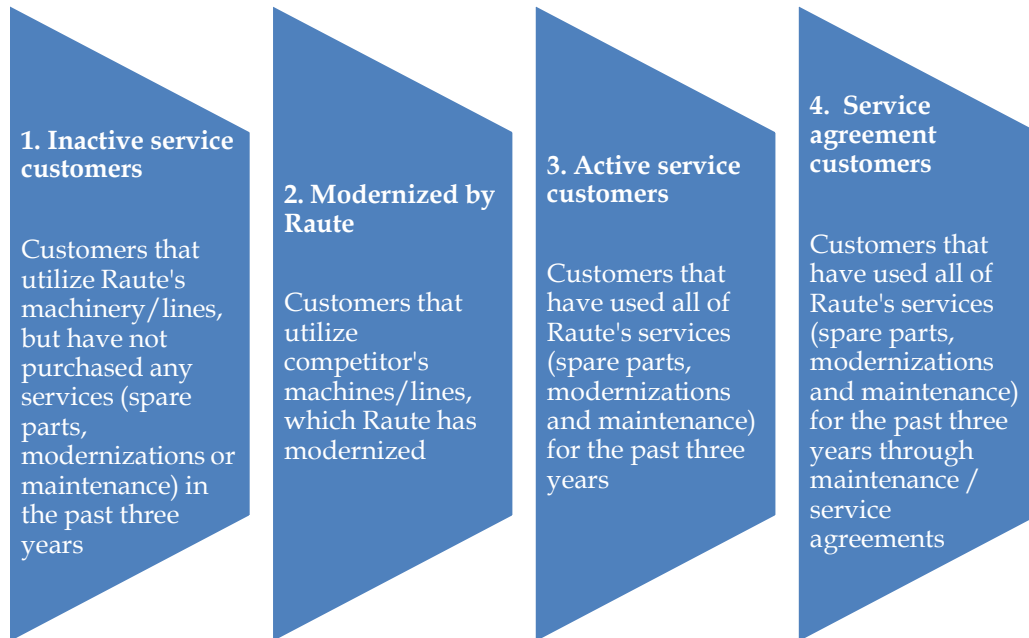


FIGURE 4 Customer segmentation principles used in this study

A total of thirteen individuals from ten customer organizations were interviewed. Table 4 introduces the individual representatives of customer companies that were interviewed for this research. All the interviews were conducted in English except for one, which was in Finnish. Three of the interviews were conducted face-to-face, while the rest took place via Skype or phone. All interviews, except for one, were single person interviews. In one of the interviews, three members of the same customer company were interviewed at once.

TABLE 4 The customer interviewees

No.	Date of the interview (dd.mm.yyyy)	Title of the interviewee	Name of the organization	Market segment	Customer segment	Technology service segment	Interview format	Length
1.	17.06.2014	Mill Manager	Iekartu Rupnica, Latvijas Finieris	EMEA/ Latvia	Strategic	Active service customer	Face-to-face	0:42:14
2.	18.06.2014	National Procurement Manager	Carter Holt Harvey Myrtleford	APAC/ Australia	Developed	Service agreement customer	Skype	0:26:35
3.	23.06.2014	Mill Manager	Metsä Wood, Suolahti	EMEA/ Finland	Strategic	Service agreement customer	Face-to-face	0:34:17
4.	26.06.2014	Engineering Manager	Wesbeam Pty Ltd.	APAC/ Australia	Active	Inactive service customer	Phone	0:26:12
5.	27.06.2014	Mill Manager	San Giorgio S.p.A	EMEA/ Italy	Occasional	Inactive service customer	Skype	0:35:35
6.	07.07.2014	Mill Manager	Likmere, Latvijas Finieris	EMEA/ Lithuania	Occasional	Active service customer	Face-to-face	0:41:34
7.	10.07.2014	Development Director	Sveza-Les	CIS/ Russia	Strategic	Active service customer	Skype	0:53:47
8.	29.07.2014	<ul style="list-style-type: none"> • Product Line Manager of Plywood • Maintenance Superintendent • Production Superintendent 	Plum Creek Timber Company Inc.	NAM/ USA	Strategic	Modernized by Raute	Phone	0:30:26
9.	06.08.2014	Site Manager	Carter Holt Harvey Marsden Point	APAC/ New Zealand	Developed	Active service customer	Skype	0:58:38
10.	06.08.2014	Production Manager	Moelven Vänerply Ab	EMEA/ Sweden	Occasional	Modernized by Raute	Phone	0:23:15

4.3 Data analysis

As all the interviews covered the same topics, the interview data was organized by the themes mentioned in the conceptual framework displayed in Figure 3. After transcribing all the interviews, data about each theme was grouped into one document. Organizing data in accordance with the research themes helps the researcher to notice patterns and relevant information (Eskola & Suoranta 1998, 180). The responses of the employee and customer interviewees were compared with each other. This way patterns and differences between the responses

surfaced. After comparing and contrasting the responses, generalizations were made about each theme. These generalizations were then compared with literature. Conclusions about the value creation processes of Raute Technology Services were done in accordance with the comparisons. In addition, analysis was conducted on how the case of Raute Technology Services fits to the theoretical framework regarding value creation in B2B market context.

5 EMPIRICAL STUDY

5.1 The business of Raute and Raute Technology Services

One of the six themes discussed with the interviewees was how they perceived Raute, Raute Technology Services and the role of industrial services in Raute's business. The aim of this was to find out what attributes the interviewees would use while portraying Raute and Raute Technology Services, and whether they would see the role of Raute Technology Services in a similar manner.

All the employees interviewed, described the aim of Raute by explaining how it provides machinery, equipment and services to veneer, plywood and LVL (Laminated Veneer Lumber) industries. Different employees emphasized different aspects of Raute's business. Some of the employees highlighted how Raute is, by sales volume, the largest equipment supplier of the veneer product industry. Others saw Raute currently being the only one in the market who is able to supply an entire mill to the customer. Others stressed the role of Raute as a solution provider, the aim being in understanding customer's business and providing solutions that will enhance the customer's competitiveness.

"In this industry, we are the only global company that provides solutions to customer's needs. Being able to find the right solutions and putting them into action is our main job. The machines that we supply are not so much the issue, but being able to find the right match to the customers' needs with our equipment, machines and services. Our advantage is that we are not an ordinary machine dealer, who sells their equipment price first. Instead, we want to understand our customer's business, their problems and find solutions to those. After the solution to the problem is found, the business turns into some kind of a machine world." (Employee 3)

The employees saw the role of Technology Services' in Raute's operations as vital, providing maintenance, spare parts, modernization and training services to the installed base. The employees argued that Raute Technology Services and Raute are inseparable. Thus, they saw the main purpose of Raute Technology Services as providing services to the equipment manufactured by Raute. It was interesting to note that none of the employees regarded Raute Technology Services as a separate business unit, but more like a continuum of the machine business.

"In my opinion, Technology Services cannot be removed or looked separately from whole image of Raute." (Employee 4)

All the interviewed employees stressed upon the role of Technology Services in expanding the lifetime Raute's equipment. Consequently, the

employee interviewees saw Raute Technology Services increasing the value of the investment, which the customer has made when purchasing machinery from Raute.

"The machines are getting more complex and difficult. The role of Technology Services is to make sure that the machines and equipment a customer has invested on, will stay in good condition and provide value." (Employee 4)

According to the employee interviewees, Raute Technology Services play an important role in the whole corporate image of Raute. The employees saw industrial services bringing creditability and trust to Raute's operations. Due to the services offered, customers can rely on getting support from Raute in order to take care of the investment, which they have made. The interviewees explained that while machinery and equipment can only be purchased once; services are something that can connect the customers to Raute for a longer period.

"People who talk about their cars may refer to the car dealer maybe once or twice, but what people actually spend on talking about is what kind of service they got to their car, how the repairs went, was it a good or bad service and so on. So, yes having technology services contributes to the entire corporate image and our reputation in the industry." (Employee 3)

To many of the customers, the original reason to why they had purchased Raute's equipment in the first place had been the availability of service support from Raute.

"Originally, we have chosen to do this Raute equipment is because of the support." (Customer 8)

"...buying new equipment or having an advanced technology is no more a differentiating factor or differentiating enough in a supplier. We really need service, because for us it's better to have a simple machine, but a very reliable one. Rather than a very advanced one with a lot of risks that'll break down somewhere in the middle." (Customer 7)

The role of services in Raute is strong, unlike in many of the competing companies. In 2013, Raute Technology Services made approximately 40% of the total company turnover. According to the Vice President of Raute Technology Services, the turnover of Raute Technology Services has annually grown approximately 15 to 20% since 2009.

"We are many steps ahead of our competitors in both machinery and in the service concept. Sure, the competitors will be able to repair the machines that they have installed, but the role of the services in their operations is much smaller. In their processes, services usually represent only 10 to 20%

of the whole business. Our advantage is the diversity of services that we offer."(Employee 7)

Some of the customer interviewees noted that in the last couple of years, Raute has put more emphasis on developing its services.

"In the past Raute was not so much orientated to the services, but during the last two to three years there has been developments in that area." (Customer 1)

According to the customers, the visible change has been in recruiting more people to Raute Technology Services, along with to reconstructing Raute's organization to be more service orientated.

"New persons came and additional force was recruited for these services. I guess there were changes also in the company structure to be more maintenance or service orientated." (Customer 1)

The employees saw the role of industrial services becoming more and more important in the future. This is because the market capacity of veneer products is limited and services provide a better opportunity to differentiate from the competitors. In addition, the competition with services is not as fierce as it is with the machinery.

"I believe that the market will change as there will be less and less capacity to build on, thus the role of the industrial service market in Raute will increase. ...The competition is not as fierce with services as it is with the machinery. We get better margins from services than from the sale of the machines." (Employee 6)

Some customers saw the role of Raute Technology Services to their business as non-existent, because according to them, Raute struggles with providing cost-efficient services to geographically isolated places. These customers saw in-housing services as a better option, because they argued it to be more cost-effective and also enabling them to train their staff exactly in accordance with their needs.

"Non-existent [presence of Raute Technology Services] to be honest. Unless we are going to be doing some sort of upgrade in the future, but most probably say non-existent, because we haven't used your maintenance services or your service for many years. Really for us, we should employ local from a cost point of view. Get people familiar with the equipment on-site and trying to keep them." (Customer 4)

One of the customer interviewees had a service agreement with Raute, but the customer had ended it in the spring of 2014. This customer felt that during the service agreement period with Raute, they had developed enough skillsets to manage the equipment by themselves. According to

the customer, it would be more cost-effective for them to purchase services separately, if they need them, and not through a continuous service agreement. Originally, the customer had signed a service agreement with Raute, because they had invested into new technology and had needed help in managing it correctly.

"I guess the reason we started originally was that it was initially a new piece of equipment for us and therefore we didn't have the skillsets or technology advancements here to serve us. So, simply we needed your assistance from day one and then we felt that we had developed over time, that certainly we don't need that moving forward. If we wanted to have a service on a piece of equipment, we can still do it without a service contract. ...there is a possibility that you save a bit of cash by actually not having a maintenance contract and doing it yourselves." (Customer 2)

Some of the customer interviewees mentioned that they had been impacted by the recession of 2009 and when Raute Technology Services' resources had been cut. According to the customer interviewees, when the markets improved and customers were looking for services, they were not able to receive the service they needed as Raute had cut its service resources.

"I think Raute went through a stage when there weren't as many projects going on when they needed as big of a workforce. So, what ends up happening is a lot of people through retrenchment, whatever that looks like. Kind of disappear and went to other things and all of the sudden, all the mills that need that service, when they stick their hand up, there is not enough people to go around to service. And then the markets are up and some new mills being done, some new retrofits being done, so all the contractors are engaged again. But all of the mills that needed help and went 'help me', could not get service in a timely manner." (Customer 9)

"...six or seven years ago we tried to develop this area [preventative maintenance] quite a lot, meaning that we would purchase certain preventative maintenance work from Raute Jyväskylä. At the same time we went through a recession and Raute as well in 2009. Then when we started to recover from it, Raute had reduced the amount of personnel and resources. At the same time, they got big projects in South America and most of their skilled employees were designated to that. At this point, we were pretty much being used as a primary school for Raute's technicians. We noted the level of quality in the services and saw that there was no point of paying for the services, when we were just teaching Raute employees all day long. ...We have had to look for other service providers as well, because we haven't received the type of service that we need from Raute." (Customer 3)

5.2 Customers and the market

5.2.1 Market position

According to the employee and customer interviewees, the industrial service markets of veneer product industry are steadily growing. As the technology of this industry is advancing quickly, customers are looking for external service providers to whom they could outsource operations outside their core business, or who would partnership with them in maintaining the equipment they have invested on.

Today, Raute Technology Services has approximately 1300 customers worldwide to whom it provides modernizations and upgrades services, maintenance and expert services, as well as spare parts services. According to the employee interviewees, one of the challenges with the entity of Raute Technology Services is how different each of the markets is. For instance, while growth in spare parts services is steady and mostly takes place along with equipment base growth, modernizations services vary more in accordance with economic conjunctures.

The customer interviewees agreed that the industrial service markets for the veneer product industry are growing and that there are also opportunities to expand the range of services. However, some of the interviewees saw the lack of skilled workforce and the inflexibility of the service providers as factors, which are hindering the current growth of the industrial service markets.

"Yes, there are opportunities for growth if the service provider is capable to meet the changing needs and able to answer those needs in a way that they always have skilled people available to the customer whenever the customer needs that help. This also means during the weekends, nights and the answer cannot be 'I'll be there next Monday or next week'. There is always a need for this type of maintenance work, but the problem is that there aren't enough skilled workers or skilled firms that could offer this type of service for us when we need it." (Customer 3)

The employee interviewees argued that keeping a strong market position in the future, will require integrating the sale of service more tightly with the capital investment sales. In practice, this would mean offering and selling services simultaneously with capital sales. As of now, Raute's customers have mostly bought just spare parts along with capital investments. The employee interviewees noted that usually other types of services are not even offered to the customer until the ongoing capital projects have been completed. The risk with the current approach is that some customers might be lost or they might forget about Raute after the capital project ends. Thus, offering capital investments and industrial services at once, would link the customers more firmly to Raute. The employee interviewees saw that providing services jointly with capital

investments, in practice would mean developing a strategic plan with the customer indicating the ways how the capital investment will be maintained and how maintaining the equipment will support customer's operational goals.

*"In general, the focus has been too short-sighted during the investment projects. ...In the future we would hope to sell more maintenance and other services together with the investment project, since now offering these services come to question only after the investment project ends."
(Employee 9)*

*"We should be better at helping those who are building a completely new mill and who are newcomers in this industry. We should be offering our services already in the beginning of the equipment investment process."
(Employee 4)*

The customers argued valuing such service providers who are able to keep the service process as simple as possible. This means offering services when the customers need them and providing multi-skilled service workers. The customer interviewees claimed that while smaller companies, with fewer resources, need to train their employees to master a wide spectrum of know-how, larger companies tend to diversify their employees by training them to master only very detailed areas.

"It's been about finding the right external provider that understands the technical aspect of the equipment, but is also able to commit and engage the operators and work with the operators and when we find somebody that can do both of those together, then it's a whole lot cost effective... There isn't someone who would understand all of that working and could come in and say 'I am a guy who is here for a week, I am going to troubleshoot. So, the bigger the companies get, the more they tend to diversify their people. Versus smaller companies, they are already comfortable with those skillsets. You know probably 95-95% of them, so it makes a whole lot easier for us to engage one person when we have got initiatives." (Customer 9)

As the technology is advancing, customers are placing more emphasis on developing the skillsets of their own staff to take care of the equipment they have invested on. The customer interviewees argued that the role of training and consultancy type of services will increase in the future. Most customers saw Raute, the manufacturer of their equipment, as the best option for providing such services.

*"I think that we'll increase the service from different companies with the new machines that are very special. We need to take care of them."
(Customer 10)*

"We have also seen deskilling of the operators over time, because they are learning from the past person who learned from the person before that and

who learned from a guy before that. So, there are lots of things that have happened and a lot of behaviors that are getting handed on that are creating problems. So, that's one thing that we have started to engage on the external of the business." (Customer 9)

"...we are at a situation in which our service providers or our service contractors in this country are certainly not able to fully appreciate or understand the technology, so that's the difficulty. That's why we have had a lot of your [Raute] service people out here with us developing the skillsets of our people." (Customer 2)

The challenge for the customer is to navigate in the growing industrial service markets and to be able to choose the right type of service for their needs. Thus, the service providers need to make their offerings stand-out in the markets and to clearly state the value of their offering.

"The biggest thing is learning what's out there and what's to offer for these kinds of plants, understanding through pay-back what there's to offer." (Customer 8)

Most of the employee interviewees claimed Raute Technology Services to be the market leader in the veneer product industry, because Raute has a widely spread installed equipment base to which Raute Technology Services offers support. On the other hand, some felt that Raute's relatively big size and globally spread operations possess big challenges when competing against smaller companies, who often have a local focus and are more agile.

