TEEMU KOKKO

OFFERING DEVELOPMENT IN THE RESTAURANT SECTOR
A COMPARISON BETWEEN CUSTOMER PERCEPTIONS AND MANAGEMENT BELIEFS

Helsingfors 2005
Offering Development in the Restaurant Sector - A Comparison between Customer Perceptions and Management Beliefs

Key words: Hospitality industry, Offering development, Product development, Service design, Service development, Restaurants

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To Maimo, Edi and Titus
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In Töölö, Helsinki, January 17, 2005

Teemu Kokko
CONTENTS

FOREWORD....................................................................................................................... 1

1 INTRODUCTION................................................................................................................ 3
  1.1 Problem discussion and defining the field of research................................. 3
  1.2 Aims of the study............................................................................................... 8
  1.3 Methodological approach............................................................................. 9
  1.4 Management orientation and customer orientation as two overlapping
dimensions in offering development................................................................. 14
  1.5 Author’s pre-understanding ....................................................................... 16
  1.6 Structure of the research report.................................................................. 18

2 THE SERVICE SECTOR .................................................................................................. 20
  2.1 General characteristics ............................................................................... 20
  2.2 The development of the service sector........................................................ 20
  2.3 The paradigm shift in marketing.................................................................. 22
  2.4 The Finnish restaurant sector...................................................................... 26
     2.4.1 General features.................................................................................. 26
     2.4.2 The future of the Finnish restaurant sector......................................... 29

3 TRADITIONAL PRODUCT DEVELOPMENT ............................................................... 33
  3.1 The role of product development................................................................. 33
  3.2 Product development as a process............................................................... 33
  3.3 Strategic product development.................................................................... 38
  3.4 External impact on product development................................................... 41
  3.5 Successful and unsuccessful product development processes................... 43
  3.6 Management of product development......................................................... 46
  3.7 Summary on traditional product development............................................. 49

4 SERVICE DEVELOPMENT ............................................................................................. 51
  4.1 Service development in the product development literature...................... 51
  4.2 The role of service development................................................................. 52
  4.3 Service development as a process............................................................... 54
  4.4 Strategic service development.................................................................... 60
  4.5 Management of service development......................................................... 62
  4.6 Service development in SME’s................................................................. 64
  4.7 Service development in the hospitality industry....................................... 66
4.7.1 Feltenstein ................................................................. 67
4.7.2 Jones .............................................................................. 67
4.7.3 Jones, Hudson and Costis ............................................... 68
4.7.4 Knowles and Ware-Lane .................................................. 69
4.7.5 Komppula and Boxberg .................................................. 69
4.7.6 Yavas, Yasin and Wafa .................................................. 69
4.7.7 Organisational industry-related research....................... 70
4.8 Summary on service development .................................... 70

5 THE ROLE OF THE CUSTOMER IN SERVICES MARKETING ......................... 72
5.1 Customer orientation ....................................................... 72
5.2 Customer participation .................................................... 73
5.3 Consumer buying behaviour and decision-making process .... 76
5.4 Motives behind consumer decision-making in the hospitality industry ............ 78
5.5 Brand identity from the consumer’s point of view ............... 79
5.6 Summary on the role of consumer in services marketing .......... 84

6 THE CONCEPTUAL FRAMEWORK ............................................. 87
6.1 The nature of offering development .................................. 87
6.2 The conceptual framework of this study ............................ 89

7 EMPIRICAL RESEARCH DESIGN .............................................. 94
7.1 The Managerial study (stage 1) ........................................ 94
7.1.1 Data collection for the Managerial study ....................... 96
7.1.2 Dimensions of success and the choice of restaurants ....... 98
7.1.3 Interview guide ............................................................ 100
7.1.4 Data analysis ............................................................... 101
7.2 The combined customer-management study (stage 2) ........... 103
7.2.1 Data collection for the combined customer-management study .... 104
7.2.2 Choice of restaurants and customer sample .................. 105
7.2.3 Collecting information .................................................. 107
7.2.3.1 Methodological considerations ................................. 107
7.2.3.2 Question phrasing .................................................. 109
7.2.4 Data analysis ............................................................... 112
7.3 Data quality ................................................................. 113

8 CASE DESCRIPTIONS – MANAGERIAL STUDY (STAGE 1) ......................... 116
8.1 Case A: Restaurant Kanavaranta (Source: Manager Maria Planting)............. 116
8.1.1 General information.................................................................................. 116
8.1.2 The offering development process ............................................................ 117
8.2 Case B: Pectopah Saslik (Source: Restaurant Manager Heli Laakkonen) ..................................................................................................... 120
8.2.1 General information.................................................................................. 120
8.2.2 The offering development process ............................................................ 121
8.3 Case C: Ristorante Papa Giovanni (Source: Restaurant Director Mikko Paukkonen) ..................................................................................................... 123
8.3.1 General information.................................................................................. 123
8.3.2 The offering development process ............................................................ 124
8.4 Case D: Restaurant Frutti di Mare Hämeentie (Source: Restaurant Manager Petteri Leminen)............................................................................... 126
8.4.1 General information.................................................................................. 126
8.4.2 The offering development process ............................................................ 127
8.5 Case E: Restaurant Michelle (Source: Restaurant Manager Salla Laitinen).......................................................................................................... 130
8.5.1 General information.................................................................................. 130
8.5.2 The offering development process ............................................................ 131
8.6 Case F: Restaurant Fly Inn (Source: Food and Beverage Manager Pekka Pakarinen)............................................................................................. 133
8.6.1 General information.................................................................................. 133
8.6.2 The offering development process ............................................................ 134
8.7 Summary of cases ....................................................................................... 137
8.8 The emerging of the offering development model......................................... 139

9 OFFERING DEVELOPMENT MODEL ......................................................................... 141
9.1 The offering development process ............................................................... 141
9.2 Forces affecting offering development .......................................................... 141
9.3 Environmental and strategic scanning ......................................................... 142
9.4 Shared vision.................................................................................................. 143
9.5 The dynamics of the model.......................................................................... 144

10 THE COMPARATIVE CUSTOMER-MANAGEMENT STUDY (STAGE 2).............. 145
10.1 Case B: Pectopah Saslik............................................................................... 145
10.1.1 Respondent structure (questions 1 – 6).................................................... 146
10.1.2 Respondents’ perceptions of the offering (questions 7 – 14)............... 146
10.1.3 Respondents’ general restaurant behaviour (questions 15 – 19) ........... 153
10.2 Case C: Ristorante Papa Giovanni ................................................................. 158
10.2.1 Respondent structure (questions 1 – 6) ................................................ 159
10.2.2 Respondents’ perceptions of the offering (questions 7 – 14) .............. 159
10.2.3 Respondents’ general restaurant behaviour (questions 15 – 19) ....... 167
10.3 Case E: Restaurant Michelle ........................................................................... 171
10.3.1 Respondent structure (questions 1 - 6) ................................................... 171
10.3.2 Respondents’ perceptions of the offering (questions 7 – 14) .............. 172
10.3.3 Respondents’ general restaurant behaviour (questions 15 – 19) ...... 179
10.4 Summary of the customer-management study and emerging of the extended offering development model ............................................................ 184

11 THE EXTENDED OFFERING DEVELOPMENT MODEL ........................................ 188

12 CONCLUDING REMARKS .................................................................................. 192
12.1 Conclusions ................................................................................................... 192
12.2 The theoretical contribution and the managerial implications of the study ................................................................. 194
12.3 Reliability and validity of the study ............................................................... 198
12.4 Ideas for further research ............................................................................ 200

REFERENCES ........................................................................................................... 202

APPENDIX 1: INTERVIEW GUIDE ........................................................................ 225

APPENDIX 2: QUESTIONNAIRE ............................................................................... 227

APPENDIX 3: QUESTIONNAIRE – AN ENGLISH TRANSLATION .......................... 235

APPENDIX 4: PECTOPAH SASLIK ............................................................................. 243

APPENDIX 5: PAPA GIOVANNI .................................................................................. 251

APPENDIX 6: MICHELLE ......................................................................................... 257
LIST OF FIGURES

<table>
<thead>
<tr>
<th>Figure</th>
<th>Description</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Figure 1</td>
<td>Interrelations between the aims of this study</td>
<td>9</td>
</tr>
<tr>
<td>Figure 2</td>
<td>The research process</td>
<td>11</td>
</tr>
<tr>
<td>Figure 3</td>
<td>The components of pre-understanding</td>
<td>17</td>
</tr>
<tr>
<td>Figure 4</td>
<td>The structure of the study</td>
<td>19</td>
</tr>
<tr>
<td>Figure 5</td>
<td>Cross-functional integration</td>
<td>40</td>
</tr>
<tr>
<td>Figure 6</td>
<td>Four types of buying behaviour</td>
<td>77</td>
</tr>
<tr>
<td>Figure 7</td>
<td>Brand Identity Planning Model</td>
<td>82</td>
</tr>
<tr>
<td>Figure 8</td>
<td>Offering development - the conceptual framework of this study</td>
<td>91</td>
</tr>
<tr>
<td>Figure 9</td>
<td>Stages of empirical data collection in the managerial study</td>
<td>97</td>
</tr>
<tr>
<td>Figure 10</td>
<td>The process of building the offering development model</td>
<td>103</td>
</tr>
<tr>
<td>Figure 11</td>
<td>Stages of empirical data collection in the customer survey</td>
<td>105</td>
</tr>
<tr>
<td>Figure 12</td>
<td>Analysing potential gaps between customer perceptions and manager beliefs through the four core questions</td>
<td>110</td>
</tr>
<tr>
<td>Figure 13</td>
<td>The process of building the extended offering development model</td>
<td>113</td>
</tr>
<tr>
<td>Figure 14</td>
<td>A typical organisation in the studied restaurants</td>
<td>137</td>
</tr>
<tr>
<td>Figure 15</td>
<td>The offering development model</td>
<td>144</td>
</tr>
<tr>
<td>Figure 16</td>
<td>Statements concerning Pectopah Saslik, profiles for customer perceptions and manager beliefs</td>
<td>151</td>
</tr>
<tr>
<td>Figure 17</td>
<td>Statements concerning Pectopah Saslik offerings, profiles for customer perceptions and manager beliefs</td>
<td>153</td>
</tr>
<tr>
<td>Figure 18</td>
<td>Statements concerning restaurants in general, profiles for Pectopah Saslik customer perceptions and manager beliefs</td>
<td>155</td>
</tr>
<tr>
<td>Figure 19</td>
<td>Statements concerning restaurant visits in general, profiles for Pectopah Saslik customer perceptions and manager beliefs</td>
<td>158</td>
</tr>
<tr>
<td>Figure 20</td>
<td>Statements concerning Papa Giovanni, profiles for customer perceptions and manager beliefs</td>
<td>164</td>
</tr>
<tr>
<td>Figure 21</td>
<td>Statements concerning Papa Giovanni offerings, profiles for customer perceptions and manager beliefs</td>
<td>166</td>
</tr>
<tr>
<td>Figure 22</td>
<td>Statements concerning restaurants in general, profiles for Papa Giovanni customer perceptions and manager beliefs</td>
<td>168</td>
</tr>
<tr>
<td>Figure 23</td>
<td>Statements concerning restaurant visits in general, profiles for Papa Giovanni customer perceptions and manager beliefs</td>
<td>170</td>
</tr>
<tr>
<td>Figure 24</td>
<td>Statements concerning Michelle, profiles for customer perceptions and manager beliefs</td>
<td>177</td>
</tr>
<tr>
<td>Figure 25</td>
<td>Statements concerning Michelle offerings, profiles for customer perceptions and manager beliefs</td>
<td>179</td>
</tr>
<tr>
<td>Figure 26</td>
<td>Statements concerning restaurants in general, profiles for Michelle customer perceptions and manager beliefs</td>
<td>181</td>
</tr>
</tbody>
</table>
Figure 27 Statements concerning restaurant visits in general, profiles for Michelle customer perceptions and manager beliefs 184

Figure 28 The extended offering development model 190

LIST OF TABLES
Table 1 Total hotel and restaurant sales in Finland by lines of business in the year 2000. (Lankinen 2001A, www.shr.fi) 27

Table 2 The growth/decline in the number of different kinds of hotel and restaurant units between the years 1996 and 2000 (www.shr.fi) 27

Table 3 Structure of sales in licensed restaurants in the year 2000 (Lankinen 2001A) 28

Table 4 The number of bankruptcies in the Finnish hotel and restaurant sector 1993 - 2000 (Lankinen 2001A) 30

Table 5 Differences between traditional and strategic marketing perspectives. (Cady and Buzzell 1986, p. 16) 38

Table 6 Chosen restaurants in relation to the three dimensions of success 100

Table 7 Received answers per restaurant 107

Table 8 Positively perceived characteristics about Pectopah Saslik*) 147

Table 9 Reasons for choosing Pectopah Saslik*) 148

Table 10 Information sources affecting the choice of Pectopah Saslik*) 149

Table 11 Statements concerning Pectopah Saslik, mean values for customer perceptions and manager beliefs 150

Table 12 Statements concerning Pectopah Saslik offerings, mean values for customer perceptions and manager beliefs 152

Table 13 Statements concerning restaurants in general, mean values for Pectopah Saslik customer perceptions and manager beliefs 154

Table 14 Criteria used in choosing a restaurant in general, mean values for Pectopah Saslik customer perceptions and manager beliefs 156

Table 15 Statements concerning restaurant visits in general, mean values for Pectopah Saslik customer perceptions and manager beliefs 157

Table 16 Positively perceived characteristics about Papa Giovanni*) 160

Table 17 Reasons for choosing Papa Giovanni*) 161

Table 18 Information sources affecting the choice of Papa Giovanni*) 162

Table 19 Statements concerning Papa Giovanni, mean values for customer perceptions and manager beliefs 163

Table 20 Statements concerning Papa Giovanni offerings, mean values for customer perceptions and manager beliefs 165

Table 21 Statements concerning restaurants in general, mean values for Papa Giovanni customer perceptions and manager beliefs 167

Table 22 Criteria used in choosing a restaurant in general, mean values for Papa Giovanni customer perceptions and manager beliefs 169
Table 23 Statements concerning restaurant visits in general, mean values for Papa Giovanni customer perceptions and manager beliefs 169
Table 24 Positively perceived characteristica about Michelle*) 173
Table 25 Reasons for choosing Michelle*) 174
Table 26 Information sources affecting the choice of Michelle*) 175
Table 27 Statements concerning Michelle, mean values for customer perceptions and manager beliefs 176
Table 28 Statements concerning Michelle offerings, mean values for customer perceptions and manager beliefs 178
Table 29 Statements concerning restaurants in general, mean values for Michelle customer perceptions and manager beliefs 180
Table 30 Criteria used in choosing a restaurant in general, mean values for Michelle customer perceptions and manager beliefs 182
Table 31 Statements concerning restaurant visits in general, mean values for Michelle customer perceptions and manager beliefs 183
FOREWORD

Marketing as a science has gone through many changes caused by the ongoing turbulence in the market place, changes in the behaviour of customers and the general globalisation of marketing. Marketing has traditionally been the marketing of physical goods. During the last twentyfive years the importance of services has increasingly been emphasised. In the late 1970´s and at the beginning of the 1980´s scholars began to actively study the importance of services, see for example Berry (1980, 1986), Grönroos (1978), Kotler and Bloom (1984), Levitt (1975), Lovelock (1980) and Shostack (1977). The argumentation at the very beginning of the services marketing era was quite cautious and scholars were mainly looking for some kind of justification for services marketing as something different from goods marketing.

‘In the academic discipline services marketing has long been a step-child to goods marketing, although progress has been made in recent years. It is time to do some catching up in terms of marketing thought. Perhaps the 1980´s will be the decade in which this occurs’. (Berry 1980, p. 43)

Berry was quite right because the slogan ‘Everybody is in service’ (Levitt 1972, p. 42) has been the theme of the 1980’s, 1990’s and the beginning of the new millennium. However, marketing of physical goods and marketing of services should not be seen as competing schools. Both have contributed substantially to marketing science and the synergy benefits are quite obvious. Therefore these two schools overlap and, towards the end of this ongoing development process there probably is only one - common - concept of marketing. In fact, marketing can be seen as one of the key factors behind the success of a company and, searching for excellence very often means research in the area of marketing. My research has been concentrated on a very small - but important - area of marketing: offering development.

Defining the two central terms used in this research project, product and service, is not an easy task. As early as 1966 Rathmell (p. 32) argued that all economic products can be arrayed along a goods-services continuum. Most authors seem to agree that ‘the line between them is blurred’ (Fitzsimmons and Fitzsimmons 2000, p. 53). Magnusson (2003, p. 24) defines a product as ‘a combination of goods and services; the relationship between them differs between products’. Vargo and Lusch discuss different definitions quite widely and conclude that ‘goods and service are not mutually exclusive subsets of a common domain, that is, products. Attempting to define service by contradiction from tangible goods both prohibits a full understanding of the richness of the role of service in exchange and limits a full understanding of the role of tangible goods. Rather than illuminating understanding, it constrains understanding’(2004, p. 325f). Interestingly, quite many authors state openly, that a generally accepted, positive definition of service does not exist (see for instance Edvardsson 2000, Grönroos 2000, Gummesson 2000, Magnusson 2003 and Vargo and Lusch 2004). In this report the term ‘product’ is used as reflecting a higher level of tangibility, whereas the term ‘service’ refers to a higher level of intangibility. However, both of these terms are integrated in the more holistic term ‘offering’. This kind of approach to definitions is
also suggested by Vargo and Lusch (2004, p. 326). See also the more precise definition in section 1.1.
1 INTRODUCTION

1.1 Problem discussion and defining the field of research

In the global economy the service sector has increasingly gained in importance. This has prompted many scholars to suggest that ‘Everybody is in the service economy!’ (Grönroos 1990, p. 4). There are certainly many different reasons for this development, but the most important reasons seem to be the drastic changes in peoples’ lifestyles. As individuals become more dependent on expert assistance throughout their life, service companies gain market shares. Therefore, services are frequently added to physical products in order to gain competitive advantages (Porter 1990, p. 43). In the section ‘Competitive trends for the 1990’s and beyond’ Zeithaml and Bitner (1996, p. 34) name service as a key differentiator in manufacturing firms.

In most countries the service sector is considered to be a new basis for the nation’s economy offering further possibilities for growth. That is not the case with agriculture, mining and construction, and manufacturing (Malaska 1997, p. 2). The worldwide growth rate for services (16 percent in the past decade) is almost double the growth rate of manufacturing (Hayes 1994, pp. 14-15 & 1997, pp. 124-125). In the European Union the value created by the service sector as a percentage of GDP in constant prices rose from 47 to 68 percent between the years 1960 and 1995, and it keeps rising (Grönroos 2000, p. 1). In the United States of America services now generate 74 percent of the GDP. Service jobs accounted for 55 percent of all U.S. jobs in 1970, by 1993 they accounted for 79 percent of the total employment. (Kotler and Armstrong 2001, p. 317) The trend in Finland is very similar. One of the most important factors that can be found behind this development is the emerging new technology, which offers enormous possibilities in the areas of information technology, communication and transportation (Zeithaml and Bitner 1996, p. 35f).

Services marketing is traditionally seen as a sub-discipline of marketing. Many topics are of special interest and one among them is the subject of this study, offering development. It is seen as a strategically anchored form of product development (service development). In this study offering development is defined as follows: The strategic and operative process of either developing a totally new service offering or altering an existing service offering. Offering development is seen as very customer-orientated and closely related to the company’s general strategic planning and developmental activities. In practical terms, offering development not only covers activities carried out to improve products or services of a company, but also developments in the production system and in the company’s way of operating. Johne and Storey (1998, p. 2) talk about ‘offer development’ and define it as ‘the development, by the supplier, of core product (or service) attributes plus the development of the processes by which the product is evaluated, purchased and consumed’. In that definition no explicit difference is seen between the operative and strategic processes and customers are given implicitly quite a passive role. On the other
hand Johne and Storey also stress the importance of having a broad and versatile approach to service development: ‘Empirical research shows how leading edge practitioners no longer invest most heavily in improving just core service attributes. They invest equal if not more effort in providing support for buyers’ evaluation, choice and usage needs. (1998, p. 23)’

Some researchers have presented typologies of innovations. For instance, Trott (2002, pp. 13f) makes difference between product, process, organisation, management, production, commercial/marketing and service innovations. He sees innovation as an application of knowledge in these areas, which can occur either simultaneously or following each other. The typology, however, represents quite strong management-orientated thinking as customers usually perceive a service product as one big package rather than a complex network of different components.

In other words, offering development, as it is defined in this study, can be characterised as a strongly company-driven process, where customers have a central role. This kind of approach is highly motivated due to the drastic changes in marketing thinking during the latest ten years (see for instance Grönroos 2000 and Gummesson 1999). Very generally speaking customer-orientation can be interpreted as integrating company’s planning processes with adequate knowledge about customers’ buying and consumption processes. One can also say that the increased customer-orientation has made the whole area more complex. Customers’ processes are not always rational and also the motives tend to be multi-layered. Johne and Storey (1998, p. 3) state the following:

‘The realisation that customers may be attracted by more than core performance attributes has important practical implications for service providers. Operationally, it requires a wider set of variables to be brought into play for service development than traditionally has been the case.’

Historically product development has been considered as a highly operative activity. In this study that operative approach has been combined with a strong strategic dimension. One can generally argue that operative activities can only be successfully developed when the development is filtered through the company’s strategic planning system. We should neither forget that a fundamental purpose of all new service development is to contribute to the further development of the business as a whole (Johne and Storey 1998, p. 16).

An alternative approach in this study could have been a purely management-originated methodology, which could have concentrated on entirely operative issues. This kind of approach has been recommended by Johne and Storey (1998, p. 7), who state that ‘offering development comprises a set of business activities undertaken by suppliers acting in their own self-interest. It is appropriate, therefore, for these activities to be studied from the viewpoint of the supplier, rather than from the viewpoint of the customer.’ The author has, however, made a conscious decision to cover both the operative and strategic levels of offering development and in so doing stressing the
management as well as the customer perspectives in order to achieve a deeper understanding of the area and processes studied. In this way suitable conditions for successful offering development modeling seen from both from a managerial and customer point of view are best guaranteed.

Comparing with many other areas in marketing one can also say that the scope of this study represents an area, which has not been ‘over-researched’. Alam (2002, p. 251) states that ‘new service development has started to receive increased attention, but limited empirical evidence exists about how new services are developed because the literature is still embryonic in nature’. In fact, the author feels that there is a clear need for new approaches and thoughts. ‘In services markets, conventional new service developers have been shown to rely heavily on copying the lead of innovator companies. This practice is dangerous because innovator companies that issue forth new services may well not be leading edge new service development-developers.’ (Johne and Storey 1998, p. 22) In other words, the development processes as such should also be developed.

One should be aware that offering development in services industries is usually considered to be more demanding than the traditional product development. That originates from the special nature of services (see for instance Grönroos 2000 or Johne and Storey 1998). Alam and Perry (2002, p. 516) argue that the major point of difference is the involvement of customers in services. Alam (2002, p. 251) points out that many service industries are turbulent and rapidly changing, which increases the need to develop new service offerings that are timely and responsive to the user needs. In their review of the existing literature about new service development Johne and Storey (1998, p. 185) summarise the thoughts of many scholars and state the following:

‘...service suppliers must develop not only the precise form of the service product, but also the appropriate nature of interaction with customers. Because the interaction process is typically an integral part of a service, the development of a new service is usually far more complex, conceptually, than the development of a new tangible product.’

Consequently, in this study, offering development is seen as a quite broad and ramified activity. The major object of offering development can be either an existing product/service combination or a totally new product/service entering the market. Furthermore, offering development as a concept is wider than traditional new product development (see Kotler, Bowen and Makens 1996, Booz et al 1982, Olsen, Tse and West 1992, Kotler and Armstrong 1993) and product design (see Bradley 1995, Kotler and Armstrong 1993, Kotler, Bowen and Makens 1996). While offering development is usually seen to cover the whole process from idea generation to market entry, further elements or dimensions can be included in the concept of service offering. For instance, Kinnunen (2001) presents an interesting framework, where the level of concretisation in planning decides, whether the development process is in the service idea, service production concept or in service design phase. Kinnunen also defines all three terms and her definition of service design is as follows: ‘A detailed, operational and concrete
implemenation level model of the service’ (Ibid, p. 63). According to her thinking, service design is more of a theoretical phenomenon than an operational managerial process. Also, the concept of service construction can be found in the literature (see Norlin and Olsen 1996). Offering development is, however, a more comprehensive concept from the company point of view incorporating strategic issues, while new product development, product design and even service construction can be perceived as mainly operatively orientated processes. Quite few scientists have studied the service (or offering) development processes. Some research can, however, be found concerning service production processes (see for instance Bitner 1992, Edvardsson 1996a & 1996b, Grönroos 1987 & 1990, Halinen 1994, Lehtinen 1982, 1986 & 1988 and Liljander and Strandvik 1995).

Offering development is a continuously repeating (iterative) process. In this study, the term ‘offering’ is looked upon as a whole that a company is providing to its customers, consisting of the core service, facilitating services/goods, supporting services/goods, the service concept, interactions, accessibility of the service and customer participation. The framework is partly based on Grönroos’ model ‘The augmented service offering’. See Grönroos (1987, 1990).

In addition, the term ‘product development’ refers to the development of tangible goods (so called traditional product development) and the term ‘service development’ refers to the development of services. Many scholars (see for instance Johne and Storey 1998, p. 2) talk about ‘service development’, when something already existing is only improved, and about ‘new service development’, when a totally new service offering (or product) is created. As in the literature, the terms ‘service development’ or ‘new service development’ are often replaced by ‘service design’ or ‘service construction’, they are in this study considered to be synonymous terms. This decision is conscious and despite the fact that some authors claim that a definitional difference between ‘service development’ and ‘service design’ can be found. For instance Fitzsimmons and Fitzsimmons (2000, p. 5) argue that service design specifies the detailed structure, infrastructure and integration content of a service operations strategy, whereas service development refers to an overall process of developing new service offerings. See also Roth and Jackson (1995) and Roth and van der Velde (1991).

Especially Scandinavian scholars (for further references see for instance Dahlström 2002, Edvardsson 1995, 1996a, 1996b, Edvardsson et al 1995, 2000, Gottfridsson 2001, Norling 1993 and Wilhelmsson et al 1994) have been active in studying the area of service development. This special interest goes at least partly hand in hand with the so-called Nordic school of services, which played an important role in the very beginning of the era of services marketing. In general, service development is described as a process leading from an idea to a new or an altered service offering. Most scholars seem to believe that despite the fact that innovation always up to some degree is not controllable, a systematic approach is possible. An interesting aspect is to try to identify the mechanisms, which feed the development process(es) with external information. The author of this study believes, that more research about that flow of information is definitely needed. Output is always strongly dependent on the input.
Defining a ‘new’ product is not an easy task. Trott (2002, p. 207) states that a product is a multidimensional concept and therefore, it can be defined differently and it can take many forms. Furthermore, the product has in most cases both tangible and intangible features, which increase the difficulties in defining the ‘newness’ of a product. Fitzsimmons and Fitzsimmons (2000, p. 2) define a new service as ‘an offering not previously available to customers that results from the addition of offerings, radical changes in the service delivery process, or incremental improvements to existing service packages or delivery processes that customers perceive as new’. Many researchers, however, (see for instance Rogers and Shoemaker 1971, Booz, Allen and Hamilton, 1982 and Trott 2002) suggest the simple approach that a product (or a service) is new if it is perceived as new. In the present study offering development deals mostly with the development of existing services. That is simply because the studied restaurants are rather well advanced in their life cycle. If the empirical material had been collected from companies just starting their activities, the center of gravity would have been in developing totally new services.

Offering development is in the present study looked upon from a strategic point of view and a strategic approach is prevailing in this study. Offering development is an extremely complex activity that goes through the entire organisation. This study tries to introduce new - more dynamic and more process-orientated - approaches to offering development. Offering development deals with many different kinds of processes in a company. However, quite often only processes visible to the customer are developed and improved. Customers are also very visible in this study as the topic is explicitly approached both from the management perceptual and customer perceptual points of view. Even though these two parties have different kinds of motives and aims behind their behaviour, they both certainly benefit from proper offering development processes and procedures. Therefore, in an ideal case, offering development processes have a positive impact on both of these parties. It is of course quite clear, that in an ideal case all managerial actions are taken with the customer dimension in mind. Therefore, the customer dimension is usually incorporated into the managerial perspective and they are considered together as one single dimension.

Besides traditional product development models, very few conceptual models can be found in the literature. In most models product/service development is seen as the process concerning a single operative project rather than a continuous strategic process covering, so to say, consecutive product/service developments. There is also a clear need for new conceptual approaches, which take into account the specific characteristics of the industry in question - in this case the Finnish restaurant industry. A conceptual model increases the general understanding of the studied phenomena and also helps companies to plan and, potentially, to convert their efforts in the offering development into a strategic competitive advantage. When this is carried out in close co-operation with the customers, the managerial and customer-related benefits are obvious. The empirical data for this study has been collected in two stages from six Finnish restaurants concerning both managerial and customer perceptions. All restaurants can be considered as successful and, therefore, also positive outcomes of successful offering development processes. According to the knowledge of the author,
no similar studies have been carried out in the restaurant industry in Finland or elsewhere in the world.

1.2 Aims of the study

The core aim in this study is, generally speaking, to increase our understanding of the offering development processes in service firms. To achieve the core aim, four sub-aims have been identified. The first of these is to generate, in a first step, a management perception-based conceptual offering development model, which can be used as a tool in strategic planning. The second is to find out, on one hand, how customers perceive certain service offerings and, on the other hand, how the management believes that the customers perceive those offerings. How the management believes that the customers perceive the offerings will, in the following, be called management beliefs or manager beliefs. The third sub-aim is then to locate possible gaps between the customer perceptions and the management beliefs. The final sub-aim is to generate an extended offering development model based on the management perceptions (first sub-aim) as well as on gaps identified under the third sub-aim.

The first sub-aim is based purely on managerial data and the second sub-aim is based both on managerial and customer data. The conceptual offering development model (first sub-aim) can be looked upon as a descriptive model describing how managers of successful restaurants perceive the offering development process and what they perceive as important forces and circumstances regulating the process. The purpose is not to verify the first managerial offering development model in the latter part of the study. The first model rather creates a foundation for the extended offering development model, which takes into account both managerial beliefs and customer perceptions in a comparative way. The comparison between management beliefs and customer perceptions reveals potential points of friction between how the managers believe that the customers perceive the offerings and how the customers actually perceive them. In the following the latter part of the study (second and third sub-aims) will be called 'the customer-management study'. Empirical data, which has been collected from the customers and managers, also cover other areas than the specific offering. This is motivated because of the core aim. Throughout the study a strong process-orientation is prevailing.

In relation to previous research the presented aims represent an attempt to take the nonlinearity of the studied process(es) into account and to view all the processes from a strategic perspective. Both of these issues have been explicitly stressed by Fitzsimmons and Fitzsimmons (2000, p. 24f). Further, the study attempts to fill a gap identified by Johne and Storey (1998, p. 11); they state that 'it is surprising that there has not been more effort to develop a specific service development model'. Same authors also remind us that most of the empirical research in service development has concentrated on the financial sector due to the heavy emphasis of the sector on product development.
(ibid, p. 20). At the same time the traditional problem of associating innovation with only tangible product industries is avoided (see for instance Alam 2002, p. 252).

With the help of the presented aims the attempt is to raise the entire research area to a higher level in the sense that the attempt is rather to increase knowledge on a general level than try to develop suitable operative procedures or strategies for a single industry. The following figure shows elucidatorially the interrelations between the five aims.

**Figure 1** Interrelations between the aims of this study

![Diagram of interrelations between aims](image)

1.3 Methodological approach

The formal marketing research process can be viewed as a series of clearly identifiable steps. In order to conduct a research project effectively, it is essential to anticipate all the steps and recognise their interdependence. (Kinnear and Taylor 1987, p. 20) Also
the metaphors ‘journey’ and ‘trip’ have been used in order to better describe the persistent nature of marketing research (ibid, p. 32).

The process can, to some extent, be self-piloting and therefore the problem discussion and setting of objectives in the very beginning of the project are in a key position. In addition, a theoretical framework should be created. That framework explains, either graphically or in a narrative form, the main things to be studied - the key factors, constructs or variables - and the presumed relationships among them. These frameworks can be rudimentary or elaborate, theory driven or commonsensical, descriptive or causal (Miles and Huberman 1994, p. 18). The theoretical framework for this study is presented in section 7. The general flow of the research process can be described as follows.
Exclusive of the author’s preunderstanding (see a more detailed discussion in section 1.5) the entire research process has lasted for more than six years. However, most of that time the author has been working fulltime and the research process has had a secondary role. The last two years, however, have been more or less dedicated to research, as the author has had a possibility to live and work with his family in
Budapest, Hungary. In August 2004 the author returned back to Finland with his family and started to act as dean for Haaga Institute Polytechnic’s business degree programmes.

The managerial study concentrates on a small geographical region, the Helsinki Metropolitan area. The number of cases (six restaurants) is quite small, but during the collection of data a certain saturation effect was noticed and therefore, the marginal utility of any additional case could be expected to be small. In practise, the implicit model was mostly formed at the beginning of the research process. However, possibilities to make generalisations is always an issue as all studied cases represent different kinds of situations and the level of heterogeneity among them is high. Another alternative could have been to study just one case from many different perspectives, but the author fealt that a higher number of cases gives better possibilities for developing a broader empirical foundation, which supports the model-building process in a proper way.

The combined customer-management survey has been carried out among frequent customers and managers of three of the original six restaurants already studied from the managerial point of view. Therefore, the reader has to be aware, that these frequent customers can be assumed to have a rather positive perception of the studied restaurant and that they already have - so to say - made their decision. In other words each studied restaurant probably represents to each respondent some perceived benefits in relation to other possible options. All studied three restaurants have a frequent customer database, which has made it possible to create a sample. The decision to choose frequent customers was based on the thinking, that they – based on their previous visits to the restaurant – are capable to assess different dimensions of the studied restaurant offering. A totally identical questionnaire was also delivered to the managers. The wording of all questions was designed with a customer in mind, but the managers filled out the questionnaire under the presence of the author. The managers were asked to answer the questions as they believe that their customers would answer them.

As customers and managers answered identical questions, a comparison of their answers was made possible. It is important to point out, that the managers were asked to answer what they think the customers would answer- not as they personally, as individuals, perceive different aspects of the offering. In this way we can test, how well the managers know their customers, i.e. how well the managers know how the customers perceive the offerings.

Methodologically, the managerial part (second aim) of this study is highly qualitative and inductive. The case study approach has been used in order to generate a model describing the process of offering development in successful restaurants. The theoretical framework has been created on the basis of an extensive review of the existing literature about traditional product development and service development. The customer-management-based part of the study is a combination of qualitative and quantitative approaches and the framework behind it is partly based on the same literature as the managerial part. Methodologically, the combination of qualitative and quantitative approaches has turned out to work quite well. See also the discussion in
Silverman (2000, p. 11). However, during the research process the managerial conceptual framework has been expanded and new theoretical background material has been brought in, mainly from the areas concerning company identity, consumer behaviour and customer participation.

One of the final outcomes of this study, the extended conceptual offering development model, is both of a descriptive and a normative character and quite process-orientated. The research approach is holistic and the attempt has been to capture both the process itself and the regulating forces and circumstances from a managerial point of view. The model has been built gradually throughout the whole process of collecting the empirical data. The approach has been inspired by the grounded theory (see Glaser and Strauss 1967, Glaser 1978 and Glaser 1992). Glaser and Strauss (1967, p. 28) emphasise that the main objective of grounded theory-orientated research is to generate theory rather than to verify it. In addition, Glaser and Strauss have the rather liberal view, that anyone can create their own theory as long as they start from reality. Certainly the theory should be tested, but this can only lead to its modification, not its destruction, since a theory can only be replaced by another theory (ibid, p. 28, Alvesson and Sköldberg 2000, p. 16). Since grounded theory is about theory derived from data, it is developed inductively – not deductively. The latter alternative seeks, according to Glaser and Strauss (ibid, p. 29), to start from theories ’divorced from reality’. Glaser and Strauss also state, that among the requirements for a theory it should be ’usable in practical situations and it should give the practitioner an understanding and some control of situations’ (ibid, p. 3). Further, there are two kinds of grounded theory, substantive and formal (see Glaser and Strauss 1967, pp. 32-35). The difference between them is said to be that ’the substantive theory is developed from a substantive, or empirical area, while the formal theory is developed from a formal or conceptual area’ (Alvesson and Sköldberg 2000, pp. 30-32). This study lies in-between these two extremes. The author does not, however, claim that the used methodology represents a ’pure’ use of grounded theory. The theoretical framework, which has been used in the empirical part, has been structured on the basis of the existing literature. Obviously, the chosen literature and the author’s pre-understanding have directly affected the theoretical framework and indirectly the final outcome of this study. It is, however, clear, that theory plays an essential role in all research: ’Theory should be neither a status symbol nor an optional extra in a research study. Without theory, research is impossibly narrow. Without research, theory is mere armchair contemplation’ (Silverman 2000, p. 86).

The empirical material used concerns success factors and loyal customers as all study objects (restaurants) can be characterised as ’successful’ and all chosen customers as ’loyal’. Another possible approach could have been to choose only failure cases and not so frequent customers or some kind of combination of different types of restaurants and customers. However, that would probably have included problems with access and in acquiring valid and reliable information.

Case study-based theory building is always a demanding task. Eisenhardt (1989, p. 546ff) points out three explicit strengths and two weaknesses of theory building from cases. As the biggest strengths, she sees the likelihood of generating novel theory, the
testability of the emergent theory and the empirical validity of the resultant theory. As the biggest weaknesses she sees the possible complexity as well as narrowness and idiosyncraticeness of the new theory. The author is also fully aware of the potential biases in the chosen customer sample as it represents a group of people already having a positive perception of the studied restaurant. On the other hand, these customers may provide us with a deeper understanding of the underlying structures of their positive perceptions. In qualitative research the author is always a subject and very present throughout the study. Therefore, there is a clear danger of subjectivity. Throughout the study the attempt has been to give as much information as possible to the reader about the methodological issues in order to provide a good grounding for an assessment of the level of subjectivity. The author’s preunderstanding is discussed in section 1.5. The combined customer-management survey includes mostly quantitative elements and the analysis of these has been carried out accordingly.

Kjellén and Söderman (1980, p. 19) point out that the case method is not only suitable for an explorative research approach, but also for an explanatory approach. ‘Therefore, the case method should be seen as a research method, rather than just a data-collection method’ (ibid, p. 19). In this study, the case method is combined with the customer-management study. Together they may provide us some additional knowledge about the structures of offering development processes in successful cases.

The two conceptual offering development models have been built gradually throughout the process of collecting the data. Therefore, the interesting question is how far the results can be generalised. In this study the final outcome has reached a level where it represents six cases in the managerial study and three cases in the combined customer-management study. It is up to the reader to decide, whether the results can be generalised to other types of restaurants or to other geographical areas.

The two models have been created successively so, that the latter extended offering model is based on the first offering development model. Both models are reviewed in this report. As stated earlier, the first model is based solely on managerial data and the second extended model on both managerial and customer data. The first model gives an understanding, how offering development is carried out in successful restaurants and the second model is a further-development taking into account also customer perceptions.

1.4 Management orientation and customer orientation as two overlapping dimensions in offering development

In this study the topic offering development is approached from the managerial perspective. It is quite obvious that in proper management thinking the customer perspective should be incorporated in the management perspective. The empirical fieldwork among managers and customers has been carried out separately and
chronologically following each other. At the end of the study all data is analysed in a comparative way in order to create a holistic understanding of offering development processes in a company.

The pure managerial perspective is based on such thinking, that all matters in a company are viewed through the company’s managerial processes. Managing a service company is a very complex and multi-level process as the management has to consider the operational goals of efficiency and productivity through its marketing strategy. The strategy also has to consider the human resource issues of hiring, training, and compensating the work force. The fundamental characteristics of services require a marketing strategy different from that applied to physical goods. Since the service offering can be regarded as a process that is consumed as it is performed, it cannot be inventoried and it is likely to vary from one time to the next. Marketing such a product poses a unique set of challenges and opportunities’ (Fisk, Grove and John 2000, p. 48).

One of the important managerial tasks in a company is environmental scanning. That is, to monitor internal and external environments for changes that pose threat or opportunities to the service organisation (Ibid, see also Kokko 1999, pp. 111 - 112). It is important to note that the managerial perspective also includes an element of proactivity rather than reactivity. The management should be introducing new offerings to the customers and not vice versa.

Kumar, Scheer and Kotler (2000, pp. 129 - 142) make a difference between market driven and market driving companies. According to their study of 25 pioneering companies, a majority of the successful companies can best be described as market driving. ‘While market driven processes are excellent in generating incremental innovation they rarely produce the type of radical innovation, which underlies market driving companies. Market driving companies, which are generally new entrants into the industry, gain a more sustainable competitive advantage by delivering a leap in customer value through a unique business system. Market driving strategies entail high risk, but also offer a firm the potential to revolutionise an industry and reap vast rewards’ (ibid, p. 129). In other words, a company should know better, and in that knowing the management plays a key role. The management is also responsible for developing the company’s intellectual environment and creating a favourable environment and proper technical conditions for new developments to become realised. (See also Berry 1999, pp. 123 - 155 and Saarinen and Lonka 2000.)

When we are talking about customer perspective in the present context, we mean how the customers perceive the offering. That is not necessarily identical with what the management originally planned. However, most companies try to be customer orientated and one possible definition for this kind of companies could be the one of Kotler and Armstrong (2001, p. G-3): ‘A customer-centered company is a company, which focuses on customer developments in designing its marketing strategies and on delivering superior value to its target customers’. In other words, the company operates with clear customer benefits in its mind. Cartwright (2000, p. 38) also writes about the growing demands on the companies and states that ‘there has been a time when customer satisfaction was the ‘in’ phrase. Today mere satisfaction is unlikely to gain
lasting customer loyalty. What organisations need to do, is to delight their customers. One can only delight somebody else if one is close enough...

Among others, Kuokkanen (1997, pp. 48 - 54) has written about customer involvement. According to his research, involvement may be defined as ‘a heightened motivational state’ (ibid, p. 49). He also states that in high involvement situations consumers are assumed to be more active in their information processing and in their subsequent behaviours. (See also Mittal 1989, p. 700, Richins 1983, p. 77 and Richins 1984, p. 699.) Customer involvement is an essential element in offering development as the big challenge for any service company is to keep managerial processes and customer processes as tightly integrated as possible. The problem, however, is that only the managerial processes can be entirely controlled. The possible control over customer processes is of highly indirect character.

Management orientation and customer orientation are by no means different or competing perspectives. As stated earlier, in any successful company these perspectives are integrated and the mental distance between the management and the customers seems to be getting shorter.

Besides trying to fulfill the presented five aims, the attempt with this study is also to check how market-orientated the managers of the studied restaurants are and how well they know their customers. Therefore, the potential gaps between customer perceptions and manager beliefs are highly interesting. In the following section the author’s pre-understanding is discussed.

1.5 Author’s pre-understanding

The used research method - especially in the managerial study - is quite author-driven as working with cases always automatically includes a high level of subjectivity. Therefore, it is justified to take a look at the pre-understanding of the author. This allows the reader to assess the possible impact on the obtained findings.

The concept of pre-understanding can be defined in many ways. As one scholar states: ‘In response to frequent or everyday occurrences, individuals have developed a pre-understanding in order to avoid having to bother themselves with the interpretation of these events. Sense impressions, interpretation, understanding and language merge instantaneously, making it impossible to identify separate phases’ (Ödman 1979, p. 45). A more general definition could be the one of Gummesson: ‘The author’s previously acquired insights into a specific problem and social environment’ (Gummesson 1988b, p. 11). The concept of pre-understanding is influenced by many factors. In the following figure the most important factors are reviewed.
Figure 3 The components of pre-understanding

![Diagram showing the components of pre-understanding]

Source: Adapted from Gummesson 1988, p. 60 and 63

As presented in figure 3, there are five components that directly affect pre-understanding. All these components can also be identified in this study and in the following a short discussion of each one is presented.

1. **General development in the society** has been extremely positive from the hotel and restaurant industry point of view. The entry level is quite low and therefore the industry has been in a constant positive turmoil, which has been created by new people entering the business. That can be seen as a highly motivating factor and the people working in the industry tend to stay loyal to their line of business. The hospitality industry has also become a trendy business because of positive media coverage, cooking programs on TV and increased internationality. This kind of general development has certainly affected the author’s pre-understanding towards some kind of ‘branch optimism’.

2. **Personal experiences** always have a direct impact on the pre-understanding. Since 1986 the author of this study has had the formal role of dean, associate professor, teacher, consultant, lecturer and manager. If one adds all the informal roles throughout the years, it is quite clear that the author’s pre-understanding has been in a constant process of development. One detail that should be mentioned is the fact that the author has observed the industry from many different perspectives and this may have given some depth to his pre-understanding. During the research process the author has also lived and worked permanently both in Finland and in Hungary, which has given an international flavour to his approach. The author has also worked as a freelance columnist for two Finnish-speaking industry magazines – Vitriini and Menu-lehti – throughout the research process.

3. **Own development** has always a direct impact on the pre-understanding. In this case, the author has educated himself constantly after his masters degree - first pedagogically and later through postgraduate studies. The present employer Haaga Institute Polytechnic has also provided a lot of industry-specific further education. In Hungary, the author’s employer, University of Hertfordshire - Szamalk TCC, has also provided some training - mainly in pedagogical and methodological matters.
4. The access level in this case is very high due to a generally good collaboration among people in the industry. Haaga Institute Polytechnic enjoys an established position in the Finnish hotel and restaurant industry and has been a good platform for this study. In addition, the roles of teacher, lecturer and researcher enable an easy access to most information sources. However, as mentioned earlier the access level is always higher when one is dealing with successful cases as compared to working with unsuccessful cases.

5. In addition to other factors, one has to take into account all intermediaries that directly shape one’s pre-understanding. The most important ones are books, journals and other materials, which directly relate to the author’s work. Intermediaries also include personal contacts with people working or studying in the industry. During the years 1986-2004 the author has had interactions with hundreds of people either studying or working in the hotel and restaurant industry both in Finland and abroad. The author is also a board member of one medium-sized spa-hotel in Southern Finland.

The concept of preunderstanding has to be taken into account when judging the validity and reliability of a study. The minimum requirement for any successful research is that the author is aware of all factors that have directly or indirectly affected the author’s preunderstanding. It is clear that an existing preunderstanding always has a direct and indirect impact on the author’s way of carrying out a research project. On the other hand, without a preunderstanding it is not very easy to operate systematically because of lacking knowledge about explicit and implicit structures of the studied area.

1.6 Structure of the research report

The research report consists of twelve sections. After an introduction and presentation of the service sector a literature review is presented. The review is divided into three parts, the first one covering theories and models on traditional product development, the second one covering theories and models on service development and, finally, the third part covering the role of the customer in services marketing. A general overview of each part is presented at the end of the section in question. Also the Finnish restaurant sector is briefly introduced in order to give the reader some necessary industry-related background information. The synthesis of the theory part is presented in section 6 in a form of a conceptual framework covering both the managerial and customer points of view.

In section 7 the empirical research design is presented and in section 8 the empirical data delivered by the managers are shown case by case. The empirical data concerning the customers are presented in section 10. At the end of sections 8 and 10 a general summary of all cases is presented. On the basis of the empirical findings, a comparative analysis between customer perceptions and management beliefs is carried out and some general conclusions are made (sections 11 and 12). At the end of the research
report the author presents some managerial implications, assesses the validity and reliability of the entire study and, finally, comes up with ideas for further research (sections 12.1 – 12.4).

All sections start with a general introduction after which an in-depth analysis is carried out. This kind of approach makes it possible to treat each section as a separate unit. However, all sections are closely linked to each other. The structure of the study can schematically be divided into five blocks as follows.

Figure 4 The structure of the study
2 THE SERVICE SECTOR

2.1 General characteristics

A typical approach to services in marketing is to look at differences between physical goods and services. For example, physical goods can be described as ‘tangible’, ‘standardised’, ‘non-perishable’, and characterized as ‘production separated from consumption’, while services are ‘intangible’, ‘heterogenous’, ‘perishable’ and characterized as ‘simultaneous production and consumption’. (Zeithaml and Bitner 1996, p. 19)

Marketing as a discipline has gone through many different paradigm shifts. It has moved through stages that can be called ‘production orientation’, ‘sales orientation’, ‘customer orientation’ and ‘technology orientation’. However, most scholars feel that we already have entered the next era, which can be called ‘relationship orientation’, where special emphasis is laid on the relationships between companies and their clients and between different companies. (See for instance Grönroos 1995, Gummesson 1995 and Halinen 1997.) For example, Grönroos goes as far as to see this (already ongoing) paradigm shift as a question of life and death and claims that: ‘A paradigm shift in marketing is needed if marketing is to survive as a discipline!’ (Grönroos 1995, p. 10)

Brown, Fisk and Bitner (1994, p. 24) emphasise the young age of the services marketing thinking and have divided its history into three different periods:

1. Crawling out (pre -1980)
3. Walking erect (1986 - present)

During the past decade more and more detailed information has been gathered about the specific characteristics of services and service-providing companies. (See for instance Grönroos 1990, p. 28). The most common characterisations emphasise the active role of customers, the importance of interaction and the uniqueness of a service encounter as a solitary experience.

2.2 The development of the service sector

World War II can be seen as a milestone in the development of the service sector. At the end of the war, major social and economic changes transformed western economies. The restructuring of the shattered European economy brought about massive new investment projects, which for example placed new demands on the financial sector.
Specialisation in all areas of production meant that businesses became more reliant upon contracted services. (Payne 1993, p. 2)

´Services became not simply a tertiary industry but an integral and vital part of all activity.´ (Irons 1993, p. 2)

The development of the service sector has also influenced marketing as a discipline. However, the process has been quite slow. As early as in 1960 Robert Keith wrote about the future of marketing:

´Soon it will be true that every activity in the corporation - from finance to sales production - is aimed at satisfying the needs and desires of the consumer. When that stage of development is reached, the marketing revolution will be complete.´ (Keith 1960, p. 38)

In other words, the revolution has been going on for a long time. The pace of this revolution has, however, accelerated and we have seen drastic changes in businesses which only ten years ago were more or less totally production-orientated. There have also been huge macro- and micro-level changes in society, which have affected people in many different ways. The following categorisation is adapted from Payne (1993, pp. 4ff):

DEMOGRAPHIC CHANGES: Life expectancy has risen and structural shifts in communities have affected where and how people live. The result in most countries has been a rapid urbanisation process.

SOCIAL CHANGES: The increased number of women in the workforce has led to previously domestic functions being performed outside the home. More and more households are so called two-income households and the quality of life has improved. Furthermore, international travel and mobility have produced more sophisticated consumer tastes and the greater complexity of life has created a demand for a wide range of services. Technology, communication and travel have also increased aspiration levels.

ECONOMIC CHANGES: Globalisation has increased the demand for communication, travel and information services and, increased specialisation within the economy has led to greater reliance on specialist service providers.

POLITICAL AND LEGAL CHANGES: Governmental structures have grown in size creating a huge infrastructure of service departments, and internationalism has created increased and totally new demands on legal and other professional services.

Even though these changes have taken place gradually, the national economies have gone through a period of drastic change. Accordingly, most companies have been forced to adapt themselves to the new environment. In most cases that adaptation has included a gained importance of services and services marketing.
Besides ideas about services, services marketing and about relationship marketing, the moral and ethical side of marketing has come to the forefront. In most modern textbooks a section about ethical marketing is included and issues like environmental concern, honesty and credibility are discussed widely. Despite the ongoing revolution, one should not forget that without people who trust each other no marketing is possible. Kotler, Bowen and Makens (1996, p. 37) are calling for comprehensive corporate marketing ethics policies that would cover distributor relations, advertising standards, customer service, pricing, product development and general ethical standards.

Marketing as a science is clearly moving towards a stage where spiritual values and the view of life are of great importance. Consumers reflect their own values through their product and service consumption. In all product and service development it should be taken into account that the outcome of all development processes should ethically and morally match with the values of the existing and potential customers. See also Ridderstråle and Nordström (2004, pp. 15-20).

‘Each company and manager must work out a philosophy of socially responsible and ethical behaviour. ... A clear and responsible philosophy will help the marketing manager deal with the many knotty questions posed by marketing and other human activities.’ (Kotler, Bowen and Makens 1996, p. 38)

In other words, ethics and morals should probably be built into the company’s offering development procedures. Ethics and morals can be used as tools in anchoring the company to the moral contexts of its existing and potential customers. According to Lehtinen and Storbacka (1997, p. 38), customer ship should not only be seen as a share of customers’ financial resources, but also as a share of customers’ hearts and thoughts. Common values facilitate all co-operation. In the next section a closer look is taken at the more recent changes in the marketing environment and marketing thinking.

2.3 The paradigm shift in marketing

During the recent years many scholars (see for instance Berry 1995, Grönroos 2000, Gummesson 1999, 2000, Möller and Halinen-Kaila 2000, Sheth and Parvatiyar 1995) have suggested that a new paradigm in marketing is needed. According to them, the traditional exchange of value as a core phenomenon in marketing (‘transaction marketing’) is no longer sufficient as buyer-seller interactions have become more and more important. In Europe, this new direction of marketing (‘relationship marketing’) was initiated in services marketing by the Nordic School of service marketing (Grönroos and Gummesson 1985) and in industrial marketing by the IMP (‘Industrial Marketing and Purchasing’) (Håkansson and Snehota 1982). Both of these research groups originated in Scandinavia, but have gained recognition worldwide. (Berry and Parasuraman 1993)
According to this new perspective, relationships between parties are considered the core phenomenon in marketing and continuous purchases as well as cross-sales opportunities are the results of well-managed relationships. As a way of thinking, the relationship aspect is actually quite old (Sheth and Partiyar 1995, pp. 397-418), but for some reasons marketing as a science has for a long time been very transaction-orientated and therefore, the operative marketing procedures have supported the exchange aspect rather than emphasised the importance of managing relationships. The major focus of marketing has been moved away from products as they only are facilitators of value. Instead, the value for customers is created throughout the relationship by the customer in interactions between the customer and the supplier or the service provider. The value emerges for customers through the value-creating processes and is also perceived by the customers. Marketing is inherent in most business functions involved in these value-creating processes - also when no explicit purchasing is taking place. (Grönroos 2000, pp. 24f) Healy, Hastings, Brown and Gardiner (1999, p. 185) state that there is a lot of confusion surrounding the term ‘relationship marketing’ and they have identified three quite narrowly defined themes: (Ibid, p. 186f)

1) Relationship marketing - Focus on buyer-seller interaction
   - Role of other elements within distribution channel ignored
   - Groundwork for research in other areas of marketing - such as channel relationships
   (See also Berry and Parasuraman 1991, Dwyer et al 1987, Perrien et al 1993.)

2) Neo-relationship marketing - Interest in buyer-seller relationships has been extended to other relationships
   - Although the unit of analysis is still dyadic, the dyad can be other than one buyer-seller relationship
   - More than one dyad can be involved in any given exchange-situation

3) Network Theory - Instead of looking at dyadic relationships more complex structures of networks were sought
   - Based on actors-activities-resources model, which suggests that networks are dynamic entities exhibiting interdependence and connectedness between actor bonds, activity links and resource ties
   - ‘fashionable topic’
Despite the theoretical definition, the shift of focus includes many considerable changes for operative marketing. The traditional mass-marketing measures are becoming less effective as customers feel that in a working relationship the communication is more personalised and tailored to the customer’s specific needs (see Kokko and Moilanen 1996). According to the relationship thinking there is also an inter-dependence between the buyer and the seller; therefore, the traditional comprehension of ‘opposite sides’ is not totally true any more.

Strategically the implementation of relationship thinking presupposes a fulfillment of at least the following three requirements: (Grönroos 1996, pp. 7-18)

1. The business has to be redefined as service business and the key competitive element as service competition.

2. The organisation should be looked at from a process management perspective rather than from a functionalistic perspective.

3. Partnerships and networks need to be established in order to handle the whole service process.

Successful operative management of relationships is only possible, when there are strategic premises, which support the seeking of direct customer contacts, handling customer information and generally developing a customer-orientated service system. (Grönroos 1996, pp. 7-18) It is also very important to remember, that according to the relationship perspective, ‘once the relationship has been established, customers are customers on a continuous basis – and they should be treated as such regardless of whether at any given point in time they are making a purchase or not. Firms which understand this and perform like this treat their customers as relational customers.’ (Grönroos 2000, p. 34) This kind of thinking is quite a challenge for a service company where the customer has traditionally been viewed as the person explicitly purchasing. According to the modern thinking the profit from each customer is generated throughout many years while according to transactional marketing thinking the profit was generated more or less ‘here and now’.

Relationship marketing is based on a new way of seeing the relationship between the customer and the company. Marketing is seen as the management of customer relationships and other relationships. In order to be able to work effectively with relationships, a marketing attitude of mind is required throughout the organisation. The
entire marketing philosophy relies also on co-operation and trust, and is possible only if it is backed up by the whole organisation.

Vargo and Lusch (2004A, 2004) have also discussed the paradigm change. Their thinking can best be demonstrated and summarised with the following quotation:

"The focus is shifting away from tangibles and toward intangibles, such as skills, information and knowledge, and toward interactivity and connectivity and ongoing relationships. The orientation has shifted from the producer to the consumer. The academic focus is shifting from thing exchanged to one on the process of exchange. Science has moved from a focus on mechanics to one on dynamics, evolutionary development, and the emergence of complex adaptive systems. The appropriate unit of exchange is no longer the static and discrete tangible good. ... We anticipate that the emerging-service-centered dominant logic of marketing will have a substantial role in marketing thought. It has the potential to replace the traditional goods-centered paradigm." (2004A, p. 15)

Further, Vargo and Lusch state that ‘the strategy of differentiating services from goods should be abandoned and replaced with a strategy of understanding how they are related’ (2004, p. 334). In other words, they argue that a paradigm shift can be a result of an integrative process. The same authors feel that more work needs to be done in rethinking the concept of value creation and distribution from a service perspective. Only after that there is potential to break free from a traditional marketing perspective. (Vargo and Lusch 2004, p. 334)

The paradigm shift in marketing has drastically changed many marketing activities. Also operationally a clear shift away from traditional mass-orientated measures towards more personalised and customised approaches can be noticed. At the same time the focus of strategic thinking has shifted a little bit away from products and markets towards resources and competence (Zack 1999 in Heikkinen 2002, p. 8). This is also a big challenge for offering development because relationship thinking gives us totally new and unpredictable challenges as we are developing our services and products. Even the relationship itself has become a target of continuous scrutiny, and if possible, development. Therefore, as we keep on looking at the field of offering development, we have to remember the remarkable changes in the marketing environment during the recent ten years. In the following a look is taken at the Finnish restaurant sector in order to describe the environment in which the empirical fieldwork has been carried out.
2.4 The Finnish restaurant sector

2.4.1 General features

Product and service development is always highly influenced by the structure of the industry in question and other environmental factors. As the empirical material for this study has been collected from six restaurants located in Helsinki, it is highly motivated to give the reader some industry-related information. The Finnish restaurant sector has traditionally been quite open industry despite some legislative restrictions in connection with the sale of alcoholic beverages. Ironically, that openness has increased the level of vulnerability, which has become more emphasised during the difficult years in the Finnish economy in the early 1990’s.

The Finnish restaurant sector has always had an established position in the society. Throughout its history it has been highly regulated by the state. (For a deserving and comprehensive historical review of the history of the Finnish restaurants during the 20th century, see Sillanpää 2002.) Finland’s membership in the EU in 1995 had a clear liberalisative effect on the industry and that trend seems to be continuing. Regulations for selling alcoholic beverages have been eased and entering barriers to the industry have been lowered. The result has been a strong growth on the supply side. During the years 1990-1993, Finland experienced a deep recession and the demand fell on average 5%/year. The result was that in 1993 the demand had fallen to the 1986 level. From 1993 onwards the trend has been a positive one and the 1990 demand level was captured in 1997. (Mankinen 1997, p. 24ff) The demand level in the year 2001 was the all-time high (Lankinen 2001A) and the same positive trend continued during the year 2002. However, during the year 2003 the volume of restaurant sales dropped but prices went up a little bit. As a result, the total turnover of the industry went up 2.2 % (Ruohonen 2003, p. 28).

Finland itself is a relatively small market and therefore, the hospitality industry is also small in international comparison. In 2000 the total annual sales of the hotel and restaurant sector in Finland was Euro 4.7 billion (Lankinen 2001A). The market itself is quite small, as the previous figure compares with only one tenth of the annual sales of McDonald’s International in 2001 (Restaurants and Institutions 1995, p. 62, www.mcdonald’s.com). The total annual sales of the Finnish hotel and restaurant sector (2000) can be broken down into the following categories:
Table 1: Total hotel and restaurant sales in Finland by lines of business in the year 2000. (Lankinen 2001A, www.shr.fi)

<table>
<thead>
<tr>
<th></th>
<th>Sales in Million Euro</th>
<th>Change (%) 1999/2000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Licensed Restaurants</td>
<td>1670</td>
<td>+6.5</td>
</tr>
<tr>
<td>Hotels and Hostels</td>
<td>1380</td>
<td>+6.1</td>
</tr>
<tr>
<td>Cafés</td>
<td>1090</td>
<td>+0.0</td>
</tr>
<tr>
<td>Institutional Catering</td>
<td>560</td>
<td>+2.0</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>4700</td>
<td>+4.0</td>
</tr>
</tbody>
</table>

In recent years, the hotel and restaurant sector has gone through a period of strong growth, especially regarding the number of restaurants and cafés in the market. The following table compares the number of different types of units in 1996 and in 2000:

Table 2: The growth/decline in the number of different kinds of hotel and restaurant units between the years 1996 and 2000 (www.shr.fi)

<table>
<thead>
<tr>
<th></th>
<th>1996</th>
<th>2000</th>
<th>Change</th>
<th>Change(%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Licensed Restaurants</td>
<td>3796</td>
<td>4904</td>
<td>+1108</td>
<td>+22.6</td>
</tr>
<tr>
<td>Beer Cafés</td>
<td>5655</td>
<td>4050</td>
<td>-1605</td>
<td>-39.6</td>
</tr>
<tr>
<td>Other Cafés</td>
<td>1290</td>
<td>1300</td>
<td>+10</td>
<td>+0.77</td>
</tr>
<tr>
<td>Institutional Catering</td>
<td>1715</td>
<td>1666</td>
<td>-49</td>
<td>-2.9</td>
</tr>
<tr>
<td>Hotels</td>
<td>748</td>
<td>780</td>
<td>+32</td>
<td>+4.1</td>
</tr>
<tr>
<td>Hostels</td>
<td>407</td>
<td>430</td>
<td>+23</td>
<td>+5.3</td>
</tr>
</tbody>
</table>

Table 2 clearly shows the drastic growth in the number of restaurants. This can be explained by the general liberalisation in giving rights to sell alcoholic beverages. On the other hand, the amount of beer cafés has decreased dramatically which can be explained by tougher competition during the years 1999 and 2000. The number of hotels and traditional cafés has been quite stable. The decline in the number of units in institutional catering, together with a slight growth (see Table1), can be explained by a clear move towards bigger and more profitable single units. The number of hostels is increasing, but their impact on the whole industry is marginal.

In 1999 the total number of full-time personnel in the hotel and restaurant sector was around 75,000 (www.shr.fi). This figure, however, does not include people in managerial positions or part-time employees. Therefore, the industry’s total employment effect can be estimated to be 100,000 people. (ibid, Mankinen 1997, p. 44)
After the recession in 1990-1993, the use of part-time employees has increased drastically. In 1996 the number of part-time employees was estimated to be 27.7% of the total workforce in the industry (Hotel and Restaurant Council 1997, p. 19). The trend seems to have continued and the estimation for the year 2001 was around 33% (Lankinen 2001B). The increased use of part-time employees is a good example of those actions the industry has taken in order to guarantee a better profitability after the recession. There has also been a clear move from food sales to beer and liquor sales due to their higher profitability and lower employee intensity. However, already in the year 1994 the food sales volume exceeded the alcohol sales volume and after that the gap between these two has increased steadily. (Lankinen 2001A) Table 3 below shows the structure of sales in licensed restaurants in 2000.

<table>
<thead>
<tr>
<th>SALES (%)</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>BEER</td>
<td>24.9</td>
</tr>
<tr>
<td>OTHER ALCOHOLIC BEVERAGES</td>
<td>25.5</td>
</tr>
<tr>
<td>FOOD + COFFEE</td>
<td>40.8</td>
</tr>
<tr>
<td>OTHER SALES</td>
<td>8.8</td>
</tr>
<tr>
<td>TOTAL</td>
<td>100.0</td>
</tr>
</tbody>
</table>

It is extremely difficult to describe a typical or an average Finnish restaurant. However, as the empirical data for this study has been collected from the Helsinki Metropolitan area, it is motivated to create a profile for an average restaurant unit from that area. As the profile represents a calculatory average restaurant, it hopefully enables the reader to understand the typical volumes of the Finnish restaurant business. The information for this average profile is based on the annual statistical material from the Finnish Hotel and Restaurant Association (2001, p. 6ff & Lankinen 2001A).

The turnover is around 500,000 Euro and the unit size is quite small and one third of the employees are on a part-time basis. The operating profit is 10.1% of the total turnover. The company has debts up to 27.9% of the turnover and the ratio between property and foreign capital is 28.9%. The average sales/seat is Euro 350.34/month (=Euro 4204.08/year). (Lankinen 2001A, Mattila 2002, p. 11) During the recent years the company has become quite careful and cautious and that can directly be seen from the low investment level for reparations and new facilities. In the following the average cost structure for the same average restaurant is presented: (Finnish Hotel and Restaurant Association 2001 and Lankinen 2001A)
COST STRUCTURE (IN %):

<table>
<thead>
<tr>
<th>Description</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>TURNOVER</td>
<td>100.0</td>
</tr>
<tr>
<td>-cost of sales (raw materials)</td>
<td>-34.6</td>
</tr>
<tr>
<td>GROSS PROFIT</td>
<td>65.4</td>
</tr>
<tr>
<td>-salaries</td>
<td>-28.2</td>
</tr>
<tr>
<td>CONTRIBUTION AFTER RAW MATERIALS + SALARIES</td>
<td>37.2</td>
</tr>
<tr>
<td>-lease</td>
<td>-12.0</td>
</tr>
<tr>
<td>-other leases</td>
<td>-1.2</td>
</tr>
<tr>
<td>-cleaning</td>
<td>-2.3</td>
</tr>
<tr>
<td>-materials</td>
<td>-1.3</td>
</tr>
<tr>
<td>-music</td>
<td>-1.8</td>
</tr>
<tr>
<td>-marketing</td>
<td>-2.2</td>
</tr>
<tr>
<td>-administration</td>
<td>-2.5</td>
</tr>
<tr>
<td>-maintenance</td>
<td>-3.8</td>
</tr>
<tr>
<td>OPERATING PROFIT</td>
<td>10.1</td>
</tr>
<tr>
<td>-depreciation</td>
<td>-3.5</td>
</tr>
<tr>
<td>NET PROFIT BEFORE INTERESTS AND TAXES</td>
<td>6.6</td>
</tr>
</tbody>
</table>

2.4.2 The future of the Finnish restaurant sector

The recent development in the industry has been very dynamic. This development has led to a situation where the number of restaurant seats increased by 30% between the years 1990 and 1996. At the same time the total sales volume dropped by 12% and sales/seat by 50%. (Hotel and Restaurant Council 1997, p. 5) Since 1996, the trend has been ascending and the all-time high in sales was reached 2001. However, it is important to note, that the growth figure is constantly lower than the general growth figure of the Finnish gross national income. In 2001 the growth figure for the restaurant consumption was only approximately 0.5% as at the same time the purchasing power of Finnish households increased by approximately 4% (Mattila 2002, p. 11). The growth has been extremely strong in food sales and since 1994 the gap between food and alcohol sales volumes has increased drastically to the benefit of food sales. The growth figure for the entire industry has traditionally followed the growth in the households’ disposable income, but during the recent years the pattern has not been as clear (Lankinen 2001A, Mattila 2002, p. 11). The growth figures have inspired many investors and the supply side has developed more rapidly than the demand side. In other words, there is clearly over-capacity, which puts considerable pressure on sales, marketing and product development functions. Unfortunately, the bankruptcy-level in the sector has been quite high, which can partly be explained by the low entrance barriers into the industry. Luckily, the numbers have come down from the peak year 1993 when all together 411 bankruptcies took place. Another positive element is, that the amount of companies going bankrupt is very close to the amount of new companies entering the market – 14.0% vs. 14.7% of the total amount of companies in the industry.
The following table shows the numbers of bankruptcies in the recent years:

**Table 4 The number of bankruptcies in the Finnish hotel and restaurant sector 1993 - 2000 (Lankinen 2001A)**

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>411</td>
<td>368</td>
<td>326</td>
<td>325</td>
<td>267</td>
<td>228</td>
<td>192</td>
<td>198</td>
</tr>
</tbody>
</table>

As stated earlier, the recession that swept over Finland in the early 1990’s hit the restaurant sector quite hard. However, one interesting aspect is that in this sector the impact of the recession was seen slightly later than in other industries. Therefore, the recovery process also took more time than in other industries. In recent years, there has also been a clear structural movement towards bigger, more efficient units and chains on one hand and towards small, flexible family-based businesses on the other hand. Both trends have actually helped the industry in its battle against the tough external pressures. At the end of the year 2000 there were around 11,500 restaurant units in the country (Heikkinen and Partanen 2001, p. 15).

In terms of the future, the trend seems to be that a bigger share of the households disposable income will be spent on hotel and restaurant services. During the coming years, the figure is estimated to be around 8% as in 1995 it was 7.1% (Lankinen 2001A). The increase is caused by changes in the external environment. The better standard of living directly increases eating out and, people have more free time and travel more frequently. The forecast is based on 2-3% annual increase in salaries during the years 1997 - 2005. (Mankinen 1997, p. 12f) Internationally the Finnish restaurant consumption is on a quite low level as only one fifth of all food consumption takes place in restaurants. In the US and in the UK the same figure is close to 50%. (Mattila 2002, p. 11) We should neither forget the impact of changing life-styles; in a modern society, restaurants are becoming a normal part of everyday life, rather than being luxury places, where one only goes for a very important and specific reason.

During 1995, the purchasing power of Finnish households increased by 7 %. This increase was caused by double tax-returns and the changes in the labour market. The growth of hotel and restaurant expenditure was 4.5%, which is more than the growth in Finland on average. (Mankinen 1997, p. 26) In the near future one interesting aspect is the destiny of Finnish alcohol policy. When Finland joined the EU, it became clear that the Nordic monopoly system does not cohere with the European ideas of free competition. Therefore, Finland has been forced to lower its alcohol taxes, which has directly affected the consumption. This growth will most likely create approximately 5000 new jobs in the hotel and restaurant sector during 2004-2007. Because the sector uses services of other lines of businesses, the real impact on the rate of employment is estimated to be much higher. (Mankinen 1997, p. 50) Some professionals are, however, a little bit afraid of the competition coming from the retail sector. There are signs that the retail sector has been able to gain market shares from the restaurant sector. According to one forecast the sales volumes of ready-made food from shops and supermarkets equal with the restaurant food sales in 2004. (Graphical illustration from
the Finnish Hotel and Restaurant Council in Ylikovero 2002, p. D1) Also the restaurant sales figures for the first six months of 2003 show a decrease of three percent in the sales volume compared with the previous year. The capacity usage fell four percent, which indicates that sales went down and supply went up. Many companies have tried to compensate the lost volumes by increasing prices; during the first six months in 2003 the restaurant prices went up on average three percent. (Pirilä-Mänttäri, A. and Junkkari, M. 2003, p. D1) Despite these rather depressing figures and obvious fears there are many reasons to believe that the hotel and restaurant sector will maintain its strong position in the Finnish economy also in the future.

It is, however, clear that the industry has many challenges ahead. In a report about the competitiveness of the Finnish hotel and restaurant industry (2001, p. 49) researchers Heikkinen and Partanen simply state, that ‘the real competition is only starting and the companies are forced to look for cost savings through more effective processes, through technically more developed production and through personnel reductions.’ Compared with other industries the restaurant sector has in average quite young personnel structure, which can partly be explained through the high number of part time employees. There is a clear danger that the image of the industry is more and more becoming a transit industry, rather than being perceived as a serious industry offering good career possibilities.

The external environment is also changing rapidly. Many other actors have entered the traditional market of restaurants. As stated earlier, most groceries and supermarkets sell readymade meals, and since the invention of microwave oven, they steadily have gained marketshares especially in leisure dining and lunch-market. Also more and more alcohol is sold through groceries, kiosks and gas stations (Lankinen 2001A). In 2001 only less than 20% of the total alcohol consumption in Finland went through the restaurants (Mattila 2002, p. 11). In other words, the restaurants have to fight fiercely for their existence. In the review for the industry, The Finnish Hotel and Restaurant Association states, that ‘there are many other consumption objects competing for the time and money of consumers. It seems that for the year 2001 the demand for restaurant services will be lower than the general development in the consumers’ purchasing power. This effect, together with the already existing overcapacity, seems to weaken the possibilities for profitable restaurant business also in the future’ (www.shr.fi/alan nakymat). In the Helsinki metropolitan area, for instance, the tough competitive situation is getting even more demanding. There are plans for as many as 7000 new restaurant seats out of which 3000-4000 would be built to a new ’Kamppi Center’ located in the very downtown of Helsinki (Lahtonen and Olander 2004, p. 79). The restaurant sector is also afraid of any decreases in the VAT-level of groceries and supermarkets; that would favour them unreasonably and give them a very strong competitive advantage in front of restaurants. (Mattila 2002, p. 10). On the contrary, the industry is actively lobbying for a lower VAT-level for food sales in the restaurants. In September 2003, the political parties agreed in principle about a slight decrease in the VAT-level in restaurant consumption. It remains to be seen if that agreement leads to practical measures. Industry is also actively working towards an improved image by fighting against tax-cheaters and by trying to decrease the relative amount of part-time workers. Heikkinen et al. have discussed these issues in their research report (2003).
Also internationally the restaurant sector is fighting for its existence. In many cases the business has to be redefined in order to keep up with even harsher competition. In his interesting article Nicholas Lander states the following: ‘The slowdown in demand has already forced many restaurateurs to look at two other aspects of their business. The first is to realise that the primary attraction of their restaurant may not be the food and drink but its location, and that rather than wait for reservations, they need to market their space more aggressively... The second one is to attack the leisure market in order to chase the customers all the time.’ (Lander 2003, p. W15)

Finally, one should be aware of the Finnish restaurant industry’s geographical differences. Helsinki and its metropolitan area can’t directly be compared with any other city or area in Finland. Looking at the sales figure/seat, they are in the Helsinki Metropolitan area approximately 20% higher than in smaller Finnish cities (Mattila 2002, p. 11). Operations are highly concentrated and a very good example is the postal code area Helsinki 0100, where within three square kilometres, in the heart of Helsinki, a total of 80,000 restaurant seats exist in 250 different restaurants. The total sales of these restaurants represent almost 10% of the total restaurant sales in Finland. That kind of concentration is unique – also within the European perspective. (Räisänen 2001, p. B1) Among the studied restaurants in this study, two of them (Michelle and Papa Giovanni) are located in this ‘core’ area.

In the following three sections a theoretical framework is created from three different perspectives: traditional product development, service development and the role of the customer in services marketing. Sources have mainly been found during the years 2000-2004 by using frequent keyword-based data searches and by advancing exploratively.
3 TRADITIONAL PRODUCT DEVELOPMENT

3.1 The role of product development

In this section the major emphasis is to review previous research on product development. However, as stated earlier, the empirical part of this study is based on an industry where one can find a strong service-orientation. This section gives a general background on product development before moving on to the next section, where the service aspect is taken into account. The theoretical framework (see section 6) is in principle a result of an evolutionary development in marketing thinking. Therefore, it is highly motivated to take a look at the traditional thoughts about product development before moving on to a stronger service orientation. As has been stated before, product development and service development are by no means excluding each other. On the contrary, they should be seen as completing each other.

In order to survive and compete in today’s open markets companies have to create a flow of totally or partly new products. This seems to apply to all companies regardless of the industry they are active in. Unfortunately, there are still many companies (and persons involved with the companies) that suffer from kainotophobia (the fear of change). According to Crawford (1987, p. 25) kainotophobia is a disease of the modern organisation. In the worst case, it can lead to the loss or weakening of existing competitive advantages.

One has to remember that an organisation’s products and services are among its most visible assets (or liabilities) linking a firm to its environment. That environment consists of many different groups: customers, suppliers, owners, employees, regulators and others interested in the firm’s performance. Interaction with all these groups is essential. New products are therefore the basis for a variety of strategic decisions that define an organisation’s direction. (adapted from Thomas 1993, p. 7) In other words, product development can be seen as an activity vital for the existence of the company.

3.2 Product development as a process

The process of product development is usually described as a chronological chain of clearly identifiable stages (see for instance Booz, Allen and Hamilton 1982, Crawford 1987, Pessemier 1977, Urban and Hauser 1993 and Wind 1982). The model usually includes some idea generation stages, a screening stage, a testing stage and finally a market-entering stage. No discussion is really carried out about the nature of the developed product. If one looks at given examples in books and articles, they usually are physical products. Product development as a process is traditionally very much seen
as a planned and controlled process. One can, however, also find critics of this type of approach. Lindell (1988) has summarised the criticism in the following statements: (1988, p. 6-9)

1. The development process of a new product cannot be overviewed in advance and is a learning process, which needs motivation in order to become realised.

2. The development process for new products is not a linear process.

3. Most product development models in the literature are strongly anchored in the markets and in the needs of the markets.

4. Most product development models in the literature do not take into account the organisational background in which the product development is carried out.

Regardless of the criticism, the ´flowchart-approach´ has been very dominant in the literature. One of the few exceptions seems to be Murray and O’Driscoll (1996), who also explicitly state, than even though they present their model in a traditional way, they actually see a clear movement towards a more simultaneous new product development approach (ibid, p. 417). On a more general level Saren (1984) has classified the numerous models into seven categories:

1. Departmental-stage models - An early form of NPD models, where the approach is linear. Emphasis is on the responsibilities of each department.

2. Activity-stage models and concurrent - Similar to departmental-stage models, but engineering the emphasis is on the activities rather than on the departmental responsibilities.

3. Cross-functional models - Product development process is seen as a system of communications between different departments.

4. Decision-stage models - Product development process is seen as a series of decisions that need to be taken in order to progress the project.

5. Converse-process models - Product development process is
seen as a numerous inputs into a ‘black box’, where they are converted into an output.

6. Response models
- A behaviouristic approach to analyse change and individual/organisational responses to new project proposals or new ideas.

7. Network models
- Most recent thinking, where the external linkages together with internal activities are emphasised. NPD is viewed as a knowledge-accumulation process.

In this classification the traditional ‘flowchart-models’ are either departmental-stage, decision-stage or activity-stage models. The other approaches have received much less attention in the literature. One reason for this may be difficulties in applying them into operative situations or simply the fact that there are very few empirical studies about them. In this study, the author has tried to integrate the modern thoughts into the more traditional approaches even though a clear majority of sources are entirely based on them. In the future we can certainly expect a higher level of operationalising of these more modern thoughts about product development. In the following, some well-known examples of the process descriptions are presented.

Scheuing (1974):
1. Initial phase
2. Decision
3. Execution
4. Follow-up and evaluation

Pessemier (1977):
1. Formulation of product goals
2. Market analysis and concept tests
3. Product development and market tests
4. Launching and market development

Urban and Hauser (1980):
1. Identification of market potential
2. Product development
3. Market testing
4. Introduction

Booz-Allen and Hamilton (1982):
1. Idea generation
2. Screening and evaluation
3. Business analysis
4. Development
5. Testing
6. Commercialisation

Crawford (1987):
1. Strategy for new products
2. Development of product concept
3. Evaluation of product concept
4. Commercialisation

Andreasen and Hein (1987):
1. Recognition of need phase
2. Investigation of need phase
3. Product principle phase
4. Product design phase
5. Follow-up and evaluation
6. Production preparation phase
5. Production preparation phase
6. Execution phase

Urban and Hauser (1993):
Collier (1995):
1. Opportunity identification 1. Exploration
2. Design 2. Screening
4. Introduction 4. Development
5. Life cycle management 5. Testing
6. Harvest

Murray and O’Driscoll (1996):
Zeithaml and Bitner (2000):
1. Link to overall strategy and 1. Reassessment of the concept
identification of performance gap 2. Development strategy for new products
2. Idea generation 3. Idea generation
3. Idea and concept testing 4. Development and assessment of the
4. Concept development and evaluation service concept
5. Product development 5. Economical analysis
7. Manage performance and learn 7. Market testing
8. Commercialisation
9. Assessment of aftereffects

Trott (2002)*:
1. Idea generation
2. Idea screening
3. Concept testing
4. Business analysis
5. Product development
6. Test marketing
7. Commercialisation
8. Monitoring and evaluation
* a synthesis of the commonly presented linear NPD models (Trott 2002, p. 212)

The described procedures, with the exception of Murray and O’Driscoll (1996) and Zeithaml and Bitner (2000), are very similar and the question is if this kind of way of reviewing the process is too simplistic and straightforward. Many important aspects remain uncovered, such as environmental, organisational and situation-specific factors. Many scholars have stated that in many cases the product development process is simply a result of many happy coincidences and even pure luck. The following quotations have been collected by Edvardsson, Haglund and Mattsson (1995, p. 25) and they reflect some everyday realities of product development.

’New services happen! ...unfortunately this seems to be the case in many situations today!’ (Rathmell, 1974)
'New services happen because of intuition, flair and luck.' (Langeard et al, 1986)

'Or, if there is a planned design process, it is not in the hands of the people who have a thorough understanding of the needs and wishes of the market and of the consumers of the services to be designed.' (Grönroos, 1990)

'Large firms have much to gain from implementing a formal new product development process, enhancing the expertise of their service personnel, and responding more precisely to the needs of different client groups.' (de Brentani 1994)

The increased complexity of the world and life in general (see for instance the discussion in Grönroos 1990, p. 5-14) has also affected product development as a function. Heinonen (1994) is calling for a totally new approach by stating:

'While product development in the harsher and more liberal competition has become a central factor of differentiation it has also become more important to understand its role as an integrated and horizontal process. Product development is no longer regarded as 'something the product development department is busy doing'. Today it is essential to recognise its links to all company activities.' (Heinonen 1994, p. 1)

Heinonen has studied the petrochemical industry, where the product development has traditionally been seen as a very formalised and an engineer-run process. There are certainly differences between different industries and companies even within the same industry (see Wind 1982, p. 218).

Rapid technological development has created new demands on product development processes. In response to drastic and rapid changes, companies have been forced to modify the traditional product development process in which design implementation begins only once a product’s concept has been determined in its entirety. Instead, some companies have pioneered a flexible product development process that allows designers to continue to define and shape products even after implementation has begun (Inansiti and MacGormack 1997, p. 108). Flexible product development has been mostly used in the World Wide Web-environment because of the turbulence found there, but there is every reason to believe that other industries might also adopt similar approaches. In practical terms flexible product development would mean an overlapping of concept development and implementation. In order to do that, product developers should sense customer needs, test alternative (technical) solutions and integrate the acquired knowledge into a coherent product design (ibid, p. 109). The biggest advantage in using the flexible approach is that any commitment to a final design configuration is delayed as late as possible. That is one very potential source of short-term competitive advantages as competitors are given the minimum time to react.
3.3 Strategic product development

Product development can be seen as one of the most central strategic functions in a company. ‘The development of new products or services is strategic because of its lasting impact on the firm’s profitability and growth’ (Bitran and Pedrosa 1998, p. 172). It is also a symbolic bridge, which, in the best case, allows a platform where customers’ needs and wishes become integrated into the company’s marketing activities. According to Drucker (1973, p. 32) a company has only two basic functions: marketing and innovation. Product development is a synthesis of these two. The strategic marketing perspective can be said to differ from the traditional marketing perspective as described in the following.

Table 5 Differences between traditional and strategic marketing perspectives. (Cady and Buzzell 1986, p. 16)

<table>
<thead>
<tr>
<th>APPROACH</th>
<th>CONVENTIONAL MARK. MGMT</th>
<th>STRATEGIC MARK. MGMT</th>
</tr>
</thead>
<tbody>
<tr>
<td>PLANNING UNIT:</td>
<td>Individual product</td>
<td>Product line, Strategic Business Unit (SBU)</td>
</tr>
<tr>
<td>MARKET SCOPE:</td>
<td>Treated as given</td>
<td>Strategic choices</td>
</tr>
<tr>
<td>GOALS:</td>
<td>Sales, market share</td>
<td>Value creation, Profit, Cash Flow of SBU’s</td>
</tr>
<tr>
<td>TIME HORIZON:</td>
<td>Annual plan</td>
<td>Relatively long-term</td>
</tr>
<tr>
<td>COMPETITIVE APPROACH:</td>
<td>Satisfy customer via marketing mix</td>
<td>Best competition via Total Capabilities</td>
</tr>
<tr>
<td>ROLE OF MARKETING:</td>
<td>One of several functions</td>
<td>Part of integrated Business Plan</td>
</tr>
</tbody>
</table>

In very simple terms strategy is ‘a logic for how to achieve movement into some direction’ (Kotter and Heskett 1992, p. 4). As strategy usually defines the general guidelines, there have to be organisational capabilities to meet the challenges. A good product development strategy only becomes a reality when supported by a solid organisational back-up. Product development is usually a high-risk activity and therefore, organisational factors are especially important. Crawford (1987, p. 42) writes about positive and negative forces that affect the new products progress. His examples of positive forces are technology potential, high-quality products and good management. As negative forces he mentions reduced rewards, increased costs and increased difficulty. The category ‘increased difficulty’ includes macro level factors - such as government, management, personnel, society and consumers. Kotler (1988, p. 33-64) defines four elements, which every company - regardless of the planning approach - must include in their strategic planning process:
1. Defining the corporate mission,
2. Identifying the strategic business units,
3. Analysing and evaluating the current portfolio of businesses and
4. Identifying new business arenas to enter.

Strategy formulation in product development does not differ from general strategy formulation as all strategies are essentially determined in the same way. However, one can be critical and ask if an innovation really can be planned. It is quite obvious that unplanned product development also occurs. The big challenge seems to be able to create product development strategies that are guidelines, not restrictions. In other words, all strategies should be seen as supporting frameworks, rather than principles one has to hold on to a bitter end.

Urban and Hauser (1993) divide product development strategies into reactive and proactive strategies. Reactive strategies are defensive, imitative, ‘second but better’ and responsive. Proactive strategies are research- and development-based, marketing-orientated, entrepreneurial, acquisitions and different kind of alliances. To select the appropriate strategy, many considerations have to be taken into account. These include growth opportunities, the scale of the market, the strength of the competition and the organisation’s position in the production/distribution system. (ibid, p. 19ff)

Sanchez (1996) divides product development strategically into two categories: Conventional product design and Modular product design. Conventional product design is defined as: ‘Attributes of optimal product are determined by marketing research’ while Modular product design is defined as follows: ‘Product is conceived as a platform for leveraging product variations and improved models to serve a range of market preferences’ (Sanchez 1996, p. 126). Sanchez believes that increasingly dynamic product markets are being created by companies, which have strategically reconceptualised their product development processes. He also states that ‘flexibility and modularity are becoming the central concepts in a reconceptualisation of the theory of strategic management in dynamic product markets’ (Sanchez 1996, p. 137). He is forecasting drastic changes in strategic thinking in product development in the near future. One interesting aspect in product development strategy is the level of cross-functional integration. The following figure indicates the major interactions.
It is quite obvious that the integration of all different functions requires careful communication and recognition of the changing role of each function throughout the product development process. One could even argue, that in the modern world there should not be any ‘departments for product development’ as product development - as a function - cannot survive without close contacts and interaction with other company activities. Organisationally this means a clear movement towards team and project organisations. (See a more detailed discussion for instance in Ahmed 1993.)

Trott (2002, pp. 202f) has emphasised five central inputs which all have a strategic impact on the total new product strategy. These are external environmental changes, internal organisational inputs, on-going corporate strategy, on-going research & development and technology management strategy and – naturally – an on-going marketing strategy. In other words, new product development strategy is always closely linked to the general strategic processes in a company.

Strategic product development faces many challenges. These include increasingly turbulent business environments, market friction from potential buyers and other stakeholders, and varying degrees of organisational propensity to innovate when faced with a new product project. (Thomas 1993, p. 103) On the other hand, a strategically sound approach enables a more systematic and deeper analysis of success (and failure) factors. A company’s activities can be seen as a continuum and a learning process. Happy mistakes occur, but - in the long run - a systematic and analytical approach is less risky. New strategies have to be constantly developed and successfully
implemented in order to avoid the corporate culture becoming strategically inappropriate (see Kotter and Heskett 1992, p. 42). In the following section the external factors that directly or indirectly have an impact on product development are discussed.

3.4 External impact on product development

Product development is highly influenced and shaped by external factors. Those factors can be of very different types and therefore a total control of them is not possible. The product developer should, however, be aware of the different types of potential external factors in order to be better prepared to shape strategies for meeting them. In other words, product development as a process is definitely not a closed system.

Wind (1982) divides these external factors into two categories: environmental forces and market forces. The environmental forces are: (Ibid, p. 178ff)

- Economic forces
- Political/legal forces
- Social/cultural forces
- Scientific/technological forces
- Physical/ecological forces

According to Wind (1982), all these forces affect a company’s product decisions in form of values, constraints and opportunities. Further on they affect modification and even deletion of existing products and services. Environmental forces are closely inter-related with market forces, which are: (ibid, p. 178-187)

- Consumers
- Intermediate marketing organisations
- Competition
- Other marketing and related organisations
- Suppliers of the various material, financial and human resources.

Crawford (1987) offers a similar kind of approach, but she divides the external forces into positive and negative ones. In her section about ‘Future environmental conditions - specific to new products’ (1987, p. 552ff) she presents one interesting additional external force: the distributor. Looking at the development of the modern world, there really has been a fast development in the area of distribution channels and their importance in business has been accentuated. (For a more detailed discussion about distribution channels in the hotel and restaurant industry, see Kokko and Moilanen 1995. The article is available in Finnish only.)

Urban and Hauser use the term ‘Initiating factors’ and state: ‘Good managers are continually aware of the marketing system and the environment that affects their
organisations. Several of these factors initiate a need for new products’ (1993, p. 6). As initiating factors they list: (ibid pp. 6-12)

- Financial goals
- Sales and market share growth
- Competitive actions
- Product life-cycles
- Technology
- General globalisation
- Regulation
- Material costs and availability
- Invention
- Demographic and lifestyle changes
- Customer requests
- Supplier initiatives and reactions
- Alliances

They conclude by saying:

‘The role of the new-product development manager will become increasingly critical to the success of the firm... The task of the new-product manager is to find and develop major new products such that the potential rewards are large, but the risks of failure are kept to an acceptable level’ (ibid, p.13).

Collier (1995) divides external change factors into four categories: 1) Changes in external environment, 2) Changes in customer base, needs or aspirations, 3) Competitive changes, and 4) Company changes (Ibid, p. 102). The interesting aspect in his thinking is the emphasis on the fourth change factor (company changes). If the size of the company is large, the headquarters can in the worst case be seen as an external force! There are certainly other factors that can be seen as both internal and external depending on the situation.

Edvardsson (1995, p. 61ff) brings up a very interesting aspect: customer involvement in product and service development. Edvardsson also refers to similar thoughts that have been presented by Easingwood (1986), Schutz, Slevin and Pinto (1987), Chase and Bowen (1988), and de Brentani (1989). Active customer involvement is one example of an external force strategy where an external factor has been turned into an internal factor by re-engineering the process of product development.

As stated in the beginning of this section, nobody can totally control the external forces that affect the company and its product development. One should, however, be aware of different categories of external forces in order to be able to meet them in a proper way. The literature seems to more or less agree that there are two macro level blocks of external forces: environmental-related and business-related forces. The interesting challenge for the company is to organisationally develop itself into a more sensitive direction towards these external forces. The only way to operate in a proactive way is
to have some kind of system of ‘feelers’ in order to gather external information. In addition, there should always be enough flexibility built into the product development system, so that the company can react to the unexpected changes in the surrounding environment as quickly as possible. It is also worthwhile commenting, that external analysis can be carried out in many different ways. In an interview a famous Finnish restaurant-owner and entrepreneur Mr. Sedu Koskinen describes his way of analysing the environment as follows:

’I analyse the environment through my feelings. I plan my restaurants all by myself, I collect weak signals from young people about things they are interested at by listening to people, following literature, watching TV and by travelling. The insight can only be born if one lives in the restaurants. A good concept can’t be calculated and created on paper only and it can neither be purely based on customer opinions. You have to know before the customers...’ (Ruohonen 2003, p. 28/translation by the author).

In the next section the most central elements of successful and unsuccessful product development are discussed in order to draw some general guidelines that can be found behind success and failure. One has to remember that it is very difficult to define ‘success’ and ‘failure’. For that reason, this discussion is kept on a very general level.

3.5 Successful and unsuccessful product development processes

A lot of research has been carried on about the elements of successful and unsuccessful product development. Looking at the literature the findings tend to be quite similar. The findings are also of a rather general character, so obviously more research is needed. In the following some of these findings are presented and commented.

Estimates of the new product failure rate in the literature vary between 20 and 90% (Urban and Hauser 1993, p. 51). Booz, Allen and Hamilton (1982, p. 24) talk about a 35% failure rate. The failure rate seems to vary from business to business and the impact of all possible external forces can obviously not be precisely calculated.

Moore and Pessemier (1993, p. 90f) present three essential success factors: superior value in the eyes of the customer, an efficient development process and a well-directed and well-funded market launch. Crawford (1987, p. 21) has looked at failures and gives three reasons for new product failure: no real potential buyer need or desire for the product, the new product does not meet the existing needs and mishandled marketing effort.

In his study of 161 business units in a variety of industries in the US, Germany, Denmark and Canada Cooper (1998) could identify three cornerstones of performance that distinguish the top performing businesses: having a high quality new product
process, selecting a sound new product strategy for the business and making the necessary resource commitments. (Cooper 1998, p. 2)

Urban and Hauser (1993, p. 51ff) have analysed comparatively Booz, Allen and Hamilton (1982), de Brentani (1989), Cooper and Kleinschmidt (1987) and Duerr (1986). They recognised thirteen potential success factors:

1. Match customer needs
2. High value to customers
3. Innovative
4. Technical superiority
5. Monitored growth potential
6. Favourable competitive environment
7. Fit internal company strengths
8. Communication among functions
9. Top management support
10. Enthusiastic champion
11. New-product organisation
12. Use of new-product process
13. Avoid unnecessary risk

The same source (Urban and Hauser 1993, p. 55ff) lists seventeen failure factors:

1. Too small market
2. Poor match for the company
3. Not new/not different product
4. No real benefit
5. Poor positioning vs. competition
6. Inadequate support from distribution channels
7. Forecasting error
8. Poor timing
9. Competitive response
10. Major shifts in technology
11. Changes in customers’ tastes
12. Changes in environmental constraints
13. Poor repeat purchase
14. Poor after-sales service
15. Insufficient return on investment
16. Lack of co-ordination in functions
17. Organisational problems

There are also studies that come to a conclusion that it is not possible to indicate a single factor that would lead to success or failure. See for instance the discussion in Rothwell et al (1974). Quite often there seems to be a joint effect that results in success. Therefore, instead of looking at single success factors, one should create a list of general ‘house rules’ in order to avoid clear strategic mistakes. One example of a set of eleven house rules is presented in Cooper and Kleinschmidt (1991, p. 39). Johne (1996) reminds us that much more attention should be paid to continuous product development success rather than to project/product success and says:

‘The reason for interest in programme rather than project success is because even businesses with a poor overall record of success can occasionally produce a one-off product success, quite possibly by chance. Hence, the established research practice of asking middle level managerial respondents to nominate a successful product development which is then compared with an unsuccessful one is flawed on methodological grounds.’ (ibid, p. 179)

In a ‘Cross-national comparative study of new product development processes in Japan and the USA’ Song and Parry (1997, p. 11f) come up with interesting results about success in product development. According to them in successful cases the
development project fits into the existing marketing base of a company, ‘sources of advantage’ embrace more than simply function-specific skills and resources, the tactical implementation in mediating the relationship between sources of advantage and positional advantage is considered as important and the impact of marketing skills together with internal commitment is regarded as essential. Moreover, the authors suggest, that the increase in market potential is directly strengthening the relationship between product differentiation and relative product performance and – vice versa – increases in competitive intensity weaken that relationship. Finally, the authors somewhat surprisingly state, that no national differences in NPD (new product development) processes could be found and that this consistency raises questions about the possible existence of some universal principles in the NPD processes.