"One of the problems that we have is that we are trying to develop a product for nine countries. All different productivity changes and species related issues and... Well the guys here in North America are developing it for Georgia Pacific, that's it. That's their target, they reach it and they get thirty orders. We focus on 150 customers and get no orders, because our focus is too broad. We are trying to make 'a one shoe fits all' -approach, but it doesn't work that way." (Employee 10)

Delivering services all the way from Finland to overseas locations is costly, thus competing against local service providers is not easy. This is as the travel expenses add costs and the Finnish hourly wage is comparably high in comparison with other countries. It is hard to justify the value of the service work, if a day of Raute's services cost the same as the monthly salary of a local maintenance worker.

"This in part makes it impossible to sell significantly more services." (Employee 6)

Raute has responded to this challenge by providing local maintenance services to places like Chile, where there currently is one local mechanic

and one automation expert. Providing local services has improved the availability of services and made price of the services more competitive with other local service providers. However, the challenge that still remains is how to recruit suitable and multi-skilled service workforce for the overseas locations.

"The problem with this is that we only have couple of people who do these maintenance visits and no one can be an expert of all the technologies. Customers expect that after they have paid a high price for the maintenance service, that the maintenance worker would know how to do his job. Often we face the situation that at first, some maintenance worker goes to the customer and finds out that he doesn't know how to do it. Therefore we need to send someone else." (Employee 2)

The customer interviewees saw Raute Technology Services offering competitive services, noting that if they would think that Raute was not competitive they would probably not use their services.

"Well, I think that they are very competitive, if they weren't we would not be using them as much as we are. ...I think they have been competitive in their price, I think they have been very very competitive on what's out there that they are offering, in respect of the equipment that is there, they are using the equipment there, keeping it running to the optimal." (Customer 8)

One of the customers claimed that Raute Technology Services is not as competitive as it could be, because Raute started to develop its service offering later than most other technology companies. Thus, Raute is still in the process of developing its service offering, so that it could be in the same level with other technology companies.

"...as I told you, Raute started a little bit later than the others started to develop their services, and therefore they are in the middle. Some of the companies are a little bit ahead and maybe those are not directly connected with plywood manufacturing, but probably with plywood processing, but in any case. From our machinery suppliers they are somewhere in the middle." (Customer 1)

All the employee interviewees, except for one, argued Raute Technology Services to be the best player in the industrial service markets for veneer product industry. Raute Technology Services was seen as to offer the industry's best engineering know-how and the widest service spectrum. In addition, Raute's over 100-year-old history was seen as an advantage in the competition, because it proves that Raute has a long tradition of working in the veneer product industry. However, the employee interviewees argued that even though Raute and Raute Technology

Services may have the industry's best range of offerings as a whole – it does not mean that it would be the best in all the areas.

"If we talk about plywood machinery and equipment, in that field we are the best in the industry. This is because our product and service range is the most comprehensive one. Then, if we look at whether or not some specific machine is the best in the world, in that we are not necessarily the best, but we have the best offering as a whole." (Employee 6)

One of the employee interviewees expressed that Raute Technology Services is not the best in the veneer product industry, because Raute's focus is too scattered. According to the employee, Raute Technology Services has the best engineering talent and the best technical offering in the industry, but focusing on too many customer segments across the world eats resources and reliability.

"No [the best in the industry], because of our focus. ...I believe that our focus is too broad and I believe that our focus is scattered. You don't go targeting fifteen customers at the same time; you'll do bad at ten of them, do well on two of them and forget about three of them. You need to focus one at a time and then grow." (Employee 10)

Another employee argued that the real competition, which Raute Technology Services faces, is not about competing against what other industrial service providers are offering. Instead, the competition is about customers' willingness even to invest into industrial services.

"Yes we are the best ones in the industry, but I think that we don't necessarily compete against other firms, but against our customers' own actions and inactions." (Employee 4)

The customer interviewees agreed that at some areas, Raute Technology Services is the best player of the industry. However, the customer interviewees argued the current industrial service competition being very limited in the veneer product markets. Against its competitors, most interviewees ranked Raute as one of the leaders of the industry.

"Unfortunately they are, because there aren't many other options available. There is a limited amount of options available. However, if you compare Raute to internal maintenance organizations that firms have, then in that category Raute may not have the highest rank." (Interviewee 3)

"I guess, maybe not the best, but one of the leaders. Not many competitors Raute has in birch plywood manufacturing, therefore..." (Interviewee 1)

Many customers expressed that Raute's competitive advantage in the markets are the industrial services that it provides. Raute's Technology

Services were seen as providing distinguishable value by taking care of the equipment, which the customer has invested on.

"I think that we've just chosen Raute for our recent upgrades for couple of reasons. Support... You can have the best equipment in the world, but if you don't have the support to keep it running in its full capacity and its best value, it does you no good. So, being able to take the existing equipment and upgrading it to a higher value and control and keep it running to its optimum value, is what we feel like we have done and made the best choice available during this time." (Customer 8)

5.2.2 Customer information

Currently Raute does not have guidelines regarding what information or how information should be collected from the customers. It is largely left to the individual employees to decide how to collect customer information and what type of customer data should be acquired. Some interviewees told that they have collected the information themselves and others expressed that they have relied on external consulting agencies to do this.

Most employee interviewee articulated that they are interested to know about customer's production data, such as what types of products the customer manufactures and what is their production capacity. In addition to these, the employee interviewees told that they were interested about the customer's investment plans, the number of personnel that the customer employs, as well as about the needs of the customer. Raute's accounting is responsible for collecting information regarding the amount of services sold per each customer. One employee interviewee also found it important to collect information about the customer's market reputation, as well as of the customer's relationships with other similar companies.

"I try to collect information about the relationships that the customer mill has with the other mills of the same mother organization. Sometimes after a mill visit, I try to make analysis about things that could improve the customer's production, even though the customer may not have specifically requested for a quotation." (Employee 7)

Customer satisfaction surveys are conducted to all customer segments on a yearly basis. Besides these measures, customer satisfaction is research after every investment project, such as after modernizations or installing new equipment. Nonetheless, satisfaction is not systematically surveyed after other service projects, including spare parts deliveries and maintenance visits. The employee interviewees noted that often the proportion of customers who respond to such satisfaction surveys is not very high. Thus, most employee interviewees felt that direct communication, between the customer and Raute representative, is the best platform to collect information about customer satisfaction.

At the moment, Raute utilizes "Carmen", a customer relationship management (CRM) tool, to document customer information. However, most of the employee interviewees felt dissatisfied with Carmen, arguing that the capacity of the software is too limited to document all the relevant customer information. For instance, the employees felt the need to be able to report observational information about the customers as well. This would mean information such as the safety requirements of each customer, individual needs of each customer and who in Raute the customer prefers to be in contact with.

"Personally, I would like to have more observational information. By this I mean that when our people visit customers, they would look what our competitors are doing there and how they are doing it. Unfortunately, this kind of information usually isn't available." (Employee 9)

"If you look at Carmen, there is only the annual production column where you can enter a number besides the address column and all the other general information." (Employee 7)

All the customer interviewees saw sharing of information between the customer and Raute as beneficial, if it helps to for example troubleshoot in advance.

"Well, obviously we have the MIS system that we run in and certainly every bit of data is extractable from Raute's point of view, so we provide a lot of data to help troubleshoot." (Customer 2)

"They can see everything mainly: how many hours we are stopping, how many hours we are producing, the efficiency. Mainly now we are achieving the better efficiency of wet veneer and this day again they can see. So, mainly everything they can see. We already had as a product this management info system and this is very good. Each time you can just connect and see what's going on." (Customer 6)

Some of the customer interviewees already had a shared management information system (MIS) with Raute. How much information is shared between Raute and the customer depends on the service agreement. In most cases, for instance production data is only shared in project basis and not continuously also between different projects.

"They [Raute] don't collect you know information about our mill, it's more project specific. So, we provide and they collect whatever data they need to plan and execute these projects appropriately." (Customer 8)

According to both the customer and employee interviews, personal cooperation, such as sharing of information at different face-to-face meetings or through phone calls and e-mails, are a vital part of a good supplier-customer relationship.

"For this mill, the contractors are gonna meet through with the purchaser here in site and through Aki out of Raute Finland, because we deal primarily with him around spare parts. So, that will be the extent of the contact. Periodically our maintenance guys might try to contact one of the service guys there, if they got into troubleshoots." (Customer 9)

"We have regular meetings at least once or twice a year, where we get together with Raute and our production and maintenance managers. There we discuss our plans for the future. Based on that, the participants build some kind of understanding on what could be offered to us. We tell our needs and then expect Raute to understand those things when planning service proposals for us." (Customer 3)

Nevertheless, the customer interviewees argued that collecting production data is not valuable unless the service provider is also aware of what is happening in the customer's operations. Thus, knowing what the customer's aims and strategies are. The customer interviewees also expressed that collecting information on its own, for example through remote monitoring, does not provide them with value. Consequently, the customer benefits and the usage of collected data should be clearly justified by the service providers.

"When we were making the service contract for Perm one of the services was remote monitoring. And I asked 'fine, okay, remote monitoring. More or less understand what it should be for. What you guys are going to collect? What type of information?' And the answer was 'well it's temperature, it's something hmm something else...' Like okay? Sounds little bit weird that you cannot say what you are going to exactly collect. So, how are you going to analyze that? The answer was even vaguer, which raises a lot of questions to me. So, what are you guys going to collect and what for if you cannot explain what you are going to do with that?" (Customer 7)

Some of the customer interviewees hoped that Raute could be more open about its technology. The customer interviewees often felt that they are being provided with proprietary technology, meaning technology which only the suppliers know how troubleshoot. From the vendor's point of view, technology is made proprietary in order to secure possible commercial secrets. However, the customer interviewees argued that the equipment suppliers, such as Raute, often do not have enough resources to service the equipment when needed. So, the customer is left to decide whether they can afford investing into technology, which they neither themselves nor the supplier have resources to service.

"A lot of the evaluations that we are going to make is whether the technology we are going to engage in, is it what I call 'black box technology'. So, for proprietary type of stuff. And you know - most vendors

have proprietary stuff meaning that only they know what functions are inside the black box, which makes it difficult for operators like us to have to run." (Customer 9)

Most customer interviewees did not any feel any major risks about sharing operational information with Raute. One of the customer interviewees even pointed out that they would not be cooperating with Raute if they thought that they could not trust them. The customer interviewees also noted that Raute carries reputational risk with it. This is because Raute is a large player in the industry and the word would spread quickly if it was to break its trust amongst the customers.

"Philosophically we go back and we say 'oh, Raute is servicing a lot of lathe around the world'. Reputational risk for you guys if you are sending out inferior bearings, if you are sending out inferior product. So you put your own business at risk. So, we like that fact that you are not prepared to put your business at risk." (Customer 9)

Another customer interviewee found it positive that Raute Technology Services also has other customers in the same market area, although those customers might be each other's' worst competitors. This is because it divides the market risk among the customers and the supplier, making it less risky for individual customers to cooperate with Raute Technology Services.

"No, I think everyone benefits from that. The supplier can also share the risks of the market; we can also gather some information of the competitors from the supplier. And yeah, I think that it's fine for everyone. So, I don't want to be the only customer for Raute in Russia." (Customer 7)

Nevertheless, there was one customer who claimed that the small size of the veneer product markets makes it more risky to share information with Raute. This is since Raute does not currently have much competition in the markets.

"Yes, it is so, because there is some level of confidentiality. At each company there are certain rules and in our company as well, what we are showing, etc. It doesn't even so much depend on Raute, but on the company's policy who Raute is working with." (Customer 1)

However, all the customer interviewees felt that Raute cannot impact with its doings how safe the customers will see sharing of operational information. Thus, customers put more emphasis on evaluating the market situation, when they estimate if it is safe to share information with the supplier.

"They cannot influence that one [customer's willingness to share information]." (Customer 1)

5.2.3 Future needs of the customers

Proactive sales and understanding customer's business operations are, according to the employee interviewees, the most essential factors on predicting customer's future needs. The employees saw the rise of raw material costs and labor costs as some of the biggest challenges that the customers are facing in the future. As the labor costs are increasing, customers are looking for investments that will increase automation, providing Raute Technology Services opportunities to offer assistance. The employee interviewees emphasized how important it is to understand the customer's business hopefully even better than the customer itself does. Understanding customer's business enables Raute to keep a continuous discussion with the customer, giving Raute the creditability to suggest investment ideas and areas of improvement.

"With customer relations, we should focus on the need to understand the customer's circumstances, maybe even better than the customer themselves. Doing this, enables us to throw ideas to them and to keep the discussion going on. For instance, here right now the processing of large tropical trees is decreasing and it is turning out to be a season for planted trees, meaning that the machines meant for old type of wood species are no longer purchased. In this case, customers are looking to modernize the existing machines, since during the transition period they yet don't want to buy brand new machines for the new type of wood species. Raute has offered modernization packages to these kinds of customers, in order to help them with this transition period, before customers are ready to buy new machines to the planted trees." (Employee 3)

The interviewees, too, stressed the importance of service provider's proactivity. The customers expressed that they expect continuous improvement ideas from Raute. The customer interviewees highlighted how they are open to all new ideas, which have the chance to develop their operations. In addition, they look forward hearing what is happening overall in the industry.

"If an existing older equipment of Raute is getting outdated or there's better ways to do things more efficiently or productively, we need to be aware of them, even if... Or have them offered to us so that we don't miss something as well. As we plan our capital projects, we look forward interacting with Martin and others in your organization about projects that are happening in other facilities around the world and how they may be similar to what we are doing here. It's a valuable service and helps us to plan ahead in our capital planning, so that we can budget projects. So, those types of communications are very helpful." (Customer 8)

"So they [Raute] have to inform the customers about the new steps of their technology or work with the customers, because we can also help them to

understand better what our needs are. So, I think it is... We have to work together to finalize the right way to work in the next years. For sure, in the next years we will make big jump in the technological side. So, I think that we have to work together." (Customer 5)

One of the employee interviewees argued that the service workers should have more training about how to market and sell services to the customers. Thus, the responsibility of selling should not lie solely on the shoulders of the sales and marketing department. This employee interviewee pointed out that those employees who do regular mill visits and maintenance work at the customer's site are the ones that the customer trusts and pays for. Hence, they have the creditability to suggest improvement ideas to the customers and to sell them the services that they need.

"We need to have all the people who go into the mills, who work for us, need to sell something. They are the people that are credible and those are the ones that the mill people rely on, so that's... They are consulting in a sense, right? And they are trustworthy and credible consultants, because the mills invited them and paid thousands of dollars to ask for their opinion." (Employee 10)

There has been TSR (Technical Service Representative) training for Raute's employees in the North American market area. The idea of this is that the service people are technicians, but also responsible for selling Raute's services.

"...Quite often people say 'oh, I'm not a salesman'. Well, you sell yourself every day, you are one but you aren't just called that." (Employee 10)

"...Technical expertise isn't enough, as you should also be able to plan maintenance services together with the customer, investigate possible investment potentials and other work possibilities. Every maintenance guy should also be a salesman." (Employee 2)

All the interviewed customers expressed that they are interested of purchasing or continuing to purchase Raute's services, if the services are cost effective and if the market situation allows it.

"Yes, and we will continue buying spare parts as long as it's cost effective. What you've got to understand as well is that we have to ship these parts. So, even though you can say that these parts at some cases are cheaper, the shipping costs may not make it viable. We are very competitive when it comes to buying parts, unless we are in a hurry for them. So, we'll always buy cheapest." (Customer 4)

"I think so. I think they must increase the service from Raute. That's my opinion, but we'll see what happens." (Customer 10)

"...and our expectations are that we'll continue to use Raute. We have a service contract right now, with them coming in and providing services so maintenance and also fine tuning of our operations of each of these machine centers. The potential is... As the capital comes to available in the future and there may be additional capital projects that we'll consider working with Raute. So the range of service will certainly expand if we get additional projects." (Customer 8)

The services that the customer interviewees mentioned needing in the future could be summarized into three categories:

1. Predictive maintenance and remote monitoring
2. Consultative services and training
3. Centralized spare parts storage (mentioned by customers purchasing large quantities of spare parts)

According to the customer interviewees, knowledge of veneer product manufacturing is vanishing as a large amount of people with the expertise are retiring. In addition, technology in the industry is advancing fast. Thus, customers need to build knowledge of that technology in order to be able to compete in the markets. The customer interviewees argued that training of their technical personnel and operators will be emphasized in the future.

"...our technology people are not always to the point where I would like them to be. So, from this point the consultative services of the manufacturer, who best of all know the equipment, are very important." (Customer 7)

"I guess we will need education from Raute's side. We'll need to get some education services and to educate our staff to maintain Raute machinery. And I think that we'll also need some... We can get it already, but probably in a different shape we have to use more Raute maintenance assistance." (Customer 1)

Some customer had been engaged in using individual service people, instead of bigger industrial service companies, to maintain their equipment and train their personnel. This is because the customers often found smaller service providers to be more cost-effective and quick, versus purchasing services from larger companies. However, the customer interviewees saw relying on individual service people as risky, since their knowledge is not transferred to other people, unlike in larger companies where there are usually more people cooperating with the same customer.

"We are currently using an independent guy around the lathe. What we are starting to find any, he is an older fellow... You know we are starting to find that there's less and less of that technical skill coming in and checking the equipment and it's likely that at some stage we are going to have to make a shift more towards using Raute or other key suppliers to come in. ...there

are less and less technical people in our industry. You are not finding twenty-five year or thirty year you know plywood LVL technical people any more, there are far few between. So, I think there is going to be a day when more of us will have to shift back into towards the OEM service." (Customer 9)

In addition to being more cost-effective and quick, the customers often found smaller service providers to be more flexible and adaptable, thus meeting customer needs better.