Poolton and Barclay (1998) have also identified 17 factors that are described as being critical to innovate success. They state, however, that despite this knowledge, it is demonstrated that the factors associated with success have largely failed to be translated into practical guides for action. They also suggest that one reason for this is the generic research approach which does not take into account, ‘that firms differ from one another in respect of the types of new products they produce, and that by virtue of their diversity, the success factors will vary both in their number and in their relative intensity. Moreover, the success factors would relate to the level of complexity of new products to be developed...’ (ibid, p. 210). The authors argue that different combinations of internal and external complexity of new products give rise to different issues in managing the development process. They present a 2x2-matrix dividing products into four categories based on their complexity from a manufacturing point of view and from the point of view of the end-user. According to the authors a more realistic scenario can be presented whereby the success factors can be tailored to the unique needs of firms (ibid, p. 210).

One interesting aspect is the company’s attitudes towards failure. Occasionally it might be very healthy to celebrate failure and analyse what was learned. Senge (1990, p. 42) gives this as a reason why successful learning organisations treat failure as an opportunity to improve processes and procedures. ‘In the simplest terms, failure is the ultimate teacher. From its lessons the persistent build their successes’ (Maidique and Zirger 1985, p. 309). In his ‘Situation specific competence development-thinking’, Axelsson (1996) has divided the corporate level competencies into four different categories: research-based, organisational learning, institutional meta-learning and individual-based competencies (ibid, p. 212). In order to achieve the best possible results, these competencies should be matched together into a general ‘competency mix’. That mix is affected by organisational structure, corporate culture and financial factors. (ibid, p. 220) Peter Drucker has said much to the point by underlining the importance of taking risks: ‘Whenever you see a successful business, someone once made a courageous decision’ (Drucker in Schultz and Yang 1997, p. 54).

In other words, experience can be a very effective teacher. In all organisations some type of learning histories can be used as an effective managerial tool for analysing reasons behind success and failure. A learning history is a ‘written narrative of a company’s recent set of critical episodes: a corporate change event, a new initiative, a
widespread innovation, a successful product launch, or even a traumatic event such as a
major reduction in a workforce’ (Kleiner and Roth 1997, p. 173). With the help of
learning histories, organisations can reflect collectively on past experience. Learning
histories can be used for building trust towards their own organisation and they can be
used for raising issues that people would like to talk about but have not had the courage
to discuss openly. Additionally, knowledge transfer from one part of a company to
another can become easier by using learning histories. Despite all the potential positive
aspects learning histories are not widely used and they only seem to be emerging from
their experimental stage. The future will show if learning histories prove to be effective
strategic tools or just a lot of extra work without any real benefits (ibid, p. 177).

When the success/failure of a new product program has been studied, there seems to be
evidence that an analytical approach, clear strategy and consistency increase the
probability for good business results. Also internal commitment and motivation are
important (see also Song and Parry 1997, p. 11). They do not, however, guarantee
anything. The picture is very complicated because of the external factors and big
differences between, and even within, industries. Also the corporate cultures differ
from company to company and from country to country. Kotter and Heskett (1992)
forecast that corporate culture will probably be an even more important factor in
determining the success or failure in firms in the future. They state that ‘performance-
degrading cultures have a negative financial impact for a number of reasons, the most
significant being their tendency to inhibit firms from adopting needed strategic or
tactical changes.’ (Ibid, p. 11) A good approach is to always try to find situations that
are analogical to one’s own situation and try to avoid mistakes made by other
companies.

3.6 Management of product development

Most companies identify organisational and management difficulties as the major
hindrances to new product development. See for instance Booz, Allen and Hamilton
(1968). That is very understandable because product development is an activity that
cuts across organisational boundaries. There is a great demand for proper integration
and co-ordination. In a company there are many different issues that need to be
managed. Trott (2002, p. 64) mentions six issues identified by systems theory that need
to be managed: adaptation, co-ordination, integration, strain (= coping with friction
between organisational parts), output and maintenance. As systems theory emphasises
processes and dynamic analysis rather than characteristics and structural analysis, also
product development is seen as a complex set of relatively stable structures and more
dynamic processes. For a more detailed discussion see Trott (2002, p. 64f). Kotter and
Heskett (1992, p. 6) emphasise the extensiveness of managerial activities and identify
four factors that directly shape managerial behaviour:

1) The corporate culture
2) Formal structure, systems, plans and policies
3) Leadership (=Efforts to articulate and implement a business vision and strategy)
4) The competitive and regulatory environment

They also argue, that managerial actions lead to changes in behaviour. If a new behaviour appears to work, and the results are successful, that results into success that success has an impact on the corporate culture. Behavioral norms begin to change to be more like the new vision and the new strategies. Also, shared values begin to change to be more like the new vision and the new strategies. For a more detailed discussion, see Kotter and Heskett (1992, pp. 99-106).

New product development can be organised either formally or informally. Both ways can be used. In a formal organisation product development has got a clear, explicit status in the corporate policy and the level of top management involvement is usually high (Urban and Hauser 1993, p. 609). On the other hand, an informal organisation can be more suitable for temporary new product development projects. Informal organisation is also often considered as more ‘innovation-boosting’ than a traditional formal organisation. The choice is not easy. In any particular company the best organisational structure depends upon the strengths and weaknesses of the firm, the orientation and skills of the officers and, previous organisational history (Urban and Hauser 1993, p. 602). Crawford (1987) also sees a clear development towards smaller and more effective product development teams and states:

’Consistent with the strategy change will be the steady miniaturisation of organisational form to match the smaller strategic arenas. There will be fewer overall organisations, fewer corporate research laboratories and fewer corporate new products planners. The primary mode will be small teams of people following narrowing strategies and headed by persons who will increasingly be called new product managers’ (Crawford 1987, p. 556)

From the management point of view there are three great general challenges in new product development:

1) Creating value in the eyes of the customer,
2) Shortening the development cycle time and
3) Keeping the development costs as low as possible (Moore and Pessemier 1993, p. 103).

Furthermore, it is extremely important that linkages among functional areas in the company are clear. A typical example is the relationship between the marketing department and R&D (research and development) department; the latter worries about technical details, while the marketing department is more interested in explicit customer benefits. In the worst case, this kind of disharmony can lead to a situation where the two departments stop communicating. There is some evidence that a relationship between harmony and project success exists. (See Souder 1988.)

Sanchez (1996) argues for an open approach to product development and states:
To manage the competitive uncertainties and pressures of dynamic markets, the task of strategic management must shift from a focus on managing the firm as a relatively fixed set of assets and capabilities to designing the firm as a flexible system for co-ordinating a continuously changing mix of assets, capabilities and relationships in leveraging an expanded, higher-velocity stream of new products (Sanchez 1996, p. 137).

The increasing competitive pressures will probably force companies to re-engineer their organisation and management systems for new product development. The cost should not, however, be a lower level of strategic thinking or a less analytical approach. The basic truth seems to be that presently used procedures are not the best ones for managing innovation and knowledge. One has to remember that almost all organisational changes lead to numerous unanticipated consequences, which can be either positive or negative.

In the best case, the organisation is developed into a learning organisation which is constantly able to improve the functionality of its products and can develop products to fulfil customer needs before these needs have even been identified by the customer (Heinonen 1994, p. 34 using Linnanpuomi, 1993 as a source). Typical characteristics for an ideal learning organisation are the following ones:

1. Systematic problem solving
2. Experiments with new approaches
3. Learning from own experiences and from the history
4. Learning from others’ experiences and the best practices
5. A fast and fluent transfer of information throughout the organisation.

(Heinonen 1994, p. 34 using Garvin, 1993 as a source)

In order to be a real learning organisation, the company must be ready to adapt new ideas and procedures. One way to monitor itself is to keep up with continuous benchmarking. New product development should be strategic in terms of organisational objectives, flexible in response to environmental turbulence, interactive with market stakeholders to quickly identify problems and opportunities that might slow or accelerate product acceptance, integrative across business functions to enhance an organisation’s propensity to innovate and ongoing in its commitment to the organisation and stakeholders it can serve (Thomas 1993, p. 135). The culture can be called an adaptive culture, which can – idealistically – be described as follows:

An adaptive culture entails a risk-taking, trusting, and proactive approach to organizational as well as individual life. Members actively support one another’s efforts to identify all problems and implement workable solutions. There is a shared feeling of confidence: the members believe, without a doubt, that they can effectively manage whatever new problems and opportunities will come their way. There is a widespread enthusiasm, a spirit of doing whatever it takes to achieve organizational
success. The members are receptive to change and innovation.’ (Kilmann, Saxton and Serpa 1986, p. 149)

From the managerial point of view Kotter and Heskett (1992, p. 150) emphasise obedient leadership: ‘Without leadership, firms cannot adapt to a fast moving world. But if leaders do not have the hearts of servants, there is only the potential for tyranny...!’ What follows in the next section is a short synthesis of traditional product development.

3.7 Summary on traditional product development

The entire section 3 has discussed traditional product development from several different perspectives. The major aim has been to create an overall understanding of product development and to review some parts of the existing literature. Obviously, only a very small part of the total literature has been covered since quite a lot has been written about traditional product development throughout the years.

Product development has traditionally been seen as a logical process consisting of clearly identifiable stages. Some criticism towards that kind of thinking has appeared and based on the negligence of the impact of external factors and specific characteristics of services.

‘The discussion of methods and models available for product development indicates the inability of some models to support certain aspects of service development. For example, it would be desirable to develop models that address in greater depth the connection between tangible design variables (capacity, location, etc.) and intangible ones such as customer satisfaction and customer retention, among other variables.’ (Bitran and Pedrosa 1998, p. 187)

Product development as a function is of such strategic importance for the company that all main affecting factors should be built into the models. A lot of research has been carried out concerning success and failure factors. It seems almost impossible to give any ’recipes of success’, but in many cases the biggest problems have been identified in taking care of cross-functional integration in a company. On a personal level many people suffer from kainotophobia (fear of change) and act against any kind of development. In order to fight against that resistance one probably has to redesign the entire product development function. One suggestion is to try to develop the organisation towards some kind of learning organisation.

Most researchers seem to agree that product development is an essential function of the company and there are no signs that this importance will decrease. Most scholars seem to have a united opinion that product development is one of the most important
strategic functions of the company. The literature on traditional product development is orientated towards tangible goods. The next section gives a general overview about previous research in service development and service construction. It is very important to understand that the presented thoughts about service development have their roots in traditional product development and an understanding of the entire area has to cover traditional product development as well as service development.
4 SERVICE DEVELOPMENT

4.1 Service development in the product development literature

Most textbooks and articles do not specifically discuss services as something different from tangible goods in the context of product development. Wind (1982) states that ‘the general product concepts and methods discussed in the context of frequently purchased products are equally applicable to services’ (ibid, p. 551). He discusses, however, five major distinguishing characteristics of services that should be kept in mind in all development work: intangibility, difficulties in patenting, difficulties in standardising, no direct relationship between the client and the service provider and no clear lines of demarcation between the outlet, service, and product components (ibid, p. 550f).

Crawford (1987) goes a little bit further and says that different processes are used for intangible (services) and tangible (products) items. She also states that services can often be prepared and tested quickly, merely by deciding what their attributes will be. She also points out that today most products have service components and most services have hardware components. Products and services are not as different as commonly perceived and therefore they follow the same developmental steps - except at the extremes of the product-service continuum (Crawford 1987, p. 40).

Nickels and Wood (1997) follow the same lines of thought and talk about ‘the goods-services continuum’. They also state that the vast majority of products combine tangible and intangible elements and a clear symbolic sign of this new thinking is the fact that Fortune magazine 1995 combined its lists of the largest industrial companies and the largest service providers into a single Fortune 500 list. The line between services and tangible goods seems to be blurred. (Nickels and Wood 1997, p. 314)

Johne (1996) talks about offer development that is a combination of product development and product augmentation development (Johne 1996, p. 178). His way of defining product/service development is a good example of new approaches that have been taken into use in order to avoid the traditional conflict between tangible goods and services. Offer (or offering) is a very useful term due to its holistic character and customer-orientation.

Edvardsson (1995) states that one cannot only generally talk about services. Services should be divided into different categories depending on the level of standardisation, customer involvement in service production and the level of personal contact in service delivery. According to Edvardsson, there is a clear need for a ‘conditional view on service development, which would be based on the central differences in the characteristics of services and the logic of production’ (ibid, p. 39).

Even though there seem to be many scholars who feel that the same procedures can be applied to both tangible goods and services, more knowledge is obviously needed in the
area of service development. Gummesson is calling for a totally new professional category: service constructors (Gummesson 1988, p. 84). The traditional way is to see an offering as a ‘package’, ‘bundle’ or even ‘a service factory’. For a more detailed discussion see Kotler (1996), Sasser, Olsen and Wyckoff (1978) and Chase and Bowen (1988). That kind of view may be a shortcut while the modern literature regarding services clearly emphasises explicit differences when compared with tangible goods. Therefore, these differences should also logically have an impact on the process of product development.

In all service development, one of the major stumbling blocks is the inability to describe the service process characteristics objectively. To depict them so that employees, customers and managers alike know what the service is one can see their role in its delivery, as well as understand all of the steps and flow involved in the service process. (Zeithaml and Bitner 1996, p. 277)

One possible approach is the use of different mapping techniques where an existing service is described visually in order to find potential weak points or to evaluate alternative procedures. (See also Shostack 1984, Ekholm and Wrange 1996a, Ekholm and Wrange 1996b and Wrange 1997.) In the literature at least five different kinds of mapping techniques can be found: service blueprinting (Shostack 1981), Service mapping (Kingman-Brundage 1989), The Structured Analysis and Design Technique-SADT (Congram and Epelman 1994), Multilevel Mapping (Norling 1993) and Service Process Rationalization Method (Kim and Kim 2001). In the following section, a look is taken at the general role of service development in a company.

4.2 The role of service development

Managing and developing the service product is one of the strategic key functions in a company. The interactions between the company and its customers are the basis of all business. These ‘moments of truth’ (see Normann 1983, 1992 and Carlzon 1987, 1988) have received increased attention during the recent years. The customers’ style of consuming has to match with the company’s style of providing the service. The interactions are not always simple. Liljander and Strandvik (1995) could identify ten different kinds of bonds that link the customer with the service providing company. Out of these bonds only five could be managed by the company and the other five were dependent on the personalities and attitudes of the customers. (For a more detailed discussion see Liljander and Strandvik 1995.)

The development of the service product is usually called ‘service design’. In Scandinavia, the term ‘service construction’ has also been used. (See Gummesson 1988 and Norling 1993.) The traditional view has been the ‘doctor-patient model’ where the company knows what is best for the customer. A more modern view is to see the company and the customer as equal, interacting partners. Both parties have a certain
amount of knowledge and neither one is superior in relation to the other. In the best case the final solution has been affected both by the customer and the company. (Gummesson 1995, p. 79) If one accepts this kind of approach, the big challenge in the future is to increase possibilities for all kinds of interaction. In many cases this means, in practice, increased communication. A typical example from the restaurant sector is the procedure where the waitress at some point during the meal approaches the table and asks if the food tastes good or if the customer has any special wishes. This can be done naturally or, in the worst case, so that the customer immediately notices that the waitress is only strictly following the manual. In other words, service design can never be seen as a purely technical process. Also, the human factor has to be taken into account.

One can also argue that customers do not always know better. There are many new products that have been developed and marketed successfully without any customers having asked for them. Microwave ovens and mobile telephones are the traditional examples. The companies have a duty to be at the forefront of all development and to introduce new possibilities for the customers who either accept or reject these new possibilities.

Grönroos (1990) writes about service culture, which according to him, is lacking in most companies. In such cases the companies try to achieve a service culture by using internal marketing. That alone, however, is not sufficient because internal marketing programs tend to act in a vacuum instead of free interaction with the environment. (Grönroos 1990, p. 226) A dynamic model for developing the service offering should always include communication as one of the components in order to guarantee a free flow of information to and from the company (ibid, p. 82f).

There is a clear need to involve customers in service development. This involvement enables the company to understand the real motives and wishes of the customers. Service development should be developed into an open dialogue between the customers and the company where the company has clear procedures for handling customer-based information. (Wilhelmsson and Edvardsson 1994, p. 14)

Leonard and Rayport (1997) write about a technique called empathic design where customers are observed in their own environments in the course of normal, everyday routines. They feel that in such a context, researchers can gain access to a host of information that is not accessible through other observation-orientated methods. The reason for this is that the observed customers simply do not know that a specific problem can be addressed or they do not recognise it as a problem. The researchers conclude by stating that ‘developing a deep, empathic understanding of user’s unarticulated needs can challenge industry assumptions and lead to a shift in corporate strategy’ (ibid, p. 113). In other words, customer involvement can be carried out in different ways and one important element in that involvement is a total understanding of the customers.

Quality of service has received a lot of attention during the recent years. Unfortunately, in many cases, the term ‘quality’ does not mean customer perceived quality, but rather
the company’s own standardised quality perception. One has to remember that the final judge is the customer and the only thing that really is of importance is the customer’s subjective assessment of quality. It is also worthwhile to remember that customers can be roughly divided into two categories: internal and external customers. The latter group are the traditional customers and the first group are people within the organisation offering their services and receiving services from their colleagues. (ibid 1994, p. 14)

Service development has a central role in an organisation and it usually has a strong future-orientation. Without proper procedures there is a danger that the company stagnates or does not see new evolving possibilities. The paradox of service development seems to be that in fighting for customers and market shares, the customers themselves can give a helping hand towards the companies by getting directly involved in service development. In the next section a look is taken at the service development as a process.

4.3 Service development as a process

Service development as a process can be approached in different ways. One way is to use ISO 9004-standard, where one section is about designing a service:

‘The process of designing a service involves converting the service brief into specifications for both the service and its delivery and control, while reflecting the organisation’s options (i.e. aims, policies and costs). The service specification defines the service to be provided, whereas the service delivery specification defines the means and methods used to deliver the service. The quality control specification defines the procedures for evaluating and controlling the service delivery characteristics.’ (ISO 1991, p. 8) ‘Design of the service specification, the service delivery specification and quality control specification are interdependent and interact through the design process. Flow charts are a useful method to depict all activities, relationships and interdependencies. The principles of quality control should be applied to the design process itself.’ (Ibid, p. 9)

According to the ISO-standard, the customer is not directly involved with the service design. This view can be a little bit old-fashioned as service is mostly seen as a technical process rather than a process of interaction between the service providing company and its customers. Some criticism has also been raised due to the bureaucratic nature of the ISO-structure. Some researchers feel that it is very difficult to apply ISO-thinking to the service sector. (See for instance Lecklin (1999) and Silen (1998) in Komppula and Boxberg (2002). However, ISO 9001:1994 (Quality systems - Model for quality assurance in design, development, production, installation and servicing) also
gives some general guidance for product development. The basic idea is to create a planned, controlled and standardised procedure in order to guarantee the best possible results.

‘At appropriate stages of design, formal documented reviews of the design results shall be planned and conducted. Participants at each review shall include representatives of all functions concerned with the design stage being reviewed, as well as other specialist personnel, as required. Records of such reviews shall be maintained.’ (ISO 9001:1994, p. 15)

One of the first researchers, who looked at service development, was Shostack (1982, p. 54). Her molecular model has become a classic as it separated between intangible and physical parts of the service and she also identified bonds, which later became an interesting object of versatile research.

Scheuing and Johnson (1989) propose a 15-stage model for new service development in which they have paid special attention to test the service-to-become from the concept, service, process and marketing point of view: (ibid, p. 30)

1. Objectives and strategy
2. Idea generation
3. Idea screening
4. Concept development
5. Concept testing
6. Business analysis
7. Project authorisation
8. Service design and testing
9. Process and system design and testing
10. Marketing programme design and testing
11. Personnel training
12. Service testing
13. Test marketing
14. Launch
15. Post-launch review

Wilhelmsson and Edvardsson (1994, p. 39) have presented a four-stage development model, where the stages are: idea phase, project stage, development phase and implementation phase. According to the researchers the phases overlap and sometimes one has to return to an earlier phase. The similar process-thinking can be found from Jönsson (1995) and from Angberg and Åberg (1997), who basically have further developed the Wilhelmsson and Edvardsson model by stressing that the phases overlap and that quite often one has to go back to the previous phase.

Edvardsson’s and Olsson’s (1996; see also Edvardsson and Olsson 1996, Edvardsson 1996a, 1996b, 1997) model for service development consists of three essential parts: development of the service concept, development of the service process and
development of the service system. These components have different kinds of interrelationships depending on the character of the service development project. (ibid, p. 28f)

The service concept is the basic idea behind the service. Target groups, profitability and match with customer needs are analysed in order to define the core service and supporting services. Usually both internal and external analyses are carried out in order to collect as much information as possible. (ibid, p. 29f)

The service system consists of customers, co-workers, physical/technical resources and the organisation. The service system should allow the service concept to become realised. (ibid, p. 20)

The service process includes all practical activities, which generate a service. Critical points are of special interest. Also the responsibilities of the customer, as well as of the co-partners, are defined. The service becomes a chain where both the service provider and the customers have active roles. (ibid, p. 31f)

Edvardsson and Wilhelmsson (1994) state that the ‘major function of the service development is to create preconditions for services, which by the customers are perceived as good quality’ (ibid, p. 32). This is possible only if the service provider is fully aware of the customer needs, wishes and hopes. The development approach should also be analytical and systematic.

De Brentani (1993) has studied 106 new industrial services from 37 financial institutions. Approximately half of the services were considered by companies themselves to be successful. She came up with four significant factors that are positively linked to new service success. The four factors were: supportive, high-involvement new service development environment, formal and extensive launch programme, formal up-front design and evaluation and expert-driven new service development process. In her study she found two factors, which were not significant to new service success. They were: marketing-dominated new service development process and customer-driven new service development process. (De Brentani 1993, pp. 15-22) According to De Brentani (ibid, p. 22) the low significance score on marketing-dominated new service development process and customer-driven new service development process may signal a problem: ‘The service firms have probably not taken full advantage of their customers as an important source of ideas and their marketing function as a critical source of input throughout the new service development process’.

Also Martin and Horne (1995) have looked at success factors. In a study of 88 firms concerning a total of 176 service innovations, they found that in five factors out of six there were significant differences between the most and least successful service innovations. The significant differences could be found in the following factors: direct overall customer participation in service innovations, direct participation of senior
management in service innovations, direct participation of customer contact personnel in service innovations, direct participation of non-contact personnel in service innovations and the greater use of customer information. The only non-significant factor was the participation of other outside resources. (Martin and Horne 1995, pp. 40 - 56) In their discussion part, Martin and Horne conclude by stating: ´While these general findings seem quite obvious they should help put to rest the notion that a few specialists, working in isolation, can produce significant numbers of successful service innovations´ (ibid, p. 53).

Also many other researchers have looked at success factors. In general the following factors have been found to contribute to the success of new services:

Customer Participation (Martin and Horne 1993, 1995)

Employee competence (De Brentani 1991; De Brentani and Cooper 1992; De Brentani and Ragot 1996)


Market Research (Edgett 1994, 1996; Edgett and Parkinson 1994)

Professional and well-planned launch (De Brentani and Cooper 1992; Edgett 1994; Edgett and Parkinson 1994; Cooper, Easingwood, Edgett, Kleinschnidt and Storey 1994)

Synergy with the existing services of the company (De Brentani 1991; De Brentani and Cooper 1992; Storey and Easingwood 1993; Martin and Horne 1993; Cooper, Easingwood, Edgett, Kleinschnidt and Storey 1994)

Systematic approach to new service development (De Brentani 1991; Edgett 1994; Cooper, Easingwood, Edgett, Kleinschnidt and Storey 1994; Edgett and Parkinson 1994; De Brentani and Ragot 1996)

A more comprehensive and detailed analysis of the previously mentioned studies can be found for instance in Kinnunen (2001, pp. 39-42). There seems to be many areas where proper actions are crucial for the final outcome. Maybe one should talk about success bundles rather than single success factors. Additionally, success is always dependent on many external (and internal) conditions, which often are beyond the control of the company. This is probably why the conclusions of ´success research´ tend to be of rather general character.
Edvardsson (1995) has made a general synthesis of characteristics of the service development processes. He presents nine points: (ibid, p. 64)

1. Service development is usually carried out in groups and in project form.
2. Evaluation committees are used in order to evaluate ideas for new services and to allocate resources for new service development.
3. Most new service development is a further development of already existing services.
4. Competitors seem to be the most important source for new and improved services.
5. Customers do not usually participate in new service development and marketing research is not widely used.
6. External specialists are not involved very often.
7. Internal specialists (including the management and colleagues) are involved actively.
8. Most service companies do not have a formal process for new service development. The way of proceeding seems to be highly informal.
9. The responsibility for new service development is usually on the marketing department.

Further, Edvardsson (1995) gives a list of eight potential factors for successful new service development: (ibid, p. 66f)

1. The company should have a long-range strategy for the new service development.
2. While the new service development is usually carried out in project form, the methodological aspects of projects should be emphasised.
3. All functional and professional groups in a company should have a close and open relationship between each other.
4. All new services should always be seen in relation to the customers’ perceived benefits.
5. All new services should be evaluated in relation to the market potential.
6. The open and innovative corporate culture is essential for successful new service development.
7. The new service does not always have to match with the company’s existing system of production and delivery.
8. The contact personnel should be incorporated in all new service development.

The presented points give quite a complex picture of the new service development as a process. Actually the word ‘process’ should be in plural in order to better describe the complexity and multi-dimensionality of all new service development. The development of new services should always be carried out in co-operation between the service company and its customers. Further, it should be beneficial to both parties. In order to achieve that, the production process and the consumption process should cohere.
Unfortunately, in many cases the company’s production process is developed without taking into account the impact on the consumption process and customers. (See for instance Storbacka (1993) and Gummesson (1991).)

Tax and Stuart (1997, p. 122) present a normative seven-step planning cycle through which they try to integrate the potential new service successfully with the existing service system. Starting with an audit of the firm’s original service system, the requirements of the market and the extent of change that the new service represents are analysed. Finally, the effects that the new service will have on the existing service system are assessed. The steps are as follows:

1. Audit the existing service system.
2. Assess the new service concept.
3. Define the new service system ´processes´ and extent of change.
4. Define the new service system ´participants´ and extent of change.
5. Define the new service system ´physical facilities´ and extent of change.
6. Assess the impact of integrating the service systems.
7. Assess the internal capability to handle change.

One has to be aware, that the presented model is mainly a tool in adding new services into an already existing system. Therefore, it does not really give any help in introducing new approaches, which would change the existing service system radically. The voice of the customer can hardly be heard. On the other hand, the model represents a rational management thinking where the current management processes are protected from any external disturbances.

Mayer, Bowen and Moulton (2003, pp. 621 – 639) present rather interesting thoughts in their ´proposed model of the descriptors of service process´. The proposed model of service process is comprised of an interactive hierarchy with two primary dimensions: the process of service assembly (PSA) and the process of service delivery (PSD). During a service encounter a customer’s perceptual filters (CPF’s) modify both the PSA and PSD. In turn, these two dimensions of the model and the CPF’s are linked to encounter satisfaction, which is the customer’s perception of his/her discrete experience with a service. Thus, encounter satisfaction is posited to be the outcome of the service process model. (Ibid, p. 622) The authors conclude that from a service-planning standpoint, the model could serve as an organising framework for planning a service encounter. ´Since the model implicitly incorporates the perspective of a customer, it forces managers to think through the choices that they are making in the selection of structural descriptors, and to plan for the variability in a service encounter that is inherent in the group of situational descriptors. The model could also be used for process analysis in services (Ibid, p. 633).´

Grönroos (1990) has presented a dynamic model for developing the service offering. His model consists of six stages:

1. Assessment of customer benefits
2. Defining of desired features of a competitive augmented service offering
3. Planning of the basic package (core service, facilitating services and good supporting services and goods)
4. Development of the augmented service offering
5. Planning of supportive market communication
6. Preparing the organisation for producing the desired customer benefits through production and delivery of the augmented service offering (Grönroos 1990, p. 83f)

The Grönroos’ (1990) approach is very holistic and takes into account both customer features and organisational features. He concludes by coming back to the basic characteristics of services and states: ‘This dynamic aspect of the service product is inevitable, because services are activities or processes that are produced, in part simultaneously, as they are consumed’ (ibid, p. 91). In other words, it seems to be very healthy to remind oneself about the few basic characteristics of services when designing any service development processes.

Fitzsimmons and Fitzsimmons (2000) are calling for a totally new paradigm for service development: real-time marketing. In their vocabulary real-time marketing practically means that an offering is under modification during the contact between the contact-person and the customer. The authors suggest that real-time marketing will become the dominant marketing paradigm. Further, they see this change of paradigm as one way of blurring the traditional definitions separating products and services from each other and, at the same time, increasing the sensitivity towards customer values and needs for customization (ibid, p. 68f). In the following section the strategic side of service development is discussed.

4.4 Strategic service development

Service development is strategically one of the key concepts in creating company’s competitive advantages. It is quite obvious that different kinds of competitive conditions require different kinds of strategies. (Sanchez 1996, p. 121) Most companies are trying to develop new competencies by developing their service development procedures. Sanchez (1996) divides product markets into three macro-categories: stable, evolving and dynamic product markets (ibid, p. 124). For the companies operating on the stable product markets he suggests strategic commitment, whereas evolving product markets demand strategic change. According to Sanchez (1996), the best strategic option for dynamic product markets is strategic flexibility. (ibid, p. 124) In other words, no development work is possible without taking into account strategic realities of the market.

Sanchez’s framework is quite interesting as the service sector usually is characterised as ‘evolving’ or ‘dynamic’. One can assume that the same service development procedures in stable product markets are not adequate in dynamic product markets and vice versa. In order to obtain strategic environmental information, all development
processes should include mechanisms that systematically feed the company with information. In this study all those mechanisms are covered by the term ‘scanning’. They decrease the level of isolation and increase the environmental awareness throughout the development process.

Martin and Horne (1992) have conducted a study in which they included in-depth interviews with 80 senior managers in 16 US-based multinational firms and group discussions with 388 senior level executives from 241 firms. In that study they could see an attempt to move from product-domination towards a service-orientation. The firms faced, however, two major strategic hurdles: (ibid, p. 35)

1. A rethinking of the client’s role as co-producer
2. The design and management of a new service development process

They conclude their study by stating that ‘the focal point should be to model ‘bundles’ of products and services, not to concentrate on one or the other, as initially advocated by Sasser et al (1978) in their discussion of the service package concept’ (ibid, p. 35). There seems to be a need for a holistic and dynamic service development framework.

Edvardsson, Haglund and Mattsson (1995) have studied the planning and control of service development processes. In their conclusions they present a huge strategic challenge by saying:

‘We feel that complex processes like the development of new services cannot be formally planned altogether. Creativity and innovation cannot rely on planning and control. There must be some elements of improvisation, anarchy, and internal competition in the development of new services. Consequently, the innovation and adoption of new services must be both a planned process and a happening! We believe that a contingency approach is needed and that creativity on the one hand and formal planning and control on the other can be balanced with successful new services as the outcome.’ (Edvardsson, Haglund and Mattsson 1995, p. 34)

Campbell and Alexander (1997) have discussed the general problem with strategy generation and they argue that insights about value creation rarely emerge from planning processes. According to them something is wrong in the strategy or in the way we develop strategies. They conclude by stating that ‘defining purpose, discovering insights, and combining the two into a strategy is not easy. … But the puzzle is made more difficult if we fail to distinguish between purpose and constraint and if we design structured planning processes with timetables that do not allow for the new insights.’ (ibid, p. 51)

During the recent years the development of the vision of the company has created a lot of discussion. Salenius and Strandvik (1996, p. 32) use the term ‘strategic eye’, which is a built-in mechanism for a company’s strategic vision development. They describe a good vision as ‘energy-creating’ and as ‘action-orientated’. The vision should be based on the company history and its identity, which include an implicit or explicit awareness
of the company’s core competencies and critical areas of know-how needed to survive in the future (ibid, p. 32). Also Their (1994, pp. 78ff) presents similar kind of thoughts: ‘Without a clear and conscious basic philosophy, a vision, there is a danger that the flow of energy is running chaotically leading into unhealthy competition and struggle for power’ (ibid, p. 78f). Her metaphor is quite descriptive: a candle at the end of the tunnel. That candle, however, should not be lit by the manager alone - but rather together by the entire organisation...

Kauppinen and Ogg (1994, pp. 74-83) argue that capability to create visions is one of the most important characteristics of a good manager. They also point out that there are always many visions in the organisation and it is the management’s responsibility to co-ordinate and integrate these different visions towards a common - shared - vision. Murray and O’Driscoll (1996) describe vision in the following way:

‘Vision focuses on stretching the company to invent and reinvent its future rather than achieving ‘fit’ between existing resources and observable market forces. It is a creative, potentially rule-breaking, approach to managing the future’ (ibid, p. 228).

Murray and O’Driscoll (1996) have also included a strategic link into their version of the process of new product development (see section 4.2) and they also state that the traditional sequential approach has many shortcomings. Instead, companies are clearly moving towards a more simultaneous new product development approach. (Ibid, p. 417)

In order to be able to cope with a very demanding simultaneous approach, the strategic planning processes stand in front of totally new challenges. The strategic field of service development is quite obviously going through a period of rapid change and development. This turbulence will also directly affect the managerial aspects. In the following section a look is taken at the management side of service development.

4.5 Management of service development

The previous section has given some insight into the changed pressures in the area of service development, all of which have had an impact on management. Usually the literature discusses how to manage the service concept, the basic service package and interactions between the company and its customers. Grönroos (1990) has added one interesting aspect: managing image and communication. (For a more detailed discussion, see Grönroos 1990, p. 73f.)

The recent trend has been to ‘downgrade’ management responsibilities. In other words the present thinking is no longer that the top management makes all the decisions alone and tells the middle management what to do and how to do it. There is, generally
speaking, more co-operation between different management layers, although more may be needed. Organisationally all this has meant a transformation: traditional and hierarchical structures have been turned into smaller strategic business units and teams. These smaller units are better able to re-organise themselves rapidly and the level of general flexibility is obviously higher than in traditional organisations. A team can also be created on a temporary basis with a certain, well-defined project in mind. Norling and Olsen (1996) have also presented some interesting thoughts about future organisations where flexibility and temporarity seem to be the keywords.

That flexibility is very much needed in service development and in innovation as no one can really foretell if a given innovation will end up a big business or a modest achievement (Drucker 1998, p. 157). Furthermore, it is managerially important to understand that innovation is work rather than genius and that it requires knowledge, ingenuity and focus. One should not either forget, that the very foundation of this development positive entrepreneurship – as a practice and as a discipline – is the practice of systematic innovation. (Ibid, p. 157f) That is, where the management has a demanding key role. Rust, Zahorik and Keiningham (1994, pp. 117 - 124) are calling for a highly comparative approach, in which the management’s major responsibility in any company is to look at the processes of the world leaders in its own industry and adopt the suitable elements into one’s own company (=benchmarking).

Kinnunen (2001, p. 229) has studied success factors for new services and her conclusion is that market fit is the most important success factor. She is also calling for a more versatile theoretical approach to new service development research and states about the current situation as follows: ‘Service development has been seen to be a more haphazard action than product development with physical products. Research on modelling the service development process has been found to be practised by only a few scientists even though this research subject has been the subject of attention for almost twenty years. In the very few models of the service development process, the emphasis has been on the development of the content of a service and on the process itself. These models try to present the reality of service development in some field of business or try to give normative examples how service development should be organised.’ According to her, more research is obviously needed.

During the 1980’s and 1990’s, scholars started to use the term ‘service management’ (see for instance Normann (1984), Lehtinen and Storbacka (1986), Carlzon (1987), Albrecht (1988) and Grönroos (1988)). Service management can be defined as consisting of four different areas: (Grönroos 1990, p. 117 and Grönroos 1988)

1. To understand the utility customers receive by consuming or using the offerings of the organisation and how services alone or together with physical goods or other kinds of tangibles contribute to this utility, that is, to understand how total quality is perceived in customer relationships and how it changes over time.
2. To understand how the organisation (personnel, technology and physical resources, systems, and customers) will be able to produce and deliver this utility or quality.

3. To understand how the organisation should be developed and managed so that the intended utility or quality is achieved.

4. To make the organisation function so that this utility or quality is achieved and the objectives of the parties involved (the organisation, the customers, other parties, the society, etc.) are met.

According to Grönroos (1988), this service management perspective changes the general focus of management in service firms, as well as in manufacturing firms in the following way: (ibid, p. 30)

- Product-based utility > total utility in the customer relationships
- Short-term transactions > long-term relationships
- Core product quality > total customer perceived quality in enduring customer relationships
- Production of the technical solution as the key process in the organisation > developing total utility and total quality as the key process

What Grönroos (1990, p. 123) is calling for from the management and those implementing a service strategy, is ‘service know-how’. Schneider and Rentsch (1987) talk about ‘service imperative’. New management approaches are clearly needed in order to be able to take into account the specific characteristics of services and the rapidly changing competitive environment. In the next section, a look is taken at the service development - specifically in the small and medium enterprises (later referred as SME’s).

4.6 Service development in SME’s

In the service development literature, surprisingly little interest has been shown to the fact that companies differ so much from each other in size and business volume. Traditionally, the majority of examples and cases in marketing textbooks represent situations in huge, globally well-known companies. This is understandable as people usually know these companies and their products and therefore it is easier to comprehend the company-specific situation and the potential problematics. In real life, the Finnish hospitality industry and most companies are small by comparison and one can wonder if the same strategic and operative approaches apply to these small (and medium size) companies, which usually are applied to big international companies.
In the Finnish context, there is no generally accepted definition for a SME. The Statistical Center in Finland uses a definition according to which a company is a SME if there are less than 250 employees. A company is regarded as a small company if the total amount of employees is less than 50. (Lankinen 2002C)

In the restaurant sector in Finland, approximately 85% of all restaurants have five employees or less (Lankinen 2002C). It is very important to keep this fact in mind as we try to apply different strategic and operative approaches to the industry. The author has not found any comparative research between small and big companies, but the volume aspect may have an impact on what works and what does not work in this SME-dominant industry in service development. Also in this study, all studied objects can clearly be identified not only as SMEs, but rather as small companies. Also, Grönroos (2000) discusses the relative size of organisations and comes with the following thoughts: (ibid, 305f)

'It could be argued that a small service firm is frequently more customer-orientated than a big firm. In a smaller organization operational decisions are made more quickly and closer to the market. It is easier to develop good interactive marketing performance and to give better functional quality in such situations. Internal marketing is less time-consuming and troublesome. On the other hand, there is more potential strength in large firms. In a bigger firm more resources can be used in order to develop technical quality.'

In other words Grönroos is actually arguing that the small company size brings both positive and negative aspects and therefore - in an ideal situation - a company would combine the strengths of being a small and flexible with the strengths of belonging to a large organisation. Grönroos adds though realistically: ‘There is much evidence, which demonstrates that this may be difficult to do. As an organization grows and tries to achieve the advantages of being a large company, far too often it destroys the potential strength of being a small company.’ (Ibid, p. 306)

Kotler (2001, p 61ff) also discusses the size of the company. His view is that small companies can also benefit from sound strategic planning processes used by big organisations. ‘Entrepreneurs and presidents of small companies are more likely to spend their time `putting out fires` than planning. Strategic planning can, however, help small business managers to anticipate in difficult situations and determine how to prevent or handle them’ (ibid, p. 62). Kotler regards strategic planning as crucial to a small company’s future and does not see any direct principle difference between small and big organisations. Only the operative processes have to be adjusted to the smaller budgets of the smaller companies and - maybe - there is more room for basic research and background digging in larger organisations. The size of the company should not be a reason for doing things less professionally or, the other way around, to spend money on unnecessary actions.

However, one has to be realistic about resources. A small company usually has limited resources for all of its actions. This fact may affect the way it approaches different
tasks. Knowles and Ware-Lane (1994) have noticed this and state the following about new product development in food and beverage operations: (ibid, p. 128)

’SINGLE OPERATORS, THROUGH LACK OF FINANCE OR SUFFICIENT CASH FLOW, ARE RELUCTANT TO TEST AND TEND TO HAVE A ‘DO OR DIE-APPROACH’. THEY ALSO BELIEVE THAT DEVELOPMENT IS CONSUMER LED AND ARE THEREFORE REACTING TO KNOWN MARKET REQUIREMENTS, WHICH IN THEIR OPINION ELIMINATES THE NEED FOR A FORMALISED PRODUCT TESTING PROCESS.’

This rather pessimistic comment argues that the whole approach to product (and service) development in small companies is different. Of course one has to be always careful with generalisations, but certainly this kind of view could partly be empirically supported. However, an open question remains: does the majority of SME’s behave accordingly?

In her study about creating and testing of service ideas and service production concepts, Kinnunen (2001) has also studied exporting SME’s. When she looked at different materials about information needs in small and medium sized companies, she found that only in two sources (Pelli 1993 and Nivala 1995) needs in the area of product development were explicitly mentioned (Kinnunen 2001, p. 108f). This raises the issue of competence; in a small organisation, the amount of competence is, due to very natural reasons, restricted as in big organisations. The large number of people guarantees a certain level of know-how - at least statistically. Strategically this may mean that small organisations are more likely to operate in a market with strict boundaries as bigger organisations have more freedom in their activities.

The size of the company is always a given fact and it has to be kept in mind as we start developing different approaches for offering developing. It should also, once more, be reminded that the Finnish hospitality industry represents a pure SME-industry. The reader is the final judge if the approaches presented in this study may be directly applied to other SME-industries and if the approaches would be different in a case of a bigger company. In the next section a look is taken at the service development explicitly in the hospitality industry.

4.7 Service development in the hospitality industry

Very little has been written specifically about service development in the hospitality industry. In the following, the results of some studies, which have all been concentrated explicitly on the hospitality industry, will be presented.
4.7.1 Feltenstein

Feltenstein (1986) writes about menu development, which is a small part of a total restaurant offering development. He suggests a model for new-product development consisting of six stages: (ibid, p. 64)

1. Assemble new-product task force
2. Set new-product priorities
   A. Review corporate goals
   B. Audit current test items
   C. Determine candidates for deletion or redevelopment
   D. Examine new-product roles
   E. Conduct SWOT-analysis
3. Generate new-product ideas
4. Screen and select ideas
   A. Development of screening methodology
   B. Qualitative analysis
   C. Quantitative analysis
   D. Selection of ideas to be developed
5. Develop products
   A. Recipe formulation
   B. Operational specification
   C. Unit operational testing
   D. Preliminary market testing
   E. Market testing
6. Plan marketing and rollout campaigns

Feltenstein’s model (1986) is very comprehensive and operations-orientated. He is not paying a lot of attention to external factors and concludes by stating: ‘Even if you apply the most disciplined of product development methods, many factors beyond your control might doom a product that looked great during the test.’ (ibid, p. 71).

4.7.2 Jones

Jones (1995) has studied how to develop new products and services in flight catering and, more generally, how to manage hospitality innovation (1996). In his earlier paper he compares new product development (Booz, Allen and Hamilton 1982) and new service development (Scheuing and Johnson 1989). After the comparison he goes on and discusses new service development in the flight catering. He comes to the conclusion that new service development in flight catering is underdeveloped. One of his most interesting findings is that the supply and catering sectors are the least systematic when developing new products and services. (Jones 1995, p. 28) In other
words the airlines themselves are effective and systematic in their new service development, but the problems can be found in companies functioning as suppliers to the airlines.

In his latter paper (Jones 1996) Jones discusses new service development more generally. He uses the Scheuing and Johnson model (1989) as the basis and then presents four case studies. His conclusion is that the firms do not usually follow the formal process for innovation due to three reasons: the nature of the innovated product itself, the nature of the organisation engaged in the innovation and the external environment (Jones 1996, p. 94). In his general conclusions, he states that the (Scheuing and Johnson 1989) 15-step process should be thought of as a checklist of options rather than as a rigid script. A systematic and formal approach to innovations is likely to be adopted only when a totally new product is being developed with a number of inter-related innovations and when there is a licence or patent protection. (Jones 1996, p. 95)

Jones also comments on conditions that encourage a dynamic and flexible approach from the organisational point of view. These are: growing supply-chain integration, organisational culture that is founded on innovation, industry association sponsorship, creative and entrepreneurial leadership and deregulated markets (ibid, p. 95). Jones also leaves some room for flexibility by stating: ‘There is no one-way to develop innovations. The process should be managed so that it fits both the new product and the organisation’ (ibid, p. 95).

4.7.3 Jones, Hudson and Costis

Jones, Hudson and Costis (1997) have studied new product development in the UK tour-operating industry. Their study consisted of four case studies, which were analysed with the Scheuing and Johnson (1989) 15-stage model as a theoretical framework. The four cases illustrated that the firms do not follow the model in their approach to innovation. What is even more striking is that they do not seem to follow any other models either. There may be three major reasons for this: originality of the product or service, the size of organisations in the tour-operating industry and environmental factors (ibid, p. 291).

The researchers conclude that innovation in the UK tour operating industry is contingent. Upon simplicity it is relatively unsophisticated, due to the nature of the innovation being carried out, and dynamic and flexible due to the nature of firms operating in the industry context. Therefore, ‘the design of the innovation process itself could be a significant factor in the ultimate success or failure of the new product’ (Jones, Hudson and Costis, 1997, p. 294).
The drawn conclusion shows clearly the lack of systematic approaches toward new product development in the hospitality industry. The traditional models seem to be unsuitable for the hospitality industry as many companies are from the very beginning developed as a result of an innovative idea and, innovation is automatically built into the company’s operative measures.

4.7.4 Knowles and Ware-Lane

Knowles and Ware-Lane (1994) discuss new product development in food and beverage operations. In their context, they see food and beverage operations as a combination of products and services within a total product system consisting of three levels: the core product, the tangible product and the augmented product. (Knowles and Ware-Lane 1994, p. 120) Further on they discuss concept development, product life-cycle, product testing and creativity. In their conclusions, they state that in food and beverage operations the total concept and elements of that concept require continual review and development in line with market forces. A structured approach is required and creativity is crucial for the entire process. (ibid, p. 129)

4.7.5 Komppula and Boxberg

Komppula and Boxberg (2002) present a five-stage model for developing a tourism product. Based on the continuous development of the service system, the model suggests the following stages in chronological order: development of the service concept, development of the service process, Market testing, commercialisation and assessment after commercialisation. The authors base their model on existing literature (for instance Komppula, 2001) and on their long practical experience in the industry.

4.7.6 Yavas, Yasin and Wafa

Yavas, Yasin and Wafa (1995) present a conceptual framework for front and back-stage strategies in service delivery in the hospitality industry. The interesting aspect in their TQM-orientated framework is a total lack of any product or service development functions. The hospitality industry has, throughout the years, been introduced uncountable times to different kinds of quality assurance frameworks where the main goal seems to be ‘to keep the things as they are’. In a modern world, one cannot survive
without a clear future and development-orientation and quality should never be seen from the perspective, which is only based on the present situation.

4.7.7 Organisational industry-related research

Besides academic research, some organisational industry-related research is carried out. The Finnish Hotel and Restaurant Association (SHR r.y.) has a one-man research unit. Despite its small size, the unit produces a lot of statistical material about the industry. Besides following the most central volume indicators in co-operation with the Statistical Center of Finland (‘Tilastokeskus’) and with the Center for the Product Control (‘Tuotevalvontakeskus’), the unit produces an annual trend analysis of the restaurant sector (i.e. Ravintolaluokituksen trenditutkimus 2001) in co-operation with the research company Suomen Gallup Oy and a summary of numerical indicators in the hotel and restaurant industry in co-operation with the Statistical Center of Finland (i.e. Hotelli- ja ravintola-alan tunnuslukuja 2000). Both of these reports are available in Finnish only. As the association is the major branch-organisation, it also keeps an eye on the image of the branch and its development.

In connection with the Haaga Institute polytechnic, a small research center was established in 2000. So far the center has produced two preliminary reports about the competitiveness of hotel and restaurant industry (Heikkinen and Partanen 2001) and a two conference reports (Heikkinen 2002, Heikkinen, Inkinen and Kortelampi 2003). In the future, the center has ambitions to take a more visible role in the applied research of the Finnish hotel and restaurant industry.

4.8 Summary on service development

Service development is usually seen as some kind of sub-discipline to traditional product development. In many cases in the literature, no differences are seen or stressed between product development and service development. On the other hand, most authors seem to agree that a ‘product’ usually consists of a service part and a tangible part. It is actually quite artificial to draw a line between product and service development - a unifying approach is clearly needed.

Both in the product development literature and in the service development literature, the most popular approach seems to be to study success and failure factors. That is of course interesting but in many cases the studies remain on the very surface, as the interrelations between different factors are not studied. Once again, a more holistic approach is needed.
In their deserving synthetical article Johne and Storey (1998) argue, based on their extensive literature review, that leading edge practitioners in service development no longer invest most heavily in improving just core service attributes. Instead, they invest equal if not more effort in providing support for buyers’ evaluation, choice and usage needs (ibid, p. 194). In other words, service development seems to have a tendency of becoming something close to general business development rather than being confined to developing single services in isolation.

The strategic environment of the company has a huge impact on its service development. Therefore, it is almost a must to develop some kind of system that feeds the company with information about its competitors, changes in the marketplace and future trends. In this study the term ‘scanning’ has been used. Besides strategic information, the interaction between the customers and the company seems to be a key-factor. A big future challenge is to increase customer involvement in service development as good service is always a result of customer and service personnel interaction.

Quite a few authors have written about the service development in the hospitality industry. It will be of great interest to develop new approaches to services development and to test them in the hospitality industry. There seems to be a need for a conceptual service development framework that, in its part, can lead the way towards totally new managerial approaches. In the next section a look is taken at the role of consumer in services marketing. Both the terms ‘consumer’ and ‘customer’ are used simultaneously even though usually in the literature ‘consumer’ is used as a more general concept compared with ‘customer’, which already refers to a relationship with a certain company. All customers, however, are consumers and all consumers are somebody’s customers.
5 THE ROLE OF THE CUSTOMER IN SERVICES MARKETING

5.1 Customer orientation

As discussed in section 2.3, the paradigm shift in marketing has accentuated the role of the customer. Having been more or less faceless objects, customers have become subjects and according to modern marketing thinking good customer relationships are always based on co-operation between the company and its customers where mutual benefits are developed. However, quite often much of customer orientation can only be found in words. Operationally much remains to be done before the customers perceive that there is a drastic change in the companies’ marketing approach and marketing thinking (Ruohonen 2003, p. 28).

An interesting rhetorical question is, ‘At what stage a customer is a customer?’ According to Cartwright (2000, p. 19), a customer can be defined as ‘one for whom you satisfy a need and who you delight in respect of their wants’. Grönroos (2000, p. 35) uses the term ‘relational customers’, which refers to customers not purchasing and consuming the services or goods marketed by the firm. The essence of Grönroos thinking is that a genuine relational intent can only be shown, if all potential customers are treated equally compared with buying customers (ibid, p. 35).

Customer orientation, as a paradigm, has brought some new areas of competence to the forefront. One of them is the management of customer data. According to Lehtinen (2001, p. 122f), one of the most important aims in this competence is the integration of information systems. In other words, there has always been customer information in the companies, but the procedures for storing and using it systematically have been vague. Lehtinen emphasises the importance of customer information especially in the development of potential relationships, in creating the relationship structures, in analysing customer preferences and in other aspects, which have direct influence on customer encounters. Lehtinen also sees a lot of potential for improvement and states: ‘... companies still seem to view increased sales as their ultimate goal and not necessarily the development of their customer relationships’ (ibid, p. 122). The active use of customer information may be the beginning of an even closer interaction between the company and the customer. There are already examples of customer involvement in developmental activities. An example from the hospitality industry can be reviewed within the American Lodging Industry, where a targeted product market is actively involved in the product development process and resulted in a Best Practise Award. For a more detailed description, see American Lodging Experience (1999, p. 156).

In developing client relationships, and in adding value to customers Dawson (1999, p. 19) emphasises knowledge transfer. According to him, the key link between knowledge transfer and client relationships is intimacy. This intimacy denotes the existence of rich ongoing two-way interaction and a deep level of mutual trust. Dawson presents a
virtuous circle of knowledge transfer and developing client relationships where closer organisational and personal relationships lead into better understanding of client’s knowledge processes and styles, richer interaction, greater mutual trust, more effective knowledge transfer, increased value added to clients, enhanced ability to implement value-based pricing and - finally - into increased revenues (Ibid, p. 20). One can see a clear move towards more open and closer company-customer contacts. However, the question remains: ‘Are the customers really – sincerely - ready for closer contacts and are they ready to use their limited time resources for the benefit of someone else – in this case service companies?’

The main issue in customer orientation seems to be to understand that all companies should focus on customer perceived quality and on solutions, which better satisfy customer needs and expectations. The companies, which are successful in this, have created a better competitive position and a clear competitive advantage. Another important part of customer orientation is the understanding that customers do not buy products or services. They buy a total offering instead. One can say that customers generally have a holistic approach, but at the same time - as most contact people know - there is a surprisingly big interest for small details. Therefore, the challenge of any service company is to be in control of the whole service offering and at the same time continuously finetune the details.

5.2 Customer participation

One important element in customer orientation is customer participation (or customer involvement). As stated earlier, good service is based on two-sided activity and cooperation. Therefore, increasing customer participation has become a major issue in marketing and customer management. In the services literature, the term customer participation generally refers to the customer’s active role in the production or delivery of a service (Bettencourt 1997). One of the main reasons that services differ from one occasion to another is the ‘people’ component of services (Iacobucci 1998). The implications of customer participation in the service delivery process have also been referred by Grönroos (1990), Kelley et al. (1990), Lovelock (1992), Canziani (1997), Alam (2002), Alam and Perry (2002), Magnusson (2003) and Matthing (2004). As Alam (2002, p. 259) puts it: ‘Although some academic thinking on the topic of user involvement is evident, significant theory generation has not yet taken place’.

As Grönroos (2000, pp. 278ff) talks about ‘relationship dialog’, Berry (1999, p. 125ff) sees many factors behind the potential customer activity. In his ‘Model of trust-based relationships’ he includes elements like perceived (company) competence, perceived (company) fairness, trust of the company and employee, customer and partner relationships. Berry’s message is that customer activation may be a far longer road than we tend to think. Also Kuokkanen (1997) has presented similar kind of thoughts. In a study of postpurchase word-of-mouth intentions his framework includes a model where
the main factor originating customer involvement is perceived importance. Together with disconfirmation of expectations and potential dissatisfaction, it leads into strong postpurchase word-of-mouth intentions. (Ibid, p. 51) Delgado-Ballester and Munuera-Alemán (2001, p. 1254) found in their study that brand trust has a significant effect on customer commitment, which, in its turn, influences the customer’s price tolerance towards the brand. They also found out that customer involvement exerts a moderating effect on the relationship between brand trust and customer commitment. Grönroos (2000, p. 221) states the following: ‘Customers have to see that benefits arise from participating in self-service processes. If they do not find those benefits, perceived quality suffers. Customers have to be rewarded for taking part in self-service elements, and they have to be motivated to do so.’ Grönroos also emphasises the importance of improving the participation skills of the customers – to the benefit of the service provider (ibid, p. 221).

One important issue in customer involvement is the question of at what stage the customers should be activated. Magnusson (2003, p. 103) and Matthing (2004, p. 91) have come to a conclusion that it is beneficial to activate customers at the early stages of the development process. Also Alam and Perry (2002, p. 528) follow the same lines of thought and call for a planned and formal process of obtaining input from customers throughout the development process.

Kaulio (1998) presents a review of seven different methods for customer involvement in product (service) development. Results indicate that different methods support the involvement of customers at different phases of the design process. Kaulio also identifies three types of involvement: design for customers, design with customers and design by customers. The overall conclusion is that there exists potential for improvements for those who would like to focus on customers in the design process.

Customer participation can also be based on the responsiveness of the company. According to Davis and Manrodt (1996, p. 51) responsiveness improves the fit between customer needs and delivery. ‘Responsive organisations are able to provide higher levels of customer satisfaction and customer retention, decreased costs and greater responsiveness to competitive and environmental change. To be responsive, organisations must have the flexibility to respond to change.’ (Ibid, p. 61)

Once again, a need to carry on with some kind of systematic analysis of the environment seems to come to the forefront. Whatever methods or approaches we use, the customer always has the final word. This fact has been emphasised by Kotler through his comment: ‘Who should ultimately design the product? The customer, of course...!’ (2002, p. 348).

Assael (1998, p. 70) has looked at the conditions for involvement. According to him a consumer is generally likely to be more involved with a product when it:

1. Is important to the customer,
2. has emotional appeal,
3. is continually of interest to the consumer,
4. entails significant risks or
5. is identified with the norms of a group.

'These conditions are more likely to result in complex decision-making. As most brands lack significant self-identity, interest, risk, emotion, or badge value, it is not surprising that buying by inertia is more widespread than purchasing by complex decision making'. (Ibid, p. 72)

Assael (1998, p. 72f) also divides involvement into two categories: situational involvement and enduring involvement. Situational involvement occurs in specific situations and is temporary, whereas enduring involvement is continuous and more permanent. Situational involvement usually occurs only when a purchasing decision is made, whereas enduring involvement represents some kind of long-lasting interest in the product-line as a whole. Assael also brings to the forefront the multidimensional and cross-cultural nature of involvement. A marketer should be aware that different consumers are involved with products and services in different ways and there are also cultural differences between different countries. (Ibid, p. 74f)

The real challenge is to find suitable operative procedures to support customer participation without increasing the contact time unreasonably and without putting too much additional pressure on the service organisation. Alam (2002, p. 259) has found all together six explicit objectives of user involvement that have not been reported in previous service development studies. These are: 1) Facilitation of the development of a better and differentiated new service matching customer needs and wants, 2) Reducing manager-time in development projects, 3) Making user education more effective, 4) Allowing the firm to use customers as innovators for a rapid diffusion of innovations, 5) Strengthening public relations of the company and, finally, 6) Assisting the firm in maintaining a long-term relationship with the users.

In other words, research gives some support to the benefits of customer involvement, but the organisational effects have not been widely studied. However, one can assume that in the future, many different kinds of approaches remain to be seen where the main goal is customer activation and increased participation. We should also be aware of the paradigm paradox presented by Matthing (2004, p. 90). According to him it is mainly within manufacturing where the customer process has been applied to innovation. This has led to a situation where services, when compared with physical products, tend to be under-designed and inefficiently developed. Matthing concludes by stating that 'as service development researchers we should encourage a conceptual willingness to break free from legacy models in order to propose a customer-involvement approach'. At the same time, all companies should be careful and integrate the signals provided by their service organisation with their external marketing communication; in case of discrepancy the damage may be very difficult to repair.
5.3 Consumer buying behaviour and decision-making process

Consumer buying behaviour refers to the buying behaviour of final consumers - individuals and households, who buy goods and services for personal consumption (Kotler and Armstrong 2001, p. 171). The consumer’s behaviour is affected by many factors and it is essential for the marketer to understand the basic logics and interdependence of these factors. Though the initiation of much of the research has come from the development of marketing itself, valuable and varied combinations have been made by researchers from a number of other academic disciplines - ranging from economics and management theory to psychology, sociology and social anthropology. This multidisciplinary approach is perhaps not surprising, given the complexity of the field and the multiplicity of research questions that suggest themselves. (Adcock et al 2001, p. 75)

Generally speaking the consumer’s decision-making process consists of five stages: need recognition, information search, evaluation of alternatives, purchase decision and postpurchase behaviour. (Kotler and Armstrong 2001, p. 193) Quite often a three-component ‘Hierarchy of effects’-model (see Assael 1998, p. 82) is used in order to clarify the consumer decision-making in relation to different brands. According to the model, the three components operate in sequence as follows:

1. Beliefs are formed about the brand
2. Attitudes towards the brand
3. An intention to buy or not to buy

The presented hierarchy is particularly important to marketers as it provides a basis for defining the factors that influence consumer behaviour. If beliefs about a brand conform to the benefits consumers desire, they will evaluate the brand favorably and be more likely to buy the brand. (Assael 1998, p. 83)

Once a need is recognised, consumers start to search for information. They become selectively exposed to various stimuli and they try to make sense of them. Sometimes they even search for additional information. Through a process of perception consumers select, organise and interpret stimuli. These stimuli are likely to be perceived when they conform to consumers’ past experiences and current beliefs about a brand, are believable and not too complex, relate to a set of current needs and, finally, do not produce excessive fears and anxieties. Retained information is stored in the consumers’ memory, which also is a storage-room for past information and experiences. (Assael 1998, pp. 83ff) In the next stage, consumers simply prefer the brand they expect to give the most satisfaction based on the benefits they seek. General buying behaviour can be divided into four arche-types depending on the differences between brands and the level of involvement as follows: (The given restaurant-type examples have not been validated by any research. The choice of them is purely a subjective one.)
The previous model not only makes it easy to analyse one’s present situation, but also gives some additional guidance in setting goals for the company’s actions. It is important to remember, that the entire field of consumer behaviour is highly characterised by turmoil depending on the constant changes in the situation of the consumer and varied external environmental impact. As an example, a quick lunch in an Italian restaurant during the daytime is typically low-involvement business, but celebrating the wedding anniversary in the very same restaurant in the evening represents probably clear high-involvement business. However, despite these situational differences, some industry-specific guidelines can be found on a very general level for different types of restaurant concepts.

The situation is somewhat different when buyers are in the process of purchasing a new product. A new product can be defined as ‘a good, service or idea, which is perceived by some potential customers as new’ (Kotler and Armstrong 2001, p. 200). Customers go through an adoption process, which can be defined as ‘the mental process through which an individual passes from first learning about an innovation to final adoption’ (Rogers 1995, p. 249). In a situation where adoption takes place the process consists of five clearly identifiable stages: (Kotler and Armstrong 2001, p. 200)

1) Awareness; the consumer becomes aware of the product, but lacks information about it.
2) Interest; the consumer seeks information about the new product.
3) Evaluation; the consumer considers, whether trying the new product makes sense.
4) Trial; the consumer tries the new product on a small scale to improve his/her estimate of its value.
5) Adoption; the consumer decides to make full and regular use of the new product.

‘The model suggests that the new product marketer should think about how to help consumers to move through these stages.’ (Kotler and Armstrong 2001, p. 200) It is also obvious that consumers differ greatly in their readiness to try new products.
Research shows that consumers can roughly be divided into five different categories dependent on their time of adoption counted from the initial introduction. The identified categories are innovators, early adopters, early majority, late majority and laggards. For a more detailed description, see for instance Rogers (1995). In general, the importance of the adoption process cannot be exaggerated as from the company’s point of view a positive outcome means business and negative outcome means not only lost business but maybe even negative word-of-mouth.

5.4 Motives behind consumer decision-making in the hospitality industry

Very little research has been carried out about consumer decision-making explicitly in the hospitality sector. According to Davis and Stone (1991, p. 25), the motive for a restaurant visit is quite often a social event and the six motives on the top are as follows:

1. Celebration of something/somebody
2. Meeting friends
3. Getting a break from normal routines
4. Not having to cook at home
5. Enjoying food and beverages not available at home
6. An invitation

Most of the motives above refer to restaurant’s role as a ‘third place’, which practically means that the restaurant is seen as a nonthreatening gathering spot outside of work and home - some kind of neutral zone. These kind of informal places are needed in order to put aside concerns of work and home and to relax and talk. ‘Without such places, the urban area fails to nourish the kinds of relationships and the diversity of human contact that are the essence of the city. Deprived of these settings, people remain lonely within their crowds’ (Oldenburg 1989, p. 64, see also Schultz 1997, p. 120).

Davis and Stone (1991, p. 25) also conclude, that those people who visit restaurants seldom (e.g. up to four times a year) usually have a clear single motive, while those who visit restaurants more regularly, usually can have many different motives. When analysing the factors having an impact on the choice of the restaurant, Davis and Stone (1991, p. 26) came up with the following list, where the operational factors are presented in the order of importance:

1. Reasonable prices
2. Recommendation from somebody
3. Cozy physical surroundings
4. Temptating menú
5. Good location
6. Temptating interior when looking from the window
7. Certain kind of special-kitchen
8. Belonging to a chain
9. Known restaurant from advertisements
10. Interesting name

In 1999 the Finnish research company, Taloustutkimus Oy, interviewed one thousand persons ranging in age from 15 to 74 years in the Helsinki Metropolitan area and asked about the most important reasons for choosing a café. The location was mentioned as number one priority followed by cozyness of physical premises and good price-quality ratio. (Helsingin Sanomat April 4, 2000, p. B4) However, one has to remember, that consumer behaviour in choosing a café may greatly differ from consumer behaviour in choosing a restaurant; on the other hand similarities may exist.

In their master’s thesis Koskenkorva and Myllysilta (2000, pp. 79f) have also analysed the most important criteria when choosing a café in the Helsinki metropolitan area. A total of 158 persons were interviewed and the criteria in order of importance were as follows:

1. Cozyness 8. Assortment of sweet café-products
2. Location 9. Image
3. Price-level 10. Recommendation from somebody
4. Service-level 11. Perceived similarity with the clientele
5. Assortment of salty café-products 12. Assortment of non-coffee beverages
6. Assortment of special coffees 13. Some other reason
7. Opening hours 14. Belonging to a chain

As one can notice, there are many different kinds of motives and there is full reason to believe that - as stated earlier - instead of speaking about single motives, one should talk about bundles of motives. In the following section a look is taken at the concept of brand identity from the consumer’s point of view.

5.5 Brand identity from the consumer’s point of view

‘Perhaps the most distinctive skill of professional marketers is their ability to create, maintain, protect and enhance brands. Branding is the art and cornerstone of marketing. A brand can be defined as a name, term, sign, symbol, or design, or a combination of them, intended to identify the goods or services of one seller or group of sellers and to differentiate them from those of competitors. Thus, brand identifies the seller or maker’. (Kotler 2002, p. 418)
Brand is a complex symbol that can convey up to at least six levels of meaning: attributes, benefits, values, culture, personality and user (Ibid, p. 419). Therefore, all companies should constantly check their position in the customers’ minds in order to carry out the marketing work effectively. Operationally, this quite often includes building a strong brand identity, through which the marketer strives to deliver a specific set of features, benefits, and services consistently to the buyers. They rely rather on brand experience than on a company’s external communication (i.e. advertisement) and, therefore, all of the customers’ contacts with the company employees and company communications must be positive and conforming with the brand promise. (See also Kotler 2002, p. 420ff.) Quite understandably, branding is always a longterm project (Keller 1997, p. 125).

As stated, what really is important, is the consumer perception and their view of the brand. Therefore, it is highly justified to take a closer look at the concept of brand identity. It can be defined in the following way: ‘Brand identity is a unique set of brand associations that the brand strategist aspires to create or maintain. These associations represent what the brand stands for and imply a promise to customers from the organisation members.’ (Aaker 1996, p. 68) Keller concentrates more on communication and comes with the following condensed definition: ‘Brand identity is the common element sending a single message amid the wide variety of its products, actions and slogans’ (Keller 1997, p. 91). According to Aaker (1996) brand identity can be divided into twelve dimensions organised around four perspectives as follows: (ibid p. 68)

1) The brand as product
   - Product scope, Product attributes,
     Quality/value, Uses,
     Users, Country of origin
2) The brand as organisation
   - Organisational attributes, Local vs. global dimension
3) The brand as person
   - Brand personality, Brand-Customer relationships
4) The brand as symbol
   - Visual imagery/metaphors, Brand heritage

Keller (1997, p. 99f), for his part, presents an identity prism, which also represents a multi-aspect approach to the concept of brand identity. The parts of the prism are: physique (physical qualities), relationship (brand at the crux of transactions and exchanges between people), reflection (the built image of the buyer or user which it seems to be addressing), personality (what kind of person the brand would be if it were a human), culture (set of values feeding the brand’s inspiration) and self-image (target’s own internal mirror). According to Keller, these six facets define the identity of a brand as well as the boundaries within which it is free to change or to develop. All facets are interrelated and form a well-structured entity. (Ibid, p. 100-106)

As the above reviewed two models suggest, the concept of brand identity is rather complex and abstract by its nature. Therefore, it is highly possible that when conducting research on brand identity, we discover a multi-layer structure. The history of a brand quite often reflects a certain discontinuity in the decision made by different
brand managers over time. Instead of analysing all of these, sometimes opposing, brand policies, we should focus on the ones that seem to have been some kind of turning points or so called critical incidents. (See also Keller 1997, p. 107f.)

Aaker (1996, pp. 69-74) and Aaker and Joachimsthaler (2000, pp. 51-57) warn us about four traps when dealing with brand identity. First, we should avoid a situation, where the brand identity is an automatic copy of the brand image (customer perception). In other words the brand identity is formed without the company’s active participation and strategic intent. This trap can be called as ’Brand image trap’. Second, we should be aware of a potential ’Brand position trap’, which means that our communication to the target audience is mostly based on product attributes rather than on a complete and in-depth understanding of what the brand stands for. Third, we must also understand the importance of brand identity internally to the organisation. Quite often all brand identity communication is targeted at external groups and the own organisation is more or less neglected. This trap can be called ’The external perspective trap’. Finally, we should be aware that a brand is much more than just a product. A wider perspective is needed. This trap can be called ’The product-attribute fixation trap’. Besides the four traps, we should never neglect the work of analysing our competitors and accept the fact that we may have multiple brand identities - depending on the consumer and consumption situation (Aaker 2000, pp. 61-63).

The previous presented four traps can lead to a situation where brand identity can become confining and ineffective. Keller (1997, p. 93) also warns about three phenomena so typical for our time, which make branding extremely difficult: too much communication around us, high level of product and service homogeneity and, finally, technology-boosted likeness among different products and services. According to Aaker (1996, p. 76), the key to developing a strong brand identity is to broaden the brand concept and also to include other dimensions and perspectives. The following figure represents Aaker-thinking (1996, pp. 76-85 and 2000 p. 44) and the aim is to provide a broader perspective on brand identity planning that can help strategists to avoid identity traps. The heart of the model is the brand identity system, where the brand identity provides a value proposition to customers or credibility to other brands. It is obvious, that the ultimate goal of that system is a strong brand-customer relationship. Therefore, brand identity plays a key role in creating frequent customer relationships, which also can be seen as the ultimate goal of successful offering development processes.
A brand has usually at least two identities. The core identity represents the timeless essence of the brand. The extended identity, for its part, includes elements that provide texture and completeness. It, so to say, fills in the picture and adds details that help to
portray what the brand stands for. (Aaker 1996, p. 87ff) For all customer perceptions, both dimensions have great importance and neither one should be neglected.

In an ideal case, brand identity provides a value proposition to the customer. Value proposition can be defined as follows: ‘A brand’s value proposition is a statement of the functional, emotional, and self-expressive benefits delivered by the brand, which provide value to the customer. An effective value proposition should lead to a brand-customer relationship and drive purchase decisions’ (Aaker 1996, p. 95). Also the perceived relative price is related to the benefits that the brand provides (Ibid 1996, p. 102). In many cases, the created relationship may even resemble a personal relationship and a brand can become something like a ‘friend’ or ‘mother’ (Aaker 2000, p. 50).

The brand-customer relationship can be based on many different brand identity dimensions either separately or together. Therefore, the marketing company has to have a thorough understanding on its brand identity from the customers’ point of view. We are not judged based on ‘what we are.’ but rather on ‘how we are perceived.’ In order to be communicated effectively, a brand identity needs also to be punchy, memorable, focused, and motivating (Aaker 2000, p. 93). In other words, the real marketing challenge is to communicate simply and understandably about something that is multilayered and extremely complex by nature. We should neither forget that brand building is always highly personal business. ‘The best way to build a brand is one person at a time’ (Scultz and Yang 1997, p. 243). Many companies consider the extension of customer lifetime value as their major focus in marketing planning. In this work, brand management serves as the major marketing tool (Kotler 2002, p. 423). In those cases, brand policy has become a true reflection of the strategy chosen by a particular company in a specific context (Keller 1997, p. 206).

It is also important to see the difference between functional, image and experiential brands. A functional brand is purchased in order to satisfy a functional need (such as to shave). Image brands arise with products or services that are difficult to differentiate, to assess quality or convey a statement about the user (such as an Armani suit). Experiential brands involve the consumer beyond simply acquiring the product. The consumer encounters ‘people’and ‘place’ with these brands (which often happens for instance in a Starbucks’ coffee shop). (Kotler 2002, p. 431) Usually, a restaurant can primarily been seen as an experiential brand, secondary as an image brand and only tertially as a functional brand. This is very important to keep in mind throughout all offering development processes in the restaurant sector.

Kapferer (1997, p. 75f) points out that there is no legal difference between product, trade or service brands as these are economic distinctions. He can see a beginning branding boom in the area of services and states: ‘Some service sectors seem to be just entering the brand age. They either do not consider themselves as being a part of it yet or have just started becoming aware that they are. This evolution is fascinating to watch, as it highlights all that the brand approach involves and reveals the specificities of branding an intangible service.’ Kapferer also stresses the fact that services are invisible. Structurally that means that service brands are handicapped, as they cannot be illustrated. According to him this is one of the main motives behind the wide use of
slogans. ‘Through a slogan, the brand defines its behavioural guidelines, and these guidelines give the customer the right to be dissatisfied if they are transgressed.’ (Ibid 1997, p. 76) In other words invisibility can be turned into visibility through symbolics and through activating the imagination of the consumer.

Besides brand identity we can also talk about organisational (or corporate) identity, which is ‘something what helps an organisation, or a part of it, feel that it truly exists and that it is a coherent and unique being, with a history and a place of its own - different from other’ (Keller 1997, p. 91). Therefore, Keller (1997, p. 92) presents six questions, which should be answered. Through the answers the brand identity will be defined. The modified versions of these questions have been used in the empirical part (stage 2) of this study.

1. What is the brand’s particular vision and aim?
2. What makes it different?
3. What need is the brand fulfilling?
4. What is its permanent nature?
5. What are its value or values?
6. What are the signs that make it recongnisable?

In the following section a synthesis is made of this rather complex and multilevel role of consumer in services marketing. As the customer in services marketing is the core and the major reason for all activities, it is essential to understand the basic logics behind her behaviour - in order to be able to anticipate at least a little bit.

5.6 Summary on the role of consumer in services marketing

The paradigm shift in marketing has accentuated the role of the customer. Traditional definitions of customers, such as ‘a person, who buys’ are not relevent anymore as marketing has adopted a more longterm thinking, where also non-buying persons are considered as customers. The paradigm shift has also brought some new areas of competence to the forefront. One of them is the management of customer data. In general the modern relationship between the company and its customers can be characterised as more intimate. Descriptively, terms like ‘intimacy’, ‘mutual trust’ and ‘two-way interaction’ are used in the literature. According to many researchers, companies which understand the importance of customer relationships and customer perceived quality are more likely to be able to turn that understanding into a real competitive advantage.

One interesting issue is customer participation (or customer involvement). Research gives some support that customer activation may lead into closer relationships and thus, to clear business-benefits. In order to increase the level of customer participation companies should also try to increase their own level of responsiveness. From the
customer point of view, there are some conditions for involvement. These includeelements like perceived importance and risk, level of emotional appeal, interest and fitwith the norms of a group. Customer involvement can also be divided into situationalinvolvement and enduring involvement, which in turn has an impact on the customer’spre-purchase behaviour. In restaurants increasing customer involvement is rather easytask because of the already existing personal interaction.

Consumer buying behaviour is based on many factors. The marketer should understandtheir logics and possible interdependences. It is also important not only to understandthe customer herself, but also ‘the story behind’. Research gives quite strong support tothe idea, that consumer buying behaviour includes many simultaneous and sequentialprocesses, which can be characterised as highly complex and definitely not alwaysfully rational.

Also the customer´s decision-making process is a long process. Nevertheless, itconsists of clearly identifiable stages. The marketer should be aware of this processwhere information from other consumers and past experiences seem to have a key role.It is also important to understand, that the decision-making process may vary fromsituation to situation. Based on the level of involvement and the existing differencesbetween different brands, at least four archetypes could be presented.

Very little research has been carried out about decision-making specifically in thehospitality industry. The few studies indicate, however, that the most important factorsin customer decision-making - when choosing a restaurant or a café - seem to becozyness, location and price-quality ratio of a restaurant. There is also some evidence,that instead of single motives one should rather talk about bundles of motives.

The concept of brand identity plays a key role from the company point of view. Customer perceptions are much more interesting than facts about the company. Brandidentity is a set of associations representing what the company stands for. Therefore,themarketer should follow closely the development of the company´s brand image inorder to actively and consciously steer it into right direction. One should also be awareof potential traps connected with brands. Quite generally brands can be divided intofunctional, image and experiential brands. This division has an impact both on the waythe consumer perceives any information about the brand and on the actual consumerbehaviour.

Some sholars are forecasting a branding boom in the services sector, which partly hasalready started. Especially in those cases one should not only look at the brand identity,but rather on the more holistic organisational (corporate) identity. In many cases singlebrands cannot be separated from the producing company and brands more or less areseen as equal to the company.

For the restaurant sector, branding can be seen as extremely vital. Due to the fact thatmost restaurants at the very bottom are functionally quite similar, customers rely on theperceived brand. As stated earlier, that perception is not always the pure truth – butquite often enough for making a positive purchasing decision. Restaurants are also used
as a tool, when consumers try to develop themselves ‘as a brand’; restaurant behaviour is part of the consumer´s personality and therefore it may include a message to fellow consumers. In the increasingly competitive restaurant sector, good branding skills, together with an understanding of the logics of customer behaviour, have become a major competitive advantage. In the next section a synthesis of the theoretical framework is presented in the form of the framework for this study. The framework can be seen as a summative end result of all the presented theoretical blocks.
6 THE CONCEPTUAL FRAMEWORK

6.1 The nature of offering development

Most product development models are schematic process models where the development work is seen as a chronological process flowing from stage to stage. The process usually starts with some kind of seek-stage (‘initial phase’, ‘formulation of product goals’, ‘identification of market potential’, ‘idea generation’, ‘strategy for new products’, ‘recognition of need phase’, ‘opportunity identification’, ‘exploration’) after which the process moves on either to practical development work, testing, decision-making or evaluation. The last stage is the market entry (‘launching and market development’, ‘introduction’, ‘commercialisation’, ‘execution’, ‘harvest’). Out of the reviewed processes only Scheuing (1974) and Crawford (1987) include some kind of follow-up and evaluation component in the last stage. Despite the product development traditions a lot of criticism towards this kind of simplistic and straightforward process-orientation can be found in the literature. The criticism can be summarised in the following six points:

1. The nature of the developed product is not taken into account. It is rather optimistic to think that one can develop a general model that suits all kinds of product development situations.

2. Product development is always a creative process. The big question is, if creative processes can be planned and controlled in ways that are represented in the literature. Some scholars even feel that in many cases products are results of happy coincidences and pure luck.

3. The organisational background and the size of the company together with industry-related traditions probably affect the product development as a process, but usually that is not taken into account in product development models. Consequently, the process is described as purely vertical and usually no horizontal or organisation-related components are included.

4. The strategic marketing perspective of the company affects its product development processes and should therefore be seen as a component in product development models. In other words a company has to apply totally different principles in different strategic situations.

5. Environment-related and business-related external forces have an impact on product development. In most models they are more or less totally neglected. There should be some kind of external ‘strategic scanning’ built into the system in order to supply it with environmental information. This would increase the level of proactivity in any given product development situation.
6. Customer involvement is to some extent neglected. In other words, the customers should not only be incorporated as one component into the model, but also the underlying forces and circumstances leading into a certain kind of consumer behaviour should be taken into account. In modern marketing thinking customers are seen as active subjects rather than passive objects.

There also seems to be a tradition to try to improve the level of product development by looking at success/failure attributes. This very easily leads to wrong kinds of generalisations and companies’ attitudes towards failure become very simplistic. On the contrary, failures should be seen as opportunities and a mid-stage on the way to success. Without failure there is no success and without success there is no failure.

Generally speaking the existing models have many weaknesses. These weaknesses have been brought to the forefront because of the move towards a more service-driven economy and the changing role of the customer. The competitive environment has during the recent years become very tough and demanding. At the same time the general pace of doing things has accelerated tremendously mainly due to technological inventions - such as internet, e-mail, mobile phones, etc. All these general changes in our society give us a good motive to develop more flexible and quickly applicable approaches to offering development. One should, however, remember that flexibility and speed in offering development is an asset only, if the final outcome of that process is perceived as something superior compared with what has been by the end-user. A clear danger exists, that we use more energy for developing our development processes than products and services themselves.

However, full and sincere credit has to be given to all those numerous scholars who throughout the years have studied product development and created the existing theoretical frameworks. In this study, the attempt is by no means to underestimate their contribution, but rather to take a step in a more dynamic direction where at least some of the explicitly stated weaknesses are either corrected or at least made less visible.

The area of service development can be seen as an infant brother to product development if one looks at the quantity of the existing literature. One should, however, remember that the trend is changing and more and more research is carried out in the area of service development. The reason for the increased interest is the fact that most products are described as combinations of tangible and intangible elements and the traditional line between intangible services and tangible goods has become like a line drawn on water. In order to relieve the traditional battle between goods and services, the term ‘offering’ is used in this study due to its holistic and customer-orientated character. Despite this kind of common approach, one has to be well aware of the differences between goods and services in order to be able to manage and control them in a proper way. Most scholars seem to agree that those differences exist.

One of the key issues in service development is the interaction between the company and its customers. That interaction can only partly be controlled by the company and many factors are beyond its control. Despite these uncontrollable factors service
development can be looked upon as a co-operation where the company and its customers are seen as equal, interacting partners. Neither one is superior and both parties benefit from the relationship. The interaction can be partly standardised but a lot of flexibility possibilities have to be built into the system in order to guarantee the possibilities of taking into account the needs and specific personal wishes of each customer. The ends of the continuum are total standardisation and total personalisation. (For a more detailed discussion see Kokko and Moilanen 1997.)

One cannot, however, rely too much on the enthusiasm of customers. For them, a single company is only ‘one among many’ and customers directly benefit from situations where companies openly compete with each other. The customers do not always know about the new possibilities and the companies therefore have to be able to inform them in an understandable way. A good example is that nobody was actually asking for a microwave oven or a mobile telephone before they were invented and introduced to the market. Only after did they become necessities. In other words, the demand was created by companies, which actively supplied new alternatives to the customers.

The number of studies about service development in the hospitality industry is very modest. Most authors base their argumentation on the existing product/service development models and the discussion is limited to the specific characteristics of the hospitality industry. One of the findings is also that in many cases no systematic approaches to service development are used. Feltenstein (1986) presents a totally new model, but unfortunately it covers only a very specific area of hospitality management, menu-planning.

6.2 The conceptual framework of this study

Conceptual frameworks can be built in many different ways. On a general level the framework should assist us in our orientation towards different components associated with the studied phenomena (Engelbart 1962, p. 32). Further, it should establish some kind of shared vision of the target area of interest. In this study the conceptual framework has been given the role of creating order and showing different aspects having an impact on the offering development process. Further, it simply shows the anticipated relationship between the process and actual customer behaviour. The approach has been chosen, because the author feels that it explicitly supports the empirical part of this study and very generally takes into consideration the reviewed theories. Another possible approach could have been to operate on a higher theoretical level, but the operative benefits of that kind of approach would have been much smaller. As the entire study is based on a strong management-orientation, the conceptual framework has been also seen from a management point of view. Another possibility would have been a customer point of view, but with regard to the aims of the study that possibility was not used. The author also feels that the chosen simple and visual way of presenting the framework serves best the study as a whole.
Figure 8 illustrates the conceptual framework for offering development used in this study. The framework has been built on the basis of the existing literature (sections 4, 5 and 6). The attempt of the author has been to create a framework, which fulfils three criteria: First, it covers the most important topics, which in the literature have been stressed in connection with offering development. Second, it should be flexible enough to allow for new insights. Third, it takes into account both operative and strategic issues. All parts of the framework have repeatedly been mentioned in the reviewed literature. Especially the data collection for the first stage (management study) has been based on the framework and all cases are presented following the structure of the framework. The framework is divided into fourteen different blocks.
The **A block** deals with general issues which all affect the offering development throughout the development process. The role of offering development in a company stands in relation to allocated resources and the level of future orientation is highly decisive from the strategic point of view. The perceived level of creativity and ways to...
support it play a key role as offering development processes usually are described as creative processes and creativity usually is seen as the critical factor both on an individual and organisational level.

The B block covers the organisational issues. The organisation of the company and the organisation of offering development create platforms on which internal co-operation can be put into practice. Also, identifying the initiators and reviewing the organisational decision-making are of great interest. The internal dynamics can either support or slow down the development processes and should therefore be seen as an important factor.

The C block covers history. No future orientation is possible without taking into account what has been. The importance of history seems to be especially emphasised in the hospitality sector as different locations have quite often hosted many different kinds of concepts and the customers usually assess new concepts in relation to previous concepts in the same location.

The D block covers the operative issues. Identifying the process stages and the planning horizon are crucial as well as the level of process standardisation. The nature of developed products/services is quite interesting, as most traditional models do not take this aspect into account. Financial issues play an important role and have to be incorporated into the framework.

The E block deals with information. Used information sources are of great interest as well as any external co-operation. Further, the use of environmental information seems to be a critical issue, as there always is a danger to develop products and services ‘in a vacuum’. It is important to see a clear difference between obtaining external information and really using external information in operative decision-making. Decision-making is based on information and the quality of information affects the final outcome.

The F block incorporates the customers to the framework as they are perceived by the management. In this study customers are seen as active subjects and special attention is paid to underlying motivational factors and decision-making, leading into a certain kind of customer behaviour. To some extent customer intentions are analysed in this study in relation to managerial activities and procedures in order to reveal any potential friction between these two parties. As stated earlier, the author is fully aware of the fact that in proper management thinking, customer dimension is automatically incorporated.

All the blocks A-F represent managerial perception of different areas. Through offering development process (block G) a total offering (block H) is created. However, customer perception (block I) of that offering may be different and lead into unanticipated customer behaviour (block J). Customers are affected by other consumers and their own personal consumption history (blocks K and L) and all parties are obviously targets of different kinds of external influence and possible changes in the micro and macro economics (blocks M and N).
Together these different elements form a holistic conceptual framework, which has been used as a basis for the interview guides and as a structure for analysing the cases. Also the collection and analysis of customer-based quantitative data has been based on this framework. The author has, however, used the conceptual framework very liberally, and in some situations the created structure has been temporarily changed. This framework has been a tool and a checklist rather than a rigid and unchangeable model. The role of the framework was accentuated in designing the research, in choosing the methods and in forming the interview questions. One should not see the framework as a preliminary version of an offering development model, but rather as a descriptive roadmap to the studied area, having its roots in the product development and service development literature. In the next section, the empirical research design of this study is presented.
7 EMPIRICAL RESEARCH DESIGN

The managerial part (stage 1) of this study has a strong qualitative-orientation as the main emphasis is laid on general understanding of the studied phenomena. That understanding creates a structure in the form of a general offering development model (Kokko 1999). The aim of the combined customer-management-study (stage 2) is to analyse customer perceptions and management beliefs comparatively. That second part of the study is based both on qualitative and quantitative data. In the second stage there also is an attempt to reveal potential points of friction between the managerial beliefs and customer perceptions in order to further develop the original offering development model. The final model is called the Extended offering development model.

Among others, Seymour (1992, pp. 52-58) has discussed the difference between quantitative and qualitative research. He points out that in qualitative research, the researcher’s attention is less focused and is allowed to ‘float’ more widely than in quantitative research. Further, he states that the researcher’s preunderstanding takes an important role but can often not be articulated in words or is not entirely conscious. He also emphasises the active role of the researcher by pointing out that the researcher partially creates his object of study and allows both feelings and reason to govern his actions. In all qualitative research, the researcher has an active role, which has to be taken into account when assessing the obtained results. ‘The choice between different approaches should be a creative one and based on the strengths and weaknesses of each approach’ (ibid, p. 52).

7.1 The Managerial study (stage 1)

The empirical material for the managerial study (stage 1) has been collected by using a case study approach. A general definition of a case is ‘a specific unit of analysis for the study’ (Kinnear and Taylor 1987, p. 456) and ‘a phenomena of some sort occurring in a bounded context’ (Miles and Huberman 1994, p. 25). Case studies (or case histories) have been used for decades in marketing and the basic concept is to select an appropriate number of target cases where an intensive analysis will identify relevant variables, indicate the nature of the relationship among variables and identify the nature of the problem and/or opportunity present in the original decision situation (Kinnear and Taylor 1987, p. 136). The case study approach is especially useful in situations where a complicated series of variables interact to produce the problem or opportunity (ibid, p. 136) and in situations where one single aspect of a phenomenon will be studied in some depth within a limited time scale (Bell 1993, p. 8). Kjellén and Söderman (1980, p. 30-35) recommend the use of case studies in four different situations: as an illustration, as a tool in generating hypotheses, as a tool in generating a new theory, and as a means for initiating change. In this study the case study approach has been used
directly in generating new theory (a conceptual model) and indirectly as a means for initiating change.

The data is usually obtained by searching records, observing key variables or interrogating knowledgeable persons (Kinnear and Taylor 1987, p. 136). In this study, the major part of the empirical material has been obtained by interviewing managers. Also, some secondary data (brochures, PM’s, operative manuals and project plans) has been used as an additional source of information.

In this study the attempt has been to derive general conclusions from a limited number of cases. According to Yin (1984, p. 25) case studies can be divided into three categories: exploratory, descriptive and explanatory. In this study, the case study approach has been used mainly in an exploratory way in order to identify the necessary components of a model.

Obviously the case study method has also confronted some criticism (see for instance Hägg and Hedlund, 1978), but it seems to be generally more or less accepted that the method usually enables the researcher to have a holistic approach towards the studied process(es).

The detailed observations entailed in the case study method enable us to study many different aspects, examine them in relation to each other, view the process within its total environment and also utilise the researcher’s capacity for 'verstehen' (=to understand). Consequently case study research provides us with a greater opportunity than other available methods to obtain a holistic view of a specific research project.’ (Valdelin 1974, p. 47)

One important issue in all qualitative research is the problem of making generalisations. Many scholars feel that the possibilities of generalising from a limited number of cases are actually quite good (see for instance Normann 1979, p. 53). The number of cases may vary, but once the increased understanding and new knowledge contributed by each additional case grows smaller, the researcher should not be adding any further cases as the marginal utility of each additional case is considered to be low (Gummesson 1988, p. 85). One has to remember, however, that a skilful qualitative researcher has to be flexible enough to be able to change or modify his views during the research process, as the process really is iterative and a never-ending learning process. Glaser and Strauss (1967) basically argue that in developing new theory, it should always be 'grounded' in empirical observations representing the real world. That is not the case if theory development is guided by some kind of general and well-established truth or tradition, which cannot be empirically anchored.

In this study six cases were reviewed in the managerial study and out of them three were chosen for the comparative customer-management study. In the managerial study the number of cases was limited to six as it turned out that the marginal utility of each additional case could be expected to be small. Therefore, the alternative to increase the number of cases was actually never topical. The decision to continue with only three
cases in the comparative customer-management study was mostly based on practicality as in those specific cases frequent customer records were available. Another possible approach would have been to study only one case and to have more than one unit of analysis in that one (see Meyer 2001, p. 334 or Yin 1993, p. 109). That kind of ´case in case-design´ would have implied that instead of developing contrasts between the cases, the focus would have been on the contrasts within the case. Yin (1989, p. 48) talks about holistic and embedded case designs. A holistic design examines the global nature of the phenomenon, whereas an embedded design pays attention to sub-units and sub-processes (ibid, p. 67). In this study the general approach has been embedded design-orientated even though the aims of the study are of holistic nature. The discussion about the number of cases in this specific study should naturally go hand in hand with the discussion about validity and reliability. The author has come to the conclusion that the decisions made have been justified and wellfounded. All methodological information has been given to the reader in order to make his/her own assessment possible.

Furthermore, one interesting aspect in all qualitative research is the access problem. In many cases the researcher does not get access to all information and the research tends to become very superficial. In this study the access has not been a problem, which can partly be explained by the good co-operation with the study objects and the author’s established position in the restaurant sector. On the other hand one can argue that author’s established position could lead to biased answers: ‘The interviewer may lead the discussion, consciously or unconsciously, into the wrong directions and the interviewees may not always be truthful’ (Marshall and Rossman 1989, p. 83).

7.1.1 Data collection for the Managerial study

The empirical managerial data (stage 1) has been collected from six different restaurant units. The operative process of data collection has consisted of the following stages:
A contact person was identified in each unit. In all cases this person was the restaurant manager, i.e. the person responsible for the unit’s operational management. After the selection of the contact persons they were asked to provide the author with some basic information about their unit in written form. All agreed to do so. The first observational visit to the restaurant and meeting with the contact person can be characterised as an informal ‘get-to-know-each-other’ session. Timetables were reviewed and the background of the study was explained. All interview dates and times are given in detail in the list of references. The major aim of these visits was to create an overall understanding of the unit’s concept and general way of operating and therefore increase the level of author’s pre-understanding.

The second interview lasted for 2-3 hours and can be characterised as an in-depth interview. A general interview guide (see section 8.1.3 and appendix 1) was used in order to make sure that all key topics were explored with all the respondents. It was not used as a structured schedule or a protocol, but rather as a general list of areas to be covered with each respondent. Communication was not restricted or deliberately manipulated in any way. According to the respondents, the entire interview setting was experienced as informal and relaxed. All conducted manager interviews (stage 1) were partly (the ‘story telling’-part) tape-recorded and notes were taken simultaneously. The tapes were transformed into written form. All cases were first analysed separately and later similarities, dissimilarities, groupings, patterns and items of particular significance were identified. The general, explicit model was mostly based on common aspects that could be found in all studied objects.

As the material was reviewed, the author had the option to conduct a short complementary telephone interview with the respondent(s). In two cases, that kind of
telephone interview was carried out in order to avoid any misinterpretations and to clarify obtained answers. As the major part of the empirical material has been obtained through personal in-depth interviews, one has to be aware of methodological benefits and dangers of using it in data collection. It is often described as ‘a conversation with a purpose’ (Kahn and Cannell 1957, p. 149). The most often expressed strengths with the interview method are the possibility of obtaining a large amount of information quickly and the possibility for immediate follow-up, clarifications and complementary questions. Also, a wide variety of information can be obtained during a single session with a respondent. The interviewer also has the opportunity to observe the behaviour of the respondent, and through that, assess the reliability of the obtained data. (Marshall and Rossman 1989, p. 82) Kwortnik (2003, p. 119) emphasises the importance of framing the interviews by some kind of overarching research question or concern, even if the interview itself is unstructured and appears, at least to the informant, to lack direction.