"...it's likely that at some stage we are going to have to make a shift more towards using Raute or other key suppliers to come in. If we go down that road, and this is my experience with Raute and Coe was no different in my past life. I remember them coming to the mill, and going back to the textbook way of setting up the lathe you know. ...and ultimately they completely changed the dynamics of the lathe and the lathe no longer runs the way it should run, because there're some differences around wood fiber. Maybe the installation wasn't perfect. So, if we go down that road of engaging in that service autoed piece, you know, Raute has to build up that working knowledge about why mills have set up the way mills they have set up. And not try to take the mills back to... what Raute will review as the textbook way of setting the lathe up. Because they built the lathe at the shop in ideal conditions - it doesn't necessarily mean that it got installed in the mill under ideal conditions. So, that'll be a key piece if we have to go down that road and we will at some stage, because there are less and less technical people in our industry." (Customer 9)

According to the customer interviewees, consultative type of services will also play an important role in the future. This means services such as remotely monitoring customer's operations and making improvement suggestions on how to improve their manufacturing processes.

"Someone who could monitor for example our production lines and make reports about what things could be improved and how... So, having this outside monitoring of our production lines' processes would be one type of service that we would probably need in the future." (Customer 3)

One customer interviewee emphasized the need to look for ways, which will increase mills' production capacities, once the designed capacities have been reached.

"...when we reach our plant design capacity, we'll need you guys to help us with calculating and understanding how we can actually push the plant beyond its design capacity. So, services such as rebuilding or remodeling scanners, so we get through with those types of things. For example, you have your new technology for the lathe, which is an XY-charger calibration, so certainly something like that would be very beneficial to us. That type of

service and I guess demonstrating what you have in the future." (Customer 9)

The interviewed customers saw that the role of remote monitoring will increase in the future. Some of the interviewees mentioned how they already had invested into technology, which will provide chances to develop remote monitoring at their site. The customers argued that to be able to keep-up with the markets, they need to constantly evolve and invest into new technology.

"It's hard to say the timing of it [remote monitoring] and the extent of it, but you know it would all depend on the service that they would provide as far as you know perhaps monitoring certain machine centers and seeing how they are performing and finding feedback and some businesses do that. With the technology that's been installed now and PLCs and controls that are on lot of these machines, there may be some opportunity there." (Customer 8)

"Would I engage Raute's spare parts guys, we already are because we see value in getting the OEM parts? If that means that I carry less in my shoulders, because I know I can get it when I need it based on predictive maintenance, any operation would be silly to say they are not interested in that. I think that there's some value in that." (Customer 9)

"At the moment, we are quite strong walking on preventative maintenance system in our company. That's the result at the moment. What will be other step; I don't know, but of course improving and improving and improving. As you cannot be on the ground for long period. You should invest, invest and invest..." (Customer 6)

"With regards to remote monitoring, there are already now projects going on regarding it. We want monitoring to our peeling line and to the others. We have our own programme for it and we have been following it on our own and made decisions based on the service reports gotten from Raute. Developing remote monitoring is a very vital thing." (Customer 3)

One customer suggested that in the future Raute should provide a predictive maintenance service for its spare parts. Thus, Raute would monitor spare parts' turnover and advice the customer mills about when to change certain parts.

"I suspect that Raute would know from turnover of parts what the average life expectancy is of a lot of their parts. You know whether they do know that or publish that or have done analysis about it, I don't know, but there is absolutely no doubt that you know if we can predict the part A is good for 500 000 revolutions based on how you run your mill and we can track revolutions and we know on 450 that it's time to order a new part, because at 500 we are changing it out and about at 550 it fails. So, you know there is good value in that predictive maintenance piece. You know, it would be

interesting to know from Raute's point of view if they have ever gone back and had a look at parts' turnover and ever asked the question around - how do we take parts' turnover and actually create value for the customers and say 'by the way, you are a five-year-old mill, but those parts - this one, this one and this one - are actually do to be changed in five years'. How do we do that it might be up to the mill, but it's that whole predictive maintenance piece, which would again add value and cut costs out of the operations." (Customer 9)

In addition, all the active spare parts customers hoped that there would be more centralized spare parts storages in the future. This would insure the quick delivery time of parts to different parts of the world.

"...Centralized stores are probably another... And I know they tried... We did a model with Myrtleford, which didn't go as far as it should have to include bringing this site in. So, at some stage that's a piece that we need to look at and say 'how do we incorporate what this site needs for spare parts and what Myrtleford need for spare parts'. They are a sister mill to us, so is there an opportunity to hold a centralized spare parts, so that not everyone is holding everything." (Customer 9)

"Okay, spares it goes without saying. So, I am really open to discuss with Raute you know, sharing cost of that. So, I don't really expect Raute Service to have to know the complete disassembled line laying the warehouse. Well, I am reasonable person. And I am prepared to say that what we did with the brainwork of the service agreement think if these are the critical spares, this is what you guys are going to keep in St. Pete and this is what we are going to buy and keep in our stock. Fine, we just need to discuss that and find somewhere the reasonable point when all are happy. But I don't want to have anything... Again, like straight discussion, this is a critical part, we are going to have it in our site and but the delivery time is twelve weeks... It is not a critical part, if its delivery time is twelve weeks." (Customer 7)

According to the employee interviewees, there have been slight indications from the customers that there is an interest to outsource more services in the future. In the extremity of this, Raute would be in charge of all the mill operations. However, as the employees emphasized, this needs to happen step by step. The first step would be to offer and uphold maintenance services to Raute's own machines. The next step would be to outsource all the mill maintenance operations to Raute. The third and final step would be to take the whole operational responsibility of the mill and to run its processes.

"There have been slight indications from the customer's side that there might be interest towards these kinds of services. However, we have not created markets for these, because we have wanted to move in small steps and get general maintenance contracts, so that we could learn how to

operate in the local circumstances. Also, our company is rather small, so big steps at once cannot be made due to the economic aspects." (Employee 9)

"Someday it may be that we provide a service that includes operating the whole plywood mill. Although this necessarily doesn't mean that Raute takes care of the mill operations, but we might have a sub-contractor who does it. These maintenance contracts are a step forward to that direction, as the customers want to minimize extra labor work and focus on making the product itself." (Employee 7)

However, most of the customer interviewees saw it as unlikely that Raute would run all the mill operations in the future. Some interviewed customers saw it as a possibility, but also questioned what would be Raute's motives to do that.

"No way [that Raute would run all the operations of a mill in the future]. Raute is not a producer of plywood; Raute is the producer of the equipment. I can barely imagine from the strategic standpoint what would force Raute to move it to produce plywood and what would be the sense of doing that. If we use Skype to speak, it doesn't mean that we are going to write software next." (Customer 7)

Few employee interviewees argued that although the current trend in the industry has been to outsource services, there also have been indications that this trend is now changing. This is because there are a growing amount of customers who feel that the service suppliers are pricing their services too high. Thus, some customers have recognized that it may be smarter and more cost-efficient to in-house the services instead of outsourcing them.

"This is where the ball should be thrown to Raute and other technology firms, because we have handled our job poorly if or when our customers feel that buying services from us is not justified." (Employee 4)

Some customer interviewees agreed that in the future there might be more insourcing rather than outsourcing of services. Couple of customers described that they had used Raute's services to train their personnel and to develop their own skills to a level, which enables them to in-house the services back to themselves. Others argued that the advantage of in-housing services is the ability to train and engage the employees in accordance with the customer's needs.

"Actually no, I see that we'll probably insource more and I think that that's probably where we'll go. We'll develop our skillsets within our business to I guess remove contractors off our sites and slowly move towards that model. It's dependent on where you are in the cycle of the plant. And that this stage we have gone the journey and are probably about to start the insource process rather than the outsource process." (Customer 2)

"We even tried using external constructors, which don't work really well because we find out that we end-up re-working all the maintenance work, to be honest. We are increasing our maintenance staff in-house to up the machinery is getting older. We also had guys from you to do maintenance, but it wouldn't most likely be cost effective to be honest." (Customer 4)

However, most customer interviewees saw the role of outsourced services increasing in the future. For the most part, customer interviewees saw Raute Technology Services' expertise as valuable and the services enabling them to concentrate more on the actual manufacturing of plywood, veneer or LVL products.

"We are on other positions. Their job is to do service, we are producing veneer and selling it. So, it's... Everybody should do their job." (Customer 6)

"I think outsourcing will be developing and we are building outsourcing already at some places and we will be increasing this share." (Customer 7)

"Some parts we'll keep to ourselves, but for certain there still are some jobs in the organization, which we could outsource. Then we are talking about preventative maintenance, check-ups, which the service providers could do. If we go to mill specific automation solutions, those services I would keep in-house as well as the main responsibilities of maintenance and mill operations. Or the main responsibility to purchase those services I would keep to ourselves..." (Customer 3)

Despite this, some customers claimed that further outsourcing basic services, such as services for mechanical parts, will be difficult for Raute. This is as there are local service providers near the customer who are able to offer similar services with a lower cost level. However, the local service suppliers often do not have sufficient skills to take care of more complicated services, such services for automated parts. Thus, Raute Technology Services will have an important role in taking care of them. One customer interviewee suggested that Raute should purchase some local company to take care of the more simple services. This way, Raute could keep its firm presence in the markets.

"However, I think it will be difficult for Raute to play at this field, just because of the cost of the personnel. Even if you have people in St. Pete, you can only outsource very expensive and very specialized purposes. Not outsourcing, but more like service contract. Because for the usual, common services, the outsourcing... So, the common services for the very mechanical parts, we will be using local people of course. And I don't see any chances for Raute to play at this field, unless Raute buys one of the local companies, which is possible but that's almost as if a new business unit for Raute to buy local people." (Customer 7)

5.3 Competitive situation

5.3.1 The main competitors

Presently, Raute has not been doing competitor analysis systematically. The responsibility of tracking competitors is left to the account managers. Thus it varies how much and what type of information of the competitors is collected. A market area competitor analysis is given to the board of directors once a year. It evaluates who are the biggest competitors of each geographical market area. For such competitor analyses, information has been mainly collected of the other machine suppliers. Therefore in such competitor analysis Raute Technology Services have neither been looked separately, nor have its competitors been analyzed specifically. The employee interviewees argued that the reason to why Raute Technology Services have not been looked separately from Raute is, because there is no significance competition with services.

"Competitor analysis is reliant on the activity of our Account Managers and how they collect this type of data. Information about the competitors has mainly focused on other machine suppliers and what kind of products they offer. Therefore, competition has not been so much analyzed through services. However, there are no significant competitors in the service side of the business." (Employee 6)

If the different sections of Raute Technology Services are looked separately, the employee interviewees claimed modernizations having the most competition from outside. Currently, Raute does modernizations to both its own machines, as well as to selected competitors' machines. It seems that other machine suppliers have not been very active at trying to modernize Raute's machines. On the other hand, there have been indications for example in North America that some automation companies might be able to compete in modernizing Raute's equipment as well. The employee interviewees felt that with maintenance services, it is the customer's own maintenance department, which is the main source of competition. With spare parts, the competition comes from whether the customer purchases the parts from Raute or from a local importer or local shop.

The employee interviewees argued customers to be the main source of information regarding the competitors. According to the employee interviewees, in practice this means listening to what the customer may bring up and asking them about the competitors whenever the situation is right. Similarly, information is gathered from competitors' Internet pages and following what they tell about themselves at different conferences and fairs.

"Couple of weeks ago I got a copy of the competitor's quotation, from which you can find a lot of information about them. We have done some systematic analysis of our competitors, where we have interviewed our customers, done Internet research of our competitors and interviewed them at different conferences." (Employee 2)

It was admitted by the employee interviewees that the current way of conducting competitor analysis is not the best. This is because the current method is not proactive, and only allows learning about the competitors' achievements afterwards.

"I think that our competitor analysis is at a very bad condition. On a monthly basis, I may receive the kind of information that 'did you know that the competitor has this sort of machine or equipment' and I haven't heard about it before, but my colleague might have been aware of it for two years." (Employee 7)

The employees interviewed used different methods to document information regarding competitors. Most explained communicating competitor information via e-mail or phone to that technology manager, whose product the information concerns. If the employees received pictures or brochures related to the competitor, they usually scanned them to their hard drives. Competitor information is also acquired from projects that Raute is working on at the same time with the competitor. The employee interviewees argued that in the future, more observational information of the competitors should be collected and utilized.

"It would be interesting if our people who visit customers would look whose overalls the workers there wear. This would give us an idea about what jobs our competitors are doing and what jobs we could be doing." (Employee 9)

According to the employee interviewees, the biggest competitors of Raute Technology Services seem to be the small local service dealers and subcontractors near the customer's site. They usually have a lower cost base and are easily available, as they are local. In addition, there are other equipment suppliers and manufacturers who have technological knowhow of some specific area.

"Our main competitors are other technology experts, who have technological expertise at some specific area. Then there are also local maintenance firms, which usually are small and have around ten employees. We have mostly concentrated on our technology competitors, who have mainly offered services to their own machines and equipment. Our probably biggest competitors are the small local dealers, which we have hard time recognizing, but who do the same jobs that we could do." (Employee 9)

The employee interviewees were able to distinguish some of the biggest competitors of each market area. In Brazil, Raute has tough competitors due to tariff barriers and tax benefits that protect local companies. Hence, it is difficult for a foreign company to succeed there.

*"In Brazil, our position is not as strong as it is for example in Chile, because Brazil has its own local machine manufacturers, tariff walls and tax advantages for local operators. So, in Brazil, we have ended up only selling the kind of technology in which we are clearly superior to the local dealers."
(Employee 2)*

According to the employee interviews, no other company in South America has adopted a life-cycle services approach, or at least not to the same extent as Raute. There, the focus has been more on specific technology areas and providing services on a smaller scale.

In Asia, the competition is mainly divided into two parts. In one group there are the local dealers, who play with small capital and small margins. Due to their low cost level, Raute is not able to compete against them at the moment. The other group includes machine and equipment specific technology experts, who provide services to their own technology. In the Asian markets it is not usual that some other company would maintain or provide services to Raute's machines. Hence, Raute mainly provides services to its own machines, and competitors offer the same to theirs. Nonetheless, Raute's equipment base in Asia is still quite small, so there have not been many opportunities to increase presence in the service markets. Modernizing the competitors' machines in Asia is still in a primary stage.

In the North American markets, there are about six to eight serious competitors in addition to some small local dealers. The interviewees saw USNR as the biggest competitor as far as the products that Raute competes on. Another big competitor in automation is Ventek, which has grown in the past few years and expanded their business. After these, come some smaller companies such as Dakota Systems and some used equipment providers. Then there are overseas companies like Meinan Machinery, from Japan, who has been selling peeling lines in North America. These companies compete with Raute in different areas of technology and they also create competition to the service markets, because they often offer services to the technology that they have focused on.

To some of the customer interviewees it was hard to name any competitors for Raute Technology Services. This is because customers who have Raute's equipment have in almost all cases used Raute's services.

*"Probably I can't [name competitors], because I have never used them."
(Customer 6)*

Most customer interviewees argued that there is no one else who could service Raute's equipment better than Raute Technology Services.

"I think that there are no competitors for the Raute equipment. There is no way that no one can serve it better than Raute Services. If one manages to sell the equipment, the buyer is more or less tied to the service of this producer, at least to some extent." (Customer 7)

"At the moment for this equipment no [competition. If I would have some other equipment, maybe yes." (Customer 6)

"On Raute machines, I don't think anybody that [could compete]... The machines are getting more technical, so you need certain skill to maintain them in the future." (Customer 10)

"I think that you cannot compare a Ferrari with something else. They are two different things. So, Raute for sure is in that part of the business that they are professional and they are very focused on the needs of the customers. The others are okay, but they are only at the beginning of this way that you cannot compare. These are two different things." (Customer 5)

"...we see that there are really no true competitors for you at the moment for your equipment." (Customer 2)

Despite the fact that most employee interviewees regarded local service providers as the biggest competitors for Raute Technology Services, the customer interviewees saw this the other way around. Thus according to the customer interviewees, the local service providers are not able to compete with Raute Technology Services, because the local service providers often do not have as deep expertise as Raute. This has led to customers either to in-housing the services to themselves by training their personnel to maintain the equipment, or they have outsourced the services to some international suppliers. Local service providers were seen competitive at conducting some simple mechanical service work, but for more challenging issues Raute was seen as the best option.

"There is no... We try to employ local firms to do... And have local contractors to do service at our plant when we are busy. They don't have the skills, so they don't really care to be honest. Because it's just contractor position, so that's why we have tried to employ everybody full time." (Customer 4)

"I don't think so [that local service providers compete with Raute]; I don't think that they [local service providers] have the skills to take care of these machines. Not in our area anyways." (Customer 10)

Customers argued Raute Technology Services playing a major role, when the customer has to decide if to buy machinery from Raute or from

somewhere else. There was a case in which the customer had decided to go for the competitor's machinery, because they felt that Raute had not provided them with satisfying service in the past.