There are also many methodological dangers. In order to conduct a successful in-depth interview, personal interaction has to be involved. In other words, co-operation is essential. Interviewees may not be willing to share all the information that is needed with the interviewer. However, a skilful interviewer succeeds in creating a positive interview atmosphere in order to minimise the level of nervousness (Grönfors 1982, p. 107). The interviewer must also have good listening skills and must be skilful at personal interaction and question framing. In addition he/she should cope with concerns about data quality as the interviewer may, consciously or unconsciously, interject personal biases. (Marshall and Rossmann 1989, p. 83) As one assesses any data obtained by using an in-depth interview, all these strengths and potential biases have to be kept in mind.

7.1.2 Dimensions of success and the choice of restaurants

It is very difficult to define ‘success’ on a general level. One can see it as ‘degree or measure of succeeding’ or ‘a favorable termination of a venture’ (Webster’s 1979, p. 1154). However, all studied six restaurants can in some respect be characterised as successes. In this study the concept of success is seen as a concept with three different dimensions. The dimensions can be defined as follows.

FINANCIAL SUCCESS A restaurant is called a financial success if the figure for operating profit is higher than 15%.

HISTORICAL SUCCESS A restaurant is called a historical success if it has existed successfully in the marketplace at least ten years without any major changes in its offering.
A restaurant is called an image success if the general perception of it among its customers is overwhelmingly positive.

The first dimension is easily measurable. The assessment of the more subjective second and third dimension is based on the author’s pre-understanding and on the personal opinion of the restaurant managers. Even though ‘success’ is the keyword, one has to understand that all success stories also include less successful elements. Therefore, the general dimensions of success used in this study have been quite easy to operationalise. The author is also fully aware that the three dimensions may be – at least partially – inter-related. That does not, however, have any dramatic impact on the aims and methods of this research project.

All empirical objects were chosen from the Helsinki Metropolitan area and they all represent restaurants where food has a central role. The size of the restaurants has been limited to a minimum of 80 and maximum of 250 seats. In other respects the restaurants are quite different from each other and that heterogeneity is seen as an advantage of this study – mainly due to the fact that heterogeneity may provide a more versatile picture of the studied phenomena. As Table 6 shows, two restaurants represent only one dimension of success (Frutti di Mare and Kanavaranta), three restaurants represent two dimensions (Fly Inn, Michelle and Papa Giovanni) and only one restaurant (Saslik) represents all three dimensions. The fact that historical success can only be identified in two cases is also very symptomatic for the Finnish restaurant sector; most companies are rather new or have they gone through a period of drastic changes during the years of recession.
### Table 6 Chosen restaurants in relation to the three dimensions of success

<table>
<thead>
<tr>
<th></th>
<th>Financial Success</th>
<th>Historical Success</th>
<th>Image success</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fly Inn</td>
<td>X</td>
<td></td>
<td>X</td>
</tr>
<tr>
<td>Frutti di Mare</td>
<td></td>
<td></td>
<td>X</td>
</tr>
<tr>
<td>Kanavaranta</td>
<td></td>
<td></td>
<td>X</td>
</tr>
<tr>
<td>Michelle</td>
<td>X</td>
<td></td>
<td>X</td>
</tr>
<tr>
<td>Papa Giovanni</td>
<td></td>
<td></td>
<td>X</td>
</tr>
<tr>
<td>Saslik</td>
<td>X</td>
<td></td>
<td>X</td>
</tr>
</tbody>
</table>

#### 7.1.3 Interview guide

An interview guide has been used throughout the interviews with the management (stage 1), see appendix 1. The four-page interview guide has also functioned as a checklist and it has helped to treat all studied empirical objects in a similar way. Seymour (1992, p. 171) recommends the use of semi-structured checklists, especially when the methodological approach is explorative and the length of interviews is longer than 30 minutes. Seymour (ibid, p. 130) also points out that an interview guide is not a questionnaire and, therefore, it does not have to be very precise. Further, the use of an interview guide usually means that the researcher has to be ready for improvisation, as the flow of a lengthy discussion can never be fully assessed in advance.

The interview guide was structured on the basis of the conceptual framework. It consists of three parts: Background information, Story telling and the Offering development process. As stated earlier, during the interviews notes were taken throughout the sessions and the story telling-part was also taped and later transformed into written form.

The first part (Background information) reviewed the most central facts and figures about the restaurant. The concept of the restaurant was briefly described and the respondents were also asked about organisational and staff-related issues. In general, the major aim with the first part was simply to describe the restaurant in question and to give an overall understanding of its operative functions.

The second part (Story telling) was quite unstructured as the respondents were simply asked to tell how their restaurant had been established and to give a short historical overview. In most cases the overview lasted for approximately 10 minutes. The major aim of the second part was to get an understanding of different aspects that from a historical point of view had had an impact on the total offering of the restaurant and its development. The findings from parts one and two are presented separately, case by case under the title `General information`. 
The third part (the offering development process) dealt with the process of offering development, and the aim was to collect as much information as possible about the process itself and about the different circumstances that affect the process. The process was reviewed from five different perspectives:

1) General information about offering development (the role of offering development, impact of financial issues, perceived general importance of offering development and the respondent’s assessment of the future trends in offering development)

2) Information sources (different systems for the collection of environmental information, information collection through individuals and mostly used information sources)

3) Different collaborators in offering development (role of customers, internal and external participation, organisation for offering development, most active initiators and decision making)

4) Creativity (the assessed level of creativity and ways to support it)

5) Planning (the level of planning and the length of the planning horizon, the level of standardisation)

In general, the interview guide gave a lot of support to the interviews and was clearly needed. Even though the questions were quite precise and targeted, the respondents had a tendency to talk quite a lot. Therefore, it would have been a good idea to tape the entire interview - not just the second part. From the interviewer’s point of view, an interview guide gives a lot of structural support to all practical issues like keeping the time and covering all the issues. During the interviews no totally new areas were mentioned by the respondents. That is either due to the interview guide covering the most important issues or to the interviewer not giving the respondents the possibility to talk about topics outside the agenda. The author sincerely believes that the first alternative is dominant in this study.

7.1.4 Data analysis

In data analysis many different approaches can be used. Miles and Huberman (1994, p. 245) present thirteen different tactics for generating meaning. They note patterns and themes, seeing plausibility, clustering, making metaphors, counting, making comparisons, partitioning variables, subsuming particulars into the general, factoring, noting relations between variables, finding intervening variables, building logical chains of evidence and making conceptual/theoretical coherence. In this study, the general idea and meaning has mostly been generated by using tactics of ‘noting
patterns and themes’ and ‘noting relations between variables’. After the first interview session an implicit offering development model was created after which it was modified after each subsequent case.

Wolfe (1992) and Levine (1985) have both pointed out the importance of data management. In qualitative research, data management actually means keeping track of all material and not losing any essential pieces of information. Data management and data analysis are integrally related and there is no firm boundary between them. (Miles and Huberman 1994, p. 45) In this study data management has been a relatively easy task. A small number of cases has enabled a total control of all obtained data.

Also, Carney’s (1990) ‘ladder of abstraction’ has given some support for the data analysis of this study and especially for finding the ‘deeper structure’ (Gherardi and Turner 1987). After the literature review, data collection started with general discussions with restaurant representatives. Following the conceptual framework, separate items were grouped into bigger blocks. Interviews were conducted and the six case units were compared from the offering development point of view with each other in order to find relationships, similarities and differences.

In connection with organising the data, the offering development-model was built. The approach has been inspired by Glaser and Strauss grounded theory (Glaser and Strauss 1967, Glaser 1978, Glaser 1992). The offering development model has taken its final form, step by step, and each studied object has contributed to the final model. This kind of approach is also appreciated by Glaser and Strauss:

‘It must be emphasised that integration of the theory is best when it emerges, like the concepts. The theory should never just be put together, nor should a formal-theory model be applied to it until one is sure it will fit, and will not force the data’ (Glaser and Strauss 1967, p. 41)

Glaser and Strauss are calling for ‘theoretical sensitivity’, which in their thinking means that a researcher can conceptualise and formulate a theory as it emerges from the data (Glaser and Strauss 1967, p. 46, see also Glaser 1978). In this study that theoretical sensitivity has meant re-shaping the model after each interview; the whole process of building the model has been highly sequential. The process has by no means been separated from the literature review and therefore previous research has also had an impact on the final shape of the model. Also, Glaser and Strauss recommend the combination of fieldwork and ‘library materials’. However, they emphasise that the literature review and fieldwork should be at least partially simultaneous processes (Glaser and Strauss 1967, p. 176, Glaser 1992, pp. 31-37). That has been the case in this study.

The credibility is always an issue. In using a grounded theory-inspired approach the most essential question is, ‘when is the model considered to represent reality in a proper way?’ Glaser and Strauss simply state that the research is brought to a close, ‘when the researcher is convinced that his conceptual framework forms a systematic theory, that is a reasonably accurate statement of the matters studied, that it is couched
in a form possible for others to use in studying the similar area, and that he can publish his results with confidence, that he is near the end of his research’ (Glaser and Strauss 1967, p. 224). In other words, a model being ‘ready’ is obviously always a subjective estimation. The following figure explains schematically the grounded theory-inspired approach used in this study.

**Figure 10** The process of building the offering development model

In this report only the final explicit model of stage 1 is presented. The implicit model drafts are not presented due to their implicit and vague character. However, in section 8.8 the process of developing the model is shortly reviewed. All cases have contributed to the explicit model - mostly in the very beginning of the model building process.

### 7.2 The combined customer-management study (stage 2)

The data for the combined customer-management study (stage 2) has been obtained by using a questionnaire (see appendices 2 and 3), which has been delivered to a sample
among frequent customers of the studied three restaurants and to the entire management team of each restaurant. Using a questionnaire includes many methodological problems and the author is well aware of these. The empirical study in stage 2 can be seen as a logical continuation to stage 1, where the managerial side of the offering development process was studied. Therefore, the managerial offering development model (see figure 15) presents some kind of intermediary station of the whole research project.

7.2.1 Data collection for the combined customer-management study

The customer-management study (stage 2) contains two surveys, a customer survey and a management survey. In the following we will refer to these as the customer survey and the management survey. In both surveys an identical questionnaire was used in order to obtain comparative empirical material. As it comes to the questions concerning the offering and general restaurant behaviour the customers were asked to answer according to their own perceptions and the managers were asked to answer as they believe that the customers perceive the restaurant offering.

The customer survey was conducted among the frequent customers of the three out of the original six restaurants studied in the managerial part. In the case of the customer survey, the total population of the study contained customers included in frequent customer records of each of the selected three restaurants. A simple random sampling method (see for instance Kotler and Armstrong 2001, p. 153, Craig and Douglas 2000, p. 235f) was used in selecting the study objects and the size of the sample was set at 300 persons/restaurant. As Craig and Douglas (2000, p. 237) point out, this kind of approach is possible only if there is a list of all respondents available. This requirement becomes realised, as the frequent customer databases were available. The sample was technically carried out by randomly choosing the respondents from the frequent customer database. In one case the spreadsheet program included an automatic random sample possibility and in two cases the respondents were picked manually. The ultimate goal was to receive a minimum of 100 answers/restaurant. The sample size was decided mainly on the basis of relative costs and practicalities. Besides that, the attempt was also to be able to make some kind of generalisations for frequent customers. An approach, where practical issues are taken seriously into account has been suggested among many, for instance, by Downham and Worcester (1986, p. 109) and Craig and Douglas (2000, p. 240f). The questionnaire, together with an explaining cover letter, was sent to all respondents November 7, 2002. The deadline was set at November 27, 2002. The short answering time was intentional and planned to work as an instant motivator together with the incentive to take part in a drawing.

There is always a possibility that sampling becomes biased. Downham and Worcester (1986, p. 93ff) warn us about three kinds of biases: incomplete coverage, non-responses and deliberate over-representation. In this study, the list of frequent
customers may be incomplete or out-of-date (incomplete coverage). The group of non-responses may differ from those who answered (non-response). Finally, some subgroup may be overrepresented in the original population (deliberate over-representation). However, the author does not have any information or hints indicating an existence of any of these or other biases. Becker (1998, p. 67) comments on the sampling problem as follows: ‘Sampling is a major problem for any kind of research. We can’t study every case of whatever we’re interested in, nor should we want to. We need the sample to persuade the people that we know something about the whole class.’ The following figure illustrates the different stages of data collection in the customer survey.

**Figure 11** Stages of empirical data collection in the customer survey

![Diagram showing the stages of empirical data collection in the customer survey](image)

7.2.2 Choice of restaurants and customer sample

During the research process, Restaurant Kanavaranta was sold (2001) and a totally new restaurant was established in the same premises. Therefore, Restaurant Kanavaranta was dropped from the customer-manager study (stage 2). The author also made a decision to base the customer survey on the existing frequent customer database of the studied restaurants. As neither Frutti di Mare or Fly Inn had such a database, they were also dropped from the second stage of the study. Therefore, three restaurants were included in the combined customer-management study: Michelle, Papa Giovanni and Saslik. For each restaurant separately a simple random sample of customers was drawn. The total customer population was the registered and documented frequent customers in each of the previously mentioned restaurants. The total management population was the management team in each restaurant. In all three restaurants, the entire management team could be reached and, therefore, the management sample was identical to the
whole population. The customer records of each studied restaurant are described briefly in the following.

MICHELLE: The frequent customer database covers not only Michelle, but also eleven other Center-Inn restaurants (Country Club, Pub Gaselli, Friday, König, Omenapuu, Poppis, Sir Eino, Raffaello Café, Simone, Pub Soopeli and Yade Wok & Bar). In most cases customers also visit all Center-Inn restaurants and therefore the database can be used in selecting explicitly Michelle clients. There are approximately 5000 names included - some of them are private persons and some of them are company representatives. The updating of the database is the responsibility of the restaurant manager.

PAPA GIOVANNI: The frequent customer database of Papa Giovanni includes approximately 4000 names. Around 2/3 of them represent companies and the rest are private persons. Company representatives are further divided into conference customers and regular restaurant customers. The database is updated by the restaurant manager.

SASLIK: The frequent customer database includes approximately 3000 names, representing mostly companies. The database is divided into four segments: 1) Tour operators, 2) Hotels, 3) Companies and 4) Associations. The marketing and sales manager updates the database.

A total of 300 questionnaires were sent to the Michelle and Saslik frequent customers and due to a communicational mistake 270 questionnaires were sent to the Papa Giovanni customers. As earlier mentioned, the entire management team was interviewed in all three restaurants using the same questionnaire. As the source of customer information was the frequent customer records of each restaurant, the random customer sample was technically carried out by the restaurant managers. Answers were received as presented in Table 7. Comparing with other research projects in the hospitality sector (see for instance Heikkinen & Partanen, 2001), the response rate can be considered as satisfactory or even good.
### Table 7 Received answers per restaurant

<table>
<thead>
<tr>
<th>Restaurant</th>
<th>Frequent customer sample</th>
<th>Received answers</th>
<th>%</th>
<th>Manager sample</th>
<th>Received answers</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pectopah Saslik</td>
<td>300</td>
<td>160</td>
<td>53.3</td>
<td>5</td>
<td>5</td>
<td>100.0</td>
</tr>
<tr>
<td>Ristorante Papa Giovanni</td>
<td>270</td>
<td>108</td>
<td>40.0</td>
<td>4</td>
<td>4</td>
<td>100.0</td>
</tr>
<tr>
<td>Restaurant Michelle</td>
<td>300</td>
<td>125</td>
<td>41.7</td>
<td>5</td>
<td>5</td>
<td>100.0</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>870</strong></td>
<td><strong>393</strong></td>
<td><strong>45.2</strong></td>
<td><strong>14</strong></td>
<td><strong>14</strong></td>
<td><strong>100.0</strong></td>
</tr>
</tbody>
</table>

#### 7.2.3 Collecting information

#### 7.2.3.1 Methodological considerations

Analysing customer perceptions is always a demanding task. ‘Conventional wisdom suggests that a consumer’s choice of hospitality products is based on both rational and emotional considerations’ (Kwortnik 2003, p. 117). Behavior can be seen and observed but the motives behind behavior remain quite often unrevealed. As some motives are unconscious and some are conscious, in all research one has to try to cover both these areas. Besides asking questions about actual behavior and observing that behavior, one should try to get respondents to talk about their feelings about the company and put them into a situation where they analyse the reasons behind a certain kind of behavior. Kinnear and Taylor (1991, p. 244) refer to attitude scaling as the term commonly used in measuring attitudes. Attitude scaling in marketing tends to focus on the measurement of the respondent’s beliefs about a product’s attributes (cognitive component) and the respondent’s feelings regarding the desirability of these attributes (affective component). Usually a combination of beliefs and feelings is assumed to determine one’s intention to buy (behavioural component). The big problem from the marketer’s point of view is to know the relative weight of these components in different situations.

As stated earlier, multidisciplinary approaches are quite dominant in researching customer behavior and motives (see for instance Addock et al 2001, p. 75). As buyers’ behaviour usually is affected by marketing stimuli, major forces and events in his/her near environment, past experiences and direct impact of fellow-consumers (Kotler and Armstrong 2001, pp. 171-173), all these aspects should be taken into account. Another interesting question is the buyer’s way of processing information and making decisions. As decision-making is based on many sequential and simultaneous processes, one possibility is to approach the area of making decisions through the hierarchy of needs. In that case, the respondent is put into a situation, where he/she has to explain why he/she did certain things in a certain way. In this study the task is even more demanding as the studied restaurants are from the customers’ point of view not only
seen as total offerings, but also as established brands (see also the discussion in section 5.5).

Analysing customers’ decision-making processes is also a demanding task. Even though the theory suggests, that in those processes clearly identifiable stages exist, it is very difficult to know in which stage each potential customer finds him-/herself at the certain time. The timeframe of those processes is extremely varying - probably from seconds to several years. Therefore, the researcher has to use some indirect ways to place each potential or existing customer into the appropriate stage. In this study the decision-making processes have been studied by asking about different sources of information and by presenting general statements about decision-making.

Another difficulty is associated with the search for information. As the need is recognised and the customer starts looking for information, it is extremely difficult to find out the most important information sources among, just to name a few, actively acquired information, passively received information, information based on own past experiences and information based on past experiences of other consumers. In an ideal situation the researcher can distinguish between facts and beliefs, but in practise that is impossible as in the customers’ minds beliefs are quite often regarded as sole facts. One could even say that a customer’s perception is always some kind of synthesis between facts and fiction.

It is also obvious that decision-making processes vary from situation to situation. According to the theory (see section 5.3) one explaining factor could be the level of involvement in buying. One can assume that high involvement buying usually means more complex decision-making processes and low involvement buying probably is preceded by a rather simple decision making process.

After all, the most crucial question is if customers really are aware of their own decision-making processes. Maybe customers are far more shortsighted and maybe most purchases are some kind of happy coincidences, which are based on impulsive on-the-spot-behaviour. Also, that possibility has to be taken into account by the researcher.

In order to receive reliable information, the researcher, besides looking at the actual outcome, has to ask a lot about the background of the purchase. The consumer has to be put into a situation, where he/she tries to go back, analysing different moments preceding the actual buying decision. That hopefully provides us with some insight into the complex world of consumer decision-making. In this study the author has tried to analyse perception through tracing down some general guidelines for decision making rather than creating a general model appropriate for all different decision-making situations. The author believes that a big part of decision-making is situation and time specific. There are an uncountable number of factors having an impact on the customer and all these factors are mixed with each other in the customer’s mind. It is also quite obvious that the researcher always meets with the traditional problem of making a difference between what the respondents say, what they mean, and what they really think. One could think that people usually want to give a more analytic and rational
image of themselves than what they actually are. Standing in that crossfire as a researcher is not an easy task.

7.2.3.2 Question phrasing

In the second stage of the study a lot of information was collected in order to be able to further develop the first offering development model. It was also agreed with the restaurants that some material is collected for their own managerial analysis and decision-making. Therefore, many questions were overlapping and some central issues were asked many times. Besides background information, there are all together four so-called core questions (questions 11, 13, 16 and 18), which have been explicitly planned for a comprehensive comparative analysis. All these four core questions consist of ten statements to which respondents are asked to answer on a five-point Likert-scale.

In all there are 19 questions and the questionnaire is divided into three parts:

I   Background information (questions 1 - 4)
II  Questions about ´this restaurant´ (questions 5 - 14)
III Questions about restaurant choice in general (questions 15 - 19)

Questions 1 – 4: What comes to the personal background information, sex, age, professional status and place of domicile are of interest. The management answered to these background questions representing themselves.

Questions 5, 6: The consumer perceptions are highly dependent on the consumer´s background variables. In this study all respondents represent a group of frequent customers. As the respondents already have made their decision, the length of their relationship with the restaurant and the depth of the relationship are of interest. To the question 5 the management was asked to indicate how long they have been working for the restaurant in question. To the question 6 the management was asked to answer as they believe the customers would answer.

Questions 7, 8: Opinions about positive and negative characteristics of the studied restaurant give some indication of the person´s overall perception of the restaurant and of its offering. The management was asked to answer this question as they believe the customers would answer.

Questions 9, 10: These questions are about restaurant choice. First, the respondents are asked about the way they make their decision. A total of 10 structured alternatives and an open alternative are offered. Also the most important information sources are asked through a question, where a list of thirteen given alternatives and an open alternative are offered. The management was asked to answer this question as they believe the customers would answer.
Question 11: A total of ten general statements about the studied restaurant were presented and the respondents were asked to mark their opinion by choosing between ‘agree totally’, ‘agree somewhat’, ‘cannot say/don’t know’, ‘disagree somewhat’ and ‘disagree totally’ on a five-point Likert-scale. The management was asked to answer this question as they believe the customers would answer.

The same scale was also used in questions 13, 16 and 18. The statements were used in order to reflect the respondents’ perceptions and feelings about the restaurant from different perspectives. The Likert-scale was chosen because it is easy to understand and it also makes a comparative approach possible. A five-point scale was chosen because it clearly indicates the direction of the respondents’ behaviour and therefore, also perceptions, but is also easy to understand. It is also possible that respondents do not have answers to all asked questions and therefore, a neutral middle alternative was included in all statement-questions. All four statement-blocs included statements, which overlap each other. Through statements the attempt was to pick out detailed issues, which can be numerically compared between the customers and the managers. A Likert-scale-approach together with an analysis of group differences in attitude scores makes also schematical illustrations possible. The following figure explains schematically the way of using the four core questions (11, 13, 16 and 18) in finding potential gaps.

**Figure 12** Analysing potential gaps between customer perceptions and manager beliefs through the four core questions

Question 12: This question offered a more qualitative approach as the respondents were asked three open questions about what makes the studied restaurant different, what needs can be satisfied through this restaurant and what the restaurant is specially known for. These questions were modified from issues discussed in the theory part (see section 5.5). The management was asked to answer this question as they believe the customers would answer.
Question 13: There are again ten statements, which concentrated on the specific offering of the studied restaurant. The management was asked to answer this question as they believe the customers would answer.

Question 14: The respondents were asked to name three other restaurants, which according to respondents’ opinion, compete directly with the studied restaurant. The aim of that question was to create a general understanding of the competitive situation in the Helsinki Metropolitan area restaurant sector. The management was asked to answer this question as they believe the customers would answer.

Question 15: As the last part of the questionnaire concentrated on questions about restaurant choice in general, in this question the respondents were asked to mention the five most important aspects in order of importance when generally choosing a restaurant. The management was asked to answer this question as they believe the customers would answer.

Question 16: Ten statements about restaurant choice in general were presented and the previously presented Likert-scale was used again. The management was asked to answer this question as they believe the customers would answer.

Question 17: In this question the general restaurant choice was approached a little bit differently as the respondents were asked to divide 100 points to nine structured and one open choice criteria when choosing a restaurant. The aim with that question was to increase the depth of information by using an interval-scale approach. The management was asked to answer this question as they believe the customers would answer.

Question 18: Ten statements were presented about the motives behind restaurant visits in general. The management was asked to answer this question as they believe the customers would answer.

Question 19: In this last question the respondents were asked in a rather difficult open-format question how product development can operationally be seen in restaurant’s everyday routines. In this question the respondents were also given an opportunity to come up with their own examples, general comments and opinions about restaurants. The management was asked to answer this question as they believe the customers would answer without including any personal comments about any general issues.

A one-page cover-sheet about the research project was attached to the questionnaire. Besides aims and methods of the study, the contact information of the researcher was also presented as well as information about the sample. Before starting the empirical data collection, the questionnaire was tested on five respondents. Based on their comments some questions were reformulated, a little bit more answering space was added and short introductory texts in the beginning of each of the three sections were created. All test-respondents felt that it was rather easy to fill out the questionnaire and it took them on average 12 minutes and 10 seconds (minimum 11 minutes and 12 seconds and maximum 15 minutes and 2 seconds) to complete. All questionnaires were accompanied by a pre-paid envelope including the return adress. All respondents
received the questionnaire in Finnish. However, an informal English translation of the questionnaire is attached as appendix 3.

In general the questionnaire worked well. In question 7 the respondents were asked to draw a circle around the most important factor. As only a few respondents did so, that part was left out of the analysis. In question 10 respondents were asked to number the chosen alternatives in an order of importance. Because many respondents used a neutral “x” instead of numbers, the order was not analysed. Instead, a percentage for each alternative was calculated. The general response rate was higher than expected and no incomplete questionnaires were received.

7.2.4 Data analysis

As the customer study is mainly of a quantitative nature, the methods differ greatly from the ones used in the managerial study. The analysis of the responses has been concentrated on finding potential differences in how the managers believe that the customers perceive the offering and how the customers actually perceive it. Most questions have been analysed simply by looking at the percent distribution and the most typical value. The core questions (11, 13, 16 and 18) have been analysed by using the means for each statement for managers and as well as customers. Also, graphical illustrations have been produced in order to make it easier for the reader to see the differences. Group differences between customer perceptions and management beliefs were tested with a two-tailed Mann-Whitney U test (0.05 significance level). This nonparametric test corresponds to the two independent sample t-test, but can be used for ordinal and interval scaled variables if the variances of the two populations are not assumed equal (e.g. Malhotra 1993, p. 505). In this study the group variances, as well as the group sizes were quite heterogeneous. The manager groups consisted of 4-5 respondents each as the customer groups consisted of 108-160 respondents. For this reason the decision was made to use the Mann-Whitney U test for group comparison instead of the corresponding parametric t-test. All answers to open questions have been documented and quoted directly in the appendix-keyword-transcripts (appendices 4, 5 and 6). The analysis of open answers has been based on content analysis. The answers have been grouped and the amount of identical answers has been indicated in the appendices. It is important to notice that the three restaurants have been analysed separately and no comparisons between them has been carried out. The overall analysis design of stage 2 is summarised in Figure 13.
The quality of the empirical data is a key issue in all research. Therefore an assessment of the data quality is carried out at this stage. Generally speaking the measurement task in marketing is much more difficult than in physical sciences as there are so many concepts and constructs which pervade marketing thought. Many of these constructs do not have observable physical references. Some examples of this kind of constructs are attitudes, preferences and images. They exist in minds of individuals and are not directly observable. (Kinnear and Taylor 1987, p. 299) Therefore the researcher has to provide the reader with all possible information about the conditions under which the
data about different constructs are collected. The final judgement of the quality of the data is, as always, left to the reader. In this study data has been used to develop new theory. Glaser and Strauss (1967) have approached the quality aspect more methodologically by assessing the researcher’s ability to develop theories and models. According to them the following eight points should be considered: (ibid, p. 118)

1. Is the author’s main emphasis upon the verification or generation of theory?
2. Is the author more interested in substantive or more formal theory?
3. What is the scope of theory?
4. To what degree is the theory grounded on empirical, real world data?
5. How dense in conceptual details is the theory?
6. What kinds of data are used and in what capacity does it relate to the theory?
7. To what degree is the theory integrated or complete, thus allowing new data to fit naturally into the theory?
8. How much clarity does the author reveal about the type of theory that he uses?

In this study the theory is grounded on empirical, real world data and the author makes an attempt to link this new theory into existing theories about product and service development. As the aim of the study has not been to verify the developed theory, it is not very dense in conceptual details and there is plenty of room for new dimensions.

Miles and Huberman (1994, p. 277ff) present five different aspects that should be taken into account in assessing the quality of data. Furthermore, these aspects are also useful in assessing the quality of the conclusions. They are listed below and some comments about this specific study are added to each one.

**Objectivity** means a high level of freedom from researcher biases. For the reader to be able to assess the level of objectivity, the reader has to be provided with enough detailed information about the operative data collection and the methods used for analysis. Also a review of the researcher’s pre-understanding helps the reader to make the assessment. The attempt in this study has been to inform the reader on these matters as closely as possible.

**Reliability** deals with the question of whether the process of the study is consistent, reasonably stable over time and across researchers and methods. In this study all study objects have been treated in a very similar manner by using a standardised interview guide and a questionnaire. In the data collection only one assistant has been used and she has been involved with all study objects during the managerial study. A multiple stage process (stages 1 and 2) for collecting empirical data has also enabled the author to do some quality checks in co-operation with the study objects throughout the study. In other words a revision of used
methods was possible after stage 1, before the customer-management study (stage 2) was started.

**Internal validity** is actually the truth-value. It should answer the question: ‘Do these findings make sense and are they credible to the people we study and to our readers?’ (Ibid, p. 283) Once again, the author’s pre-understanding plays a key role. Furthermore, validation is always checking, questioning and theorising. A close co-operation and open dialogue with all restaurant managers has helped the author to assess the internal validity throughout the research process.

**External validity** deals with the question of making generalisations. We need to know whether the study is considered as important and whether the conclusions can be transferred to other contexts. As stated earlier, the question of making generalisations from a limited number of cases is an issue itself. At the end of this study an assessment is made about the possibilities to generalise together with an overall estimation of validity and reliability (see section 12.3). However, during the process of data collection for the managerial study a certain saturation effect was noticed and the implicit models could be turned into an explicit one. In the customer study the size of the sample has been kept on such a level that some generalisations about similar restaurants and their frequent customers can be reflected upon. However, that is beyond the scope of the present study.

Finally, **utilisation** is perhaps the most important issue in assessing data quality. In this study the approach has constantly been normative and therefore the data gives support to practical management work. In section 12.4 some ideas on these matters are discussed under the label ‘Managerial implications’.

What follows is a documentation of the empirical findings in a chronological order. First the results from the managerial study are reviewed in sections 8 and 9, and they are followed by the results from the combined customer-management study in sections 10 and 11.
This section is based on information obtained through personal interviews with the restaurant managers. All direct quotations are from the restaurant managers. All facts and figures for this stage have been collected 1998-1999 and are presented as such. However, the latest available sources at the time of data collection were used. After writing this report some organisational or other changes may have taken place in the studied restaurants. It is, however, beyond the control of the author to take them into account.

In this section all six cases are presented following the same structure. In section 'General information' the concept and the basic facts of each restaurant are reviewed. These include major target groups, annual turnover, division of sales, staffing and a short history of the restaurant. In the section 'The offering development process' the management perception of the offering development process is presented together with a discussion about information collection, the role of the customers in offering development, possibly used external information sources and organisation of offering development. At the end of each case the management perception about the creativity and planning level of offering development is also reviewed. As the major source of information for each case has been the restaurant manager, the name of that person is mentioned in the heading of each case. At the end of section 8 a summary of all six cases is presented.

8.1 Case A: Restaurant Kanavaranta (Source: Manager Maria Planting)

8.1.1 General information

Restaurant Kanavaranta is located near the heart of downtown Helsinki at Kanavaranta 3, Katajanokka. The restaurant was opened in 1994 and is owned by Kokkien Korkeakoulu Oy. The company has three owners: Mr. Gero Hottinger, Mr. Eero Mäkelä and Ms. Maria Planting. The concept is to serve high class, seasonal Finnish food, which has been prepared according to classical Central European methods. The most important customer segments are business people, ‘food lovers’ and tourists. Due to the pragmatic use of classical methods of preparation and the use of the best possible ingredients, the general price level is above the average price level in Helsinki. Food is the major product accompanied by good and well-selected wines. As a part of Kanavaranta’s total offering there is some take-away-activity, which, however, concerns only certain items (breads, fish and meat dishes, cakes, etc.). The same building also houses a Culinary Institute owned by the same owners, which offers commercial gourmet courses for small groups. The annual turnover of that activity is
around Euro 84.000. In the restaurant there are 155 seats and the annual turnover is Euro 840.000. The operating profit is 11% of the turnover and the division of sales is:

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<th>Category</th>
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<tr>
<td>Food</td>
<td>60%</td>
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<tr>
<td>Beer</td>
<td>8%</td>
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<tr>
<td>Spirits and wines</td>
<td>26%</td>
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<tr>
<td>Others</td>
<td>6%</td>
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The typical staffing is five persons in the kitchen and five to seven persons serving in the dining room. The organisation can be characterised as a matrix organisation. Mr. Hottinger and Mr. Mäkelä, both of whom are chefs, are in charge of the kitchen and restaurant teams and Ms. Planting is in charge of sales, marketing, finance and administration. The decision-making is democratic. The General Manager of Kokkien Korkeakoulu Oy is Mr. Eero Mäkelä.

The history of the restaurant is quite interesting. In the 1970’s a wealthy Finnish businessman set his mind on a ‘later-in-life-project’ and bought the whole old storehouse building (built in the 1890’s) in Katajanokka. His plan was to create a small active centre with quality boutiques and restaurants. However, the general recession in Finland hit him hard in the late 1980’s and, after finalising the first part of his project, he went bankrupt. The interesting detail was that he had already reconstructed and furnished a marine-orientated antique restaurant, which now was owned by the Finnish Merita Bank and stood totally empty for a period of almost five years. In 1993 the wealthy businessman announced that the time has gone by and that he is never going to continue with his project and the search for new entrepreneurs was immediately started. At that time Mr. Eero Mäkelä worked for the big restaurant and hotel chain Oy Arctia Ab and his dream had always been to open a restaurant of his own. When he heard about the restaurant premises, he contacted Ms. Maria Planting and Mr. Gero Hottinger and together they made a bid. Their bid was accepted from among almost 20 others and they were able to start operations in their own restaurant immediately as it did not need any reconstruction or interior design. From the very beginning, the restaurant received a lot of attention in the media. Mr. Mäkelä and Mr. Hottinger are celebrity chefs and they try to serve food that reflects this. The image of the restaurant is good and the offering is very personalised.

8.1.2 The offering development process

Offering development at Kanavaranta can be characterised as ‘creating new procedures that are based on traditional methods’. This means in practise that offering development is taking small steps and is definitely nothing dramatic. Traditions are cherished and there are no ambitions to make any major changes to Kanavaranta’s offering. ‘We try to be loyal to the chosen strategy and concept. Principally, we don’t accept any shortcuts.’
Financial resources are not considered to be a hindrance with the exception of the use of personnel; according to the Central European tradition the number of personnel should be bigger, but on the other hand, the high personnel cost in Finland is a reality that has to be taken into account. All other changes and improvements have been fulfilled without any financial problems. ‘For good investments there is always money available.’

Despite the low profile of offering development at Kanavaranta, it is considered as an important signal to the customers. One of the clearest signals is the change of menus every second month. A restaurant has to be able to convince its customers that different seasons are followed and, the easiest way to do this is to include seasonal items into its offering. ‘Many of our customers eat out a lot. Therefore, it is our task to offer them novelties and pleasant surprises.’ The trends in the restaurant business come and go and, of the ‘newcomers’, only hamburgers and pizzas have actually consolidated their position in the Finnish restaurant market. Kanavaranta is trying to get its share of customers who use restaurant services on a regular basis. ‘We are dealing with an incredible demanding, but also rewarding, segment who really know what they want.’ The size of that segment in a small country is quite limited. According to the representatives of Kanavaranta, many people in the restaurant business feel that running a restaurant is a vocation. This is partly true, but the right approach is to consider the restaurant business as any other business. ‘Business is always business, figures do not lie.’

The most widely used methods for collecting environmental information are visits to the competitors’ restaurants, hospitality magazines and journals, travelling and information obtained from the employer union. On an individual basis, the personnel has the opportunity to visit competitors and well motivated suggestions for further education are supported on the condition that paid working time is not used for that purpose. ‘Our staff is getting more and more involved in different kinds of individual competence improving activities.’ The entire personnel has a weekly meeting, where operative changes, customer feedback and new plans are openly discussed. Another important source of information has been suppliers who have been able to inform the Kanavaranta personnel about new products and raw materials available on the market. ‘The suppliers quite often give us new ideas and our job is to turn those ideas into new products.’

The role of customers in offering development at Kanavaranta is not very visible. No surveys are conducted and the feedback is usually given directly to the chefs. However, many customers are frequent customers and they give informal feedback on a regular basis. ‘A frequent customer feels more free to give more direct on-the-spot feedback.’

External information sources are seldom used. The only recent example is an organisational development project, in which Kanavaranta took part. The project was organised by the Ministry of Trade and Industry. The experiences were positive and in the future the use of external sources will probably become more frequent. ‘That is the kind of authority-originated support that small and medium-sized enterprises are looking for.’
The organisation of offering development is very simple. The chefs are in charge of the food and beverage product development and Ms. Planting carries the responsibility for all other development work. ‘We have quite a classical and hierarchical way of organising ourselves.’ Usually the three owners function as initiators in most offering development projects, but the personnel seems to be getting more and more active. The decision-making among the three owners is democratic and the decisions are also documented. The internal co-operation is considered to be quite smooth.

Creativity is not really supported among the personnel. The simple reason for that is the perceived experience and brilliancy of the two chefs. The feeling is that there is not really enough time and possibilities for any ‘creativity boosting’ activities. Of course, good ideas are accepted, but the organisation is very hierarchical and top-down-managed. ‘At the same time, it has to be admitted that the corporate strategy highly influences the offering development processes. In our case that has lead to a high level of permanence and to a certain conservatism.’

The planning level of offering development is high, but it is not systematic. The products are not standardised and minor changes occur on a daily basis. The goal has also been to maintain a certain level of impulsiveness and capability to surprise even frequent customers in a positive way. The planning horizon for menu planning is approximately one month, and for other offering developments, approximately one year. ‘A period of one calendar year is logical due to the fact that the four seasons are really the essence of any gourmet-thinking.’ In practise, offering development as a process is not standardised and, in the case of Kanavaranta, the most descriptive word could be ‘personification’; the restaurant looks very much like its owners. Therefore, offering development has become quite personalised and personality-driven. ‘If our offering development is turned into a process, it would probably consist of 3-6 stages and those stages would overlap. The process varies depending on the situation.’

Finally, a perceived problem in offering development at Kanavaranta is the danger of being too flexible and too customer-orientated. In the worst case-scenario, a restaurant offers modified products and services and tailor-made solutions without being able to turn them into real business. Whatever development work is done, the business realities should always be kept in mind. ‘The real goal with any offering development is to make better business. That can not be done by cheating customers and therefore, according to my opinion, offering development is equal with quality improvement.’
8.2 Case B: Pectopah Saslik (Source: Restaurant Manager Heli Laakkonen)

8.2.1 General information

Pectopah Saslik is located at Neitsytpolku 12, in southern Helsinki. The restaurant was established in 1972 and it has not really undergone any major changes over the years. The restaurant is privately owned and the present owners are Ms. Anne Turunen and Mr. Sakari Tainio. Ms. Turunen is the General Manager of Oy Russian Room Ltd. The concept of Pectopah Saslik is to offer Russian food and atmosphere to international people. The restaurant’s major customers are business people and tourists. The major attractions are Russian food, atmosphere and live music (a troubadour who plays and sings every evening). There is a total of 230 seats, of which 110 are in seven different cabinets. The annual sales are Euro 2,768,456 and the operating profit is 15%. The division of sales is as follows:

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<th>Category</th>
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<tbody>
<tr>
<td>Food</td>
<td>65%</td>
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<tr>
<td>Beer</td>
<td>3%</td>
</tr>
<tr>
<td>Spirits and wine</td>
<td>26%</td>
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<tr>
<td>Others</td>
<td>6%</td>
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One of the owners and the General manager, Ms. Anne Turunen, takes an active part in the management of the restaurant. The Restaurant Manager, Ms. Heli Laakkonen, is responsible for sales and marketing and she has two headwaiters and seven waitresses in her operative organisation. The chef is in charge of the kitchen and his organisation consists of two shift managers, six cooks, two people in the cold kitchen and two dishwashers. The typical staffing is one headwaiter, seven waitresses and a Shift Manager. Three cooks and two dishwashers are in the kitchen.

The restaurant was originally founded by Mr. Timo T. Kaukonen. He was the first person to found and establish a Russian restaurant in Helsinki. All four of his restaurants (Kasakka, Saslik, Solakka and Troikka) became immediate successes. In 1982, restaurant Saslik was bought by JN-ravintolat who ran the restaurant until 1992. During the years 1992-1996, there were many changes in the ownership and the restaurant went through a very difficult period. Since 1996 there has been a more peaceful period and the present owner has succeeded in bringing the restaurant back onto the ‘winning track’.

The original concept and interior have remained unchanged since 1972. Even some menu items from the early years are still on the menu. Mr. Kaukonen had brought a number of decorative items directly from the Soviet Union and they have remained in the restaurant. Of his four original restaurants, only Solakka has ceased operating and Kasakka and Troikka still exist even though they have differentiated themselves from the original concept.
Pectopah Saslik has become an institution and is probably one of the best-known restaurants in Helsinki. Despite its stormy history it has been able to stick to its original concept and therefore has represented certain permanence in the Helsinki restaurant life. The restaurant has become especially popular among Finnish companies, which operate in international markets and bring their international guests to Helsinki.

8.2.2 The offering development process

In Saslik, the role of offering development is to guarantee that the restaurant is strictly following its concept. That concept is a whole entity consisting of the interior, atmosphere, staff and products. ‘For us the term ‘product development’ is not appropriate. One should rather talk about ‘offering development’ as the word ‘product’ refers too much to physical products. Our approach is quite comprehensive.’ It is also important that customers have the right perception of the restaurant and its offering. ‘Customers do not only taste the food and drink the beverages, they also feel the atmosphere.’ In all offering development, money is obviously important, but financial control should be built into the offering development process. At Saslik, all changes and modifications have been reflected also from the financial point of view.

It seems to be typical in the restaurant business that the total offering is a sum of hundreds of small details. ‘My working days go to fixing hundreds of seemingly minor things.’ Customers are looking for unique experiences and those experiences are usually based on details. Offering development in the restaurant sector has three major areas: service development, food & beverage development and interior development. ‘It is important to understand that those three areas are equally important from the end-users point of view.’ In order to be successful, the persons in charge have to have special know-how and skills explicitly in the restaurant business.

Offering development is a constantly ongoing process and it should be integrated with the operative management in the company. ‘I think that a restaurant can never be considered as ready.’ Compared with purely operative activities, offering development has a higher status in some situations due to its future-orientation. It is important to note that offering development as a function also has to be developed.

In the future, the competitive environment will become even tougher. All restaurants are going to face the demand to differentiate themselves from the competitors. The restaurant life-cycles will probably become shorter and the market will be extremely turbulent. ‘Customers are somehow getting restless, but our belief is that there is always going to be room for institutions on the market. We consider ourselves as an institution.’ At restaurant Saslik, a lot of effort is put into following the latest market developments. The most important sources of information are statistics from the branch organisation and the Chamber of Commerce, restaurant magazines and information provided by the suppliers. The Restaurant Manager and the chef visit other restaurants
a couple of times a month and the rest of the personnel visit twice a year. All visits are documented. Sometimes visits to trade shows and fairs are also arranged. ‘We get new ideas, but also some time off from our daily routines. The motivational benefits are always there.’

On an individual level, all staff members provide the restaurant with information. ‘We should never forget the individual resources we have in our own organisation.’ That information can accumulate through travelling, reading books or through the personal network. A personnel meeting is arranged once a month. New products are introduced and the ‘comment notebook’ is reviewed. That notebook is placed in the kitchen in order to collect internal feedback. All employees can write down their own or customer-originated comments.

Restaurant Saslik has a system for following up its level of quality. Approximately once a month a mystery shopper visits the restaurant and gives his/her assessment on the food, service and interior. Customer surveys have been used sporadically, but the usefulness of that information has been low. ‘Customers have clearly become tired of filling out different kinds of questionnaires and answers to our questions.’ For frequent customers, reception staffs, executive secretaries and travel agencies, special evenings are arranged. Those evenings can also be seen as quality controlling and getting direct customer feedback. ‘Nothing beats the direct face-to-face contact.’

The three major areas of offering development have been organisationally divided in the following way: the restaurant manager is in charge of beverage development, the owners are in charge of all technical and physical changes in the interior and, the chef is in charge of the food product. All four help in creating the ‘right’ atmosphere. ‘The atmosphere is always a net result of many different components.’ External specialists are seldom used. The only areas where external help has been used are in personnel training, marketing and bookkeeping. A specific offering development meeting among all managers and the owner is usually arranged twice a year. During those meetings new projects are usually started and organised. ‘Sometimes I have a feeling that people simply get tired of projects, but that seems to be the only way to move things forward.’

In most cases the typical initiator to any offering development is a member of the personnel. The managers are also active, but they do not really have time for any large-scale offering development due to their operative everyday responsibilities. ‘Our managers are constantly in customer contact and dealing with purely operative issues.’ The owners are also quite active from the offering development point of view. Most of the final decisions are made by the owners.

Creativity at Restaurant Saslik is supported by arranging bi-annual recreational activity days for the personnel. During the recent years these days have become very popular. The general feeling is, however, that the food and beverage product and atmosphere are quite ‘ready’, but more effort is needed in developing the service product. ‘There are still many things to do.’ Offering development is not considered to be very systematic at Restaurant Saslik. The menu is usually changed once a year in March and the planning is started in December. The general planning horizon is one year and there are
no procedures for documenting the planning process. ‘The process has been born by itself and, to be honest, that is quite OK.’ All changes in the physical facilities are planned case by case.

8.3 Case C: Ristorante Papa Giovanni (Source: Restaurant Director Mikko Paukkonen)

8.3.1 General information

Ristorante Papa Giovanni was established 1996 and is located in the World Trade Center building in downtown Helsinki at Keskuskatu 7. The restaurant is owned by Helsinki Ravintolat Oy, which owns and runs 63 restaurants in the Helsinki Metropolitan area. Ristorante Papa Giovanni is an Italian food restaurant and the major products are food and wine. The most important segments are business people during the daytime and trendy, urban consumers over 30 years of age (the so-called pasta generation) in the evening. The restaurant is particularly popular among women. The restaurant also has meeting facilities in a separate 50-seat showroom. There is also a 250-seat café downstairs, but that unit is excluded from this study. The restaurant has 200 seats and the annual sales are Euro 3,691,275. The operating profit is 15%. The division of sales is as follows:

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<th>Product</th>
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<tr>
<td>Food</td>
<td>60%</td>
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<tr>
<td>Beer</td>
<td>6%</td>
</tr>
<tr>
<td>Spirits and wine</td>
<td>31%</td>
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<tr>
<td>Others</td>
<td>3%</td>
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The typical staffing during the daytime is the restaurant manager, a shift manager and four waitresses, and in the kitchen, a shift manager and two cooks. In the evening the typical staffing is two to three shift managers, eleven waitresses and one additional cook in the kitchen. The organisation is closely linked to the chain organisation through Mr. Pauli Koivula who is the Area Manager for Helsinki Ravintolat Oy. The Restaurant Manager is Mr. Mikko Paukkonen.

Before Papa Giovanni came into operation, a restaurant called ‘Alice’ operated in the same premises. That restaurant belonged to the Hyvä Ystävä-chain, which operated ten casual drinks & dining restaurants in the Helsinki region. In the late 1980’s, the then general manager of the Hyvä Ystävä-chain of that time, Mr. Jouni Päivölä together with his architect friend Mr. Pekka Perjo, wanted to create an Italian concept. Unfortunately the chain was divided into parts, which were sold to new owners. Therefore these plans never became a reality. When Helsinki Ravintolat Oy bought the real estate, they created a project team consisting of Mr. Markku Kuusinen, Mr. Pauli Koivula and Mr. Pekka Perjo. Some ideas and plans were transferred from the Hyvä
Ystävä concept to Helsinki Ravintolat concept through Mr. Pekka Perjo, who in his personal life is a fan of Italy. The team also combined architectonic values, light and sound effects, a menu and wine list into a truly Italian entity.

Ristorante Papa Giovanni has been a definite image success from the very beginning. The restaurant has gained a lot of goodwill through its high service level and audio-visual effects. Financially, the restaurant suffers from three quiet summer months, which drop the restaurant’s excellent operating profit to a ‘good’ level.

8.3.2 The offering development process

As Papa Giovanni is the first of its kind, the concept of offering development has been extremely important throughout the entire project. When a restaurant has existed for some time, offering development is usually transformed into refining the product. ‘The product consisting of the interior, menu, staff and operations is quite a complex entity. It is a hard job to keep it in good shape.’ In all development work financial resources are important, but they should not be seen as restricting factors; for good ideas there is always money available. ‘Profitability is important, but it should not have a disturbing effect on the level of creativity in business.’

Compared with other businesses, more creativity is needed in the hospitality business. But, compared with other businesses, the basic facts of business are very similar. One has to be able to combine creativity with business skills and organisational knowledge. ‘I guess that in this business a manager has to be a multi-skilled person.’ Most success stories are also based on some risk-taking - at least at some stage of the company lifecycle. ‘No pain, no gain!’

Offering development at Papa Giovanni is one way to guarantee the consistency of all operations. There is a total of 50 employees who are all potential risk factors. ‘The troops have to march in same direction.’ It is very important that the general feeling in the restaurant is positive and development-orientated. That feeling can be built up from small details and the role of the management is to help the employees avoid getting too routine-orientated. ‘In our concept the role of the personnel is very central and good people are seen as an extremely good investment with an excellent immediate pay-back.’ In operative offering development, the role of management is to check that all details are taken care of properly.

‘Offering development is always a process. That process in our restaurant is highly influenced by the chosen strategy and corporate-level visions. Without that support offering development would only be a series of different kind of activities working sometimes even against each other. In other words, the process has to based on a manuscript.’
‘In the future the average size of restaurants is probably not going to increase, but the downtown area will tempt more restaurants. The food product is becoming more and more of a mixture of many different kitchens’ (=so called cross kitchen-thinking). This kind of development puts a lot of pressure on offering development, as the clear result is a tougher competitive environment; without any competitive advantages a restaurant can’t survive in the long run. ‘You have to have that ‘something’, which makes you superior in relation to your competitors.’

At Ristorante Papa Giovanni, visits to competitors are frequently used to obtain information. After each visit, a questionnaire is filled out and all visited restaurants are ranked against each other. The management also obtains information from hospitality magazines and from suppliers. The personal network of each individual is also important. ‘In general, the importance of personal networks is usually underestimated.’ On the chain-level, the change of information is insignificant.

A meeting between the restaurant manager, the chef and shift managers is organised once a week. Besides operative issues competitors are discussed during these meetings. ‘You have to constantly keep an eye on them.’ Some training is arranged for the personnel and it mostly concentrates on the service side and product-knowledge. The restaurant manager also uses women’s magazines and stories about celebrities as information sources in offering development. ‘That artificial world seems to function as a source of personal dreams for many customers.’

Customers take an active part in offering development. Twice a year an in-person survey is organised. In practise, the interviewer holds discussions at the table with specifically chosen frequent customers. ‘They usually like to talk to us.’ Shift managers and waitresses also receive customer-feedback during their normal shifts. Three to four times a year Papa Giovanni organises a special evening for the frequent customers. ‘I think, that all restaurant managers should spend much more time among customers. There is always a danger, that we start becoming ‘civil servants’ instead of creative business-people.’

Menu planning is done by the chef and the restaurant manager. The role of the chef is very central. ‘He is the soul of our materialised offering.’ Some chain-level information is available, but the use of it has been very limited. An outside consultant has been used in guaranteeing the authentic Italian touch. The chef has worked in Italy and visiting Italian chefs are used on a frequent basis. ‘You can’t be Italian without genuine Italians.’ Another external specialist is used in designing the marketing materials.

The typical initiators in all offering development are the restaurant manager, the chef and the area manager. The final decision on all questions concerning the development is made by the restaurant manager. He also makes recruitment decisions and only investments over 1.700 Euro have to be approved by the area manager. ‘That is more or less a mental limit - it is nice to share the risk.’ However, the co-operation between the restaurant manager and the area manager is frictionless and there is a very good
common understanding between them. In practise they meet with each other several times a week. ‘I guess our role is to give support to each other.’

Creativity is supported in Papa Giovanni by arranging sales competitions. A written test is arranged for the personnel concerning every new menu. The winners get free coupons to the competing restaurants and each visit is documented and reported to the management. ‘We want to activate our personnel also during their free-time.’

Offering development is seen as a continuous process. The strategic planning horizon is quite long; an estimated five years. Also in menu planning the aim is to create items, which could be on the menu for the next ten years. ‘We are aware, that our approach differs from most competing restaurants. Our goal is to establish ourselves as an institution.’ Restaurant Papa Giovanni, as a product, is considered more or less ‘ready’. Offering development is therefore maintaining the service and quality levels and following the agreed operative procedures. ‘The control aspect is always there - whether you like it or not.’ Offering development is not standardised. Any standardisation could be a dangerous step towards routines and repeating the same things over and over again. ‘There has to be room for quick actions.’ Offering development is also highly dependent on the personnel and that is one reason why a development discussion is arranged with each employee twice a year. During those discussions, the employer gets an idea of the motivation level, future plans and potential areas that need improvement from each employee. The employees also get the feeling that the employer cares about their wellbeing. ‘It is a kind of positive exchange of services.’

It is also worthwhile to note that there are plans to open other Papa Giovanni units on a franchising basis. If those plans become a reality, offering development comes even more to the forefront. ‘In franchising business, there is always a risk that the importance of developing things is forgotten. You can´t stay where you are forever.’

8.4 Case D: Restaurant Frutti di Mare Hämeentie (Source: Restaurant Manager Petteri Leminen)

8.4.1 General information

Restaurant Frutti di Mare Hämeentie is located in Hakaniemi, Helsinki downtown, at Hämeentie 2. The unit was opened in August 1997 and belongs to a small, privately owned chain of three restaurants - all located in the downtown Helsinki area. The owner of the restaurant is JJP Works Oy and the basic concept is to serve pizza, pasta and home-style food. The restaurant is open seven days a week, it is fully licensed and the major products are pizzas and the pasta table. The price level is moderate, but compared with the competitors’, the lunch is priced slightly higher. Bigger groups can
also be served on an advance order basis. At the moment, there are no additional parts of the offering, but there are very preliminary plans with a view to arranging commercial pasta courses. The restaurant has 85 seats and the budgeted annual sales are Euro 587,248. The budgeted operating profit is 10% of the turnover. The division of sales is:

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<th>Category</th>
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<tr>
<td>Food</td>
<td>68%</td>
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<tr>
<td>Beer</td>
<td>22%</td>
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<tr>
<td>Spirits and wine</td>
<td>7%</td>
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<tr>
<td>Others</td>
<td>3%</td>
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Typical staffing during the lunch period (11 AM - 2 PM) is one cook and two waiters. During all other times the staffing is 1 + 1. During the weekend an extra person is utilised for a period of four hours. The organisation is very straightforward. The director of the restaurant, Mr. Petteri Leminen, is one of the owners of JJP Works Oy and working under him there is a restaurant manager. The total personnel is two cooks, two waiters and three part-time workers. The general manager of JJP Works is Mr. Jouni Ahonen.

Before 1996, a well-known restaurant, ‘Viherkulma’ had been operating in the same premises. Due to the recession in Finland in the early 1990’s, that restaurant was declared bankrupt and later overtaken by the biggest creditor, insurance company Pohjola Oy. The premises stood empty for a period of almost one year. The negotiations between JJP Works Oy and Pohjola lasted for four months and finally in April 1997 a lease agreement was signed. The interior was reconstructed and the restaurant was opened without any specific marketing in August 1997. The owners of JJP Works Oy undertook most of the reconstruction themselves. Viherkulma’s licenses were transferred to the new owners and they could then start fullscale operations from the very beginning.

Restaurant Frutti di Mare Hämeentie has established its position in the local market. The image of the restaurant is positive and there are seemingly many frequent lunch customers. The offering in all Frutti di Mare restaurants is identical with the exception of one unit (at Fredrikinkatu), which does not have a license to sell spirits. There are plans for further development of the Frutti di Mare chain.

8.4.2 The offering development process

Offering development at Frutti di Mare is highly focused on creating a credible, reliable and standardised image. ‘We are very interested in a possible synergy and economies of scale-benefits.’ Due to the character of Frutti di Mares products (pizza and pasta) it must differentiate itself among many similar outlets, which mainly compete with their prices. ‘There is a price jungle out there.’ During the recent year, Frutti di Mare has
changed its visual appearance and the results have been positive. Offering development is highly dependent on financial resources. For instance, the use of radio advertisements has not been possible even though, logically thinking, it could be an alternative for a restaurant like Frutti di Mare. ‘Representing a small chain, we have to be very realistic. In most cases our external marketing consists of low-budget activities.’

The general feeling at Frutti di Mare is that the restaurant business is directly comparable with any kind of business. Therefore, offering development is possible without any specific education in the hospitality business. ‘I think that the hospitality industry has always suffered from a kind of introverted thinking.’ However, all three owners of JJP Works Oy have an educational background in the hospitality business. The entrance barriers to the restaurant market in Helsinki are very low and the result has been a very tough competitive environment - especially among lunch restaurants. That kind of situation automatically puts a lot of pressure on offering development, as every restaurant is trying to create competitive advantages and differentiative characteristics. ‘Every single restaurant is trying to be individualistic and somehow special.’ Offering development can be seen as a journey. At Frutti di Mare the major initial product was pizza. Later, home-style pasta was added and now there are plans to start offering a wider selection of desserts. ‘Our offering is getting wider and wider. That seems to be the melody of our time.’

In the future offering development has to concentrate on diversifying the total offering. Customers are growing accustomed to getting many different kinds of products from the same place. There is very little room for pure specialists. ‘Specialists can only survive in large markets. That is not the case in our Helsinki lunch-restaurant market.’ This kind of development can also be seen at Frutti di Mare. The service product is also essential and therefore recruitment and managerial skills are very important cornerstones in this field. ‘Unfortunately it is very hard to find competent people - especially, when one takes into account the low salary level of our company’.

The most widely used sources of information are the owners’ own experiences and networks. The personnel also contributes to the offering development. ‘The personnel is getting more and more active.’ As Frutti di Mare operates in three different areas in downtown Helsinki, there is a good possibility to compare the customers’ buying patterns. Surprisingly clear differences exist despite the short geographical distances.

Other information sources include visiting competitors in Helsinki and similar outlets abroad, hospitality magazines and supplier-based information. Customers also take part in offering development by providing feedback. One practical example is pan pizza, which will shortly be added to the menu. The original idea had come from customers. Polytechnic students are also used in obtaining information about separate, clearly identifiable matters. At the moment, one student is conducting research about customer satisfaction. ‘We are very positive towards research, but unfortunately time seems to be a big limiting factor.’
A very important issue in offering development is creating tools for frequent custommership. Frutti di Mare has a frequent-customer card for lunch guests, which gives every 9th lunch for free. Everyday 6 - 10 lunches are given away. ‘We believe in frequent customers and are also ready to pay something for having them.’

Menu planning is both centralised and decentralised. The lunch pizza menu is similar in all three units and each unit takes turns in creating a pizza menu for three weeks. The lunch pasta menu is unit-specific and the decision is made by the kitchen personnel in each unit separately.

Most offering development work is carried out by the Frutti di Mare organisation. The only external resource has been the use of an advertising agency in developing a new visual appearance. ‘Our new visual appearance has clearly helped us from the business point of view.’ There have been some discussions with a pasta supplier regarding the creation of a private-label pasta, but so far the price has been too high. The typical approach to all offering development activities is a project approach, which in practise means that one of the owners is in charge of the specific project within a certain time frame. ‘This kind of project-approach seems to be very popular - regardless of the type of the industry.’ The owners have scheduled meetings twice a month and they also have telephone contacts on a daily basis. The co-operation among owners has been good, but in some situations one person has been able to veto an idea that has been proposed by the two others. In other words all decision-making is democratic and all units are developed simultaneously in the same direction. No soloing is tolerated. The typical process for offering development consists of four stages: Idea, Development and approval of all owners, Realisation (=usually testing in one unit) and Follow-up (and approval for chain-wide use). ‘The offering development process is quite clearly affected by positive and negative factors and our job is to find the right balance between them. As our goal is to create a consistent and standardised concept, all negative forces should be eliminated and positive forces should be utilised.’

The concept of creativity is not very central at Frutti di Mare. The reason is that the entire chain is concept-based and all divergent procedures are discouraged. The owners carry the main responsibility for bringing in new, creative ideas. ‘In most cases the staff has a tendency to keep things as they are. In our company the owners are the initiators for most of the changes.’

Offering development is clearly going through a period of changes. The company is growing and standard procedures are created. Some marketing campaigns have been developed, but so far the results have not been very encouraging. ‘External marketing campaigns have not given as good results as our investments in the visual appearance and in our loyalty program.’ The planning horizon for offering development is less than a year. The goal is to standardise the planning procedures so that resources for different operations can be allocated in advance. ‘In principle, all our planning is carried out on the chain level.’ One big hindrance in food product development is the fact that none of the owners is a specialist in production technology. On the other hand, all of the owners have good know-how in marketing and service development. Looking to the future, one can see that the unexpressed wish of all the owners is to be able to leave operative
functions to others, thereby allowing them time to concentrate on either expanding the chain or on other, totally new challenges. ‘For us owners, an ideal Frutti-restaurant is a restaurant running operatively without anyone of us!’

8.5 Case E: Restaurant Michelle (Source: Restaurant Manager Salla Laitinen)

8.5.1 General information

Restaurant Michelle is located in downtown Helsinki at Mikonkatu 4 and is owned by Oy Center-Inn Ab, which runs a total of 12 restaurants - all located very close to each other. Restaurant Michelle was opened in the summer of 1996. The basic concept of Restaurant Michelle is to serve easy-going high-class food and drinks. The most important segments are business people and trend-conscious urban consumers. The price level of the restaurant is slightly above average, but not very high. The major product is food and as a part of the restaurant’s offerings there is only occasional take out activity. The restaurant has a total of 170 seats out of which 120 are on the restaurant side and 50 in the bar. During the summertime the restaurant has a small 45-seat terrace serving simple terrace food and drinks. The annual sales of the whole restaurant are 3,271,812 Euro and the operating profit of the turnover is 16.5%. The division of sales is as follows:

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<tbody>
<tr>
<td>Food</td>
<td>60%</td>
</tr>
<tr>
<td>Beer</td>
<td>25%</td>
</tr>
<tr>
<td>Spirits and wines</td>
<td>12%</td>
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<tr>
<td>Others</td>
<td>3%</td>
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The typical staffing during the daytime is one shift manager, one bartender and four waitresses and during the evening two shift managers, three bartenders and six waitresses. The kitchen is a joint-kitchen with Oy Center-Inn Ab’s other unit ‘König’. The organisation in the restaurant is very traditional. Under the restaurant manager there are three shift managers and the chef. The general manager of Oy Center-Inn Ab is Ms. Eila Kuurma and the restaurant manager of Restaurant Michelle is Ms. Salla Laitinen.

When Restaurant Michelle was added into the total offering of Oy Center-Inn Ab, the plan was to enter the market with a new, fresh approach. There was far more demand than supply on the market and Oy Center-Inn Ab was successful in obtaining a lease contract for a real estate located only meters away from its other two units (Restaurant Raffäello and Restaurant König). As Restaurant König was perceived as a highly masculine unit, Restaurant Michelle was planned to become a more feminine and informal restaurant with light colours. The original plan was also to differentiate the new restaurant from Restaurant Raffäello, which from the very beginning had been a
real success story due to its location, inventive kitchen and moderate pricing. There was an obvious danger for cannibalism. The restaurant was then launched as a trendy food restaurant representing new flavours and specialities. However, it soon became evident, that the market was not ready for this kind of approach and the menu was changed to a more traditional one.

At present, Restaurant Michelle has established its position in the market. The restaurant concept is very clear and easy to run. The sale of drinks has been higher than expected and the restaurant has been able to differentiate itself from the other Center-Inn units. The image of the restaurant is excellent and it has been able to create a high level of customer loyalty among its customer segments.

8.5.2 The offering development process

Offering development is considered to be one of the key functions in the restaurant. The level of bureaucracy has been lowered to the minimum. Therefore quick actions are possible. ‘One of our biggest advantages in relation to the big chains is our flexibility and ability to move quickly.’ Offering development is highly dependent on the restaurant manager and duty managers. During the recent year offering development at Restaurant Michelle has explicitly concentrated on operative quality development. ‘In our context offering development goes hand in hand with quality improvement.’

Money is not seen as a restricting factor. The customers of Restaurant Michelle are very quality-orientated and they demand constant development and improvements. They travel a lot and demand a certain level of internationalism from the restaurants they use as well. Restaurant Michelle is not considered to be a trend-restaurant, but, nevertheless, all new trends have to be at least identified and taken into account. ‘We try all the time to be one step ahead of our customers. In fact, we should know already today, what is trendy tomorrow. That is a tough job.’

At Restaurant Michelle one clear goal is to avoid routines. Both the management and the operative staff can very easily lose sensitivity to their daily work if they get blinded by some standard ways of doing things. ‘We believe at spending a lot of time on the floor, among our customers.’ Therefore the management should put a lot of effort in keeping the personnel awake. ‘The restaurant sector is quite obviously coming back to basics after a period of high-flying’. That puts a lot of pressure on the entire industry and on the top management.

The most widely used information sources at Restaurant Michelle are through the managers’ travelling, reading books and magazines and, visiting competitors. At Oy Center-Inn Ab it can clearly be seen that the unit-level offering development is highly dependent on the attitude of the managers in each specific unit. The impact of those
managers is far more important, from the offering development point of view, than any chain-level activities. ‘The managers are the soul of all offering development - regardless of any chain-level strategies or decisions. Their role is also to realistically analyse matters that work for or against offering development.’ On an individual level, most employees read industry-related magazines, visit competitors and travel. As an information source, trade fairs seem to have lost their importance during the recent years. Further education and personnel training are regarded to be good forums for offering development and for obtaining information from the operative level to the management. ‘The impact of environmental information is very important and therefore, all offering development is dependent on that.’

The role of customers in all offering development programmes is very important. Every morning the managers question the personnel about any operative feedback and, sometimes during the lunch period, some informal customer surveys are conducted. ‘This kind of approach has a dual effect: it gives new information and also gives a clear signal to the customers that we really care.’ A formal personnel meeting is arranged once a month. Any other external participation is insignificant. On the chain level operative offering development is not an issue with the exception of the input of the food and beverage manager, who is in charge of the chain-level food and beverage product development. ‘However, his role is more or less technical.’

The menu planning is carried out by the restaurant manager, the chef and the food and beverage manager. As their background information they use the ABC-analysis. The team makes a proposal menu, which is tasted by a specifically chosen ‘food-jury’. The menu decisions are made approximately three to four months prior to the new menu launching. Obviously no successful items are changed unless there are strong production-technological problems with the product. ‘Most of our customers are quite conservative and that has to always be kept in mind.’

‘Our offering development process usually starts with some kind of idea. That idea is developed and put into practise. What is important, besides putting it into practise, is that it must be tied together with the concept. Built in, so to say. Finally, the follow-up is important for the sake of the future.’

Usually the restaurant manager functions as an initiator. Also some ideas come from Oy Center-Inn Ab’s other units. A chain-level planning and development meeting is arranged once a week. During those meetings the final decisions about any major changes, menus and pricing are made. ‘Our decision making has traditionally been quite collective’. However, the general manager (Ms. Eila Kuurma) has the right to veto. As a family company, Oy Center-Inn Ab tries to use its internal resources as much as possible. In some - very rare - cases consultants are used and actually only in personnel training are external specialists used on a more frequent basis. ‘In principle, as a small chain, we have to rely on our own competence as much as possible.’

The chain-level food and beverage manager is in charge of developing the contacts and co-operation towards the suppliers. The suppliers can also function as a source of information and their activities have, throughout the years, become more and more
visible. ‘The suppliers have a very clear goal: to increase sales. But luckily, in order to achieve that goal, they are using more and more sophisticated methods.’

The creativity of managers is not explicitly supported. On the other hand managers have a lot of freedom and they can quite easily implement their own ideas. The level of creativity of the operative personnel is obviously in direct relation to the level of creativity of the manager. At Restaurant Michelle, the general atmosphere is quite open and creativity is indirectly supported. That is partly due to the youth and freedom from prejudice of the personnel. ‘Due to the incredible dynamics of all offering development, the entire personnel has to be able to maintain a dynamic approach to everything they do.’

The level of planning in offering development has traditionally been quite low, but during the recent years the activities have become more systematic. The top management has become aware of the fact that each unit should have enough managerial resources in order to cope with new offering development demands. ‘A clear process of empowerment down to the unit-level can be seen. That is good.’ Additionally, one person at the chain level has been assigned to be in charge of the food and beverage products. The strategic planning horizon is approximately one year and operatively one month. However, as a company Oy Center-Inn Ab, has been able to maintain a high level of flexibility. The offering development process is not standardised either, which is considered to be both positive and negative. On the positive side, standardised procedures guarantee a smooth implementation of most operations and on the negative side, standardised operations tend to lose sensitivity to every-day life and the time management of the personnel becomes complicated. Some standardisation is obviously needed - at least in order to avoid doing the same things (and making the same mistakes) twice in the same chain. ‘The basic rules of the ball-game have to be clear’.

8.6 Case F: Restaurant Fly Inn (Source: Food and Beverage Manager Pekka Pakarinen)

8.6.1 General information

Restaurant Fly Inn is located at the Helsinki-Vantaa airport. It was opened in April 1996 and is owned by Finnair Gateway Restaurants Oy. The basic concept is to function as a traditional á la carte-restaurant and the majority of the customers are departing customers, their escorts and people working in the airport. The major products are food and drinks and the general price level is slightly above the average. As a part of its offering, the restaurant has a meeting facility for 40 persons. There are 170 seats in total, which are divided as follows: restaurant 80, bar 50 and meeting
facility 40. The annual sales are 906,040 Euro and the operating profit is 12% of the turnover. The division of sales is:

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<tr>
<td>Food</td>
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<tr>
<td>Beer</td>
<td>30%</td>
</tr>
<tr>
<td>Spirits and wine</td>
<td>10%</td>
</tr>
<tr>
<td>Others</td>
<td>10%</td>
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The typical staffing is two cooks, a bartender, two waitresses and a duty manager. The organisation is closely related to other airport restaurants and outlets. The general manager of Finnair Gateway Restaurants Oy is Mr. Anssi Komulainen and the food and beverage manager is Mr. Pekka Pakarinen.

The history of the restaurant goes back further than 1996 as there has been a restaurant called Fly Inn in the same place since the 1960’s. That old restaurant was closed for 1.5 years because of reconstruction work in the airport. When that reconstruction was finalised, the restaurant was re-opened with the same name and basically with the same concept. Also many details have been kept in line with history. One example is a long ‘captain’s table’. The food product is also quite similar: Finnish food with an international flavour. The interior has been technically modernised.

The biggest change in operation from the 1996 is the change from the transit area to the landside area. Before 1996, the restaurant served only people in the transit area, but now the restaurant is also open to other customer segments. An interesting detail is that Restaurant Fly Inn is practically the only restaurant unit in the airport outside the transit area where people can observe departing and landing aeroplanes through big panorama windows. The general image of Restaurant Fly Inn is good and Helsinki-Vantaa airport is ranked extremely highly among European airports.

8.6.2 The offering development process

Compared with other studied case units, the situation of Restaurant Fly Inn is very different. It is in direct competition with other restaurants, which are located close to each other and owned and run by the same company. ‘We compete with ourselves.’ Therefore, offering development is used in order to emphasise the specific characteristics of each unit, to create competitive advantages and to avoid hard internal competition (‘cannibalism’). Each unit has to be able to differentiate itself and the major mission of the top management of Finnair Gateway Restaurants Oy is to create a purpose-built body of differentiated offerings which serve the different customer segments. ‘It is our job to offer a wide selection of hospitality services.’ The airport as a market is different and creating synergy seems to be the major goal in relations among different restaurant units as well as in relations among all supporting and facilitating services. ‘Synergy is money!’
The financial resources of Restaurant Fly Inn have been reasonably good. The general feeling is, however, that offering development as a function cannot be brought from outside. ‘According to our opinion, offering development has to be built into the organisation.’ So far, the chef has been in charge of developing the food product and the bartender has developed the beverage product. Matters concerning the total offering of the restaurant have been developed in co-operation between the general manager, the food and beverage manager and duty managers. ‘We believe in doing things together.’

The biggest challenge at the moment is the development of the service product. ‘To be honest, that is our Achilles tendon.’

A clear process-orientation can be identified. ‘The general offering development process usually consists of 4-5 stages and the chosen strategy, together with the market forces, influence it a lot. The most widely used sources of information are sales records, customer feedback and visits to competitors’ restaurants both in Finland and abroad. Those visits are usually carried out by the management team and duty managers. The general manager travels a lot. ‘His role is to be both an ambassador and person in charge of benchmarking.’ Most visits and observational excursions are documented. It is worthwhile noting that the visits do not only concentrate on restaurants. Shops and other service companies are also visited, especially at train and bus stations and in big department stores, due to their similarities with the airport. ‘We can learn a lot from them - much more than from traditional restaurants.’ Customer feedback is mostly based on informal discussions. Only once or twice a year a more formal customer survey is organised. ‘We find the informal methods more effective and truthful.’ As the most important secondary sources of information, Finnish and foreign magazines are used.

The use of outside expertise is very limited. The only areas where consultants have been used are interior and marketing material design, personnel training and product knowledge-training. ‘Those are the areas where our own know-how is clearly insufficient.’ A good example of the latter category is co-operation with Paulig Coffee House, which in the role of importer also gives coffee training to the restaurant personnel. Generally speaking, that kind of co-operation between restaurants and importers/distributors seems to be increasing. ‘Businesses seem to be overlapping more and more.’ Usually no money is involved in those projects.

The first impulse to new services/products or service/product modifications usually comes from the general manager or from the food and beverage manager. ‘All our development activities are quite manager-driven.’ In some cases, duty managers and supervisors are active as they are the ones who have a continuous contact both with the personnel and the customers. The new idea is then presented to the management team consisting of the general manager, the food and beverage manager, the conference manager, the chef and the financial manager. The general feeling is that the Management team is quite open for new ideas, and if the idea is accepted, somebody from the team is appointed as a champion to further develop the presented idea and put it into practise. ‘Someone has to be personally in charge.’ Smaller changes or modifications are not taken to the management team. During the last year the goal has been to give more power to duty managers and they have already become used to
making their own decisions. The supervisors are more careful and tend to check most things with the duty managers before making a decision. ‘People seem to be quite traditional in their belief at hierarchies.’ In practise, it is very hard to define exactly what kind of decisions need management team approval and which do not. ‘That is always a matter of discussion.’

The total offering development consists of many projects. In most cases the project leader is someone from the management team. Some delegation occurs, but only from the management team member to a duty manager. ‘After all, the management team has been both creating and putting the vision of the company into practise.’ In management team meetings, different projects are assessed and support is given to the person in charge. ‘Most offering development activities are quite dynamic and therefore a clear analysis of promoting and disturbing forces has to be a personal responsibility.’

Creativity in all offering development is in a very central position. The goal is to standardise and document all processes as well as possible. At the moment the best example is the process of changing the menu: two months before the deadline a brainstorming session is organised for the entire personnel. New, good ideas are rewarded. After that session the project leader makes a proposition in close cooperation with the chef to the management team. One month prior to the deadline the test portions and menu texts are prepared. The final decision and approval is made by the management team, and after that, printing of new menus is authorised. ‘That specific process is quite clear and we are happy with it. I wish that all other offering development activities could also be turned into as clear processes as that one.’ However, offering development, as a whole, is perceived as well planned, which is considered to be very important from the efficiency point of view. Many projects are taking place simultaneously and they sometimes even overlap each other. ‘It is very hard to keep the different stages separate from each other. I don’t even know if that is possible.’ The planning horizon can be divided into two levels: a full calendar year and the four travelling seasons. One important channel for informing people about the product or service developments is the journal Airport News, which is published four times a year.

Offering development as a process is not very standardised, which is considered to be a positive aspect. ‘We want to leave some room for impulses.’ Decision-making systems keep on changing and those changes affect deadlines, operative procedures and organisation. Generally speaking offering development holds an established position at Restaurant Fly Inn in its work towards differentiated competitive advantages. ‘There is a clear link between the corporate strategy and the offering development process. That link has to be made more visible.’ Offering development as a function is going through a period of constant changes and all traditional procedures are critically assessed and, if possible, improved. ‘Without proper offering development procedures the future would look quite threatening.’
8.7 Summary of cases

All studied restaurants represented quite a similar approach to offering development. One reason for that might be the fact that all restaurants had a very traditional line organisation. The only differentiating factor was the role of the chef. In Pectopah Saslik he was situated hierarchically on the same level as the restaurant manager and in Kanavaranta the two chefs were simultaneously acting as restaurant managers. In Frutti di Mare his role was not that central. In the following figure the typical organisation of the studied restaurants is represented.

Figure 14 A typical organisation in the studied restaurants

![Diagram of restaurant organisation]

*) The chef is hierarchically on the same level with the restaurant manager in Pectopah Saslik. In Kanavaranta no separate restaurant manager could be identified. In other cases the chef is organisationally under the restaurant manager.

In practise the role of chain-level management in the offering development was not very visible. Only in the cases of Frutti di Mare and Michelle clear ambitions to emphasise the role of a chain in the offering development was stressed. In the Saslik case the owners were actively taking part in offering development and decision-making in general and their role was very visible and central.

In general, offering development was considered to be an essential part of a company’s activities. It was seen as a tool of differentiation and as a means of securing the consistency of the total offering. Surprisingly, financial resources were not seen as a hindrance to carrying out necessary offering development activities. In most cases the interviewees stressed that offering development always consists of taking small steps (‘detail management’) and is therefore extremely time-consuming. Also a lot of organisational energy is needed.

All interviewees agreed upon that basic business principles can be applied to the restaurant business, but compared with other businesses, more creativity is needed. This was motivated by emphasising the strong people-orientation and the rapid pace of changes in the restaurant sector. In contrast to the common belief, all interviewees felt that creativity and business-orientation can be combined.
The most often used information sources in offering development were travelling, visits to competing restaurants, managers’ own networks and secondary information - such as magazines, journals, sales records and customer feedback. In four cases the suppliers were also considered as an important source of information. Customer feedback was especially emphasised in the cases of Michelle and Papa Giovanni.

The personnel did not actively take part in offering development in any of the studied restaurants. In most cases a personnel meeting was arranged once a month, but those meetings were not considered as innovative and creative sessions. The flow of information usually goes directly from the management to the personnel. However, some indirect methods were used: Saslik has a comment notebook and Papa Giovanni arranges manager-employer discussions twice a year. In general the approach to offering development in all cases seems to be very personalised and manager-driven.

In most cases offering development was organised in a very traditional way. The areas of development were in most cases divided into three categories: food and beverage development, service development and interior development. In all cases the chef was in charge of the food and beverage development, either alone or together with the restaurant manager. The restaurant manager took care of the service development and interior development. Interior development was the only area where the owner/chain-level stood for any larger input. This is probably due to the size of investments needed for interior changes or re-constructions. The decision-making was dominantly restaurant manager- and chain-level- concentrated and in only one case (Fly Inn) could clear ambitions to empowerment be identified. The most typical initiator in all offering developments was the restaurant manager.

Internal co-operation was usually limited to the operations of a management team, which usually has its meetings 1-4 times a month. External specialists were mainly used in interior and material design, personnel training, advertising and in research. Only in one case (Michelle) a specific person on the chain-level had been explicitly appointed as a ‘food and beverage manager’. However, in practise, that person was mainly in charge of purchases - not strategic offering development.

In general, creativity among personnel was perceived as important, but the only ways to support and ‘boost’ creativity were brainstorming sessions on an irregular basis and recreational activities. In one case (Papa Giovanni) specific efforts had been made in order to guarantee a high level of product knowledge among the personnel.

When asked about the degree of planning in offering development, the respondents’ answers were quite different. In three cases (Fly Inn, Kanavaranta and Papa Giovanni) the level of planning was considered to be high. In the other three cases, restaurants were quite obviously working towards a more systematic and planned offering development approach. However, a planned and well-controlled offering development process was the ultimate goal of all studied restaurants. The general planning horizon in all restaurants was tactically one year and operatively 1-4 months. Only at Papa Giovanni a more strategic horizon of five years was mentioned.
A clear process orientation could be identified, but the degree of offering development process standardisation was quite low in all cases. At Frutti di Mare the long-range goal was to come up to a very standardised and concept-based approach and at Kanavaranta there was a clear wish to be able to maintain some flexibility and impulsivity. In the other four cases the restaurants were mainly looking for a more standardised offering development process rather than standardised offering development methods. Offering development was in all cases quite obviously perceived rather as an operative than strategic function and a high level of personalisation could be identified.

8.8 The emerging of the offering development model

In the following, the development process of the model is briefly reviewed. The explicit model is a solidifying end-result of an analysis of all six cases. In order to be able to create a conceptual model, two basic questions have been of special interest: 1) Can an explicit process be identified from the cases? And 2) If a process can be identified (and is perceived as important), which forces and circumstances have an impact on the process? The process orientation could be identified from the very beginning of the research process. Also, the separate process stages became more and more visible. The final model describing the offering development process including supporting forces and circumstances has emerged throughout the entire research process. After each interview session, the most central findings became, so to say, part of an implicit model. As stated in section 7.2.1, only the final explicit model is presented in full detail. However, the most central findings have chronologically had an impact on the final model as follows:

Case A (Kanavaranta): Product development at Kanavaranta is based on traditions and can be characterised as quite static. The process orientation of product development could clearly be identified. There are 3-6 stages in the process and besides being sequential, some stages may even overlap. The impact of corporate strategy on the product development process was also quite obvious and was built into the implicit model as ‘strategic scanning’.

Case B (Saslik): Pectopah Saslik has a very holistic approach to product development and it became clear that in the restaurant business one should talk about offering rather than product development. The offering development process is also an ongoing, never-ending process consisting of regularly repeating stages. Therefore, a loop-format was built into the implicit model.
Case C (Papa Giovanni): Also at Ristorante Papa Giovanni, the process-orientation was quite clear. The role of personnel was perceived as a highly important supporting factor. An interesting finding was also that the offering development process has to be guided by some kind of corporate-level vision and general strategy. If the offering development process is not linked to this vision and general strategy, there is a danger of creating uncontrollable processes in a company. A ‘guiding’ shared vision was included in the implicit model and the importance of ‘strategic scanning’ was strongly emphasised.

Case D (Frutti di Mare): Offering development at Frutti di Mare can be characterised as systematic and the ultimate goal is a tight, standardised concept. During the discussion it became very clear that all offering development activities are highly influenced by both disturbing and promoting forces. The balance between these two categories is essential and in an ideal situation, the impact of disturbing forces is minimised and the impact of promoting forces is maximised. The process includes idea generation, development, realisation and follow-up. These four stages were added to the implicit model.

Case E (Michelle): The different stages of the offering development process were identified as similar to the previous implicit model with the exception of an extra stage taking into account the operational aspects of the planned procedures. A stage called ‘regularisation’ was added into the process. Also the dynamics of the offering development as a whole was accentuated. The disturbing and supporting forces were also further developed. The impact of environmental information on the process was emphasised and ‘environmental scanning’ was added into the model.

Case F: (Fly Inn): The chronologically last case more or less confirmed the findings from the previous five cases. Out of the elements already built into the model, the vision, supporting and disturbing forces and strategic scanning were especially emphasised. The process-orientation of all offering development was also quite obvious. No new components were added to the implicit model. However, the dynamics of the model was stressed and the model was visually reshaped into a more dynamic direction.

A clear saturation effect was identified. The amount of new substantial information decreased drastically from case to case. In the very last cases it was so small that it was decided to stop the process after six cases. In the following section, the explicit offering development model is presented and the different parts of it are briefly discussed.
9 OFFERING DEVELOPMENT MODEL

The model consists of four major parts, which together form a conceptual platform for offering development: forces affecting the offering development, the offering development process itself, environmental and strategic scanning and a shared vision. In the following the different parts are briefly commented on. The entire model is presented in Figure 15.

9.1 The offering development process

A clear process-orientation was identified in all cases. In the final explicit model the offering development process consists of five stages: 1) Idea generation, 2) Idea development, 3) Realisation, 4) Regularisation and 5) Follow-up. Idea generation includes all creative activities and systems for working with ideas. Development includes refinement of the idea and turning it into an operatively possible activity. During the realisation stage the operative action is carried out. During regularisation that operative activity gets established and becomes a part of the restaurant’s concept. Finally, during the follow-up stage, the activity is assessed on the basis of obtained feedback. In the best case the process is of iterative character, which leads into a never-ending, self-controlling loop.

9.2 Forces affecting offering development

As discussed in section 6, offering development is affected by many forces. Those forces can be divided into two general categories: Injurious and disturbing forces and Supporting and promoting forces. When asked about the different forces that directly affect offering development as a process, the following forces were explicitly mentioned. The forces are not presented in any order of importance.

A) INJURIOUS AND DISTURBING FORCES

1. Lack of financial and human resources (Frutti di Mare)
2. The restaurant manager does not have authorisation for full-scale offering development decision-making (Michelle)
3. Difficulties in acquiring exotic food and beverage items in Finland (Kanavaranta, Papa Giovanni)
4. Customers’ unwillingness to give feed-back and the poor reliability of feed-back (Kanavaranta)
5. Low level of education among the personnel (Frutti di mare)
6. Organisational bureaucracy and too tight concepts (Fly Inn, Michelle)
7. Lack of international expertise (Fly Inn, Kanavaranta, Michelle, Papa Giovanni)
8. High personnel costs, which make many offering development ideas impossible to implement (Frutti Mare)
9. Lack of standardised offering development procedures (Fly Inn, Saslik)
10. Repeating of old (secure) procedures (Frutti di Mare, Michelle, Saslik)
11. Perceived general unimportance of offering development and lack of future-orientation (Michelle, Saslik)

B) SUPPORTING AND PROMOTING FORCES

1. Management support and a clear company vision (Fly Inn, Frutti di Mare, Papa Giovanni, Saslik)
2. Creative management and personnel (Fly Inn, Michelle, Kanavaranta)
3. General development towards wider product assortments (Papa Giovanni)
4. Flexibility of the organisation (Kanavaranta)
5. Open competitive environment (Michelle, Papa Giovanni)
6. Specific areas of interest among the personnel (Fly Inn, Saslik)
7. Positive and development-orientated corporate culture (Fly Inn, Michelle)
8. Generally approved offering development procedures (Papa Giovanni)
9. Perceived general importance of offering development (Fly Inn, Papa Giovanni)
10. Customer involvement (Kanavaranta, Michelle, Papa Giovanni)

All forces affect offering development either negatively or positively and the final outcome is always a net-result of these forces. It is also worthwhile to note that positive and negative forces may partly neutralise each other and a specific force can be seen as both negative and positive. The forces seem also to be quite situation-specific and therefore, it is impossible to give a detailed list of all possible forces and their final impacts.

9.3 Environmental and strategic scanning

The company cannot operate in a vacuum as it is very much dependent on its external environment. Therefore some kind of scanners should be developed. In practise they symbolise an agreed procedure for collecting, analysing and documenting external information. Environmental scanning concentrates on general external information processing and Strategic scanning concentrates on assessing the loyalty to the chosen strategy and giving impulses for possible strategic changes. To a certain extent, some
scanning could be identified in all six cases, but in the Papa Giovanni case strategic scanning was especially emphasised and in the Michelle case environmental scanning had a very central role. In all cases an explicit goal was to intensify activities in the areas of environmental and strategic scanning. It is worthwhile of mentioning that the process of creating and choosing the corporate strategy for a certain timespan is beyond the scope of this study. The assumption is that there is an existing (and chosen) strategy.

Environmental and strategic scanning provide the offering development process with external information. That constantly new information is the major reason, which keeps the iterative loop (see section 6.2) going. Rapid changes in the external environment have to be taken into account from the process point of view. Environmental scanning supports the company also in its culture-development work. Heskett and Kotter (1992, p. 142) state the following: ‘Our research shows that even contextually or strategically appropriate cultures will not promote excellent performance over long periods unless they contain norms and values that can help firms adapt to a changing environment.’ Harrison (2003, pp. 139-152) reminds us that the majority of information about external circumstances can actually be obtained from inside of the company.

9.4 Shared vision

Based on the findings all offering development has to have a direction. In the best case, that direction is commonly agreed upon and represents some kind of visionary state. As all offering development is future-oriented, the term ‘shared vision’ has been used. Besides showing the direction, shared vision also functions as some kind of pathfinder for the entire offering development. As also presented in the literature (see section 4.4), shared vision combines different visions in the company and, in the best case, all energy is focused on turning that shared vision into reality. In Fly Inn (‘We offer the best hospitality services among the European airports.’), Frutti di Mare (‘Controlled growth and stable brand.’) and Papa Giovanni cases (‘Stable brand together with franchising.’) the vision was quite clear and in the Kanavaranta case (‘Consistent image based on traditional cooking methods and creativity.’) the vision was perceived more like a dream. In other two cases, Michelle (‘Consistent profitability and readiness for changes in the concept.’) and Saslik (‘Keeping up the Russian traditions.’), the vision could also be identified, but it was more or less seen as a way to maintain the present position.

According to the respondents a lack of a shared vision will affect the offering development in a very negative way, as the processes do not have a common direction. Therefore, it is very essential that all operative offering development processes are somehow linked to the overall strategy of the company. Working actively towards a shared vision is one way to establish those links.
9.5 The dynamics of the model

The model stresses dynamic aspects of offering development. The affecting forces (either disturbing or promoting) have an impact on the whole system. The process itself never ends and is the core of the whole model and the scanners provide the model with environmental and strategic information. The shared vision is guiding the entire model into the desired direction. The format of the model symbolises the dynamics and the progress of all offering development. If any of the four parts is either missing or deficient, the whole system will be affected. The model is, so to say, on the constant move, which symbolises a dynamic neverending process.

As the model is of both conceptual and normative character, it is very important to understand that the level of abstraction is quite high. However, the model shows the central interdependencies and can therefore function as a basis for any improvements in the area of offering development. Each part requires a separate development program. It is also important to perceive the process as the very core of all offering development. All other elements around the process serve only in creating optimal circumstances for the offering development process to be materialised. Therefore, the model should be seen as a framework, which, based on the data from the six cases, could make it easier to be 'successful' from the offering development point of view. The model also hopefully helps in operationalising the chosen strategy (see the discussion in section 9.3) so that offering development as a function is based rather on long-term and strategic thinking than an ad hoc decision-making.

Figure 15 The offering development model
10 THE COMPARATIVE CUSTOMER-MANAGEMENT STUDY (STAGE 2)

This section is based on the material from the customer-management study, which was carried out in three out of the original six case restaurants. Between the managerial study (stage 1) and the customer-management study (stage 2), i.e. the years 1999 – 2002, some operational changes took place in the studied restaurants. Therefore, a brief review of these changes is presented in the beginning of each case. In all cases the latest available sources at the time of data collection have been used – unless something else is mentioned. Also, after writing this report some further organisational or other changes may have taken place in the studied restaurants. It is, however, beyond the control of the author to take them into account.

In this section a discussion of the most interesting results is carried out. Such are situations, where a gap between customer perceptions and management beliefs could be found. In the appendices (4 –6) all open answers are thoroughly presented restaurant by restaurant in a short format as the study has been carried out in Finnish and the results shown in this report are based on a translation carried out by the author.

After a presentation of the respondent structure (questions 1 – 6) the answers to questions concerning respondents’ perceptions of the offering (questions 7 - 14) are presented. They are followed by answers concerning respondents’ general restaurant behaviour (questions 15 - 19). All questions are analysed from a comparative point of view, the management beliefs expressing how managers believe that the customers perceive the offering of the restaurant. In the so-called core questions (questions 11, 13, 16 and 18) a Likert-scale has been used in order to make a comparative approach as comprehensive as possible. The final extended offering development model has been influenced by all the obtained data. Therefore, the author has made the decision to review briefly all of the questions in this section. However, the main emphasis is laid on a comparison between customer perceptions and management beliefs.

10.1 Case B: Pectopah Saslik

During the years 1999-2002, no big changes have taken place at Restaurant Saslik. Some theme-based catering experiments have been carried out and a small series of Saslik-food items for retail sale has been created. The financial impact of those activities has, however, been marginal. On a company level, a lot of growth has taken place as the parent company (Oy Russian Room Ltd) in 2000 bought a 400-seat summer-restaurant Saari, which is located on an island just outside downtown Helsinki. In 2001, a traditional food restaurant Bulevardia was also bought. After an intensive reconstruction it was finally reopened in April 2002. In March 2004, however, the
concept of that restaurant was slightly changed towards a Lappish style and the restaurant was re-opened with a new name, Saaga. During the process of growth the parent company’s name was changed into A&S Restaurants, which also to some extent is used as an umbrella in marketing. As the three restaurants differ considerably from each other, most of the marketing and developmental activities are carried out restaurant by restaurant. At the moment, the biggest benefits of scale can be seen in the areas of purchases and human resources management. Restaurant manager is Ms. Riitta Hirvi and the chef is Mr. Mika Heiskanen.

10.1.1 Respondent structure (questions 1 – 6)

The response rate for the Saslik customer study was the highest among the three restaurants as 160 answers were received out of 300 (=53.3 %). Structurally the majority of the respondents were women (67.9 %) and over 90 % of them were either managers, functionaries, experts or they worked in a supervisory position. The average age of the respondents was 42.4 years and 71.2 % of them live in the Helsinki metropolitan area. Respondents seem to be quite loyal customers as 66.7 % of them have been Saslik customers for more than four years.

Looking at the background data about the management, it seems to be rather similar to the respondents’. There are no big differences in the sex, age, professional status and place of residence. Like the customers, the management also has a rather long history at Saslik - four out of five of them have worked there more than four years.

10.1.2 Respondents’ perceptions of the offering (questions 7 – 14)

Question 7:

According to customers, the most positive characteristic at Saslik was atmosphere, which was mentioned by 82.7 % of the respondents, followed by selection of products (43.2 %) and quality of products (38.3 %). On the other hand the restaurant is not considered to be “in” (3.1 %) and the customers do not find other customers as an especially positive asset (1.9 %).