"I think more of the threat will come for Raute from the control systems' side. Small, very mobile, very flexible independent businesses are out there that are developing open platform control systems that are easier for mills to manage. And I know of this mill personally when I got down here three and half years ago, they had already made a decision, they had had a lot of issues around the control systems with Raute lathe. For whatever reason, they couldn't get the support they needed even though Raute had guys sitting in Myrtleford building a mill and they could have gone over and fixed it. They couldn't get the support, they couldn't get the service. So they decided to go with Dakota Systems as a control system on their lathe." (Customer 9)

Once a customer has switched to using competitor's services, it is hard to get them back to Raute. This is as developing services requires commitment to the relationship and long-term cooperation. Thus, building a new service relationship with Raute would be time consuming.

"We are so far into that. We got a choice to make. We either stop with Dakota Systems and convert everything back and that's not likely going to happen with current firm management in the business, because they are looking and saying that 'we have spent 2,5 million dollars to get our lathe up and running'. That was only because Dakota Systems was able to come to the table and offer a solution and do it quickly." (Customer 9)

5.3.2 Competitive advantages

The employee interviewees argued that the success of Raute Technology Services is based on Raute's technology expertise and knowhow. This is as most of the service work is done to support Raute manufactured machinery. Thus, the employee interviewees claimed that customers ask for Raute Technology Services' help, because of the relationship that has been formed during machine or equipment purchase.

"Most of our work is directed towards our own, previously delivered devices. So, yes our offering is credible because the service that we offer focuses on our machines and equipment." (Employee 4)

According to the employee interviewees, Raute's advantage in relation with its competitors is the fact that Raute even provides services. While the competitors mostly focus on some specific technology, Raute has more of a process outlook and wants to be involved in all the stages of manufacturing. This includes also the services, which quarantine smooth production processes.

"Our advantage is that we even have service business and that we understand it as something other than spare parts solely. So, our basis is the fact that we have metrics concerning our customer's production and how we can improve, or at least maintain, their production with our services and operations." (Employee 3)

"We have better process technology knowhow than our competitors. It is the only thing where we are the best of the world and that is how it should be." (Employee 6)

The customer interviewees, too, saw it as an advantage in the competition that Raute provides services to the machinery it has manufactured. This is unlike what some other machine suppliers in the veneer product industry do.

"Yeah, I think that's what Raute does really well is that they support the equipment that they sell. There are companies that sell off the shelf equipment, that don't necessarily do the install or other such things in regards with the project, but Raute does kind of from start to finish from building the equipment to installation to service work." (Customer 8)

While some employees argued globally spread operations as a bit of disadvantage in the competition, others saw it as a major strength.

"Our benefit is the fact that we are present in all the different market areas and that we have systematically been aiming at developing our local operations. We believe that we provide more local services than our competitors do." (Employee 9)

To some customer interviewees, the close location of Raute's services was the reason why they had purchased Raute's equipment and services even in the first place.

"You have the experience of your own machinery and what we see here, we have these American machines earlier that they are sleeping when we are working and it's very hard to reach them and if we have a problem during the daytime, we have to wait until the evening. That's what the problem is. It's much easier with Raute, because you are only one hour away." (Customer 10)

The customer interviewees emphasized the relationship value that Raute provides. The long-term relationship with Raute gives the customers reassurance and a sense of easiness. Hence, if there is something wrong at customer's site, Raute has all the relevant information regarding customer's mill and the past service work that has been done there. In addition, the long relationship between Raute and the customer makes it possible for the customer to know Raute service personnel personally.

This makes troubleshooting fast as Raute is already familiar with the customer.

"...the relationship that we have with Raute and their commitment to service their equipment keeps us coming back." (Customer 8)

"Well the starting point is simpler, because Raute has all the documents usually correct. Of course they might have some old not updated pictures, but we usually get a pretty quick response regarding what should be fixed. That is the benefit that we get. And then we get those designated specialists, who visit here. Those are positive things." (Customer 3)

The employee interviewees expressed valuing the individual talent and expertise of some specific service personnel. The knowledge of these individuals is one reason why customers choose Raute to service them.

"One of Raute's Technology Managers of peeling came to our mill and saw our peeling processes and advised us on how to improve the process. The guy was just brilliant, I mean just brilliant. Really understanding very deeply the peeling process, understanding the machine, did a quick check on the technical state and he was really ready to work an extra mile. And he was really flexible. Japanese don't do that." (Customer 7)

"It is especially so in bigger modernization and investment projects that when we know that this and this individual is coming to help us, we can sigh from relief." (Customer 3)

Some of the customers argued the price of Raute's spare parts being a competitive advantage in the markets. Especially the customers in the Australian and New Zealand markets saw the price of Raute's spare parts as being competitive against other companies.

"So, you have got the offer of consignment stock plus the value in terms of knowledge of spare parts and the other value proposition is the price of the part as well." (Customer 2)

In the end, there were also customer interviewees who could not articulate the value and the benefit of Raute Technology Services.

"...so would there be any advantages, I don't know. I wouldn't be able to answer that question" (Customer 4)

5.3.3 Competitive disadvantages

The employee interviewees listed different areas, which they considered Raute Technology Services needing improvement. One of such issues was that Raute does not always succeed in justifying the value of the service investment to the customer.

"There have been situations when we have offered something big and expensive to the customer, but they have decided to purchase our competitor's solution, because it is a smaller investment." (Employee 7)

According to one of the employees interviewed, Raute should utilize more its reference case stories when justifying the value of the investment to the customer.

"As we have a long list of references, we should be able to demonstrate that by doing this and this type of thing, you can improve your processes this and this amount. We should have a clear value proposition to every product and service that we sell, explaining what you get out of it when you buy it." (Employee 7)

Another competitive disadvantage, according to the employee interviewees, is the fact that Raute Technology Services has not localized its services as much as it should have had. Localizing the services would require the local service offices to have competent personnel, capable of operating individually.

"We cannot be present everywhere or come ad hoc to help all the customers. This means that there is always a certain delay with our services. We should be braver at localizing our services in order to fix this." (Employee 6)

Project delivery delays are challenges faced by Raute Technology Services. For instance with modernizations services, there have been problems with delivery schedules, content of the deliveries and their quality.

"There is room to improve our operational reliability as well as on the quality of spare parts and modernizations. If it's brand new, it should work like it's brand new. It's like with a car. If the car is full of new technology and fine details, but constantly under repair, it does not help. The more you get from a car that starts every morning and takes you to places." (Employee 9)

The customer interviewees argued there to be a huge variation in the quality, flexibility and timeliness of Raute's services. This was seen as one of the biggest disadvantages of Raute Technology Services, because the customers argued it to be like a gamble as they could not predict what kind of service they were going to get.

"There were probably fifteen Raute guys on the ground building that mill [CHH Myrtleford] and a lot of them around the lathe. And yeah, it would have eventually delayed the project, but unfortunately we couldn't get anybody out of there because all of 'them were designated to the project and we can't move them'. So you're right, you do lose some flexibility and at some cases not willing to ask the question - 'We happen to have a customer, who happens to be your sister mill, that's in crises. I need those two guys for

those two days. I know that the project is behind, but if we don't service that client that mill goes down." (Customer 9)

"Spare parts wise, obviously the lead time is a weakness. So, it takes I don't remember how many weeks or days to get it here, but certainly that is a difference, so therefore we would have to carry slightly more consignment stock than we would like to." (Customer 2)

"But what Raute is specifically bad at is starting the new machines after the installation. That's a nightmare. It's really a nightmare compared with Japanese, Japanese come and start the machine in two weeks. Exactly to the plan, without any issues with the equipment, just up and running in two weeks. With Raute it is a gamble. It may work, it may not work, it may break down in three days, sometimes we have had really serious clashes when installation people were not starting the machinery or were starting it partially without proper functions and then saying 'sorry, we've got tickets, good bye we are leaving'. Why, how come?" (Customer 7)

One customer mentioned the lack of trust as a reason to why they had cut buying services from Raute. If the customer cannot trust getting the service when needed, it is more likely that they will switch to some other service provider.

"If I had a catastrophic event in my lathe now, I am comfortable to pick up the phone and I could call the guy [another service provider] and he would figure out how to get around whatever he's doing right now to get over here and to get us up and running again. It's not a question of when, it's 'I will be there to deal with it'. And that's sometimes he can do it and sometimes he cannot. Sometimes, it's guys getting him on the phone and they'll walk him through whatever the issue is. ... If I am comfortable that I could pick up the phone tomorrow and ask Raute to send me a service guy by tomorrow, because I've got a major issue, be not. Again, that's based on some previous experience." (Customer 9)

Few customer interviewees argued that there is a language barrier when cooperating with Raute Technology Services. The customer claimed that the representatives of Raute may speak sufficient English, but often the contexts are interpreted differently if the other person's native language is not English.

"...one of the things that we find dealing with the European businesses is that often, there'll be a bit of language barriers. So, what ends up happening is rather than going face to face or over the phone or Skype, there's a tendency to rely on typing things through notepad back and forth on the computer and what I find is that sometimes we lose things on translation, because we call it one thing and again Germans, or Finnish people or Swedish people, whoever, everybody speaks English but again there's a different interpretation what those words mean. So, we tend to get a little bit

lost when we try to do the distance thing. That's a bit of struggle. (Customer 9)

"May be one disadvantage would be, which we have had with some Raute employees is the language barrier. Obviously we have had lots of different Raute employees here. Some have perfect English, some have bad English and some have no English at all. So, that may be a disadvantage here." (Customer 4)

Another customer saw other service providers being ahead of Raute, because Raute started to develop its services later than many other companies in the industry.

"Some of the companies have... Like I said the development of the services is... started that a little bit earlier than Raute. Therefore they are a little bit of ahead. I cannot say what they do better or how they are better, but just in the natural development process they are little bit ahead, because they started earlier." (Customer 1)

According to this customer, Raute will eventually reach the same level as the others, but it requires putting more resources into services.

"Raute will achieve that, but it depends on the amount of resources put into that. The more resources, the faster or quicker the process. If not then it will be slower." (Customer 1)

Another customer argued that the problem with Raute Technology Services is the fact that it is too focused on the larger manufacturers, not paying enough attention to developing services to its smaller customers.

"But the negative thing is that they are so focused on the big and huge producers, so for sure sometimes happens that more things that we are thinking of or discussing, that is a little strange for them and it is difficult for us to push them to think in a different way. For sure, the Italian way of thinking or the small producer way of thinking is more flexible like huge company like UPM or Riga Wood or Sveza. The difficult is sometimes to discuss with them about the small things." (Customer 5)

Few of the customers expressed Raute's services have been priced too high in comparison with other service providers. The customer interviewees argued that Raute has not been able to justify the price of the service to them.

"The current cost level is comparably high, I would like to say. And that I guess is Raute's weak point. Other suppliers, they have a lower cost level with services." (Customer 1)

5.4 Benefits and value to the customers

5.4.1 Reasons to purchase

The employee interviewees argued customers buying Raute's Technology Services mainly because of three reasons:

1. They want to make their lives easier
2. It provides them a way to make more money
3. They have a problem that they want to get rid of.

One of the employees noted that the purpose of Raute Technology Services is to address the customer's issues and to make them understand the benefits of solving them. Thus, the goal of Raute Technology Services is to make the customers understand that purchasing services is not a cost, but an investment that will extend the lifespan of their equipment.

*"They buy our services, because they believe that we are going to give them something that is going to make their mill run better. So, there is trust and creditability. That's exactly what we need to do; we need to be trustworthy and creditable in what we do. You don't promise and not deliver."
(Employee 10)*

The customer interviewees expressed purchasing Raute's Technology Services mainly due to the relationship value that the services provide.

*"Why do I use your services? It's gonna come down to relationship for me. ... To me, that relationship between supplier and vendor is more important than anything else. And if it fails, because one party doesn't live up to the expectations on either side, then it's really really hard to build that again. As much as... I think that we've got a good reputation or relationship with Raute, but again, if Raute came in and said 'we will take over the service of your lathe', I don't have a valid reason to go and cut it with my current supplier or my current contractor, because he's doing a great job."
(Customer 9)*

According to the customer interviewees, the relationship with Raute gives them a chance to hear about the industry's latest developments and how those developments could be applied to the customers' processes.

"...your technical competence, you actually can fix something for us and you give us an awareness on preventative maintenance programs moving forward or new pieces of equipment that you may have and give to us, so that's some of the things that we see value in." (Customer 2)

However, some customer interviewees claimed that they are forced into the relationship with Raute Technology Services and that they have no

other choice, but to purchase the services from Raute. This is because they have purchased Raute manufactured equipment and Raute is the only one who can provide original parts to that entity. In addition, many customers saw purchasing services from Raute as easy, because they have bought Raute's services for years. Thus, Raute has all the relevant information regarding their operations and building such relationship with a new supplier would be time consuming.

"From the spare parts point of view, there is no choice, because if we want to buy the original parts, we have to buy them from Raute." (Customer 1)

"Partly we are forced to buy their services. What I mentioned earlier, meaning that the documents that they have about us and we have already moved forward with Raute on this thing... Doing this with somebody else... This is a definite benefit and also binding us." (Customer 3)

What do customers expect from Raute Technology Services? According to one customer, there are three main things that they are looking for:

1. Training for their mill employees
2. Monitoring the mill equipment remotely
3. Quickly getting spare parts or service people to the site when needed.

This customer argued that the cost of the service is often insignificant, because waiting for the services costs more.

"...I want to get the spare part within 24h. I don't care how much it costs to be honest, because time costs me more. I can triple if you wish, but get it by 24h with a plane from New Zealand or wherever. That would be the ideal situation." (Customer 7)

5.4.2 Production benefits

Currently Raute Technology Services does not deliberately collect customer's production data. As of now, production data is mostly collected in project basis, thus there is no monitoring of what happens between different projects. Therefore, there is no long-term data to prove how Raute's Technology Services have affected customer's production processes.

The employee interviewees argued that production data is not systematically collected, because the customers are often cautious about giving such information. However, some employee interviewees also pointed out that Raute Technology Services has not either been very active at asking for such data.

"Customers are somewhat cautious about giving their production values or other numbers, because it's a competitive issue, but some of them are proud of them too." (Employee 10)

The employee interviewees hoped that in the future data of the customer's production processes would be more systematically collected. This information could be used to monitor customer's production processes and to suggest what actions to take in order to guarantee full capacity production processes.

"It would certainly be good in our remote monitoring that if the customer does not need anything else from us, we could at least do trend monitoring on their production processes. We could give them analysis about what direction their processes are going and what actions should be taken to guarantee full capacity production processes." (Employee 9)

The customer interviewees saw Raute Technology Services helping them to increase their production efficiency and performance. According to the customers, Raute's Technology Services enable improved run rates and production capacities, as well as good quality end products.

"...Obviously we have just hit 100% run rate in the last couple of months so it tells us that you've helped us work through the journey to get from start product to 100%." (Customer 2)

"We just recently did our lathe project and that was to increase our production and to... We have done another level of that project, which has allowed us to utilize more fiber, so we are still working through to that transition with the project, but it's impacted us positively, consistently run with good quality and so... Reliable production and also additional fiber utilization." (Customer 8)

"We see our purposes good quality product. And to increase the efficiency. So, the efficiency we get tremendous job, but I can't say that it's only Raute. Raute helped us and other people helped us, we have been looking to this side and from the beginning, I would say that we decrease about 8% of our raw material. So, huge, tremendous. It's very huge number. If factory uses about 150 000 logs, already 15 000 you economy with same production, so that's a huge number. And about quality, it depends." (Customer 6)

The customers also argued valuing consultancy type of services, which help them to identify the problem areas in their operations and how to improve them.

"...generally it's been around more about identifying where we are not up to speed in terms of keeping our equipment to do as well as we should. It's that automated piece that's... 'This is where you should be, but you are actually here little bit. So, if you tighten up here and tighten up there, then you are going to see your productivity coming up again to where it used to being.'" (Customer 9)

"Well as the result of this technology consultancy that we got from Raute, we are... We were changing the knife in SmartPeel line from fifteen minutes and then we were running for couple of hours pretty bad, trying to find the right set-up for the line. Now with this consultancy, we changed the knife in three minutes, and started to peel ideally right from the start. That's a serious example." (Customer 7)

However, there were also some customers who claimed seeing mixed results in their production performance after service visits from Raute. While for the most part Raute's services have improved customer's production yield and recovery, there also have been cases in which they have declined after Raute's service visits.

"I can give some mixed result here. So, we have had people come out and look at our lathes and certainly after a visit we see really good improvement in terms of yield and recovery. And on the flip side again, we have seen it the other way after visits. So, we have had both spectrums. Overall, we would not continue to get you back if there wasn't yield improvement coming out." (Customer 2)

5.4.3 Monetary benefits

According to the employee interviewees, wood's raw material costs, glue costs, labor costs and energy costs are the customer's in the veneer product industry. The employee interviewees gave different examples of how these costs are reduced with Raute Technology Services. For example, some modernizations enable automating production processes, which reduce the number of operators needed, thus reducing labor costs. Automating production processes can also speed-up the production. As production capacity increases, more end products can be manufactured with less time. For example, if a new centering device is switched into an old peeling line, the centering becomes more accurate. As a result, more of the end product can be obtained from the raw material.

One way that maintenance services help to reduce customer's costs is by decreasing the amount of spare parts needed. Besides this, machine usability can be increased with systematic maintenance visits. This is as defects can be predicted faster and maintained before any major breakings. As the employee interviewees noted, the payback time of the equipment is particularly important to the customer. With maintenance services, the fault sensitivity of the machine can be reduced, thus increasing production capacity and decreasing the payback time.

Currently, no costs savings calculations have been done to indicate the money savings that customers get by using Raute Technology Services. According to the employee interviewees, one of the reasons to this is that customers do not want to give out the kinds of information, which could be utilized to form such calculations.

"They [the customers] don't want to give us too specific information, because they know that we are also their competitors' machine suppliers. In that sense, we may have too dominant position in the markets." (Employee 6)

Some of the customer interviewees argued that Raute Technology Services should start to measure customer perceived value more precisely. This way, pricing of the services could be based on the value that the customer receives and not on a set hourly rate.

"Many times the customer purchases services from us, which are based on hourly rate pricing. However, we would like to move more towards the direction that the price of the service would be based on the value that we produce. This is many times bigger than the set hourly rate." (Employee 9)

Most of the customer interviewees did not see a direct link between Raute Technology Services and cost savings at their production processes. According to the customer interviewees, the monetary benefits of Raute Technology Services are seen mostly as the increase in the production performance. Often this means improved profits, but also an increase in costs as the capacity of the mill develops. Some of the customer interviewees argued not being interested in cost reduction, but more in increasing the output of their mill.

"It's not more about the reduction of costs; it's more about increase of output. You have to understand that the reason of the output in our business in Svezja is much more interesting than the decrease of costs." (Customer 7)

"Yes, yes [costs are reduced because of the services], if we see that... Partly some of the costs might increase as we make measurements and predicative maintenance, if that maintenance really helps to keep that line in a good condition. I see possibilities that Raute helps us in this." (Customer 3)

Some customers saw Raute Technology Services providing consistency to their mill operations, thus helping to manage the costs.

"I would say that we wouldn't be using them, if our costs went up so... We are able to manage our costs. A good example is recently installed, although we had few challenges with the start-up, that the consistency and how the lathe is running helped us to reduce our maintenance and our downtime on the actual lathe itself that has helped us to be more consistent on our production and ultimately manage costs better." (Customer 3)

"There is a cost in terms of getting your maintenance wrong, there is no doubt about that, and this site has been pretty good at it. We have taken our plant maintenance from about 30% of the mill up to 85 to 90% planned." (Customer 2)

5.4.4 Other benefits

Some employee interviewees saw Raute Technology Services creating other types of customer benefits as well, in addition to the production and monetary benefits. Examples of such benefits are the availability of training and other types of materials to the customer's use, as well as remote monitoring of customer's production processes. Remote monitoring enables troubleshooting customer's problems through the Internet, without physically going over to the customer's site. In addition, the services can improve working conditions, for instance by switching spray gluing into a glue extruder, which decreases formaldehyde emissions.

However, these kinds of benefits are rarely used to market Raute's services, or to justify the value of the investment to the customer. The employee interviewees argued customers mostly valuing benefits related to improving production and lowering costs. Nevertheless, the employees interviewed believed that the role of softer values, for instance safety and work ergonomics, will increase in the future. Already now, the more advanced the customer is, the more they appreciate such kinds of values.

"The more advanced the customer is, the more they appreciate softer values. I think the hard values are still the ones that guide decision-making. I believe that these are things that are becoming more and more important in the future. Some customers understand the significance of such benefits and are ready to pay for them, while others just look for solutions that will increase the efficiency of their production, but not exactly meet the all of the work safety standards of EU." (Employee 6)

Consultancy and training are, according to the customer interviewees, some of the most important benefits that Raute Technology Services provide.

"Every step is a lesson from Raute. Itself, we have some manuals of how to provide already they teach us what to do each day with some nonstop and with some breakings. As I am saying we are improving and we get lot of lessons. If we are for example removing some parts second time, just to know how to do this, it's then easy." (Customer 6)

"I would like to say that the knowledge is important that Raute together with Raute we also push ourselves to get more knowledge for maintenance area. Because we would like to develop our own maintenance with the help of Raute in some.... Let's say in some... distance of the road, Raute will help us to develop some understanding and I guess we will need more I guess Raute supporting." (Customer 1)

Few customer interviewees argued valuing Raute Technology services, because of the fact that Raute is a Finnish company and obeys European

standards. Thus the interviewees found it easy to collaborate with Raute as Finnish culture is close to their native culture.

"You have certain rules in Europe that we must keep to and the layups in the US are not following these rules. As one example [to why the customer decided to ask Raute to modernize originally another company's manufactured equipment]. It's the combination of what Raute has promised in the contract: good capacity. We are also only one hour flight away from Finland, so it's easy to get spare parts and... So, it's a combination of everything." (Customer 10)

"Yeah, somehow it is very easy to work with Raute staff. Somehow the mentality is very similar with Finns and Latvians and it is important, because it's a completely different story if we talk to German or French or Finnish people. I guess we have a similar historical background and the nature, everything. Somehow it is much easier to work with... And that is beneficial I guess a big benefit." (Customer 1)

5.4.5 The most important benefits

Technical reliability, cost reductions, latest technology, continuity flexibility and personal connection were seen by the employee interviewees as the most important benefits that Raute Technology Services provide. These benefits are shown in Figure 5.

To the employees interviewed, technical reliability meant enabling the customer's production processes to work at full capacity and making sure that the end product is of good quality. Cost reductions were the second kind of benefit that the employee interviewees recognized Raute Technology Services providing. If for instance preventative maintenance is provided to customer's equipment, costs dealing with spare parts, maintenance and labor can be reduced. In this example, labor costs are minimized with preventative maintenance services as then the customer does not have to utilize its own personnel to handle constant repairs, but can assign them into other tasks. In addition, modernizations extend the equipment's lifetime, thus decreasing the investment's payback time.

Thirdly, the employee interviewees regarded Raute Technology Services offering latest technology. The interviewees argued that Raute has put emphasis on research and development, thus providing the customers with the latest technological innovations.

The fourth and fifth groups of benefits that the employee interviewees regarded Raute Technology Services offering were continuity and flexibility. The employee interviewees argued Raute's services to be flexible, because Raute Technology Services operate in locations across the world. According to the employee interviewees, continuity means not leaving the customer alone after they have purchased Raute's equipment, but supporting them with appropriate services. The employee

interviewees saw continuity making Raute a trustworthy and credible machine supplier.

The sixth kind of benefit, which the employee interviewees stated Raute Technology Services offering, was personal relationship with the customer. The employee interviewees regarded it as important to know the customer personally and to form a trustworthy relationship with them. If a close relationship can be formed with the customer, it is easier to find out about customer's needs and to find a right solution for them.

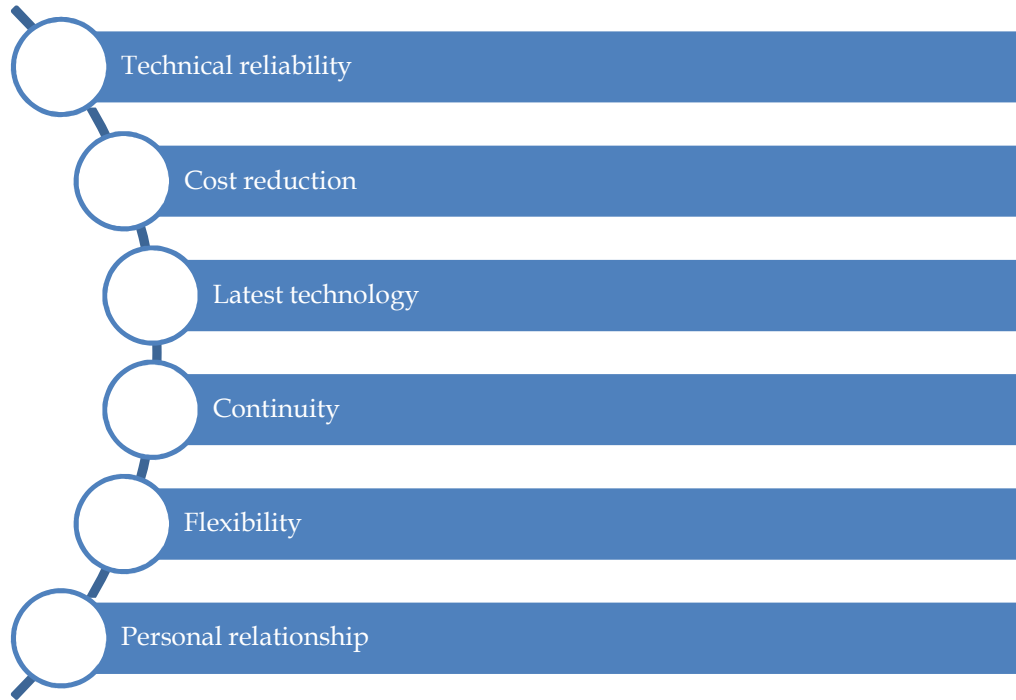


FIGURE 5 The most valued benefits according to the employees

The most valued benefits, according to the customers of Raute Technology Services, are summarized in Figure 6. The customers emphasized the relationship value of the services, such as the experience and knowledge of the staff, along with the reliability and "*willingness to help*" attitude of the service personnel. Besides relationship values, customers valued Raute's timely services and the possibility to increase production capacity. With increased production capacity, the interviewees referred to the improved production time and yield, as well as to the decreased raw material, labor and maintenance costs.

The customer interviewees argued their relationship with Raute Technology Services to be like a medium for learning. The customers stated valuing the opportunity to learn about the industry's latest progresses and about what the others in the industry are doing.

"Martin is really willing to step off the plate in what he's got in looking forward and getting sent into mills to look at others' equipment and the process that we are interested in. ... Martin invited us to Pelice Show, which is a trade show in Atlanta. ...Martin interacted with us and exposed us to some other technology that's available out there, that would be compatible with Raute and also some Raute projects and such so... Just as far as the industry, I guess collaboration between the industries, that's a service that is well provided." (Customer 8)

"And as a learning instrument, it's very important. As we see Raute, they are quite open to every reason. So the learning process itself is very important and it's very good." (Customer 6)



FIGURE 6 The most valued benefits according to the customers

5.4.1 Competitor's capability to offer the same benefits

The employee interviewees argued that in theory, the competitors could offer the same benefits as Raute Technology Services. However, the employee interviewees claimed that most competitors do not even aim at providing services in the same extent as Raute. One of the reasons is that most of Raute Technology Services' competitors are traditional machine manufacturers, who usually have been specialized at producing certain type of equipment and providing services only to that extent. Thus, the employee interviewees saw the scope of services offered by the competitors as narrow in comparison with what Raute provides. In many

cases, the only service that the other manufacturers may offer to their machinery is spare parts.

"For sure our competitors are able to offer the same benefits, but our understanding of the overall processes is at a higher level. By this, I mean that we are able to link the different sub-processes to each other. Our competitors operate at some specific area of technology, like for example Grenzebach operates in drying technology, making dryers for various different industries. We make dryers only for this industry and support the overall processes of this industry." (Employee 9)

The wide service network across the world was seen by the employee interviewees as one of Raute Technology Services' main advantages. This is as most of the competitors only deliver services to their own region and many have not even tried to internationalize their services by establishing overseas offices.

"Our competitors in South America are not even aiming at providing the kind of service that our Technology Services offer. One of the reasons to this is that our competitors are more traditional type of machine manufacturers. They are usually specialized at manufacturing certain types of machines, and perhaps selling spare parts to those, but they don't even try to provide a wider customer support. Then we also have the advantage that we are locally present here, our other foreign competitors aren't." (Employee 2)

"Competitors could offer the same benefits, but they haven't understood it yet. Here, the local competitors mostly deliver services to other Asian countries. Often their aim is to minimize costs and risks, meaning that developing this kind of long-term customer service business is not in their interest." (Employee 3)

All the customers interviewed agreed that the competitors are capable of providing the same benefits as Raute's Technology Services. However, many interviewees argued that they did not know exactly what other companies had to offer, because they had mainly cooperated with Raute when they had needed services.

"Well, we have invested with Raute a lot recently. A majority of our experience is with Raute here. We have done business in the past with other companies and have had good working relations with them as well. So, I think cross the board, they are all about the same." (Customer 8)

"Yeah, many I think do offer the same benefits. I don't know all of them as, we haven't done so many investments in the past, but when we have invested to some smaller machinery they have provided a good service for us." (Customer 10)

The customer interviewees emphasized that building satisfying services and valued relationships between the supplier and the customer take time. Therefore, as one of the customers noted, switching the service provider is time and money consuming, since building the service relationship requires time to get to know each other.

"Well... If we talk about monitoring production lines, I am sure that the others are capable of providing the same benefits. When talking about maintenance services... I believe that if we now started to build some kind of relationship... With some other company, that in time they would be able to provide the same kinds of benefits." (Customer 3)

Raute's experience and the know-how of its personnel were seen by the customer interviewees as the key differentiating benefits in comparison with competitors. According to the customer interviewees, other companies may have some expertise, but it is usually limited to a particular production process or equipment. Raute, on the other hand, has knowledge of the whole production spectrum of LVL, veneer and plywood products.

"The benefit that is in Raute is the staff and the level of knowledge of the staff. And that is beneficial. Probably in other companies the organization is better, the staff is more focused on some very strict areas, I guess Raute staff has wider knowledge, in one person I mean. The staff and the knowledge of the staff are beneficial." (Customer 1)

5.4.2 Customer's customers

All the employee interviewees argued that Raute Technology Services have an impact on their customer's customers' businesses. However, this has not been studied before, thus there is systematically collected data to prove how the services impact customer's customers. The employee interviewees noted that some customers are more willing to share information about their customers than the others. Often, the better the customer-Raute relationship is, the more likely it is that the customer will share information about their customers as well.

"Some tell about it more, some like to keep it private. Like Plum Creek, they tell us everything, Richmond Plywood tells us everything. ...Our customers give us the answers, but only in a partnership basis." (Employee 10)

Information about customer's customers' needs come to Raute Technology Services in a form of quality criterion for the end product. The customers expect Raute Technology Services to improve their production processes, so that a certain quality criterion could be achieved and hence, suitable end products delivered to their customers. The customer interviewees noted that in addition to end product quality, the ability to make small

production batches quickly and the flexibility of the production processes benefit the customer's customers.

"Our customer's customers' needs are communicated to us as the end product quality criterion. By this I mean that our customer's end products need to be of certain quality, so that their customers will purchase them. In order to achieve this, our customer's processes need to be in top condition and we help with that." (Employee 2)

However, all the customer interviewees argued that Raute Technology Services does not directly impact their customers.

"No. Customers don't care. They just want to get plywood and they don't care with what type of equipment." (Customer 7)

"Well, when they come for tours, we'll tell them who makes the equipment and from who is it from. Some customers will ask, but very few of them. Probably not so much interest from them, more of just out of curiosity and they just ask very general questions, like who manufactures dryers, so they are curious about the different manufacturers, but not necessarily about the end process..." (Customer 9)

Some customer interviewees acknowledged that there might be an indirect linkage between Raute' services and their customers. This is because the services help to increase the quality of the end product by maintaining the equipment used in the manufacturing processes.

"Indirectly of course [there's an impact of Raute Technology Services on customer's customers], it's not possible to give any examples, but indirectly of course. Advice how to better maintain the machinery of course increases the stability of the quality of the product and of course the satisfaction of our customers. So the chain is clear." (Customer 1)

"There isn't a big impact, but customer who is aware of things might recognize that 'oh, you have these machines as well'." (Customer 3)

5.5 Value proposition

Raute's marketing materials use the slogan "*profitable solutions for all customer needs*". When the employee interviewees were asked what the value proposition of Raute Technology Services is, almost all argued the above slogan to be Raute's and Raute Technology Services' value proposition. Some of the employee interviewees claimed that Raute and Raute Technology Services should not have separate value propositions, as Raute Technology Services are an inseparable part of the solutions that Raute provides.

"I don't know if we have any other value proposition than 'profitable solutions for your needs', so the same that Raute has. I'm not sure if the Technology Services need to have their own value proposition. Services are part of the 'profitable solutions'. Meaning that part of the 'profitable solutions' comes from the machines and equipment that we provide, and the other part comes from the services that enable the efficient use of those machines. ...Customers need both parts of that. The fact that we have divided these into separate groups is because our own resources." (Employee 4)

"I wouldn't want to distinguish the value proposition of Raute Technology Services, from the value proposition of Raute as a whole. We shoot ourselves in the foot by selling different things from different ends of the tube. I think we should have one value proposition for Raute, which includes Technology Services as well." (Employee 6)

Some of the employee interviewees regarded the fact that Raute even provides services as a value proposition on its own. This is because most of the competitors do not offer services in the same extent as Raute. Thus, providing services distinguishes Raute from the other equipment manufacturers.

"Indeed, the fact that we even have a service function is a value proposition in itself, because it shows that we are present at the customer's locations and doing these things." (Employee 3)

Other employee interviewees argued that the value proposition of Raute Technology Services emphasized that Raute Technology Services' value proposition comes from the fact that there are services to the whole lifespan of the equipment, increasing the lifetime and value of the investment.

"We should take better advantage of our 'full concept' knowhow, meaning that we don't sell machines separately and then services separately after the warranty period comes to an end. We sell services to the entire lifespan." (Employee 6)

"Our value proposition is long durability and the fact that we promise a long lifespan to the machine with our services." (Employee 8)

One of the interviewees felt that Raute's expertise is the best value proposition that can be given to the customers.