Also the management, in its belief, emphasises the atmosphere and the selection of the products. The management emphasizes the staff and the quality consistency more than customers. Rather interestingly the management did not at all mention the explicit quality of products and the interior, while quite a few customers mentioned both of these aspects. The answers are reviewed in the following table.
Table 8 Positively perceived characteristics about Pectopah Saslik

<table>
<thead>
<tr>
<th>CHOICE CRITERIA (GIVEN ALTERNATIVES)</th>
<th>CUSTOMER PERCEPTIONS (n=160)</th>
<th>MANAGER BELIEFS (n=5)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Location</td>
<td>21 (13.0%)</td>
<td>-</td>
</tr>
<tr>
<td>Selection of products</td>
<td>69 (43.2%)</td>
<td>2 (40.0%)</td>
</tr>
<tr>
<td>Familiarity</td>
<td>17 (10.5%)</td>
<td>-</td>
</tr>
<tr>
<td>Interior</td>
<td>36 (22.8%)</td>
<td>-</td>
</tr>
<tr>
<td>Atmosphere</td>
<td>132 (82.7%)</td>
<td>5 (100.0%)</td>
</tr>
<tr>
<td>Some special products only available here</td>
<td>36 (22.2%)</td>
<td>1 (20.0%)</td>
</tr>
<tr>
<td>Consistency of the quality of products and services</td>
<td>36 (22.2%)</td>
<td>2 (40.0%)</td>
</tr>
<tr>
<td>Price-level</td>
<td>8 (4.9%)</td>
<td>-</td>
</tr>
<tr>
<td>Other customers</td>
<td>3 (1.9%)</td>
<td>-</td>
</tr>
<tr>
<td>Restaurant “In”</td>
<td>5 (3.1%)</td>
<td>1 (20.0%)</td>
</tr>
<tr>
<td>Staff</td>
<td>38 (23.5%)</td>
<td>2 (40.0%)</td>
</tr>
<tr>
<td>Easy to enter</td>
<td>3 (1.9%)</td>
<td>-</td>
</tr>
<tr>
<td>Quality of products</td>
<td>61 (38.3%)</td>
<td>-</td>
</tr>
<tr>
<td>Something else</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>

*) Respondents were asked to nominate three alternatives from a given list. The table presents the number and percentage of respondents who nominated the specific alternative as one of the three most important characteristics.

Question 8:

When asked about potential negative characteristics, the customer and management answers were quite similar. According to the customers, the three on the top were price level, 76 (47.5%), location, 45 (28.1%) and the fact, that the restaurant is often full, 22 (13.8%). 35 customers out of 160 (21.9%) could not come up with any negative characteristics. Accordingly, the management’s three on the top were price-level, 5 (100%), location, 4 (80%) and slow service, 3 (60%). All answers are reviewed in appendix 4.

Question 9:

From the customer point of view, decision-making to come to Saslik seems to be partly based on an old habit (54.9%) and partly on influence from other people (34.6%) or an explicit wish of the accompanying people (44.4%). The decision to come to Saslik seems to be quite a planned one as only 1.2% state, that ‘it just happens’ and 11.1% describe it as ‘impulsive behaviour’. Potential benefits from the restaurant’s side seem also to have a minor role (7.4%).

The management, in its turn, seems to believe in the importance of ‘old habit’ (54.9 vs. 80.0%), ‘influence/recommendation of some other person’ (34.6 vs. 80.0%) and accompanying peoples’ influence (44.4 vs. 60.0%). Rather interestingly the
management also seems to believe in the ‘possible benefits provided by the restaurant´ (7.4 vs. 40.0 %). In other words, the managers seem to over-emphasise these criteria in their beliefs. Detailed answers are reviewed in the table 9.

### Table 9 Reasons for choosing Pectopah Saslik*)

<table>
<thead>
<tr>
<th>CHOICE CRITERIA (GIVEN ALTERNATIVES)</th>
<th>CUSTOMER PERCEPTIONS (n=160)</th>
<th>MANAGER BELIEFS (n=5)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>n</td>
<td>%</td>
</tr>
<tr>
<td>Old habit</td>
<td>88</td>
<td>54.9</td>
</tr>
<tr>
<td>Comparing different alternatives</td>
<td>57</td>
<td>35.8</td>
</tr>
<tr>
<td>Accompanying peoples’ influence</td>
<td>71</td>
<td>44.4</td>
</tr>
<tr>
<td>SMS-es before the restaurant visit</td>
<td>6</td>
<td>3.7</td>
</tr>
<tr>
<td>Active information collecting (i.e. advertise-ments in newspapers) before the visit</td>
<td>9</td>
<td>5.6</td>
</tr>
<tr>
<td>Impulsive behaviour</td>
<td>18</td>
<td>11.1</td>
</tr>
<tr>
<td>It just happens</td>
<td>2</td>
<td>1.2</td>
</tr>
<tr>
<td>Because of possible benefits</td>
<td>12</td>
<td>7.4</td>
</tr>
<tr>
<td>e-mails before the restaurant visit</td>
<td>10</td>
<td>6.2</td>
</tr>
<tr>
<td>Influence/recommendation of one other person</td>
<td>55</td>
<td>34.6</td>
</tr>
<tr>
<td>Something else</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>

*) Respondents were asked to nominate as many alternatives as they wish from a given list. The table presents the number and percentage of respondents who nominated the specific alternative.

Question 10:

According to the customers, the most important information sources are previous experiences (93.8 %) and impact from other persons (48.1 %). Restaurant´s own communication is considered as important by only 22.8 % of the respondents. Surprisingly TV and radio were not seen as important information sources by any respondent and the Internet was mentioned only by a few respondents (5.6 %). Newspapers and magazines weren’t either seen as important as only 1.9 – 4.9 % of the respondents saw them as important information sources.

When asked about potential information sources, the management clearly believes in the importance of ‘newspaper articles’ (4.9 vs. 20.0 %), ‘impact from other people’ (48.1 vs. 80.0 %), the role of ‘TV’ (0.0 vs. 20.0 %) and, maybe most interestingly, the importance of ‘restaurant’s own communication’ (22.8 vs. 60.0 %). The answers are reviewed in the following table.
Table 10 Information sources affecting the choice of Pectopah Saslik*)

<table>
<thead>
<tr>
<th>CHOICE CRITERIA (GIVEN ALTERNATIVES)</th>
<th>CUSTOMER PERCEPTIONS (n=160)</th>
<th>MANAGER BELIEFS (n=5)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>n</td>
<td>%</td>
</tr>
<tr>
<td>Previous experiences</td>
<td>150</td>
<td>93.8</td>
</tr>
<tr>
<td>Own family</td>
<td>17</td>
<td>10.5</td>
</tr>
<tr>
<td>Newspapers (advertisements)</td>
<td>4</td>
<td>2.5</td>
</tr>
<tr>
<td>Newspapers (articles)</td>
<td>8</td>
<td>4.9</td>
</tr>
<tr>
<td>Magazines (advertisements)</td>
<td>3</td>
<td>1.9</td>
</tr>
<tr>
<td>Magazines (articles)</td>
<td>7</td>
<td>4.3</td>
</tr>
<tr>
<td>Impact from some other person</td>
<td>77</td>
<td>48.1</td>
</tr>
<tr>
<td>Other customers in the restaurant</td>
<td>10</td>
<td>6.2</td>
</tr>
<tr>
<td>Friends</td>
<td>46</td>
<td>29.0</td>
</tr>
<tr>
<td>Internet</td>
<td>9</td>
<td>5.6</td>
</tr>
<tr>
<td>TV</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Radio</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Restaurant’s own communication</td>
<td>36</td>
<td>22.8</td>
</tr>
</tbody>
</table>

*) Respondents were asked to nominate three alternatives from a given list. The table presents the number and percentage of respondents who nominated the specific alternative as one of the three most important characteristics.

Question 11:

The customers agreed strongly with the statements about the offering of Saslik as ‘being loyal to its style’ (1.1) and ‘having a clear personality of its own’ (1.2). The biggest uncertainty was shown to the statements that ‘one comes to this restaurant only to eat and drink’ (2.9) and that ‘This restaurant always provides surprises’ (2.9).

In general, this first statement block about Saslik indicates a rather good fit between customer perceptions and manager beliefs. No significant differences could be found. The biggest difference could be seen in answers to the statement about ‘this restaurant as always providing surprises’. The managers did not believe that the customers would agree fully as strongly as they did with this statement (2.9 vs. 3.4). On the other hand both answers are close to 3, which indicates clear uncertainty. The following table and figure illustrate the given answers in a comparative way.
Table 11 Statements concerning Pectopah Saslik, mean values for customer perceptions and manager beliefs

<table>
<thead>
<tr>
<th>Statements</th>
<th>MEAN VALUES (SCALE 1-5)</th>
<th>P-VALUE</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>CUSTOMER PERCEPTIONS</td>
<td>MANAGER BELIEFS</td>
</tr>
<tr>
<td></td>
<td>(n=156-160)</td>
<td>(n = 4-5)</td>
</tr>
<tr>
<td>1. In this restaurant the customers have an active role.</td>
<td>2.6</td>
<td>2.6</td>
</tr>
<tr>
<td>2. It is easy to come to this restaurant.</td>
<td>1.9</td>
<td>1.6</td>
</tr>
<tr>
<td>3. In this restaurant the staff seems to be working for a common goal.</td>
<td>1.7</td>
<td>1.8</td>
</tr>
<tr>
<td>4. This restaurant operates on customer terms.</td>
<td>2.0</td>
<td>1.8</td>
</tr>
<tr>
<td>5. This restaurant is loyal to its style.</td>
<td>1.1</td>
<td>1.0</td>
</tr>
<tr>
<td>6. This restaurant provides always surprises.</td>
<td>2.9</td>
<td>3.4</td>
</tr>
<tr>
<td>7. This restaurant emphasises actively the customer life-cycle.</td>
<td>2.0</td>
<td>2.0</td>
</tr>
<tr>
<td>8. This restaurant can be considered as an institution.</td>
<td>1.3</td>
<td>1.6</td>
</tr>
<tr>
<td>9. To this restaurant one comes only to eat and drink.</td>
<td>2.9</td>
<td>3.2</td>
</tr>
<tr>
<td>10. This restaurant has a clear personality of its own.</td>
<td>1.2</td>
<td>1.0</td>
</tr>
</tbody>
</table>

SIGNIFICANCE LEVELS (MANN-WHITNEY, U-TEST):
* 5% - LEVEL
** 1% - LEVEL
Question 12:

When asked, what makes this restaurant different, more than half of the customers, 79 (51 %) mentioned the atmosphere. Also, the interior was mentioned by 61 (39.4 %) respondents. At Saslik, customers seem mostly to satisfy their needs of enjoying themselves, 74 (47.7 %) and using Saslik services for representation, 48 (31 %). Saslik is mostly known for its food offering, 98 (63.2 %), its Russian style, 58 (37.4 %) and for its atmosphere, 48 (31 %). Interestingly only 13 respondents (8.4 %) mentioned explicitly the live music.

Customer perceptions and manager beliefs were quite similar in the sense that the atmosphere and the interior were seen as the most important factors making Saslik different, but to the question about what needs you think you can satisfy through this restaurant, customers emphasised enjoying themselves and the managers believed that hunger and thirst would be on the top. Both parties had a rather similar view about what the restaurant is known for - with the exception that the managers strongly believed in quality and the customers mentioned it only as the 8th factor. All the answers to this question are presented in appendix 4.

Question 13:

The second statement block concerning the offering of the restaurant resulted in some interesting findings. In two statements there were significant differences between the manager beliefs and customer perceptions. First, managers believed less in the restaurant of being high quality (1.5 vs. 2.0). Second, customers did not see the offering of Saslik as relying on the staff as strongly as the management believed (2.6 v. 1.8). A difference could also be seen in the answers to the statement ‘The offering of this restaurant pays attention to customers’ as the customers were more positive than the...
management believed them to be (1.9 vs. 2.8). The customers could see the restaurant offering as a clear brand (1.3) and considered the offering to be clear (1.5). A little bit surprisingly, customers did not fully agree with the statement saying that ‘The offering of this restaurant is entertainment rather than food and drinks’ (3.7). The following table and figure illustrate the answers to this block of statements about the offering of Saslik.

**Table 12** Statements concerning Pectopah Saslik offerings, mean values for customer perceptions and manager beliefs

<table>
<thead>
<tr>
<th>Statements</th>
<th>CUSTOMER PERCEPTIONS (n =156-160)</th>
<th>MANAGER BELIEFS (n =4-5)</th>
<th>P-VALUE</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. The offering of this restaurant is clear.</td>
<td>1.5</td>
<td>1.6</td>
<td>0.66</td>
</tr>
<tr>
<td>2. The offering of this restaurant is versatile.</td>
<td>1.7</td>
<td>1.6</td>
<td>0.62</td>
</tr>
<tr>
<td>3. The offering of this restaurant pays regards to customers.</td>
<td>1.9</td>
<td>2.8</td>
<td>0.07</td>
</tr>
<tr>
<td>4. The offering of this restaurant is operatively good.</td>
<td>1.7</td>
<td>1.4</td>
<td>0.35</td>
</tr>
<tr>
<td>5. The offering of this restaurant has a good quality-price ratio.</td>
<td>2.1</td>
<td>1.8</td>
<td>0.41</td>
</tr>
<tr>
<td>6. The offering of this restaurant fulfills given promises.</td>
<td>1.7</td>
<td>1.8</td>
<td>0.57</td>
</tr>
<tr>
<td>7. The offering of this restaurant is of high quality.</td>
<td>1.5</td>
<td>2.0</td>
<td>0.02 *</td>
</tr>
<tr>
<td>8. The offering of this restaurant can be seen as a clear brand.</td>
<td>1.3</td>
<td>1.2</td>
<td>0.87</td>
</tr>
<tr>
<td>9. The offering of this restaurant relies on the staff.</td>
<td>2.6</td>
<td>1.8</td>
<td>0.04 *</td>
</tr>
<tr>
<td>10. The offering of this restaurant is rather entertainment than food and drinks.</td>
<td>3.7</td>
<td>3.2</td>
<td>0.30</td>
</tr>
</tbody>
</table>

**SIGNIFICANCE LEVELS (MANN-WHITNEY, U-TEST):**
* 5% - LEVEL
** 1% - LEVEL
Figure 17 Statements concerning Pectopah Saslik offerings, profiles for customer perceptions and manager beliefs

Question 14:

The answers to the question about direct competitors were quite interesting. The customers perceive Saslik as primarily a Russian and secondarily as a fine-dining restaurant, while managers believe that the customers consider Saslik primarily as a fine-dining restaurant and only secondarily as a Russian Restaurant. The managers’ list of believed direct competitors included only nine restaurants. The customers mentioned a total of 38 different restaurants with the other Russian restaurants in Helsinki taking the top positions. All answers to this question are reviewed in appendix 4.

10.1.3 Respondents’ general restaurant behaviour (questions 15 – 19)

Question 15:

When the customers choose a restaurant, they in general emphasize mostly food products and drinks, 111 (69.4 %), customer service, 93 (58.1 %) and atmosphere, 76 (47.5 %). Surprisingly, elements like staff and price-level were only mentioned by a few customers and active marketing was not mentioned by a single respondent. The managers, in their turn, believed that the customers would more emphasise quality
than they actually did. Customer service, food products and drinks were mentioned by both parties.

Question 16:

In this block of statements a significant difference could be found in the statement ‘I actively follow the external marketing of restaurants’. The managers believed that the customers would agree with that more than they did (3.0 vs. 1.6). In general, customers seem to rely on previous restaurant experiences and at the same time they also seem to like to go to new restaurants. The choice of a restaurant is not considered as a ‘big decision’ and external marketing carried out by restaurants is not actively followed. Most respondents disagreed strongly with the statement about being drifted to a restaurant rather than having actively chosen it. The following table and figure illustrate the answers to the statements in this question.

**Table 13** Statements concerning restaurants in general, mean values forPECTOPAH Saslik customer perceptions and manager beliefs

<table>
<thead>
<tr>
<th>Statements</th>
<th>MEAN VALUES (SCALE 1-5)</th>
<th>P-VALUE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Statements</td>
<td>CUSTOMER PERCEPTIONS (n=156-160)</td>
<td>MANAGER BELIEFS (n=4-5)</td>
</tr>
<tr>
<td>1. I like to go to a familiar restaurant.</td>
<td>1.9</td>
<td>2.4</td>
</tr>
<tr>
<td>2. I like to go and check out new restaurants.</td>
<td>1.6</td>
<td>1.8</td>
</tr>
<tr>
<td>3. My friends have a strong impact on my restaurant choices.</td>
<td>2.9</td>
<td>3.0</td>
</tr>
<tr>
<td>4. Restaurant choice is always a big decision.</td>
<td>3.0</td>
<td>3.0</td>
</tr>
<tr>
<td>5. Previous experiences have always an impact on restaurant choice.</td>
<td>1.3</td>
<td>1.2</td>
</tr>
<tr>
<td>6. The interior of a restaurant has an impact on my restaurant choice.</td>
<td>1.7</td>
<td>1.8</td>
</tr>
<tr>
<td>7. Price/quality-ratio is the most important restaurant selection criteria.</td>
<td>2.0</td>
<td>2.8</td>
</tr>
<tr>
<td>8. I don’t choose restaurants; I just drift to them.</td>
<td>4.5</td>
<td>4.8</td>
</tr>
<tr>
<td>9. I actively follow the external marketing of restaurants (i.e. advertisements).</td>
<td>3.0</td>
<td>1.6</td>
</tr>
<tr>
<td>10. Gossips and the general image of a restaurant have an impact on my restaurant choices.</td>
<td>2.3</td>
<td>1.8</td>
</tr>
</tbody>
</table>

SIGNIFICANCE LEVELS (MANN-WHITNEY, U-TEST):
* 5% - LEVEL
** 1% - LEVEL
Figure 18: Statements concerning restaurants in general, profiles for Pectopah Saslik customer perceptions and manager beliefs

Question 17:

The division of points to the criteria used in choosing a restaurant was more or less identical. In the case of customers, the four on the top were the quality of restaurant’s products (17.9 %), the price/quality-ratio of the restaurant (16.8 %), the quality of service in the restaurant (15.4 %) and, finally, the activity of the restaurant staff (11.4 %). Interestingly the up-to-dateness of the restaurant was not considered as important and it received only 5.1 % support. The following table shows all the answers to this question.
Table 14 Criteria used in choosing a restaurant in general, mean values for Pectopah Saslik customer perceptions and manager beliefs

<table>
<thead>
<tr>
<th>CHOICE CRITERIA (GIVEN ALTERNATIVES)</th>
<th>RELATIVE IMPORTANCE (MEAN VALUES)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>CUSTOMER PERCEPTIONS (n=160)</td>
</tr>
<tr>
<td>The price/quality-ratio of a restaurant</td>
<td>16.8</td>
</tr>
<tr>
<td>The quality of restaurant’s products</td>
<td>17.9</td>
</tr>
<tr>
<td>The quality of service in the restaurant</td>
<td>15.4</td>
</tr>
<tr>
<td>Restaurant location</td>
<td>9.8</td>
</tr>
<tr>
<td>The activity of the restaurant staff</td>
<td>11.4</td>
</tr>
<tr>
<td>Other customers in the restaurant</td>
<td>5.9</td>
</tr>
<tr>
<td>The general image of the restaurant</td>
<td>9.6</td>
</tr>
<tr>
<td>The up-to-dateness of the restaurant</td>
<td>5.1</td>
</tr>
<tr>
<td>The extensiveness of the restaurant’s menu</td>
<td>8.1</td>
</tr>
<tr>
<td>Something else</td>
<td>-</td>
</tr>
<tr>
<td>TOTAL</td>
<td>100.0</td>
</tr>
</tbody>
</table>

Question 18:

In the fourth statement block, no significant differences could be found. The biggest difference could be found in the answers to the statement ‘I often have to settle for a compromise when choosing a restaurant’, where the managers believed that the customers would disagree more strongly than they did (3.6 vs. 4.2). The managers also believed that the customers would emphasise the role of ‘Other customers as being a part of a restaurant’s quality’ more than they did (2.7 vs. 2.0).

The customers, in their turn, agreed strongly to some statements about a restaurant visit. These included the following ones: ‘One goes to a restaurant to enjoy oneself’ (1.3), ‘The staff has a central role in producing quality’ (1.3), ‘In a restaurant the products and their quality is more important than the other customers’ (1.5) and ‘The major reason for a restaurant visit is to enjoy nice drinks and food’ (1.7). The respondents disagreed strongly with the statements comparing restaurant choice to drawing lots (4.4) and paying a lot of attention to other customers (3.7). All the answers are reviewed in the following table and figure.
Table 15 Statements concerning restaurant visits in general, mean values for Pectopah Saslik customer perceptions and manager beliefs

<table>
<thead>
<tr>
<th>Statements</th>
<th>MEAN VALUES (SCALE 1-5)</th>
<th>P-VALUE</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>CUSTOMER PERCEPTIONS</td>
<td>MANAGER BELIEFS</td>
</tr>
<tr>
<td></td>
<td>(n =156-160)</td>
<td>(n =4-5)</td>
</tr>
<tr>
<td>1. One goes to a restaurant mainly to meet other people.</td>
<td>3.2</td>
<td>4.2</td>
</tr>
<tr>
<td>2. One goes to a restaurant to enjoy her-/himself.</td>
<td>1.3</td>
<td>1.4</td>
</tr>
<tr>
<td>3. In a restaurant the products and their quality is more important than the other customers.</td>
<td>1.5</td>
<td>1.4</td>
</tr>
<tr>
<td>4. I pay a lot of attention to other customers.</td>
<td>3.7</td>
<td>4.0</td>
</tr>
<tr>
<td>5. I often have to settle with a compromise when choosing a restaurant.</td>
<td>3.6</td>
<td>4.2</td>
</tr>
<tr>
<td>6. The image of the restaurant has more impact on my restaurant choice than the actual quality of that restaurant.</td>
<td>4.0</td>
<td>3.8</td>
</tr>
<tr>
<td>7. Other customers in a restaurant are part of its quality.</td>
<td>2.7</td>
<td>2.0</td>
</tr>
<tr>
<td>8. The major reason for a restaurant visit is to enjoy nice drinks and food.</td>
<td>1.7</td>
<td>1.8</td>
</tr>
<tr>
<td>9. The staff has a central role in producing quality.</td>
<td>1.3</td>
<td>1.2</td>
</tr>
<tr>
<td>10. Choosing a restaurant is always like drawing of lots.</td>
<td>4.4</td>
<td>4.8</td>
</tr>
</tbody>
</table>

SIGNIFICANCE LEVELS (MANN-WHITNEY, U-TEST):
* 5% - LEVEL
** 1% - LEVEL
Question 19:

The last open question provided some interesting findings. The managers believed that the customers would emphasise visibility in media, high-class raw materials, professional staff, good internal follow-up routines and quick reaction to changes in the consumer behaviour. The customers, instead, mentioned good service, 27 (24.1 %), good food, 25 (22.3 %) and consistent quality, 24 (21.4 %). In other words, a successful and good offering seems to appear a little bit differently to the customers than the management believes it to appear. A good example is the manager-answer ‘good internal follow-up routines’, which was not mentioned by any of the 160 respondents! 70 customers (43.8 %) did not answer this last open question. All the answers are presented in appendix 4.

10.2 Case C: Ristorante Papa Giovanni

During the years 1999-2002 Ristorante Papa Giovanni has further developed its offering. The 50-seat showroom has been actively used in order to create some conference business. Downstairs an 80-seat Spaghetteria was opened in 2001 for busy lunch guests and it has turned out to be a success. Even though Café is excluded from
this study, it is worthwhile mentioning that Café Giovanni has been able to establish its strong position among the cafés in Helsinki. Also the level of synergy between the restaurant and the café has increased. The restaurant manager is Mr. Pasi Tuominen and the chef is Mr. Petri Simonen.

10.2.1 Respondent structure (questions 1 – 6)

The response rate of Papa Giovanni customers was the lowest among the three restaurants as 108 answers were received out of 270 (=40.0 %). Structurally the majority of the customers were women (63.9 %) and almost 90 % were in managerial, supervisory, functionary or expert position. The average age of the respondents was 41.7 years and only 15.8 % of them lived outside the Helsinki metropolitan area. 73.1 % of the respondents have been Papa Giovanni customers for more than two years.

The background information of the management shows that it is very much like the respondents, except for the age. The management is almost ten years younger (41.7 vs. 32.0 years). Half of the management has worked more than four years at Papa Giovanni and the other half between one and two years.

10.2.2 Respondents’ perceptions of the offering (questions 7 – 14)

Question 7:

According to the customers the most positive characteristics at Papa Giovanni are location (75.9 %), atmosphere (56.5 %), quality of products (38.0 %) and the staff (27.8 %). Only 11.1 % consider the restaurant as easy to enter and not a single respondent sees other customers as a positive factor.

The management believes that the customers emphasise atmosphere, 4 (100.0 %), location, 3 (75.0 %) and selection of products, 2 (50.0 %). In the case of the staff, the management believes that the customers emphasise it more than they did (27.8 % vs. 75.0 %). All the answers are presented in the following table.
**Table 16 Positively perceived characteristics about Papa Giovanni*)**

<table>
<thead>
<tr>
<th>CHOICE CRITERIA (GIVEN ALTERNATIVES)</th>
<th>CUSTOMER PERCEPTIONS (n=160)</th>
<th>MANAGER BELIEFS (n=5)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>n</td>
<td>%</td>
</tr>
<tr>
<td>Location</td>
<td>80</td>
<td>75.9</td>
</tr>
<tr>
<td>Selection of products</td>
<td>27</td>
<td>25.9</td>
</tr>
<tr>
<td>Familiarity</td>
<td>9</td>
<td>8.3</td>
</tr>
<tr>
<td>Interior</td>
<td>11</td>
<td>10.2</td>
</tr>
<tr>
<td>Atmosphere</td>
<td>60</td>
<td>56.5</td>
</tr>
<tr>
<td>Some special products only available here</td>
<td>3</td>
<td>2.8</td>
</tr>
<tr>
<td>Consistency of the quality of products and services</td>
<td>14</td>
<td>13.0</td>
</tr>
<tr>
<td>Price-level</td>
<td>20</td>
<td>18.5</td>
</tr>
<tr>
<td>Other customers</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Restaurant “In”</td>
<td>7</td>
<td>6.5</td>
</tr>
<tr>
<td>Staff</td>
<td>29</td>
<td>27.8</td>
</tr>
<tr>
<td>Easy to enter</td>
<td>12</td>
<td>11.1</td>
</tr>
<tr>
<td>Quality of products</td>
<td>40</td>
<td>38.0</td>
</tr>
<tr>
<td>Something else</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>

*) Respondents were asked to nominate three alternatives from a given list. The table presents the number and percentage of respondents who nominated the specific alternative as one of the three most important characteristics.

**Question 8:**

The top two potential negative characteristics (restaurant is often full and the price-level) were mentioned both by the management and by the customers. However, the third factor mentioned by the customers (low food quality) was not mentioned by the management at all. Managers also believed that the customers would mention worn-out interior, but they only described it as ‘too theatrical’ or ‘dark’. For all the detailed answers, see appendix 5.

**Question 9:**

23.1 % of the customers describe decision-making as impulsive behaviour and only 4.6 % state, that the decision is based on active information collecting before the visit. 15.7 % mention the potential benefits restaurant is offering, which in this case most likely means the S-card bonuses (= a chain-level bonus system) offered to customers.

The managers seem to believe that the customers would emphasise old habit (63.0 % vs. 100.0 %), accompanying peoples’ influence (35.2 % vs. 100.0 %), active information collecting before the visit (4.6 % vs. 25.0 %) and the possible benefits offered by the restaurant (15.7 % vs. 50.0 %). On the other hand, managers do not mention e-mails or SMS’s before the visit at all even though some customers have mentioned them (8.3 and 1.9 %). Generally speaking the management seems to have a
rather realistic understanding of the customers’ decision-making process to come to Papa Giovanni. All the answers to this question are presented in the following table.

**Table 17 Reasons for choosing Papa Giovanni*)**

<table>
<thead>
<tr>
<th>CHOICE CRITERIA (GIVEN ALTERNATIVES)</th>
<th>CUSTOMER PERCEPTIONS (n=160)</th>
<th>MANAGER BELIEFS (n=5)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>n</td>
<td>%</td>
</tr>
<tr>
<td>Old habit</td>
<td>67</td>
<td>63.0</td>
</tr>
<tr>
<td>Comparing different alternatives</td>
<td>38</td>
<td>36.1</td>
</tr>
<tr>
<td>Accompanying peoples’ influence</td>
<td>37</td>
<td>35.2</td>
</tr>
<tr>
<td>SMS-es before the restaurant visit</td>
<td>2</td>
<td>1.9</td>
</tr>
<tr>
<td>Active information collecting (i.e. advertisements in newspapers) before the visit</td>
<td>5</td>
<td>4.6</td>
</tr>
<tr>
<td>Impulsive behaviour</td>
<td>24</td>
<td>23.1</td>
</tr>
<tr>
<td>It just happens</td>
<td>2</td>
<td>1.9</td>
</tr>
<tr>
<td>Because of possible benefits</td>
<td>17</td>
<td>15.7</td>
</tr>
<tr>
<td>e-mails before the restaurant visit</td>
<td>9</td>
<td>8.3</td>
</tr>
<tr>
<td>Influence/recommendation of one other person</td>
<td>38</td>
<td>36.1</td>
</tr>
<tr>
<td>Something else</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>

*) Respondents were asked to nominate as many alternatives as they wish from a given list. The table presents the number and percentage of respondents who nominated the specific alternative.

**Question 10:**

For the customers, the most important information sources are previous experiences (94.4 %) and impact from some other person (50.0 %). Restaurant’s own communication is considered as important by 23.1 % of the respondents. The importance of SMS’s is perceived as marginal as it is only mentioned by 1.9 % of the respondents.

In this question the differences between customer perceptions and management beliefs are quite noticeable. The management believes that the customers would emphasise the importance of print media (in average 4.4 % vs. 31.3 %) and other customers in the restaurant (4.6 % vs. 25.0 %). The management seems to underestimate the importance of friends (44.4 % vs. 25.0 %) and the Internet (6.5 % vs. 0 %) in their beliefs. The estimations of the importance of previous experiences and restaurant’s own communication are on the same level, when we compare customer perceptions and management beliefs. All the answers are presented in the following table.
Table 18 Information sources affecting the choice of Papa Giovanni*)

<table>
<thead>
<tr>
<th>CHOICE CRITERIA (GIVEN ALTERNATIVES)</th>
<th>CUSTOMER PERCEPTIONS (n=160)</th>
<th>MANAGER BELIEFS (n=5)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>n</td>
<td>%</td>
</tr>
<tr>
<td>Previous experiences</td>
<td>102</td>
<td>94.4</td>
</tr>
<tr>
<td>Own family</td>
<td>11</td>
<td>10.2</td>
</tr>
<tr>
<td>Newspapers (advertisements)</td>
<td>2</td>
<td>1.9</td>
</tr>
<tr>
<td>Newspapers (articles)</td>
<td>7</td>
<td>6.5</td>
</tr>
<tr>
<td>Magazines (advertisements)</td>
<td>1</td>
<td>0.9</td>
</tr>
<tr>
<td>Magazines (articles)</td>
<td>9</td>
<td>8.3</td>
</tr>
<tr>
<td>Impact from some other person</td>
<td>54</td>
<td>50.0</td>
</tr>
<tr>
<td>Other customers in the restaurant</td>
<td>5</td>
<td>4.6</td>
</tr>
<tr>
<td>Friends</td>
<td>48</td>
<td>44.4</td>
</tr>
<tr>
<td>Internet</td>
<td>7</td>
<td>6.5</td>
</tr>
<tr>
<td>TV</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Radio</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Restaurant’s own communication</td>
<td>25</td>
<td>23.1</td>
</tr>
<tr>
<td>Some other source</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>

*) Respondents were asked to nominate three alternatives from a given list. The table presents the number and percentage of respondents who nominated the specific alternative as one of the three most important characteristics.

Question 11:

The customers agreed strongly with the two statements about the offering of Papa Giovanni: ‘it is easy to come to this restaurant’ (1.3) and ‘this restaurant is loyal to its style’ (1.5). The biggest uncertainty could be seen in connection with the statement, according to which ‘this restaurant provides always surprises’ (3.2).

Generally speaking the first statement block about Papa Giovanni indicates a rather good fit between the customers and the management. A bit surprisingly, the management believes that the customers would emphasise their active role as customers at Papa Giovanni more than they did (2.8 vs. 3.8), the difference being significant. Another significant difference could be found, as the management believes that the customers would have a more positive perception of the staff being motivated for a common goal than the customers actually had (2.0 vs. 1.3). Both parties, however, agree with that statement in their answers. The customers are more positive towards the statement ‘this restaurant operates on customer terms’ (2.4 v. 3.0), even though the difference is not significant. The following table and figure illustrate all the given answers to this first block of statements.
Table 19 Statements concerning Papa Giovanni, mean values for customer perceptions and manager beliefs

<table>
<thead>
<tr>
<th>Statements</th>
<th>CUSTOMER PERCEPTIONS (n =156-160)</th>
<th>MANAGER BELIEFS (n =4-5)</th>
<th>P-VALUE</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. In this restaurant the customers have an active role.</td>
<td>2.8</td>
<td>3.8</td>
<td>0.02 *</td>
</tr>
<tr>
<td>2. It is easy to come to this restaurant.</td>
<td>1.3</td>
<td>1.3</td>
<td>0.94</td>
</tr>
<tr>
<td>3. In this restaurant the staff seems to be working for a common goal.</td>
<td>2.0</td>
<td>1.3</td>
<td>0.04 *</td>
</tr>
<tr>
<td>4. This restaurant operates on customer terms.</td>
<td>2.4</td>
<td>3.0</td>
<td>0.24</td>
</tr>
<tr>
<td>5. This restaurant is loyal to its style.</td>
<td>1.5</td>
<td>1.5</td>
<td>0.87</td>
</tr>
<tr>
<td>6. This restaurant provides always surprises.</td>
<td>3.2</td>
<td>3.0</td>
<td>0.69</td>
</tr>
<tr>
<td>7. This restaurant emphasises actively the customer life-cycle.</td>
<td>2.3</td>
<td>2.3</td>
<td>0.92</td>
</tr>
<tr>
<td>8. This restaurant can be considered as an institution.</td>
<td>2.0</td>
<td>1.8</td>
<td>0.80</td>
</tr>
<tr>
<td>9. To this restaurant one comes only to eat and drink.</td>
<td>2.7</td>
<td>3.0</td>
<td>0.61</td>
</tr>
<tr>
<td>10. This restaurant has a clear personality of its own.</td>
<td>1.8</td>
<td>1.5</td>
<td>0.48</td>
</tr>
</tbody>
</table>

SIGNIFICANCE LEVELS (MANN-WHITNEY, U-TEST):
* 5% - LEVEL
** 1% - LEVEL
Figure 20 Statements concerning Papa Giovanni, profiles for customer perceptions and manager beliefs

Question 12:

Out of the customers, 40 respondents (37.7 %) mentioned the atmosphere, followed by Italian style, 17 (16.0 %) and high quality food, 14 (13.2 %). Customers feel that at Papa Giovanni they can satisfy their needs of hunger and thirst, 33 (31.1 %), associating, 27 (25.5 %) and business representation, 24 (22.6 %). Papa Giovanni is mostly known for good food, 39 (36.8 %), its Italian style, 23 (21.7 %), audio-visual effects, 15 (14.2 %) and for its good atmosphere, 14 (13.2 %). Surprisingly, price/quality-ratio was mentioned by only six (5.7 %) customers.

Both parties perceive the atmosphere as the most important factor making Papa Giovanni different. Also factors like ‘interior’, ‘good service’ and ‘Italian style’ take top positions both among customer and manager answers. The management believes that the customers would emphasise corporate culture, which, in it’s turn, is not mentioned by the customers at all. When asked about the needs, which can be satisfied through this restaurant, both parties emphasise hunger and thirst and social needs in their answers. According to the management beliefs, the restaurant is mostly known for its professional staff and the customers perceive good food as the most important factor. All the answers are reviewed in appendix 5.
Question 13: The customers considered the offering as generally clear (1.7) and also as being a clear brand (2.0). They disagreed somewhat with the statement saying that ‘the offering of this restaurant is entertainment rather than food and drinks’ (3.7).

In general, the second statement block indicated very small differences between the customer perceptions and management beliefs. Significant differences could only be found in the statements ‘the offering of this restaurant is of high quality’ (1.9 vs. 2.8) and ‘the offering of this restaurant is entertainment rather than food and drinks’, where the management believes that the customers would agree more than they did (3.7 vs. 2.5). However, as both means are close to 3.0, a high level of uncertainty could be noticed. The following table and figure illustrate the given answers.

**Table 20** Statements concerning Papa Giovanni offerings, mean values for customer perceptions and manager beliefs

<table>
<thead>
<tr>
<th>Statements</th>
<th>Mean values (scale 1-5)</th>
<th>p-value</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Customer perceptions (n=156-160)</td>
<td>Manager beliefs (n=4-5)</td>
</tr>
<tr>
<td>1. The offering of this restaurant is clear.</td>
<td>1.7</td>
<td>1.5</td>
</tr>
<tr>
<td>2. The offering of this restaurant is versatile.</td>
<td>2.0</td>
<td>1.5</td>
</tr>
<tr>
<td>3. The offering of this restaurant pays regards to customers.</td>
<td>2.1</td>
<td>1.8</td>
</tr>
<tr>
<td>4. The offering of this restaurant is operatively good.</td>
<td>1.9</td>
<td>1.5</td>
</tr>
<tr>
<td>5. The offering of this restaurant has a good quality-price ratio.</td>
<td>2.0</td>
<td>2.5</td>
</tr>
<tr>
<td>6. The offering of this restaurant fulfills given promises.</td>
<td>2.0</td>
<td>2.0</td>
</tr>
<tr>
<td>7. The offering of this restaurant is of high quality.</td>
<td>1.9</td>
<td>2.8</td>
</tr>
<tr>
<td>8. The offering of this restaurant can be seen as a clear brand.</td>
<td>2.0</td>
<td>1.5</td>
</tr>
<tr>
<td>9. The offering of this restaurant relies on the staff.</td>
<td>2.6</td>
<td>2.0</td>
</tr>
<tr>
<td>10. The offering of this restaurant is rather entertainment than food and drinks.</td>
<td>3.7</td>
<td>2.5</td>
</tr>
</tbody>
</table>

**SIGNIFICANCE LEVELS (MANN-WHITNEY, U-TEST):**

* 5% - LEVEL
** 1% - LEVEL
Figure 21 Statements concerning Papa Giovanni offerings, profiles for customer perceptions and manager beliefs

Question 14:

Also in the case of Papa Giovanni, the answers to the question about direct competition were quite interesting. As managers list nine restaurants, the customers produce a list of 56 restaurants. Interestingly the most direct competitor mentioned by ¾ of the managers (Restaurant Via) was only mentioned by five customers. The customers did not mention either Silja Line or Viking Line cruise ships, which both were mentioned by the management.

Out of the customers 28 (25.9 %) could not mention a single direct competitor. An interesting geographical dimension was also noticed, as most of the mentioned competitors are located within a 300-meter distance from Papa Giovanni. All the answers are presented in appendix 5.
10.2.3 Respondents´ general restaurant behaviour (questions 15 – 19)

Question 15:

When asked about the general criteria in choosing a restaurant, both parties emphasised in their answers food quality, location and service-quality. The management believed that the customers would estimate the price-level and suitability for the actual need as more important factors than they actually did. Price/quality-ratio was mentioned by 30 (28.3 %) customers and, surprisingly, cleanliness was mentioned by only 8 (7.5 %) customers. All the answers are presented in appendix 5.

Question 16:

The statements about choosing a restaurant in general indicated quite a good fit between the management beliefs and customer perceptions. The customers agreed strongly with the statements that ´previous experiences always have an impact on my restaurant choice´ (1.3) and that ´I like to go and check out new restaurants´ (1.8). The majority of the customers disagreed with the statement that ´you don´t choose restaurants; you just drift to them´ (4.3) and restaurant choice was not entirely considered as a big decision (3.3). That together with the statement ´I actively follow the external marketing of restaurants (i.e. advertisements)´ seemed to divide the respondents (3.4). The following table and figure present all the answers.

Table 21 Statements concerning restaurants in general, mean values for Papa Giovanni customer perceptions and manager beliefs

<table>
<thead>
<tr>
<th>Statements</th>
<th>Customer perceptions (n=156-160)</th>
<th>Manager beliefs (n=4-5)</th>
<th>p-value</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. I like to go to a familiar restaurant.</td>
<td>2.0</td>
<td>1.5</td>
<td>0.32</td>
</tr>
<tr>
<td>2. I like to go and check out new restaurants.</td>
<td>1.8</td>
<td>1.8</td>
<td>0.72</td>
</tr>
<tr>
<td>3. My friends have a strong impact on my restaurant choices.</td>
<td>2.9</td>
<td>2.5</td>
<td>0.46</td>
</tr>
<tr>
<td>4. Restaurant choice is always a big decision.</td>
<td>3.4</td>
<td>3.3</td>
<td>0.72</td>
</tr>
<tr>
<td>5. Previous experiences have always an impact on restaurant choice.</td>
<td>1.3</td>
<td>1.3</td>
<td>0.73</td>
</tr>
<tr>
<td>6. The interior of a restaurant has an impact on my restaurant choice.</td>
<td>1.9</td>
<td>1.8</td>
<td>0.80</td>
</tr>
<tr>
<td>7. Price/quality-ratio is the most important restaurant selection criteria.</td>
<td>2.4</td>
<td>2.8</td>
<td>0.60</td>
</tr>
</tbody>
</table>
Question 17:

When comparing the customer perceptions and management beliefs concerning the criteria used in choosing a restaurant, the answers were quite identical. However, in their beliefs, the management overemphasised the importance of price/quality-ratio (16.7 vs. 25.0 %) and also mentioned show-elements as an additional factor, which was not mentioned by a single customer (0 vs. 7.0 %).

For the customers, the top three selection criteria when choosing a restaurant were the quality of restaurant’s products (17.3 %), the price/quality-ratio of a restaurant (16.7 %) and the service quality (15.1 %). Restaurant selection criteria are presented in the following table.
Table 22 Criteria used in choosing a restaurant in general, mean values for Papa Giovanni customer perceptions and manager beliefs

<table>
<thead>
<tr>
<th>CHOICE CRITERIA (GIVEN ALTERNATIVES)</th>
<th>RELATIVE IMPORTANCE (MEAN VALUES)</th>
<th>CUSTOMER PERCEPTIONS (n=108)</th>
<th>MANAGER BELIEFS (n=4)</th>
</tr>
</thead>
<tbody>
<tr>
<td>The price/quality-ratio of a restaurant</td>
<td>16.7</td>
<td>25.0</td>
<td></td>
</tr>
<tr>
<td>The quality of restaurant’s products</td>
<td>17.3</td>
<td>15.0</td>
<td></td>
</tr>
<tr>
<td>The quality of service in the restaurant</td>
<td>15.1</td>
<td>12.0</td>
<td></td>
</tr>
<tr>
<td>Restaurant location</td>
<td>10.4</td>
<td>8.0</td>
<td></td>
</tr>
<tr>
<td>The activity of the restaurant staff</td>
<td>11.2</td>
<td>11.8</td>
<td></td>
</tr>
<tr>
<td>Other customers in the restaurant</td>
<td>6.2</td>
<td>6.7</td>
<td></td>
</tr>
<tr>
<td>The general image of the restaurant</td>
<td>8.0</td>
<td>7.0</td>
<td></td>
</tr>
<tr>
<td>The up-to-dateness of the restaurant</td>
<td>5.2</td>
<td>7.0</td>
<td></td>
</tr>
<tr>
<td>The extensiveness of the restaurant’s menu</td>
<td>9.9</td>
<td>5.0</td>
<td></td>
</tr>
<tr>
<td>Something else</td>
<td>-</td>
<td>2.5</td>
<td></td>
</tr>
<tr>
<td>TOTAL</td>
<td>100.0</td>
<td>100.0</td>
<td></td>
</tr>
</tbody>
</table>

Question 18:

In two statements significant differences could be found; the customer perceptions were more disagreeing than the management beliefs in the statements ‘I pay a lot of attention to other customers’ (3.7 vs. 2.5) and ‘the image of the restaurant has more impact on my restaurant choice than the actual quality of that restaurant’ (4.1 vs. 3.0). The following table and figure illustrate the given answers.

Table 23 Statements concerning restaurant visits in general, mean values for Papa Giovanni customer perceptions and manager beliefs

<table>
<thead>
<tr>
<th>Statements</th>
<th>Customer perceptions (n=156-160)</th>
<th>Manager beliefs (n=4-5)</th>
<th>p-value</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. One goes to a restaurant mainly to meet other people.</td>
<td>2.9</td>
<td>2.0</td>
<td>0.14</td>
</tr>
<tr>
<td>2. One goes to a restaurant to enjoy her-/himsel.</td>
<td>1.5</td>
<td>1.3</td>
<td>0.45</td>
</tr>
<tr>
<td>3. In a restaurant the products and their quality is more important than the other customers.</td>
<td>1.7</td>
<td>2.8</td>
<td>0.02 *</td>
</tr>
<tr>
<td>4. I pay a lot of attention to other customers.</td>
<td>3.7</td>
<td>2.5</td>
<td>0.04 *</td>
</tr>
<tr>
<td>5. I often have to settle with a compromise when</td>
<td>3.4</td>
<td>2.8</td>
<td>0.26</td>
</tr>
</tbody>
</table>
choosing a restaurant.

6. The image of the restaurant has more impact on my restaurant choice than the actual quality of that restaurant. 4.1 3.0 0.04 *

7. Other customers in a restaurant are part of its quality. 2.5 2.8 0.51

8. The major reason for a restaurant visit is to enjoy nice drinks and food. 1.7 1.8 0.74

9. The staff has a central role in producing quality. 1.4 1.5 0.70

10. Choosing a restaurant is always like drawing of lots. 4.2 3.8 0.39

SIGNIFICANCE LEVELS (MANN-WHITNEY, U-TEST):
* 5% - LEVEL
** 1% - LEVEL

Figure 23 Statements concerning restaurant visits in general, profiles for Papa Giovanni customer perceptions and manager beliefs

Question 19:

Almost half of the customers, 48 (44.4 %) did not answer the last open question. Among those who answered, the top factors reflecting a high level of product development were general professionalism and versatile offering, both 16 (14.8 %),
good service, 15 (13.9 %) and quality, trendy products, high-quality raw-materials and wine recommendations, all 7 (6.5 %). A total of 39 different factors were mentioned in the answers to this question.

The management beliefs followed quite well the lines of thought of the customers. The only factor, which was not mentioned by the customers, was the visual identity. The customer list included all together 39 different factors compared with the manager list of seven factors. All the answers are presented in appendix 5.

10.3 Case E: Restaurant Michelle

During the years 1999-2002 no big changes have taken place at Restaurant Michelle. It has established its position in the market and the offering has proved to be operatively satisfactory. During the summer of 2002, a small repair was carried out in the restaurant with a minor face-lift in mind. At the same time, however, the parent company (Center-Inn Oy) has gone through a strong period of growth. During the recent three years it has opened three more units, all located in Helsinki downtown. All together Center-Inn Oy runs a total of twelve units making it one of the bigger players in the Helsinki metropolitan area. The Restaurant Manager is Ms. Anne Heiskanen and the chef is Mr. Mika Mertens.

10.3.1 Respondent structure (questions 1 - 6)

The response rate for the Michelle customer study was 41.7 % as 125 completed questionnaires were received back out of 300. The rate is a little bit higher than the one of Papa Giovanni customer study, but considerably lower than Saslik´s. Structurally the respondents differ from the two previous restaurants as the majority of Michelle-respondents were men (54.4 %). The average age of the respondents is 42.8 years and 86.4 % of them have a managerial, supervisory, functionary or expert position. Only 4.8 % of the respondents live outside the Helsinki metropolitan area. 68.0 % of the respondents have been Michelle customers for more than four years.