"That value is our expertise, because we can bring with us our knowhow from all the mills that we have worked on... We are involved in different countries, in different species related issues." (Employee 10)

The question whether Raute Technology Services has a value proposition raised mixed opinions amongst the customer interviewees. One of the interviewees saw Raute struggling with articulating the value that it provides. According to the interviewee, Raute tries to justify the value with technical features without explaining how those technical qualities add value to the customer's processes.

"That's exactly the old problem of Raute. Raute knows a lot, but cannot articulate this clearly to the person or to the people. ...I am not a technology person so I was explained this [the processes of modernization project] in very rough terms... They need to move more to the marketing side, really start to sell and explain the benefits, rather than be on the engineering part." (Customer 7)

Another customer expressed that Raute Technology Services is not always able to think logically how to meet the specific needs of the customers and turn them into valued relationships. The customer felt that Raute should be more persistent with building relationships with their customers. The interviewee argued that developing relationships with those customers who have been, but currently are not, active customers is important as those relationships might eventually turn into active relationships.

"My own personal view is that I think Raute struggles a bit in terms of how to turn that [customer relationship] into a valued relationship - 'how we service the supplier that's somebody far away from us? And we can't put somebody in that market, because it's just not cost competitive to put somebody down here'. So, it comes down to how do we think outside of the box, how we do things differently to get that with our customers and to build that relationship. If that relationship is being built quietly in the background there will be coming a day where the current supplier isn't able to do what we want when we want it to be done, and that's when the phone gets picked up and 'okay, let's go to test the waters again'." (Customer 9)

Some customer interviewees saw the experience and expertise of the people, as well as the quality of the equipment as Raute Technology Services' value proposition. Customers saw it as important that Raute is capable to support the customer's production processes at every stage of the production. One customer especially valued Raute's follow-up service after the sale, which gave the customer confidence that they had made the right decision when choosing Raute as the service provider.

"I would say that it is obviously the experience, the quality of the equipment and just the level of the experience and the expertise of the people who install and maintain it. So, that they can troubleshoot on the fly and make repairs relatively quickly, whether here or not. They can help diagnose things and keep us running. And that's for any production facility a critical value proposition. I think that it's the follow-up to the sale, which is probably the

most noteworthy. You have got to follow-up with really good service and keep people confident that they've made a good decision. You know once after the initial sale and install is over with. And that's what I think Raute does really well." (Customer 8)

5.6 Internal and external communications

5.6.1 Internal and external communication of customer benefits

All the employee interviewees argued that internal communication about customer benefits is important and that it should be emphasized more. Currently, different branches of Raute's organization use different methods to share customer benefits. For instance, the sales department has weekly meetings where customer feedbacks are discussed and the maintenance workers have their own meetings regarding the same issue. Customer satisfaction is researched after every investment project, but not after other service visits. However, after each maintenance visit a maintenance report is written and that includes having a discussion with the customer, reflecting how the customer has been satisfied with the service.

Cooperation between different teams in Raute is only at its infancy. Currently, the market area managers have discussions every other week. In these discussions, the representatives from Finland, Chile, Russia and Singapore share their observations of their own market areas. However, some of the employee interviewees claimed that the current communication is too focused to what happens in Finland, not considering enough other market areas. It is interesting that all the other market areas except for North America are present in the market area manager discussions, which are held every other week.

"In North America, we have very hard time knowing what's happening in Europe and we have no idea of what they are doing. We find out it a year and a half later. How are we going to sell that when we have no idea of what they are doing?" (Employee 10)

Some of the employee interviewees claimed that although the importance of internal communication regarding customer benefits is highlighted in different get-togethers and meetings, the idea has not been put to action in a more concrete level.

"...I haven't seen a single presentation related to our technology products, which would present customer benefits in a good manner. By this I mean that if we have had some project, like modernization, which has included installing this and this sort of equipment, which has enabled the customer to get this and this. So, we haven't made these kinds of case reference stories.

We haven't done presentations about how if you invest on this and this type of machine, you will receive these kinds of benefits." (Employee 7)

The interviewed customers emphasized that communication of the service benefits needs to take place through different forums. While personal communication of the benefits was seen as important, the interviewees also appreciated interaction through customer magazines and newsletters. Nevertheless, the customers highlighted that such newsletters and magazines need to have a personal follow-up in order for them to be effective. The personal follow-up allows maintaining conversation with the customer and works as a way to brainstorm different ideas together, which might foster new service assignments.

"I think that it's [effective communication between the supplier and the customer] a combination of a lot of things. I think it's kind of a newsflash almost hazard alert type of approach you know... And that could come by e-mail. It probably requires a bit of follow-up conversation, having something like we have over Skype, we don't need to necessarily be on the mill, but keep contact to the operation. It gets that two way communication going. You guys get to hear what our issues are and we get to hear what's new up and coming and make adjustments to how to deal with it." (Customer 9)

The customers also stressed the role of references in demonstrating the value of the service offering.

"...some sorts of presentation out binding the potential benefits, that fall up with a face-to-face with a clean demonstration of how you can actually do it and also reference sites are very handy as well and that's probably the key for us. We tend to want to talk to people about the facilities, who have got pieces of equipment there that are running well. For example, we have been doing a project on order patching and padding line, so we have got you guys and other operations and businesses in presenting to us, but the reference points are very crucial, so we have been talking to people in Chile and South America and those places on the line. So, reference points are pretty key after you can choose the benefits." (Customer 2)

5.6.2 Demonstrating value of the investment

There has not been a systematically conducted study on how the customers of Raute Technology Services see the value of Raute's services. Instead, customer satisfaction is systematically examined after every investment project, such as modernization projects. In addition, satisfaction of the whole Raute customer base is investigated annually by an external consultant. The interviewees argued that often the customers are not eager to tell their expectations regarding services. The interviewees stated that the customers may see giving too precise information as risky, because Raute is also their competitor's supplier.

"We ask our customers about their expectations, but on the other hand, they necessarily do not want to tell us about them. They do not want to give us too specific information, because they know that we are also their competitors' suppliers. In that sense, we may have too dominant position in the markets." (Employee 6)

According to the customer interviewees, the expectations and benefits regarding Raute Technology Services are mostly discussed in face-to-face meetings. One of the customers argued that in the recent years, Raute Technology Services has improved on asking the customer about the benefits and value that they look for.

"Those [questions about benefits that customers look for] come now more. Before it wasn't so." (Customer 1)

Most customers said that Raute Technology Services has not used any calculations to show the profitability of the service. However, with capital investments, such calculations have been used.

"I guess no. For the investments yes, but for the services we haven't." (Customer 1)

One customer claimed that Raute Technology Services has been too focused on the engineering parameters. More calculations should be done regarding how the investment will bring profit to the customer, or how quickly the equipment can be fixed if it breaks down.

"...like you come to the people in Nastola and people say 'look we've got a brilliant machine. It's so cool and it has so many features. Just perfect, go and buy it.' I said 'fine, what are the economics?' 'Well, we don't know pretty much, but that's a great machine.' 'Okay, I am not going to buy it that way.' Of course Raute provides the production capacity and the speed, but that's more about engineering. All the engineering parameters, but they absolutely do not think in a business way. They are not trying to put and turn this into money, what does it cost us or... Or if it breaks down, how quickly we can fix this, what's the cost of maintenance, what's the cost of spare parts, the company is just not thinking that way." (Customer 7)

The customers saw that profitability calculations would help to guide the customer in choosing the right services for their needs.

"If the question is if that numbers help to close a contract, you are right [would calculations about the profitability of the service be useful]. For sure the study that they are doing before the project helps the customer to take the right decision." (Customer 5)

However, some of the customers saw making reliable calculations as difficult, since different mills have different circumstances and acquiring detailed knowledge about the operations might be difficult.

"Yes and no [would be beneficial to receive calculations about the profitability of the service investment]. Because in each case there are specific... Or in each place there are specific things, which can influence that. Basically there can be some basic calculations, but the question is how trustable those are. Because there is a local influence or local place influence or local factory influence, because there are specific nature... Or the situation or place that influence that result." (Customer 1)

One customer indicated that profitability calculations of the services only help in closing the deal, if the customer has some intentions to purchase.

"No, I haven't gotten any information or calculations, but you know the way I see it is that it would be coming from overseas... Well, they are going to be costing more. Somebody coming from Finland or wherever. ...Unless we are going to employ a Raute person at the same rate that we are employing a local person [profitability calculations may work], but I doubt that that would be the case." (Customer 4)

5.6.3 Customer encounters and interfaces

The different customer encounters and interfaces have not been comprehensively recognized at Raute Technology Services. The employee interviewees claimed determining the most crucial customer encounters as difficult, because it varies from customer to another and from market area to another.

"At some customers it may be the technicians who make the purchase decisions, even though it is the mill manager who announces it. Then there are customers, where it is the mill managers who make that kind of decisions." (Employee 7)

"These different customer encounters and critical interfaces vary between different market areas and set-ups. It is very fluctuating to determine at what level negotiations take place and who you cooperate with at different levels." (Employee 3)

One employee interviewee argued that recognizing the different customer interfaces and encounters has been difficult, because Raute has such a long history in engineering and machine supplying. Thus, there is a long tradition of looking at things through projects rather than customers. Only recently has this approach started to change and there has been more emphasis on trying to thoroughly understand customer needs.

"Recognizing different customer encounters and the most crucial customer interfaces is only at its starting point. We have a history as a 100-year-old 'project house'. This means that things have been looked through projects and not through customerships. So, our starting point for customer centric thinking is different." (Employee 6)

5.6.4 Developing and maintaining a customer relationship

The employee interviewees saw trust as the most important attribute of a good supplier-customer relationship. According to the employee interviewees, fulfilling the given promises is best way to develop and maintain a customer relationship.

"For certain, well-managed project support developing and maintaining customer relationship the best. Thus, delivering what we have promised: schedules, performance levels and everything." (Employee 7)

"The customer relationship improves when we are able to keep the given promises and fulfill customer's expectations. Doing this enables the customer to actually see and feel the benefits that we have promised and to see that their business improves with these benefits." (Employee 2)

The employee interviewees emphasized the importance of having an honest dialogue with the customer, so that the customer would understand what Raute Technology Services can realistically offer. In addition, the employee interviewees argued that maintaining a satisfactory customer-supplier relationship, requires taking care of the customer also after the service visit or project delivery. However, as the employees expressed, all customers are different and some expect more liaison than others. Therefore communication plays a vital role on getting to know the customer and their expectations regarding the relationship with Raute Technology Services.

"Another important thing is to take care of the customer also after the project delivery. Doing this requires knowing the customer and their culture. ...During the project, we should be able to get to know the customer so well that we know how to take care of them after the project delivery. For others, it is enough to call a few times and others wait to be contacted also after the warranty period. Then there are customers who come to ask us for services and those customers who wait for us to contact them. This kind of information should be found from our CRM application, but at the moment such information isn't there." (Employee 7)

"I think it's the kind of multifaceted communication between us and the customer that supports maintaining a good customer relationship. This of course depends on the depth of the customer relationship, their needs and desires, which we have to respect. So, we must be able to identify what customer wants and to what level they want to bring that relationship.

...We have been sometimes blamed of not having enough time to communicate with the customer. We should put more time into having one-on-one discussions with our customers and listening to their worries and concerns." (Interviewee 9)

Some of the employee interviewees argued that Raute has not always been the best at giving customer promises and thus, there have been misunderstanding regarding what Raute Technology Services can realistically offer.

"We are thought to always do better than what we have promised. For example, in modernizations if we promise hundred, we need to get hundred and fifteen. ...I have also been involved in a case in which the customer committed their investment payback calculations to an assumption that Raute's machines will always exceed expectations." (Employee 6)

Forming a personal relationship with the customer is, according to the employee interviewees, vital so that a satisfying customer relationship could be built. The employee interviewees claimed that there are cultural differences to what kind of relationships the customers expect to have with Raute Technology Services. For instance in the Eastern cultures personal business relationship plays a greater role than in the Western cultures. Thus, it is important to know the cultural context where the customer operates.

"The best way to maintain a relationship with a customer is to be familiar with the customer and to form a friendship with them. That way, it is easy to talk about machines, equipment and their properties." (Employee 8)

Like employee interviewees, also all of the customer interviewees highlighted the importance of communication in maintaining a satisfying supplier-customer relationship. According to the customer interviewees, having close personal relations and keeping in touch on a regular basis is significant. The customer interviewees emphasized the importance of after-sale communication and being responsive to the customer's needs also after the service deliveries.

"Most important value is just being consistent with and responsive. There's nothing worse than having a difficult time contacting somebody after a sale is done and you feel like you... You have a lot of unanswered questions, but the sale is done and you have lost touch, because they're on the next project and we don't feel that way about Raute." (Customer 8)

One of the customers argued that although many forms of communication take place now days virtually, face-to-face time with the supplier is still essential and hard to replace with technology.

"Again, it's a question of good personal relations. That is most important, not virtual, still personal I at least see it that way. I see that personal, not friendship, but exchange of information and face-to-face discussions... Not only virtual, may be in the future, but personal interaction will still be important." (Customer 1)

The customer interviewees emphasized that in satisfying customer-supplier relationships, promises are kept and the outcome of the service meets the expectations.

"It is important that the quality of the work and of the quality of the service is what as expected." (Customer 3)

Another customer highlighted the importance of confidentiality and trust in a good customer-supplier relationship.

"Obviously with that [customer-supplier relationships] comes the confidentiality piece, because you learn what everybody's strategy is and you can't spread that to anybody... What their competitors are doing. So, it's really trying to understand what we are trying to achieve, where we are trying to go... And how do you add value to that." (Customer 9)

It was also argued by the customer interviewees that in a functioning customer-supplier relationship, there needs to be communication between the different corresponding levels of both organizations.

"...there are different levels and in each level there should be this link between the certain level in the other company." (Customer 1)

5.6.5 Understanding and supporting customer's value creation

The question whether all the employees in Raute Technology Services understand how customer value is created, provoked conflicting opinions. Some of the employee interviewees claimed that all the employees have a good knowledge of how the services bring value to the customer's operations. Others argued that there are also individuals who do not understand this. One of the interviewees highlighted that while there may be a general understanding of the elements that constitute to customer value creation, there may still be a lack of understanding how and what details play a role in building such customer value.

"I believe that we are at a good level when it comes to understanding how customer value is formed, but of course there is always room for improvement. Maybe the understanding is sometimes too narrow and there is a lack of understanding how little things matter to the customer, because the little things tend to be repeated in big production processes." (Employee 2)

According to one of the employees, in order to understand how customer value is formed at a global level, more emphasis should be put on developing the employees' intercultural skills.

"We have a good understanding about supplying a plywood mill, but when it comes to understanding different cultures and their differences, it is not in such a good level at least here in Nastola. In that respect, there is room for improvement. It is interesting that we don't have any kind of training for those kinds of things." (Employee 7)

Despite this, all the customer interviewees argued the representatives of Raute Technology Services having a good knowledge of how value is created in the customers' processes. The customers, however, claimed that in the managerial level the understanding of customer needs is better than in the other levels. When problems between Raute representatives and the customers occur the reason, according to the customers, is in the behavior and attitude of certain individuals and not in their skills. One customer saw the reason to attitude problems in the fact that some employees had been laid-off during the recession, and then taken back in as contractors when the economic situation changed. However, the customer interviewee felt that some of contractors had lost their commitment to Raute when they had been laid-off.

"If I get down to the service providers themselves, do they understand our values, I think there is a bit of disconnect there in terms of what's important to us versus what's important to them. I suspect because a lot of these guys are ex... I call them ex-fulltime Raute technical people. When they were downsizing due to lack of business or whatever, they became contractors. I think Raute has lost some loyalty of people who used to work for them." (Customer 9)

The customer interviewees, too, emphasized the importance of understanding different business, thus for Raute Technology Services to be able to provide value to the customer's operations. One of the customer interviewees regarded Raute being good at matching their business culture with that of the customer and meeting the requirements of different mills.

"It is also important that... being able to be aware of the culture that the business that you're working in and Raute is able to do whatever they need to do to be able to match the culture and be able to make whatever it is that we need, whether it's how our shift are designed or the hours that we need to be working and operating. One example is that we have had real challenges with on one of our start-ups and they were available whenever we needed them and even when they were off site, they were very responsive and able to come in and help us out, so... Sort of that level of sense of urgency that to get the projects going and to match the culture of the

organization and they are working like that and at least be able to adjust to that culture. I am sure every mill is different and every business is different." (Customer 8)

The employee interviewees highlighted how important it is that everyone would understand their role in Raute and how one has an influence on whether the customers acquire value from Raute Technology Services.

"Maybe not all the employees necessarily understand what constitutes to customers' value formation, some employees just work here. That is why I want that my team would feel that we are 'we' and that 'we' are responsible for this and that everyone takes care of their own part. I want my team to understand that we are the group that customers can turn to." (Employee 5)

Some of the employee interviewees claimed that in order for the employees to understand their role in customer value creation, the management should form a mutual understanding of what Raute Technology Services' customer value is. Only then, can the message about value be passed down to the other employees.

"...Furthermore, I think that we should emphasize Raute's lifespan concept, providing machinery and services to the whole lifespan of a mill. This concept should be communicated to our own people, so that they could pass the message to our customers." (Employee 6)

"If the employees understand the value proposition, they can deliver that message to the customer. If they don't understand that, they won't be able to do that. Some of the things that even I learn about is through our own Plyvisions magazine." (Employee 10)

The interviewed customers highlighted how important it is that both parties understand each other's expectations regarding the service, and communicate their views to each other.

"I guess from our point of view it's [capability to support value creation] making sure that the employees clearly understand what we require, but also us that we just don't make them jump for the sake of jumping. So, we are I guess very proactive with them and we are pretty comfortable." (Customer 2)

All and all, the customer interviewees felt that most employees of Raute Technology are fully capable of supporting their value creation. In situations where customers have been dissatisfied with Raute's input, it has been mostly due to the lack of effective communication. According to the customer interviewees, they expect service orientation from Raute's service personnel. This includes having customer service skills, as well as courtesy towards the customer.

We had some IT-guy, who's very calm and just doing their job, but it is character type, it is people, so... The variation is very huge. And it's okay. You should just define, that not everybody are able to talk or to share their minds..." (Customer 6)

6 DISCUSSION AND CONCLUSIONS

6.1 Research findings

6.1.1 Business

For many of the employee and customer interviewees, it was difficult to separately evaluate Raute Technology Services and Raute. The aim of Raute Technology Services was seen as to provide services to the Raute manufactured machinery, enabling their efficient processes and supporting their value creation in the customer's processes. Mathieu (2001) has classified industrial services to those that support the supplier's product and those that support the customer's own actions. In the case of Raute Technology Services, it seems that the emphasis is on supporting Raute manufactured equipment, which the customer has. Thus, this means providing services such as maintenance, monitoring and installation, which ensure the proper functioning of the Raute's product.

Services supporting customer's own actions, such as training and consulting are offered by Raute Technology Services, but their role in the whole service business is smaller. However, when the customer interviewees were asked what type of services they expect from Raute and what type of services they would like to have in the future, most customers mentioned appreciating training and consultative type of services. The customers valued Raute's expertise on the field and expected Raute Technology Services train their staff and to give advice on how to improve their operations.

Currently Raute stresses in its slogan that it provides "*profitable solutions for all customer needs*". Nevertheless, can Raute Technology Services be regarded as providing custom-tailored solutions, if the services are mostly targeted on supporting the functions of Raute's equipment and not so much the customer's own actions? As of now, the basis for offering services is on the idea that the customer has Raute manufactured equipment. To some extent it is fair to say that currently Raute's services provide support to the products, rather than to the customers who operate them.

6.1.2 Customers and the markets

Both, the customer and the employee interviewees agreed on the fact that the industrial service markers of veneer product industry are growing. The market position of Raute Technology Services was seen to be good due to the fact that Raute has a large installed equipment base across the world. Currently services encompass approximately 40% of Raute's turnover, with an annual growth of about 15% to 20% since 2009. In many competing companies, the portion of services in the whole business is

often only 10% to 20%. The situation of Raute Technology Services is visible in the macroeconomic level as well. According to Honkatukia et al. (2014, 2-9), approximately 40% of the Finnish industrial workers had a service related job. Overall, the industrial service markets in Finland are growing as in 1990 the value of service exports to GDP was just 3 to 4%, as in 2010 it had grown to 12%.

The employee interviewees emphasized the vital role that Raute Technology Services play in the whole business and brand image of Raute. The employee interviewees argued that the profit margins of services tend to be higher and the competition is not as fierce as it is with the products, since services are more intangible and heterogeneous in nature. This is in line with Quinn (1992), who has argued that services resist economic fluctuations better than products, making them a more stable source of revenue for the companies. Although the profit margins of tangible products have decreased, those of the industrial services, such as maintenance and training, can provide over ten percent margins in Western Europe (Gebauer 2007, 278).

As achieving competitive advantage through technological superiority is increasingly difficult (Grönroos 1990) thus, companies have moved towards providing combinations of products and services, or even complete systems (Winddahl & Lakemond, 2010; Ulaga & Reinartz, 2011). In Raute Technology Services, too, it has been acknowledged that services are a sustainable way to differentiate from the competitors. The employee interviewees claimed services playing a vital role in Raute. Unlike many of the competitors, Raute offers a variety of services targeted to a range of different veneer product manufacturing processes. Many of the customer interviewees mentioned the availability of services had been the original reason to buy Raute's equipment.

6.1.3 Competition

It has been argued that for the most part services are actually core resources, or basic services, which are required for a company even to be able to exist in the markets. Thus, in order for companies to achieve competitive advantage through services, they must be able to provide advanced services that offer superior value through customizations and proactive surveillance of customer needs. (Matthyssens & Vandenbempt 2008.) To some extent it is fair to say that at the moment, Raute mainly provides just basic services and not so much advanced services, which would require proactive surveillance of customer needs. This is because acquiring information of customer needs and utilizing that information is still at its infancy at Raute.

Currently, neither Raute Technology Services nor Raute are systematically collecting information about their competitors and customers. It depends from person to person and from team to team how this sort of information is collected and in what extent. The employee

interviewees felt that the customers are unwilling to give out information about themselves. However, when this was asked from the customers, they did not see it as a problem. At the moment, Raute may be regarded as the industry leader in providing services. Yet, as more and more companies realize the benefits of offering services, such as higher margins and less fierce competition, Raute will have to take a step further in order to secure its market position. Offering services, which provide the customers with superior value, require systematic data collection of the competitors and customers' needs.

Both, the customer interviewees and the employee interviewees agreed that for Raute manufactured equipment, there is no one else who could service it better than Raute. Most customer interviewees saw it logical that Raute services its own machinery and the competitors service their own. Most employee interviewees saw the local service providers as the biggest competitors of Raute Technology Services. Nevertheless, the customer interviewees saw the local service providers as being competitive to simple mechanical services, but often lacking skills required to do more complex services. Thus, those companies that had seen Raute Technology Services as too expensive or too slow for their needs had started to in-house the services back to themselves. This meant training and hiring more employees to do the service work, which was previously done by external operators.

6.1.4 Benefits and value to the customer

According to the employee interviewees, customers buy Raute Technology Services because of three reasons: to make their lives easier, to make profit or to solve a problem that they have. The customer interviewees agreed with this, many comparing the need to have Raute Technology Services with the need to service a car. For the service to be valuable in the eyes of the customers, it needs to be simple, quick and focused on the problem area. It was interesting to note that whereas the employees emphasized the technical aspects and benefits of the service, the customer interviewees appreciated the relationship benefits acquired from the service.

The employee interviewees recognized roughly six types of customer benefits and the customer interviewees acknowledged five types of customer benefits, which Raute Technology Services provide. The first type of benefit recognized by both interviewees was reliability. However, whereas to the employee interviewees this meant technical reliability, to the customers it meant service reliability. To the employee interviewees, technical reliability meant enabling the mill to work at a full capacity and to manufacture products of good quality. Thus, the employee interviewees described reliability in relation with the performance of the product. However, when the customers used the word reliability, they referred to

the service personnel being reliable and that they can rely on getting service from Raute when needed.

Reliability is mentioned as a factor of customer-perceived value in Lapierre's model (2000, 125) of thirteen different value drivers, presented in Figure 2. In comparison with Lapierre's model (2000, 125), the employees' view of reliability can be considered as a product quality attribute. However, when customers used the word reliability, they referred to the service relationship with Raute. Thus, service reliability in comparison with Lapierre's model (2000, 125) can be regarded as a service quality attribute.

The second type of benefit that the employee interviewees saw Raute Technology Services providing were cost reductions. According to Biggeman & Buttle (2012), the benefits that a company offers can be seen in both monetary and non-monetary terms. Cost reduction, mentioned by the interviewees, represents a monetary benefit. It describes the advantage that the customer gets by saving the money, which without the services, would have been spent. However, the customers did not mention cost reductions as one of the most valued benefits that Raute Technology Services render. Instead, many customer interviewees mentioned that to them the costs are not important. To them, the increase of overall production capacity was more important, which often also increased some short-term costs.

Third type of customer benefit, described by the employee interviewees, was latest technology. The interviewees argued that Raute had put effort into research and development, thus providing the customers with the most recent innovations. According to the employee interviewees, Raute personnel have a good expertise of the technology that they are manufacturing and offering to the customers. When comparing this benefit with the Lapierre's model (2000, 125), this too can be seen as a product related benefit. The aspect of technical knowhow, which the employee also mentioned with the latest technology, can be seen as a service attribute of value. Couple of customer interviewees emphasized Raute's technology as a benefit in itself, but most customers highlighted the utility value of Raute's technology when increasing production capacity and performance. Against Lapierre's model (2000, 125), this can be seen as a product-related benefit.

One of the most important benefits that the customer interviewees saw Raute Technology Services offering was knowledge and expertise. In Lapierre's model (2000, 125), technical knowhow is regarded as a service-related benefit of customer-perceived value. The customer interviewees argued the relationship with Raute Technology Services to be like a medium for learning and hearing about the industry's latest developments. In addition, the customers valued the responsiveness of Raute Technology Services. By this, the customers meant that they can rely on Raute to get help for their problems and to get answers quickly- In addition, the customer interviewees appreciated the way Raute

Technology Services keeps in touch with the customer on a regular basis. Against Lappierre's model (2000, 125), this can be regarded as a service-related attribute.

The fourth and fifth groups of benefits that the employee interviewees regarded Raute Technology Services offering were continuity and flexibility. The employee interviewees acknowledge Raute's services to be flexible, since Raute Technology Services operate in different market areas across the world. The customers, too, regarded Raute Technology Services to be, for the most part, flexible. The employee interviewees regarded continuity as a customer benefit, because they argued Raute to be committed on providing different kinds of services that will extend the lifespan of the product. In comparison with the Lapierre's model (2000, 125), continuity and flexibility can be regarded as service-related benefits.

The sixth type of benefit mentioned by the employee interviewees was personal relationship with the customer. The employee interviewees regarded it as important to know the customer personally and to form a trustworthy relationship with them. In Lapierre's model (2000, 125), this could be classified as relationship benefit. Lindgreen et al. (2012) also emphasized the role of personal relationship as a mediator of value in the B2B context. The exchanges become more predictable if there is a personal relationship between the buyer and supplier companies. This allows the supplier and customer to organize their processes in a way that they support each other. In addition, new solutions are fostered when mutual learning and adaptation take place in the customer-supplier relationship.

All and all, three of the most important benefits that the employee interviewees saw Raute Technology Services offering were product-related, two service-related and one relationship-related. This indicates that Raute Technology Services see customer value mainly deriving from product-related benefits. This is in accordance with Kuhn et al. (2008), who have argued that in the B2B markets, value is derived mainly from the functional qualities of the offering and its performance features. Industrial services may also deliver value, but tangible products are required in order to justify the purchase decision. If the supplier is not able to specify how intangible aspects, such as service and relationship-related benefits, are going to improve customer's operations, the customer rarely can understand the value of intangible benefits. (Anderson et al. 2007.)

However, it was interesting to note that to the customer interviewees, four of the most important benefits were service-related and only one was a product-related benefit. Based on this, it is to some extent fair to say that while the customers of Raute Technology Services live in an era of service-dominant logic, seeing value as something that is co-created with the service supplier, Raute Technology Services may still live in the era of goods-dominant logic. Thus, the current understanding of Raute Technology Services seems to be that customer-perceived value is embedded in the manufactured products and not in the customer relationships. (Vargo et al. 2008; Truong et al. 2012, 198.)

6.1.5 Value proposition

The question regarding Raute Technology Services' customer value proposition raised mixed opinions amongst the employee and customer interviewees. Some employee interviewees argued that Raute Technology Services does not need to have a separate value proposition, a different one than Raute. This is because the majority of the employee interviewees regarded Raute Technology Services as an inseparable part of Raute. Couple of employee interviewees argued the existence of Raute Technology Services being a value proposition in its own, as it ensures the customers that they are being taken care of also after purchasing of Raute's equipment.

Most employee interviewees regarded "*profitable solutions for all customer needs*" as Raute's customer value proposition. However, many employee respondents saw this proposition as too general. Some felt that it is not targeted to those that actually make plywood and use Raute's equipment. It was interesting that none of the customer interviewees recognized this slogan or saw Raute's customer proposition to be "*profitable solutions for all customer needs*". There were customer interviewees who argued that although the expertise of Raute Technology Services is at a good level, it struggles with articulating that value that is being offered. The customer interviewees argued that the communicated value is often too broad or explained in technical terms, without clarifying how exactly those technical details add value to the customer's operations.

The customer and the employee interviewees agreed Raute Technology Services having a good knowledge about the manufacturing of veneer products. Thus, many respondents saw this as the value proposition of Raute Technology Services. In addition, some of the customer interviewees emphasized the responsiveness, of Raute Technology Services, to any inquiries that their customers may have. Therefore, some of the customers regarded Raute Technology Service' responsiveness as a value proposition. The employee interviewees highlighted how Raute Technology Services supports its customers throughout the whole lifespan of their equipment thus, increasing the value and lifetime of the customer's investment. This was seen as a value proposition by some of the employee interviewees.

Anderson et al. (2006) have classified the way companies use value proposition into three categories: all benefits, favorable points of difference and a resonating focus. With Raute Technology Services, it seemed fairly easy for the employee respondents to list basic benefits, which the services render, such as monetary and production benefits. In addition, it seemed somewhat easy for the interviewees to find points of difference and point of parity in comparison with the competitors' offerings. with the offerings of the competitors. However, as Raute Technology Services has not conducted systematic research neither on its competitors nor on the needs of its customers, the points of difference and

points of parity, distinguished by the employee interviewees, were quite general.

Studies show that quantification efforts play an important role when crafting value propositions that have a potential to impact customer profits. According to Terho, Haas, Eggert & Ulaga (2012), the seller alone is not capable of drafting an efficient, customer-oriented value proposition. It requires dialogue between the customer and the supplier, as well as gathering and analyzing customer specific data. Anderson et al. (2006, 91) claim that most value propositions make arguments about the benefits of the offerings to the customer, without supporting them with appropriate evidence. Therefore, a company might be able to offer superior value to its customers, but it is likely that the customers will not understand this as the argument is not demonstrated well enough through quantification methods.

Quantification methods, such as return-on investments, value studies, lifecycle calculations, and customer specific value calculations, aim at building evidence, which will indicate the value of the offering in relation with the customer's business. Although salespeople may not be able to present exact figures about the value of the offering, it is important to make the scope of the value opportunity evident to the customer and to demonstrate how the offering will impact customer's profits. (Terho, et al. 2012, 180-181.) In the context of Raute Technology Services, many of the employee interviewees felt that Raute's reference cases and old projects are not used well enough to demonstrate the value of the service investment. With modernization services, indicative calculations have been used to demonstrate the value of the investment, but this has not been the case with other services.

According to the employee and customer interviewees, the point of difference with Raute Technology Services seems to be the fact that services are offered to the equipment's whole lifespan. Yet, many of the interviewees argued the current value proposition of Raute to be too broad: "*Profitable solutions for all customer needs*". For that reason, the current value proposition needs to be altered if it was to meet the standards of a resonating value proposition. Raute's current value proposition, "*profitable solutions for all customer needs*", belongs largely to the category of "*all benefits*" value propositions. As a suggestion, a customer value propositions such as "*lifespan services for your veneer product manufacturing*", would better distinguish the target group, the point of difference and the point of parity in comparison with the competitors. The target group would be the veneer product manufacturers, the point of difference would be the lifespan services and the point of parity would be offering industrial services for the manufactured equipment.

6.1.6 Internal and external communications

The customer and employee interviewees argued close personal relationships and honest dialogue as being the most essential parts of a satisfying customer-supplier relationship. In the B2B markets, the complexity of the offering requires close personal interaction between the seller and buyer (Kotler & Pfoertsch 2007, 21; Leek & Christodoulides 2012, 106-107). The role of dialogue, in the value creation process between the supplier and the customer, cannot be emphasized enough. The more information and knowledge is shared between the parties, better the customer understands the opportunities and resources available, this leading to a greater value creation (Salomonson et al. 2012, 146).

The employee interviewees expressed that there had been issues on communicating the value of the investment to the customers and understanding what customers want. The employee interviewees argued that deals had been lost because customers had been offered with something more complex and expensive, when they actually had been looking for something simpler. The customer interviewees appreciated the way Raute keeps in touch with its customers on a regular basis, and how they are responsive to customer inquiries also after selling the equipment. However, some customers noted that the offers are often justified with technical features, without explaining how those features will bring value to the customer's operations. In addition, the different customer encounters have not been analyzed at Raute Technology Services. Doing this would be beneficial, since not all customer representatives have a background in engineering. Thus, communicating the value of the offering with simply technical features is risky, because some customer representatives may not understand how those technical features bring them with value.

The employee interviewees indicated that acquiring information of the customer's needs, customer's customers' needs, production and monetary benefits was difficult, as the customers were not eager to give that information. The employee interviewees also noted that the better the relationship with the customer, the more information the customer is willing to share. However, the customer interviewees did not see sharing of information as a problem. Most customers argued that they would not be working with Raute if they did not trust them to be confidential about their information.

The employee interviewees emphasized the role of proactivity and how it is important to know the customer's business better than the customer themselves. This enables to keeping a continuous discussion with the customer and it gives Raute Technology Services the creditability to suggest improvements and development ideas. The customer interviewees, too, emphasized this, stating that they value Raute's recommendations and efforts to keep in contact. The ability to be responsive not only to the customer's expressed needs, but also to be able

to anticipate their future needs, has been emphasized in the literature. Anticipating future needs requires extensive knowledge about the customer's business. (Gardial 2002.) Looking from the customer's perspective, value anticipation means that the supplier is able to predict customer's needs and offer solutions to them even before they realize they have such needs. (Flint et al. 2011, 219; Blocker et al. 2011, 217.) The absence of seller's proactivity can diminish customer loyalty, as customers feel that the supplier does not understand their business needs. (Beverland et al, 2004.)

The role of those service employees, who work with the customer on a daily basis, was highlighted in the employee interviews. The employees argued the role of service workers, such as maintenance and other technical workers, to be vital when considering the overall success of the project. This is because those service workers are the ones that the customer has paid for to come, thus they are the ones who the customer trusts. Therefore, they often are the most creditable people in the eyes of the customer to give recommendations and hence, sell them services. In the North American market segment, there had been TSR (technical service representative) training for the service employees. The idea of this was that the service workers are technicians, but also capable of selling Raute's services at the same time. As one of the interviewees pointed out:

"...Quite often people say 'oh, I'm not a salesman'. Well, you sell yourself every day, you are one but you aren't just called that." (Interviewee 10)

The employee interviewees claimed that the responsibility of selling should not lie solely on the shoulders of the sales and marketing department. Similarly to this notion, Gummesson (1999) has emphasized the importance of so called part-time marketers. These are employees of the supplier company who do not represent marketing or sales departments, but are involved in marketing through interactions with the customers. For instance, they might take part in customer training, maintenance, deliveries and claims handlings. These individuals play an important role on co-creating value with the customers and often outnumber the full-time marketers of the company. The role of part-time marketers is crucial because, unlike full-time marketers, the part-time marketers are present at the moments of truth when the service is created. (Grönroos 2000, 56.)

Employee training regarding customer interaction and sales would be important. This is because according to the customers, each time they have been dissatisfied with Raute's services has been not due to the technology, but due to the collaboration with Raute employees. For instance, there had been cases where some service representatives had behaved rudely or had not been able to communicate with the customer due to language or culture barriers. Also, some customers felt that there were problems with the commitment of the service workers to their work

with the customers. There had been cases where Raute's service workers had told the customer that they are going home, although in the customer's eyes the work was not complete yet.

The customers emphasized how they value the consultancy and advice from Raute Technology Services, because in their minds Raute has skilled and talented workforce. By training the service workers to sell and market the services, they could be seen as consultative salespeople who are advisors, rather than promoters of particular products. In addition, the service people who are involved in many projects have worked with numerous customers, often have a wider knowledge of the whole customer base than account managers or market area directors. This enables them to see the customers in a wider spectrum, as they would not only concentrate on selling certain products or services to certain customers. Thus, they would have the best creditability and knowledge to make recommendations based on the individual needs of the customer. (Terho et al. 2012, 176.)

6.2 Theoretical and managerial contributions

This research aims at contributing to the understanding of how value is created in the context of B2B industrial services. As this topic has not been extensively researched in the past, the constructed conceptual framework, presented in Figure 3, broadens the understanding of value creation through the case of Raute Technology Services. The purpose of the presented conceptual framework is to give dimensions to the value creation process, and to deepen the understanding of different drivers that contribute to this phenomenon. This research examines both the perspectives of the customers, as well as those of the service suppliers.

The findings of this study support some of the previous research done on the concept of value creation. For instance, according to Haas et al. (2012, 95) value creation in a business relationship context is characterized by jointness, interacted value, socio-cognitive construction and balanced initiate. These characteristics are also evident in the results of this research, as the customer interviewees emphasized the role of relationship attributes in the value creation process. In addition, according to Flint et al. (2002), knowing customer's current value is not enough, because what customers perceive valuable tends to change with circumstances. Therefore, suppliers should not only be able to respond to their customer's expressed needs, but also to gain knowledge of their customer's business, thus to be able to anticipate their future needs. This reasoning was supported by the employee interviewees, as they highlighted the importance of proactive selling and maintaining a constant conversation with the customers, hence to be able to provide them with appropriate solutions.

Understanding how value is created in the context of B2B industrial services can provide several implications for different areas of marketing. The results of this study bring several managerial implications, which are discussed below.

6.2.1 Emphasis on relationship value

All the customer interviewees emphasized valuing the supplier-customer relationship, which they receive as an outcome of working with Raute Technology Services. The customers argued cherishing the relationship as a learning opportunity. It was interesting to note that in comparison with Lapierre's model (2000, 125), presented in Figure 2, the customers named four out of five most valued benefits of Raute Technology Services as service-related. This is whereas the employees regarded three out of six as product related, two out of six as service-related and one out of six as relationship-related. Thus, the internal understanding of Raute Technology Services seems to be that customers value the mostly product-related benefits, when in reality they largely value service-related benefits the most. To some extent it is fair to say that whereas Raute Technology Services lives in an era of goods-dominant logic, the customers have already moved to an era of service-dominant logic. Thus, seeing value not embedded in the products, but co-created through the relationship with Raute. (Vargo et al. 2008; Truong et al. 2012, 198.)

According to the customers, money does not play as important role in the purchase of services, as it was argued by the employee interviewees. The services that customers purchase from Raute could roughly be categorized into two groups:

1. Services which were planned
2. Services which come as urgent due to sudden breakages, etc.

To customer interviewees, money was often a significant factor when purchasing planned services. Thus, if the cost of service was too high the customer was likely to get it from somewhere else. However, in the case of sudden emergency situations at the customer's operations, the significance of money on whether to purchase the service from Raute dropped. The customer interviewees argued that in the case of sudden and serious breakages, when their operations stopped because of them, the cost of the service was not important, because they lost more money by not being able to operate their mill. One customer mentioned that in fact, they did not care how much money it would take to ship a certain part at that kind of situation, since waiting and not doing anything would cost more than shipping the part from the other side of the world.

According to Ulaga and Chacour (2001, 530), customer-perceived value in the industrial market can be defined as the trade-off between sacrifices and benefits of the supplier's offering. In the case of Raute

Technology Services, it would be important to analyze what are the sacrifices of the service that the customer pays for, and also what are the customer's sacrifices if they do not get Raute's service. In the case of emergencies, when the customer needs service quickly and their operations have stopped, the sacrifice of not getting the service might be higher than in situations of planned service, when the operations are not at immediate risk. Researching the sacrifices that the customer has to pay in the case of planned and emergency services could be used to justify the price of the service to the customer. Thus, customers might accept higher prices for emergency services than for planned services, because in those cases not getting any service will cost them more. At the moment, there is no difference in the service price list of Raute Technology Services whether the service is a planned service visit or a sudden emergency service visit.

6.2.2 Customer segmentation

According to Anderson, Narus & van Rossum (2006, 92-93), the gold standard of value proposition is a resonating focus, which makes the offering superior on the few elements that matter the most to a group of target customers, validating the offering with case studies and calculations. The problem of forming customer value proposition in the case of Raute Technology Services is that there is not enough systematically collected information about the customers and their needs. Payne (2008, 124) has argued that formulating value proposition involves determining the following concepts:

1. The target customers of the company
2. The benefits offered to the customers
3. The price that the customer pays in relation to the competition
4. Formal statement of the value proposition.

Payne (2008, 125) further suggests that companies should do three things in order to have a value proposition approach. These are:

1. Segmenting the customers by the values that they look for
2. Assessing possibilities to deliver superior value in each customer segment
3. Choose the value proportion for each segment, which optimizes these value opportunities

Raute's current customer segmentation is based on the sales activities of the customers. However, there is no information regarding what types of values or needs each customer segment has. Also, there is not information regarding how much revenue each customer segment brings or how much Raute's resources each customer or customer segment uses. In addition, there is no plan of how customers move from one segment to another, if there is a change in the customer's behavior. To Raute Technology Services

specifically have such customer segmentations been made. According to Payne (2008, 138), it is often found from customer profitability studies that the largest customers in terms of revenue may not be the most profitable customers, because they cost more to service than the smaller customers. It is surprising that companies often focus on evaluating the profitability of the products that they sell instead of the profitability of their customers, because it is customers who generate profits, not products (Payne 2008, 136).

Crafting a resonating focus value proposition requires customer segmentation, thus to know who the target customers are (Anderson et al. 2006, 92-93). In order to form customer-orientated offers, the company needs to know exactly what mixture of product and service features, along with relationship and brand aspects, are the most important to the key customer segments. Companies need value assessment in order to find out what the customers view as important. This can either be done by asking the customers directly, or trusting the managers' views on what each customer segment values. However, often companies mistakenly assume that the customers would have the same value preferences as the company representatives, thus it is better to assess the offer from customer's perspective. (Payne 2008, 129.)

Raute Technology Services should segment its customers according to the value preferences or benefits that the customers look for. This is in line with Payne (2008, 68), who has suggested that all the business-to-business companies should do this. Segmentation by value sought, means knowing what customers value and how they rank the different aspects of value. This can help the companies to develop more targeted solutions to customers' needs. Segmentation by benefits, means grouping the customers together by the benefits that they look for from the company's offering. (Payne 2008, 66-67.) Raute Technology Services has currently been divided into Production Support Services, Modernizations and Upgrade Services, as well as to Spare Parts Services. For each of these services, the customers should be segmented in accordance with the benefits and value that they look for. This would help in formulating resonating value propositions for each customer segment, thus framing targeted solutions to customers' needs. In addition, this would provide methods to price the services in accordance with the value that they bring to the customer.

6.2.3 Issues to consider

The check-list below illustrates some of the issues to consider when implementing the research findings at Raute Technology Services.

1. Developing procedures for systematic competitor analysis.
2. Improving procedures and guidelines regarding customer data collection, such as how to gather observational data of the customers.

3. Segmenting customers of Raute Technology Services based on the value that the customers look for and applying targeted marketing procedures for the different customer segments.
4. Developing profitability calculations and reference case stories that could be used to justify the value of the service.
5. Developing service pricing in accordance with the value that the customer receives and not on a set hourly rate.
6. Improving internal communication of customer needs.
7. Training the "part-time marketers" to sell services. This includes employees such as those who conduct maintenance services, deliveries, claims handlings and invoicing. Also, developing the TSR program used in the North American market segment, so that it would be implemented in other market areas as well.
8. Developing clear customer value propositions to each of the service areas: Production support services, Spare parts services, as well as to Modernizations and upgrade services. This should be based on the systematically collected information of customer values and needs, as well as of the competitors.
9. Developing Raute Technology Services in terms of localizing the services, setting centralized spare parts storages, highlighting consultancy and training services, as well as further developing remote monitoring services.

6.3 Evaluation of the study

This study aimed at understanding how customer value is created through industrial services in the B2B markets. The research was conducted as a single case study, investigating how customer value is perceived in Raute Technology Services. The data was collected through semi-structured theme interviews. A total of ten Raute employees along with ten customer companies were interviewed.

This study possesses several limitations. First of all, as the research was conducted as a single case study, it is impossible to find exactly a similar case to which the results could be compared with. Therefore, it is hard to generalize whether similar results have been acquired from other studies.

The second limitation of this study is the language used in the semi-structured theme interviews. Some of the interviewees were interviewed with their mother tongue, English or Finnish, while several of the interviews were conducted in a language which was not the mother tongue of the interviewee. This could have limited how well the interviewees were able to answer the questions and describe their interpretations. In addition, most of the interviews were conducted in English, which is not the mother tongue of the interviewer, so this could have impacted the results as well. Due to the language barrier, there could have been some misunderstandings, which might have affected the scope of the results.

Thirdly, some of the interviews were conducted face-to-face and some via Skype. In a face-to-face interview, it is to some extent easier to form a more personal contact with the interviewee, which helps in the interview situation. Also, in a face-to-face interview it is to a certain degree easier to sense the atmosphere and read the body language of the interviewee, which helps at formulating additional questions as the interview moves forward. With Skype interviews, technical problems were sometimes presented, as the Internet connection did not always work well, impacting the sound and video quality of the call. This might have impacted the results.

6.4 Suggestions for further research

To expand the generalizability of this research, it would be valuable to study other organizations providing industrial services in the B2B markets. It would be beneficial to see if similar results would be acquired from studying other B2B companies and their customers. These B2B companies could be gathered across different sectors of the industrial service markets. Hence, analysis could be made regarding whether customers across industrial service markets see the value in a similar manner. Studying this, would show whether some industries have more developed services and if some sectors meet the value expectations of their customers better than some other industry sectors.

In addition, it would be interesting to study whether the value of the industrial service is seen differently depending on the organizational level. Thus, different organizational levels of the customer and the supplier should be compared. It could be that the managerial level of the organization has different opinions about the benefits and value of the service in comparison to the worker levels of the organization. Studying this would help to target marketing differently to different customer interfaces.

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APPENDIX

APPENDIX 1 General interview structure for Raute employees

Interview Themes

Business

- Could you briefly tell about / introduce Raute's business?
- Could you briefly tell about / introduce Raute's Technology Services business?
- What is the role of Technology Services in Raute? Share of the turnover / net sales? Plans for the future?

Customers and the Markets

- Could you briefly describe the current nature of the technology services market in this field? What is the total volume? Is it growing or fading?
- At the moment, what is your position in your market?
- How would you describe a typical customer for the Technology Services?
- What are the key customer segments? Why?
- What kind of information do you collect from the customers?
- How do you collect information about the customers (needs, etc.?)
- What kinds of needs do the customers in general have? What is the future outlook, how are their needs going to change in the future?

Competition

- What are your biggest competitors? Why?
- How do you collect information of your competitors?
- How well do you see your services coping in the competition? ->
- What do you do better than your competitors?
- What do you do worse than your competitors?

Benefits and Value to the Customer

- Why do customers buy your services?
- What concrete benefits do customers get from your services? How are these presented in the customer's performance and costs?
- Are there things that the customer can do better with the offerings of Technology services?
- Are there some things that the customer could not do before, but now can because of Technology Services?
- Could you give a concrete example of how the service affects the customer's production?

- Could you give a concrete example of how the service affects the customer's costs? What costs are reduced?
- Does the service save the customer's time? Where? Are there any concrete examples or calculations?
- What other benefits do the services offer? For example: - > job satisfaction, better communication in the organization, etc.?
- How does the service impact customer's customers? Does your service have an impact on customers' customers? How? Are there any concrete examples? Calculations?
- What are the five (to 10), most important benefits that the customers get out of Technology Services? -> Why are these benefits most valuable to the customers? Cost savings? Time savings? Other, what?
- Do competitors offer the same benefits?
- Are you the best in this industry? Why or why not?
- Has there been made competitor comparisons to see if the competitors can offer the same benefits? How have these been made?
- Have the customers been asked about the benefits that they want? When? How?

Customer Value Proposition

- Do Raute Technology Services / Raute have a customer value proposition (Unique Selling Proposition)?

Internal and External Communications

- How are customer benefits being communicated in the organization?
- Have the different customer encounters / interfaces been recognized? What are the most crucial encounters?
- What matters / factors support the development / maintenance of customer relationships the best?
- How are employees prepared to meet customers? Is there some kind of training to do this?
- Do you think that all the employees understand how customer value is created?
- Do you think that all the employees are capable to support customer's value creation processes - to meet customers?
- How are the developments of customer relationships being measured and evaluated? What kinds of metrics are used to do this?
- How are the results of these evaluations being reported to the rest of the organization?

APPENDIX 2 General interview structure for customers

Interview Themes

Business

- Could you briefly tell about / introduce your business?
- Customers and Markets
- Could you briefly describe the current nature of the technology service markets in this field? Is it growing or fading?
- At the moment, how do you see Raute's position in the markets?
- What kind of information does Raute collect from you? How?
- Has Raute used any calculations to prove the profitability of the investment or service? Have other suppliers used such calculations?
- What do you expect from Raute's services? What kind of needs do you have? Future needs?
- In what areas do you see needing more services in the future?
- Do you think that there will be more outsourcing of services in the future?

Competition

- Who do you think that are Raute's biggest competitors? Why?
- How well do you see Raute's services coping in the competition?
- What does Raute do better than its competitors?
- What does Raute do worse than its competitors?

Benefits and Value to the Customer

- Why do you buy Raute's services?
- What concrete benefits do you get from Raute's services? How are these visible in your performance and costs?
- Are there things that you can do better because of Raute's services?
- Are there some things that you could not do before, but now can because of Raute's services?
- Could you give a concrete example of how the services have affected your production?
- Could you give a concrete example of how the services have affected your costs? What costs have been reduced?
- Do Raute's services save your time? Where? Are there any concrete examples or calculations?
- What other benefits do Raute's services offer? For example: - > job satisfaction, better communication in the organization, etc.?
- How the services offered by Raute impact your customers?
- What are the five (to 10), most important benefits that you get from Raute's services? -> Why are these benefits valuable to you? Cost savings? Time savings? Other, what?

- Do other companies offer the same benefits as Raute?
- Is Raute the best in this industry? Why or why not?
- Has Raute asked you about the benefits that you look for from Raute's services? When? How?

Customer Value Proposition

- Do Raute Technology Services / Raute have a customer value proposition (Unique Selling Proposition)?

Internal and External Communications

- How does Raute communicate its customer benefits to you?
- What matters / factors support the development / maintenance of supplier-customer relationships the best?
- Do you think that all the Raute employees understand how customer value is created?
- Do you think that all the Raute employees are capable of supporting customer's value creation processes – to meet with customers?