The management is more male-dominated than the customers (54.4 vs. 80 %). The average age of the management is 37.6 years, which is 5.2 years less than the customer average. The professional status of both parties is quite comparable, even though an interesting detail is a relatively high percentage of entrepreneurs among the customers. The entire management lives in the Helsinki Metropolitan area and 2 (40.0 %) of it has worked at Michelle more than four years, compared with 68.0 % of the customers.
10.3.2 Respondents´ perceptions of the offering (questions 7 – 14)

Question 7:

When asked about positive characteristics of Michelle, both customers and management consider the location as the most important one (81.6 % vs. 100.0 %). The management believes that the customers emphasise the importance of atmosphere (38.4 % vs. 60.0 %), consistency of the quality of products and services (11.2 % vs. 20.0 %) and staff (14.4 % vs. 60.0 %) more than they actually do. Customers, in their turn, overemphasise the importance of familiarity (28.8 % vs. 0 %), restaurant being “in” (12.0 % vs. 0 %), other customers (34.4 % vs. 20.0 %) and ease of entering the restaurant (39.2 % vs. 20.0 %) in relation to the management beliefs. Surprisingly only 1.6 % of the customers mentioned the interior and also the personnel was only mentioned by 14.4 %. All the answers are presented in the following table.
Table 24 Positively perceived characteristics about Michelle*)

<table>
<thead>
<tr>
<th>CHOICE CRITERIA (GIVEN ALTERNATIVES)</th>
<th>CUSTOMER PERCEPTIONS (n=160)</th>
<th>MANAGER BELIEFS (n=5)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>n</td>
<td>%</td>
</tr>
<tr>
<td>Location</td>
<td>101</td>
<td>81.6</td>
</tr>
<tr>
<td>Selection of products</td>
<td>10</td>
<td>8.0</td>
</tr>
<tr>
<td>Familiarity</td>
<td>36</td>
<td>28.8</td>
</tr>
<tr>
<td>Interior</td>
<td>2</td>
<td>1.6</td>
</tr>
<tr>
<td>Atmosphere</td>
<td>48</td>
<td>38.4</td>
</tr>
<tr>
<td>Some special products only available here</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Consistency of the quality of products and services</td>
<td>14</td>
<td>11.2</td>
</tr>
<tr>
<td>Price-level</td>
<td>8</td>
<td>6.4</td>
</tr>
<tr>
<td>Other customers</td>
<td>43</td>
<td>34.4</td>
</tr>
<tr>
<td>Restaurant “In”</td>
<td>15</td>
<td>12.0</td>
</tr>
<tr>
<td>Staff</td>
<td>18</td>
<td>14.4</td>
</tr>
<tr>
<td>Easy to enter</td>
<td>49</td>
<td>39.2</td>
</tr>
<tr>
<td>Quality of products</td>
<td>20</td>
<td>16.0</td>
</tr>
<tr>
<td>Something else</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>

*) Respondents were asked to nominate three alternatives from a given list. The table presents the number and percentage of respondents who nominated the specific alternative as one of the three most important characteristics.

Question 8:

When asked about potential negative characteristics, both parties emphasise in their answers the restaurant being full, general price-level and the quality of food. The customers mention explicitly ‘lack of interest from the staff’, 18 (14.4 %), which as such was not mentioned by the management.

The customers’ three on the top were the restaurant being often full, 56 (44.8 %), high price-level, 37 (29.6 %) and lack of interest from the staff, 18 (14.4 %). 15 (12.0 %) customers considered the food-item and drink selection as limited and 13 (10.4 %) customers saw the food quality as a negative aspect. All the answers are presented in appendix 6.

Question 9:

The customer perceptions and management beliefs about the decision-making to come to Michelle seem to be quite similar. Both parties consider the ‘old habit’ as the most important single factor. The management believes that the customers emphasise the importance of influence/recommendation from some outside person and from accompanying persons more than they actually do. Only a few customers mention SMS’s and e-mails before the visit. A little bit surprisingly as many as 24.0 % of the customers describe the decision-making as impulsive behaviour and only 1.6 % state,
that they actively collect information prior to their visit. All the answers to this question are presented in the following table.

**Table 25 Reasons for choosing Michelle*)**

<table>
<thead>
<tr>
<th>CHOICE CRITERIA (GIVEN ALTERNATIVES)</th>
<th>CUSTOMER PERCEPTIONS (n=160)</th>
<th>MANAGER BELIEFS (n=5)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>n</td>
<td>%</td>
</tr>
<tr>
<td>Old habit</td>
<td>101</td>
<td>80.8</td>
</tr>
<tr>
<td>Comparing different alternatives</td>
<td>17</td>
<td>13.6</td>
</tr>
<tr>
<td>Accompanying peoples’ influence</td>
<td>81</td>
<td>64.8</td>
</tr>
<tr>
<td>SMS-es before the restaurant visit</td>
<td>6</td>
<td>4.8</td>
</tr>
<tr>
<td>Active information collecting (i.e. advertise-ments in newspapers) before the visit</td>
<td>2</td>
<td>1.6</td>
</tr>
<tr>
<td>Impulsive behaviour</td>
<td>30</td>
<td>24.0</td>
</tr>
<tr>
<td>It just happens</td>
<td>9</td>
<td>7.2</td>
</tr>
<tr>
<td>Because of possible benefits</td>
<td>51</td>
<td>40.8</td>
</tr>
<tr>
<td>e-mails before the restaurant visit</td>
<td>5</td>
<td>4.0</td>
</tr>
<tr>
<td>Influence/recommendation of one other person</td>
<td>18</td>
<td>14.4</td>
</tr>
<tr>
<td>Something else</td>
<td>-</td>
<td></td>
</tr>
</tbody>
</table>

*) Respondents were asked to nominate as many alternatives as they wish from a given list. The table presents the number and percentage of respondents who nominated the specific alternative.

**Question 10:**

The question about information sources indicates that ‘previous experiences’ is the most important single one (89.6 % vs. 100.0 %). The management believes that the customers emphasise the impact from some other person (28.0 vs. 40.0 %) and other customers in the restaurant (47.2 % vs. 80.0 %) more than they actually do. 15.2 % of the customers mention the restaurant’s own communication, while, a little bit surprisingly, not a single manager mentions that aspect in his/her answer. Both parties consider print media, Internet, TV and radio as being of marginal importance. The following table presents all the answers to this question.
Question 11:

The first statement block about Michelle indicates a very good fit between the customer perceptions and management beliefs. No significant differences could be found. Some slight differences could be noticed in three statements. The management believes that the customers would be more agreeing to the statements ‘this restaurant always provides surprises’ (3.6 vs. 3.0) and ‘this restaurant actively emphasises the customer life-cycle’ (2.3 vs. 1.6).

The statements ‘this restaurant operates on customer terms’ and ‘to this restaurant one comes only to eat and drink’ seemed to divide customers - values being 2.7 and 3.2 respectively. Almost all customers considered the restaurant as to be easy to enter, the value being 1.3, and quite many considered Restaurant Michelle already as an institution (1.9). All the answers are reviewed in the following table and figure.
### Table 27 Statements concerning Michelle, mean values for customer perceptions and manager beliefs

<table>
<thead>
<tr>
<th>Statements</th>
<th>CUSTOMER PERCEPTIONS (n=156-160)</th>
<th>MANAGER BELIEFS (n=4-5)</th>
<th>P-VALUE</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. In this restaurant the customers have an active role.</td>
<td>2.4</td>
<td>2.6</td>
<td>0.60</td>
</tr>
<tr>
<td>2. It is easy to come to this restaurant.</td>
<td>1.3</td>
<td>1.4</td>
<td>0.69</td>
</tr>
<tr>
<td>3. In this restaurant the staff seems to be working for a common goal.</td>
<td>2.4</td>
<td>2.2</td>
<td>0.65</td>
</tr>
<tr>
<td>4. This restaurant operates on customer terms.</td>
<td>2.7</td>
<td>2.2</td>
<td>0.28</td>
</tr>
<tr>
<td>5. This restaurant is loyal to its style.</td>
<td>1.8</td>
<td>1.6</td>
<td>0.68</td>
</tr>
<tr>
<td>6. This restaurant provides always surprises.</td>
<td>3.6</td>
<td>3.0</td>
<td>0.17</td>
</tr>
<tr>
<td>7. This restaurant emphasises actively the customer life-cycle.</td>
<td>2.3</td>
<td>1.6</td>
<td>0.14</td>
</tr>
<tr>
<td>8. This restaurant can be considered as an institution.</td>
<td>1.9</td>
<td>1.6</td>
<td>0.57</td>
</tr>
<tr>
<td>9. To this restaurant one comes only to eat and drink.</td>
<td>3.2</td>
<td>3.4</td>
<td>0.72</td>
</tr>
<tr>
<td>10. This restaurant has a clear personality of its own.</td>
<td>2.2</td>
<td>2.0</td>
<td>0.92</td>
</tr>
</tbody>
</table>

**SIGNIFICANCE LEVELS (MANN-WHITNEY, U-TEST):**

* 5% - LEVEL
** 1% - LEVEL
Figure 24 Statements concerning Michelle, profiles for customer perceptions and manager beliefs

Question 12:

All together, 31 (24.8 %) customers could not answer the question ‘what makes this restaurant different?’ Those who answered placed atmosphere, 22 (17.6 %) as the most important single factor, followed by other customers, 21 (16.8 %) and location, 19 (15.2 %). Also the management emphasised atmosphere, but they also placed staff and food product in top positions in their answers. Quite interestingly only four customers (3.2 %) mentioned explicitly the staff and three customers (2.4 %) mentioned food products. 10 customers (8.0 %) considered Michelle as a place for ‘grown-ups’.

Both parties felt that through Michelle one can satisfy the needs of hunger and thirst, social needs and just enjoying oneself. The management believed that Michelle is specially known for its service and high quality food. Customers, in their turn, emphasised the summer terrace, 29 (23.2 %) and Michelle as being a meeting place, 18 (14.4 %). All together, 24 (19.2 %) customers could not answer the third part of this question. All the answers are presented in appendix 6.

Question 13:

The second statement block provided with some interesting results and significant differences could be seen in two questions. On one hand the management believed that the customers would be more disagreeing to the statement ‘the offering of this restaurant is clear’ (1.9 vs. 2.8) and on the other hand the management believed that the customers would be more agreeing to the statement ‘the offering of this restaurant is
versatile’ (2.3 vs. 1.4). The management also believed that the customers would be a little bit more disagreeing to the statement ‘the offering of this restaurant is entertainment rather than food and drinks’ (3.3 vs. 3.8) than they actually were.

This second block of statements also revealed, that the customers generally had a rather positive perception of Michelle. The offering was considered as clear (1.9) and operatively good (2.0). The offering was not seen as fully relying on the staff (2.7) and the biggest disagreement could only be seen in connection with the statement ‘the offering of this restaurant is entertainment rather than food and drinks’ (3.3). All the answers to this block are reviewed in the following table and figure.

**Table 28** Statements concerning Michelle offerings, mean values for customer perceptions and manager beliefs

<table>
<thead>
<tr>
<th>Statements</th>
<th>CUSTOMER PERCEPTIONS</th>
<th>MANAGER BELIEFS</th>
<th>P-VALUE</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. The offering of this restaurant is clear.</td>
<td>1.9</td>
<td>2.8</td>
<td>0.05 *</td>
</tr>
<tr>
<td>2. The offering of this restaurant is versatile.</td>
<td>2.3</td>
<td>1.4</td>
<td>0.02 *</td>
</tr>
<tr>
<td>3. The offering of this restaurant pays regards to customers.</td>
<td>2.3</td>
<td>2.4</td>
<td>0.82</td>
</tr>
<tr>
<td>4. The offering of this restaurant is operatively good.</td>
<td>2.0</td>
<td>2.0</td>
<td>0.61</td>
</tr>
<tr>
<td>5. The offering of this restaurant has a good quality-price ratio.</td>
<td>2.5</td>
<td>2.6</td>
<td>0.81</td>
</tr>
<tr>
<td>6. The offering of this restaurant fulfills given promises.</td>
<td>2.3</td>
<td>2.0</td>
<td>0.56</td>
</tr>
<tr>
<td>7. The offering of this restaurant is of high quality.</td>
<td>2.3</td>
<td>2.2</td>
<td>0.82</td>
</tr>
<tr>
<td>8. The offering of this restaurant can be seen as a clear brand.</td>
<td>2.0</td>
<td>2.4</td>
<td>0.33</td>
</tr>
<tr>
<td>9. The offering of this restaurant relies on the staff.</td>
<td>2.7</td>
<td>2.8</td>
<td>0.97</td>
</tr>
<tr>
<td>10. The offering of this restaurant is rather entertainment than food and drinks.</td>
<td>3.3</td>
<td>3.8</td>
<td>0.26</td>
</tr>
</tbody>
</table>

SIGNIFICANCE LEVELS (MANN-WHITNEY, U-TEST):
*  5% - LEVEL
**  1% - LEVEL
Figure 25: Statements concerning Michelle offerings, profiles for customer perceptions and manager beliefs

Question 14:

The customer and manager answers to the question about direct competitors followed the same line of thought. The customers mentioned all together 58 different restaurants and the management provided a list of seven restaurants. Both parties placed the same restaurant (Restaurant Teatteri) as the most important direct competitor, 50 (40.0%) and 4 (80.0%). Following Restaurant Teatteri customers mentioned Raffaello, 36 (28.8%) and König, 23 (18.4%). 16 customers (12.8%) could not answer this question.

10.3.3 Respondents’ general restaurant behaviour (questions 15 – 19)

Question 15:

According to the customer and manager answers, the most important aspects when generally choosing a restaurant were perceived more or less identical. Both parties emphasised atmosphere, food quality and customer service. Location was quite obviously more important to customers than the managers believed. The customers’ top three answers were atmosphere, 26 (21.1%), food quality, 23 (18.7%) and location, 22 (17.9%). All the answers are presented in appendix 6.
Question 16:

The third statement block showed quite a good fit between customer perceptions and management beliefs. No significant differences could be found. The management believed that the customers would disagree somewhat more with the statement 'you don’t choose restaurants; you just drift into them' (4.3 vs. 4.6) than they did. The management also believed that the customers would agree more with the statement that 'I actively follow the external marketing of restaurants' than they actually did (3.5 vs. 2.6). Both parties answered similarly to the statement about previous experiences having a strong impact on restaurant choices (1.4 v. 1.4).

The customers did not consider restaurant choice as a big decision (3.7) and they seem to like to go to familiar restaurants (1.6). At the same time they also like to check out new restaurants (1.8). The statements about the importance of price/quality-ratio as an important restaurant selection criterion and the impact of gossip and the general image seemed to divide the customers, values being in both cases 2.6. All the answers are shown in the following table and figure.

**Table 29** Statements concerning restaurants in general, mean values for Michelle customer perceptions and manager beliefs

<table>
<thead>
<tr>
<th>Statements</th>
<th>Customer perceptions (n =156-160)</th>
<th>Manager beliefs (n =4-5)</th>
<th>P-Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. I like to go to a familiar restaurant.</td>
<td>1.6</td>
<td>1.4</td>
<td>0.58</td>
</tr>
<tr>
<td>2. I like to go and check out new restaurants.</td>
<td>1.8</td>
<td>1.6</td>
<td>0.90</td>
</tr>
<tr>
<td>3. My friends have a strong impact on my restaurant choices.</td>
<td>2.6</td>
<td>1.8</td>
<td>0.14</td>
</tr>
<tr>
<td>4. Restaurant choice is always a big decision.</td>
<td>3.7</td>
<td>3.6</td>
<td>0.59</td>
</tr>
<tr>
<td>5. Previous experiences have always an impact on restaurant choice.</td>
<td>1.4</td>
<td>1.4</td>
<td>0.80</td>
</tr>
<tr>
<td>6. The interior of a restaurant has an impact on my restaurant choice.</td>
<td>2.0</td>
<td>2.4</td>
<td>0.71</td>
</tr>
<tr>
<td>7. Price/quality-ratio is the most important restaurant selection criteria.</td>
<td>2.6</td>
<td>2.6</td>
<td>0.98</td>
</tr>
</tbody>
</table>
8. I don’t choose restaurants; I just drift to them. 4.3 4.6 0.54
9. I actively follow the external marketing of restaurants (i.e. advertisements). 3.5 2.6 0.20
10. Gossips and the general image of a restaurant have an impact on my restaurant choices. 2.6 2.0 0.39

SIGNIFICANCE LEVELS (MANN-WHITNEY, U-TEST):
* 5% - LEVEL
** 1% - LEVEL

Figure 26 Statements concerning restaurants in general, profiles for Michelle customer perceptions and manager beliefs

Question 17:

The customers’ most important selection criteria were topped by five criteria: quality of restaurant’s products (13.9 %), location (13.6 %), price/quality-ratio (13.5 %), service quality (12.4 %) and other customers (12.4 %). Surprisingly the up-to-dateness of the restaurant got only a 6.9 % support.

Generally speaking, the division of points to different selection criteria showed that the management believes that the customers emphasise the price/quality-ratio, the quality of restaurant’s products and the service quality more than they actually do. On the other hand the customers perceive location, other customers in the restaurant and the extensiveness of the restaurant’s menú clearly as more important than the managers believed. All the answers to this question are presented in the following table.
Table 30 Criteria used in choosing a restaurant in general, mean values for Michelle customer perceptions and manager beliefs

<table>
<thead>
<tr>
<th>CHOICE CRITERIA (GIVEN ALTERNATIVES)</th>
<th>RELATIVE IMPORTANCE (MEAN VALUES)</th>
<th>CUSTOMER PERCEPTIONS (n=125)</th>
<th>MANAGER BELIEFS (n=5)</th>
</tr>
</thead>
<tbody>
<tr>
<td>The price/quality-ratio of a restaurant</td>
<td>13.5 16.0</td>
<td>16.0</td>
<td>13.9 17.0</td>
</tr>
<tr>
<td>The quality of restaurant’s products</td>
<td>12.4 18.0</td>
<td>9.0</td>
<td>13.6</td>
</tr>
<tr>
<td>The quality of service in the restaurant</td>
<td>12.4 2.8</td>
<td>13.9 17.0</td>
<td></td>
</tr>
<tr>
<td>Restaurant location</td>
<td>10.9 12.0</td>
<td>13.6</td>
<td></td>
</tr>
<tr>
<td>The activity of the restaurant staff</td>
<td>12.4 9.0</td>
<td>9.7</td>
<td></td>
</tr>
<tr>
<td>Other customers in the restaurant</td>
<td>12.4 9.0</td>
<td>10.0</td>
<td></td>
</tr>
<tr>
<td>The general image of the restaurant</td>
<td>12.4 9.0</td>
<td>6.7 6.0</td>
<td></td>
</tr>
<tr>
<td>The up-to-dateness of the restaurant</td>
<td>6.9 3.0</td>
<td>6.9 3.0</td>
<td></td>
</tr>
<tr>
<td>The extensiveness of the restaurant’s menu</td>
<td>7.7 10.0</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>Something else</td>
<td>-</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>TOTAL</td>
<td>100.0</td>
<td>100.0</td>
<td></td>
</tr>
</tbody>
</table>

Question 18:

The last statement block provided no significant differences. The management believed that the customers would agree a little bit less with the statement ´one goes to a restaurant mainly to meet other people´ (2.2 vs. 2.8) than they actually did, but generally the thinking was very much alike the customers’. Both parties agree quite strongly with the statement ´the staff has a central role in producing quality´ (1.6 vs. 1.4).

The customers also agreed with the statement that one goes to a restaurant to enjoy oneself (1.6) and that they (customers) pay a lot of attention to other customers (2.6). The customers did not agree with the statements that ´choosing a restaurant is always like drawing of lots´ (4.2), that ´the image of the restaurant has more impact on the restaurant choice than the actual quality of that restaurant´ (3.7) and that ´one often has to settle for a compromise when choosing a restaurant´ (3.4). The following figure illustrates all the given answers to this last block of questions.
Table 31 Statements concerning restaurant visits in general, mean values for Michelle customer perceptions and manager beliefs

<table>
<thead>
<tr>
<th>Statements</th>
<th>CUSTOMER PERCEPTIONS (n =156-160)</th>
<th>MANAGER BELIEFS (n =4-5)</th>
<th>P-VALUE</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. One goes to a restaurant mainly to meet other people.</td>
<td>2.2</td>
<td>2.8</td>
<td>0.21</td>
</tr>
<tr>
<td>2. One goes to a restaurant to enjoy her-/himself.</td>
<td>1.6</td>
<td>1.4</td>
<td>0.52</td>
</tr>
<tr>
<td>3. In a restaurant the products and their quality is more important than the other customers.</td>
<td>2.5</td>
<td>3.0</td>
<td>0.43</td>
</tr>
<tr>
<td>4. I pay a lot of attention to other customers.</td>
<td>2.6</td>
<td>2.4</td>
<td>0.73</td>
</tr>
<tr>
<td>5. I often have to settle with a compromise when choosing a restaurant.</td>
<td>3.4</td>
<td>3.8</td>
<td>0.51</td>
</tr>
<tr>
<td>6. The image of the restaurant has more impact on my restaurant choice than the actual quality of that restaurant.</td>
<td>3.7</td>
<td>4.0</td>
<td>0.47</td>
</tr>
<tr>
<td>7. Other customers in a restaurant are part of its quality.</td>
<td>2.1</td>
<td>2.2</td>
<td>0.59</td>
</tr>
<tr>
<td>8. The major reason for a restaurant visit is to enjoy nice drinks and food.</td>
<td>2.1</td>
<td>2.0</td>
<td>0.56</td>
</tr>
<tr>
<td>9. The staff has a central role in producing quality.</td>
<td>1.6</td>
<td>1.4</td>
<td>0.41</td>
</tr>
<tr>
<td>10. Choosing a restaurant is always like drawing of lots.</td>
<td>4.2</td>
<td>4.6</td>
<td>0.45</td>
</tr>
</tbody>
</table>

SIGNIFICANCE LEVELS (MANN-WHITNEY, U-TEST):
* 5% - LEVEL
** 1% - LEVEL
Question 19:

Even though 54 (43.2 %) customers did not answer the last open question, those who answered, answered quite similarly when compared with the management believes. In their answers both parties emphasised variability, customer service and food quality. The management believed that the customers would emphasise more the role of the interior. The customers, in their turn, emphasised variability: seasonal campaigns, 21 (16.8 %), varableness of the menú, 14 (11.2 %), good customer service, 13 (10.4 %) and professional service 13 (10.4 %) as the most important signs of high-quality product development. All the answers are presented in appendix 6.

10.4 Summary of the customer-management study and emerging of the extended offering development model

In this section all three restaurant-cases are discussed together as, according to one of the aims of this study, the attempt has been to create a general model. Special interest is shown to gaps, which have been identified in the empirical data.
When assessing the positive characteristics of the studied restaurants (question 7, see tables 8, 16 and 24), the management in their beliefs overemphasised in all three cases the importance of personnel and atmosphere, when compared to the responses from the customers. When asked about potential negative characteristics (question 8), the views were quite similar. The respondents came up with quite a few comments about different aspects of the restaurant. Most of the comments were of extremely detailed character and they often included a personal standpoint, like e.g. ‘I’m getting tired of Italian cuisine’ or ‘My friends seem to be leaving this restaurant’. Therefore, some kind of component on an individual level should be stressed in the offering development model as well as a stage, where these ‘critical’ operative issues are analysed. The customers seem to have a rather personal approach when they are assessing a restaurant offering. At the same time managers seem to be thinking about bigger entities and traditionally ‘manageable’ aspects. An individualising component makes the offering development process more complicated, but at the same time it may open some new perspectives. In operational terms becoming more individual means - for instance - increased dialogue between the management and the customers.

Deciding to choose a specific restaurant (questions 9 and 10, see tables 9, 10, 17, 18, 25 and 26) turned out to be quite an interesting process. In two cases (Papa Giovanni, Pectopah Saslik) the managers clearly believed more on the importance of potential benefits offered by the restaurant, like customer bonuses or special theme-evenings for frequent customers, than the customers did. In all three cases the managers thought that recommendations from other people would be experienced as more important by the customers than they turned out to be. In other words, habitual behavior could be noticed. Previous experiences were considered as important and in two cases (Michelle and Papa Giovanni) other customers in the restaurant were perceived by the customer respondents as an important reason to enter the restaurant.

The statements about the specific restaurant (questions 11 and 12, see tables 11, 19 and 27) showed a very good fit between management beliefs and customer perceptions. Also the factors, which make each restaurant different, the needs one can satisfy through the specific restaurant and the things for which the restaurant is specially known, provided no clear gaps. In their answers, the management seemed to have a tendency to overemphasise the role of the personnel and internal procedures not visible to customers. The customers, in their turn, emphasised more abstract elements, such as general atmosphere and the style of the restaurant. In other words, our findings indicate that a deeper understanding of the customer behaviour and customer perceptions is needed on the management side. This could be achieved through the already mentioned individualising component.

When asked about the offering of the specific restaurant (question 13, see tables 12, 20 and 28), customer perceptions and management beliefs were quite similar. The question about direct competitors (question 14) showed that the customers see the market more broadly than the managers. In practise the managers see competition from a conceptual point of view, whereas the customers seem to be more practical. In other words, the managers considered restaurants, which have similar concepts as direct competitors, while a clear geographical dimension could be identified from the customer answers.
Restaurants located close to each other were more likely to be perceived as competitors despite their clear differences in the target group and in the concept. One explaining factor to this phenomenon, however, can also be found in the previously discussed strong restaurant concentration in the Helsinki zip-code area 00100. On the other hand, customers, especially evening customers, may perceive the restaurant market as some kind of 'party-zone', where differences between various restaurants are not that interesting as long as the whole evening is a success. However, the findings underline strongly the importance of environmental and strategic scanning throughout the offering development process. A gap could be identified in the sense that the manager beliefs were influenced by a tendency to look at the market from the restaurant industry’s perspective, whereas the customers had a broader perspective. Collecting environmental information systematically and checking one’s loyalty to the chosen strategy on a continuous basis could improve and make the offering development processes more up to date and effective.

When asked about aspects, which are important when choosing a restaurant in general (questions 15, 16, 17 and 18, see tables 13, 14, 15, 21, 22, 23, 29, 30 and 31), no clear gaps were revealed concerning the importance of food quality, customer service, atmosphere and location. Interestingly, the customers came up with many operative details, which could be characterised as small-scale aspects presented from a rather strong personal point of view. Many customers seem to have a rather personal and emotionally coloured relationship to the service-providing company. These aspects could vary from music to details in the interior. The managers, in their turn, seem to be thinking more traditionally, on a more aggregated level and in more fact-orientated and definable terms. The terminology used by the managers was also quite typical business and marketing jargong.

In all three cases the managers thought that gossips and the general image of the restaurant have actually more importance than perceived by the customers. Generally speaking, the criteria used in choosing a restaurant were quite identical.

The last open question (question 19) provided a lot of valuable information. In general, the customers emphasised variation, seasonal campaigns and overall professionalism. At the same time the managers thought that quality, service and even visibility in media were important for the customers. In other words, the customers seem to perceive a restaurant both by assessing it through its offering and also by assessing it through external signals, like e.g. image. Therefore, some kind of division into internal and external factors could be identified. The customers also seemed to value highly all activities, which increase activity in restaurant-customer relations. As this item was so strongly supported, it should also be built into the model as an explicit component. The customer perceptions indicated, that activity in all customer relations should be dealt with on a strategic level. At the same time the manager beliefs did not stress that aspect and, therefore, a clear gap could be found.

Looking at all questions, a very good general fit between the customer perceptions and management beliefs could be noticed. However, the world of a customer seems to be much more fragmented and concentrated on personal details than the world of a
manager. Managers seem to have a tendency to believe that a restaurant is perceived through more aggregated terms while customers, in turn, see a restaurant from a very operative standpoint. These details, which originate from customer comments, seem to have a very low general weight, but, more importantly, a very high personal weight. On a personal level the decision to choose a restaurant seems to be highly dependent on these personally assessed elements. It also became clear, that in order to have control over the offering development process, some kind of comprehensive plan for strategic offering development should be created. Therefore, the core of the extended offering development model was divided into two parts: strategic and operative offering development. In order for the operative actions to be realised a sound strategic foundation has to be created. Customers emphasise mostly operational aspects and managers are naturally more orientated towards strategic issues, which can be seen from their beliefs of the customer perceptions in the present study. These circumstances can possibly be integrated by using an approach, which takes into account both the strategic and operational dimensions.

In the following section an extended conceptual offering development model is presented. The original offering development model describes basically ´how successful restaurants do it´ and is of descriptive and normative character. The second model, the extended offering development model, describes ´how successful restaurants possibly could do it even better´ and it takes into account the major findings from the combined customer-management study. Also the second model is of descriptive and normative character. In building the second model special interest has been shown towards customer perceptions and management beliefs by identifying possible gaps between these two. The attempt has been not only to capture these gaps, but also to create a holistic understanding of the nature of the offering development processes in a company. These processes have been looked upon from two different – although overlapping – perspectives in order to create an as comprehensive as possible understanding. Wherever ´friction´ between customer perceptions and management beliefs was noticed, an attempt was made to incorporate these into the extended model.

It is quite obvious that the first model was clearly lacking a strategic depth and the importance of individual factors affecting the choice of restaurant was not sufficiently accentuated. Furthermore, the offering development process was not divided into a strategic sub-process and an operative sub-process. The extended offering development model is presented in the next section together with a further discussion about the nature of the model.
11 THE EXTENDED OFFERING DEVELOPMENT MODEL

The first offering development model (see section 9) was based on purely managerial perceptions. The combined customer-management study brought into daylight some new elements, which obviously have an impact on successful offering development processes. The findings from the customer-management study indicate that there are at least five crucial elements, which should be further incorporated into the conceptual offering development model in order to make it more accurate by also taking the customer point of view stronger into consideration. That is, of course, crucial for any offering development process to be a successful one. In the following these five elements are discussed briefly, and at the end of this section, an extended offering development model is presented.

1) Offering development has to be closely connected to the general strategy of the company. It should be based on the shared vision of the company and should be the basis for practical development work. Without such a general strategy, successful operative offering development seems to be, if not impossible, at least difficult. The customer study does not indicate this directly, but it shows certain points of friction between the customer perceptions and how managers believe that the customers perceive the offering. Therefore, a proper strategic process can possibly increase the managers’ knowledge and understanding of the customer perceptions and hereby, form a more solid ground for successful operative actions. In other words, the process should be developed in a more customer-oriented direction – regardless of the fact that it is in most cases management-driven. As the solid strategic background for any offering development was explicitly emphasised in the customer-management study, the first offering development model has been further developed by dividing the core part chronologically into strategic and operative offering development. In general, the first model described offering development quite operatively, almost like a project. The second model, in its turn, had a stronger strategic orientation. Based on the findings from the managers that strategic dimension is needed for a satisfactory outcome.

2) The perceptions of customers tend to be more detail-orientated and individual than the managers believe that they are. The managers seem to have a tendency to approach offering development through different large scale entities, while customers naturally are more into practical details and personal wishes. An ‘Analysis of critical operative issues as perceived by customers’ has been included as the first stage in the strategic offering development process. The study indicates that the managers and customers are actually not speaking the same language or, more precisely, that the managers are not fully aware of the language the customers speak. Therefore, more dialogue is needed. As this specific stage is the first one in the strategic part of the model, it can be seen as some kind of foundation for a successful offering development process to become realised.

3) Unlike managers, customers are interested in details of a quite personal character. It is worthwhile to understand that a possible fulfillment of a personal wish may be the
major single reason for choosing a specific restaurant. In the following these personal choice-steering factors are called ‘Customer specific issues’ and an identification of them is incorporated into the strategic offering development process as the second stage. These customer specific issues have their roots in the consumption history of each customer, in the previous experiences and in the personal consumer behaviour. This finding actually indicates that the traditional view on quality in marketing has to be at least modified: As customers heavily base their assessment of a company and/or its products on these customer specific issues, it is even harder to create generally accepted components of perceived high quality. Among customers quality perception seems to be more personal than most existing models suggest.

4) The combined customer-management study indicates clearly, that customers value various activities shown by the restaurant. The activity can be seen, for instance, in the personnel’s way of working, in menú-renewal, in the usage of seasonal rawmaterials and in time-specific campaigns. In other words, an active restaurant is following its time and also communicating that to its customers. As the finding was quite obvious, an activity-component has been elevated to the strategic level as a third stage under the label of ‘Selection and operationalisation of activity-increasing components’. Even though activities can be seen as clearly operative, the obvious importance of such activities has been the major motive to turn them into a strategic issue, because they should be present in every operative offering development. These activities can be seen as having two dimensions: first, they are based on managerial activities indicated in the preceding stages of the strategic offering development process. Second, they also incorporate operational activities on the spot. These operational activities consist of small deeds clearly visible to the customer and, in many cases, highly valued by them. It can also be said, that through these activity-increasing components the relationship between the company and its customers can be directed into a more active direction.

5) Finally, based on the previous stages, a ‘Comprehensive strategic plan for offering development’ can be created. This plan takes into account the most central strategic considerations originating in the customer-management study forming a firm platform for operative offering development. The study indicates, that a proper operative offering development process should be based on such a strategic and collective base or plan in order to be effectively realised.

On the basis of the findings of the customer-manager study, the original managerial offering development model has been further developed and extended. A clear division into strategic and operative offering development has been built into the model. The first part is labeled as ‘Strategic offering development’ and it consists of four strategically important stages. We believe that these strategic issues, when properly realised, will increase the customer-orientation of the offering development processes. The second part is called ‘Operative offering development’ and it consists of five stages.

The extension of the model does not really have an impact on the roles of shared vision, strategic and environmental scanning and analysis of disturbing and promoting
forces, which were all included in the first model. The extended offering development model is presented in Figure 28. Note that the model should be ‘read’ from right to left.

**Figure 28** The extended offering development model

As the extended offering development model is a final outcome of stages 1 and 2 of this study, it is based on customer- as well as management-orientated thinking. According to the study, managers have a tendency to state that they in their actions follow a principle of customer orientation. The study, however, indicates, that there are gaps between how managers believe that the customers perceive restaurant offerings and how the customers actually perceive them. The model emphasises the importance of having a clear direction for all offering development activities (=**Shared vision**), and to check one’s doings regularly strategically and environmentally (=**Strategic and environmental scanning**). One also has to have a realistic understanding of the forces, which either disturb or promote offering development (=**Disturbing and promoting forces**). The offering development process itself can be divided into strategic and operative parts. As the strategic part creates a foundation for successful offering development, the operative part supports the process from idea stage to realisation and regularisation. The model has four loops, which stress the dynamics of the model and emphasise the importance of regularly checking and assessing one’s activities both strategically and operatively. As the first model was based on pure management-originated empirical material, the nature of the offering development process was highly operative. However, during the second stage of the study the strategic side of offering development was clearly accentuated.

One important aspect with the Extended offering development model is that it captures simultaneously the static and dynamic features of offering development. Looking at the previous research in the studied area that has not been customary. It is also worthwhile
of pointing out that despite the conceptual character, the model can also be seen as a framework for highly operative actions. Therefore, the management may benefit both strategically and operationally from using the present model. In all – as most models – it at least makes the development work more analytical and systematical and – hopefully - improves the final outcomes of offering development processes.

It is also important to understand that in offering development manager activities usually lead to new or at least improved offerings, but customer activities are in most cases of an indirect nature. Whatever the customer perceptions are, they can only have an operative importance from the offering development point of view, when perceived as meaningful and attended to by the managers. As has been stated before, most offering development processes are usually manager-driven. However, the attempt should be to take the customer perceptions, within the resources available, into account as well as possible. In the next section conclusions, theoretical contribution, reliability and validity of this study together with some ideas for further research are discussed more in detail under the label ´concluding remarks´.
12 CONCLUDING REMARKS

12.1 Conclusions

This study is based on one core aim and four sub-aims. The core aim was a general one
the attempt being to increase our understanding of how the offering development
processes are managed in ‘successful’ Finnish restaurants and how the outcome of
these processes is perceived by the frequent customers of such restaurants. In a way the
whole report attains that aim. The first sub-aim aim was to generate a management
perception-based conceptual offering development model. That model (‘The offering
development model’) has been presented as a final outcome of the empirical stage 1.
The second sub-aim was to measure customer perceptions of service offerings and
management beliefs of these perceptions. The third sub-aim was to locate possible
possible gaps between customer perceptions and management beliefs of how the
customers perceive the offerings and, finally as the fourth sub-aim, to generate a
modified offering development model (‘The extended offering development model’) based on management as well as customer perceptions. Attaining all the aims the
following general conclusions can be drawn:

In the restaurant sector the offering development processes should be further developed
and reshaped so that they better take into account the specific characteristics of the
industry and services in general. At the same time there seems to be a need for a more
unifying approach, combining the traditional product development and service design
into one holistic approach. In service businesses the dialogue between customers and
the management is accentuated.

The offering development process can be said to consist of clearly identifiable stages,
but they are not necessarily sequential. One additional stage (regularisation) has been
added to the stages of traditional product development models in order to emphasise
the importance of integrating the new or improved products/services to the concept of
the company. Offering development should rather be seen as a loop-format process
than an individual project.

Information is an essential element in offering development. Therefore, strategic and
environmental scanning should be carried out throughout the process. Scanning
provides the process with up-to-date information and checks that offering development
activities are in line with the company’s chosen general strategy and that they respond
to the changes in the external environment.

The process of offering development should be guided by some kind of common
vision. In this study the term ‘shared vision’ has been used. That vision shows the
direction of all processes and guarantees some level of future-orientation. Besides having a direction, offering development is always affected by both disturbing and promoting forces. An objective analysis of these forces is an essential activity in offering development.

In this study offering development is analysed and looked upon both from a customer and management perspective. The process should have both strategic and operative parts the strategic part preceeding the operative part. The strategic process includes four stages, starting by analysing the critical operative issues as perceived by the customers. After this analysis, customer-specific strategies should be developed and they should be internally integrated so that the customers and managers have a solid and common basis for fruitful co-operation. Before creating a comprehensive strategic plan for offering development, some activity-increasing components should be selected and operationalised in order to guarantee a high level of interactions with customers.

The customer perceptions and management beliefs were surprisingly similiar, but some differences also existed. All respondents were frequent customers, which obviously has had an impact on the findings and, therefore, has to be kept in mind. Very generally speaking the management seems to have a tendency to look at things ‘from inside’ and from a traditional manager-perspective. This is, so to say, indirectly revealed in their beliefs of the customer perceptions. The manager perspective emphasises for instance elements like corporate culture and visual identity, which were not perceived as especially important by the customers. The customers’ approach is much more ‘hands on’ and detail-orientated. In other words they show a lot of attention to and interest in details and practical solutions as at the same time the management is more interested in the organisation and in the processes. All of that, however, creates gaps between customer perceptions and management beliefs.

The management has also a tendency to approach business from a very traditional framework. In many cases the expressions and approaches sounded like they were taken directly from a business textbook. Therefore, the management seemed to be quite conservative, especially in marketing issues. In two cases this could be seen as an overemphasising of traditional marketing activities including the restaurant’s own communication. However, one has to be fair. The customers never know ‘the story behind’. They don’t really see anything else but the frontline. Therefore, the differences in thinking are highly understandable. A customer is always only a visitor as the management stays in a company on a more permanent basis.

The perceptions and beliefs of the competition turned out to be an interesting issue. The managers revealed a high level of conservatism and the customers seemed to have quite a broad view of competition. The managers seemed to be quite concept-orientated in their assessment of the worst competitors. The customers perceived location as an important element in assessing who is competing with whom. In many cases, restaurants having totally different kinds of concepts and targeting their offering at different audiences were considered as direct competitors by the customers.
Customers also seemed to be much less price-sensitive than the managers thought. Customers also approached the restaurant offering through details, rather than seeing it as a total entirety. The study also indicated, mainly through the open comments that many of these details tended to have a low general weight but a very high personal weight. In other words, a specific detail could have been mentioned by only a few respondents, but for these people personally it could be the major component forming their total perception of the restaurant offering. Customers also seemed to value variation and activities and, therefore, these aspects have been elevated to the strategic level in the extended offering development model.

The study also indicated that all offering development activities should be tied to the general strategy of the company. As strategy usually represents ‘the big picture’, it actually is quite clear that even small changes in the offering side of a company may include substantial strategic weight. On one hand general strategy formulation and potential development of that should create the basic framework for any offering development. On the other hand more dynamic offering development processes cannot live a life of their own. In other words, a strong internal strategic bond is definitely needed in order to make a balanced strategic development possible.

Finally, as the offering development in most cases was considered as an extremely important activity both by the management and by the customers, more research is obviously needed. Offering development can be seen as a highly strategic activity and the process should be fed with external information in order to guarantee an analytical approach, which takes the competitive environment into account on a continuous basis. In the next section, the theoretical contribution of the study is assessed and some managerial implications are presented.

12.2 The theoretical contribution and the managerial implications of the study

The main theoretical contribution of this study is the extended offering development model, which is based both on customer perceptions and management beliefs. The model is normative and of conceptual character. It also works as a framework for managerial actions, as will be stated later in this section. In relation to previous research the present study can be said to present a quite versatile and multi-level approach to offering development. The offering development process has been studied as such, but also the strategic and operational levels have been taken into consideration both from managerial and customer perspectives. The researcher has also made an attempt to operate simultaneously on an abstract modelbuilding level and on a more operational offering development-description level. The final outcome is an integrated approach, which cannot be said to represent a traditional or a typical way of conducting research about offering development.
According to the core aim of this study, it is important to increase our knowledge and understanding of offering development as such and, more specifically, of offering development processes. The literature about developmental issues mainly tends to be orientated at tangible products, even though a slow change towards a general paradigm shift in marketing seems to be on its way. Regarding offering development the marketing environment has changed more rapidly than the prevailing research orientation. However, the phenomenon is probably quite temporary.

In relation to the previous research about offering development the present study brings many new aspects to the forefront. It makes a difference between operative and strategic offering development, it describes offering development as an ongoing process rather than a project, it integrates management and customer dimensions and, finally, it makes an attempt to take the specific nature of the studied industry into consideration. Instead of approaching offering development on a general level, the attempt is to be as industry-focused as possible.

The comparative character of this study has highlighted the differences between customer perceptions and management beliefs of customer perceptions concerning successful restaurant offerings. This approach has provided an opportunity to study these two, partly overlapping, dimensions and to create a comprehensive offering development model. The approach as such has proved to provide a good understanding of the studied area. The comparative analysis has also shown that despite the fact that managers and customers more or less seem to follow each other’s lines of thought, also clear gaps between customer perceptions and management beliefs exist. Theoretically that is interesting and managerially something useful to bear in mind.

The study has also indicated that mere customer orientation is not enough. Instead, one should try to increase the level of customer participation. Activating customers seems to be the big managerial challenge in the future and, therefore, customer activation has been incorporated into the extended offering development model. As earlier stated, the offering development process itself is manager-driven, but customer impact should be incorporated into the process in the very beginning of the process. Also customers’ decision-making process turned out to be quite a complex one. Instead of speaking about single motives, one should rather talk about bundles of motives. An analysis of these could help the management to plan and target marketing more accurately.

Offering development as an activity also offers other managerially applicable possibilities. As offering development is highly dependent on the management activities of the company, managerial implications represent several different dimensions.

First, offering development should be integrated into the total corporate strategy. The importance of offering development should be recognised and it should be seen as one of the company’s most important future-orientated activities. Offering development processes can be divided into strategic and operative parts and it should be viewed as an iterative, ongoing, process. This characteristic has a clear managerial implication, as a successful process-approach should be based on a constant flow of information into
and out of the system. From an offering development viewpoint, a company cannot operate in a vacuum.

Second, the importance of a shared vision for any offering development should be understood and tools as well as methods for creating a shared vision should be developed. The shared vision is the basis for a company’s existence and it naturally guides all offering development processes as well. The shared vision operates also as a sound basis for a company’s strategic offering development activities.

Third, the forces affecting a company’s offering development either positively or negatively should be recognised and analysed. Also, some kind of assessment of the total impact of these forces should be carried out. The forces are by no means static and, therefore, they have to be assessed on a continuous basis. In this work, environmental and strategic scanning play a key role. Environmental scanning provides the system with environmental information and strategic scanning keeps the offering development processes on the chosen strategic track or gives signals for a potential change of strategy. In practical terms one could speak about some kind of strategic loyalty, which means that a company tries to keep it on a chosen strategic track as long as the strategic scanning gives supporting signals.

Finally, there is a clear lack of operative procedures in the areas of improving organisational creativity, collecting and storing environmental information, carrying out strategic scanning and creating a development-orientated corporate culture. In the long run, managers also have to find ways to make offering development less personal and more organisational in order to create organisational synergy. The study indicated clearly that in practise offering development is quite manager-driven. The role of the organisation was only secondary. In practical terms that means that managerially a lot remains to do.

The extended offering development model can also be used as a basis for development work and, indirectly, for general strategic development of the company. As earlier has been stated, offering development is a highly strategic activity and, therefore, all offering development has a clear impact on the strategic position of the company. The model can also easily be turned into an operative action program consisting of at least the following seven stages:

1. Developing the shared vision of the company

2. Assessing the disturbing and promoting forces having an impact on the offering development processes of the company

3. Developing tools and methods in order to be able to carry on with enviromental scanning. All tools and methods in this area should always be adapted to the industry the company is operating in
4. Developing tools and methods in order to be able to carry on with strategic scanning

5. Planning the strategic offering development process and turning that into a comprehensive plan for operative offering development

6. Planning and implementing the operative offering development loop consisting of the presented five stages (Idea, Development of the idea, Realisation, Regularisation and Follow-up)

7. Developing the organisational structure in a way so that it directly supports a dynamic approach to offering development

It is also worthwhile to keep in mind, that despite their strategic value, all offering development activities are characterised by miniature-scale operative deeds rather than revolutions over-night. Therefore, the management of offering development processes has to be based on patience, continuous assessment of own activities and, at the same time, quick corrective actions. In a quickly changing competitive environment one has to be at the same time analytical and quick. That is only possible if a company has clear development processes and well-planned procedures for handling environmental and strategic information in order to turn that into operative actions. In other words, the big personal challenge for any manager is to combine an analytical approach with the capability to react quickly. The presented extended offering development model hopefully helps the manager at least to clarify her/his own thoughts and to turn strategic ambitions into operatively manageable activities.

Another strength of a conceptual model is that it in a way helps the management to see the whole picture. A manager gets very easily engaged with operative, everyday routines and the chosen company strategy stays in the background. A conceptual model also works as a checklist helping the management to take the most central aspects into consideration as it keeps on planning and implementing different developmental activities. All development work is usually a learning process and, therefore, as many as four loops are built into the extended offering development model.

Finally, it is worthwhile to mention that the methodology used in the first stage, where the explicit model was gradually built through implicit models turned out to work well. Also combining a qualitative approach (stage 1) and a mainly quantitative approach (stage 2) seems to have supported our research process considerably. Methodologically that can be seen as an additional contribution.
12.3 Reliability and validity of the study

As discussed in section 7.3, reliability and validity of any research can be approached from different angles. Pfeffer (1982) emphasises good theory as being testable, parsimonious and logically coherent. Whetten (1989), in his turn, emphasises the importance and clarity of the theory-development process. Dubois and Gadde (1999) see the quality of the end product as determined by the intellectual arguments connecting empirical findings with the theoretical ones. Mawell (1996, p. 87) sees validity as ‘referring to the correctness or credibility of a description, conclusion, explanation, interpretation, or other sort of account’. Gummesson (1988b) brings the reader to the forefront and suggests, as one of his nine requirements for good research quality, that a research project should be conducted in a manner that allows the readers to draw their own conclusions. Even though the reader always is the final judge of data quality and the general reliability and validity of a study, the following considerations regarding a specific study should be taken into account.

The author’s main emphasis in this study has been twofold: to increase general understanding and to create a conceptual model, which is based on existing literature and empirical findings. Due to the chosen comparative approach, the empirical material has been collected from two different sources: from managers and from frequent customers.

The attempt has been to maintain as high a level of objectivity as possible. The author has described his own preunderstanding (see section 1.5). Due to a long career in the hospitality industry, the author’s preunderstanding has certainly directly and indirectly had an impact on the final outcome. Especially in qualitative research the researcher is always a subject – regardless of the conscious and honest attempts to stay purely as an objective and distant observer.

The reliability of this study is based on methodological consistency and the attempt has been to treat all six cases in a similar way. Most procedures during the data collection have been standardised. The data for the first stage has been obtained from restaurant managers and for the second stage both from frequent customers and from the management. That limitation has to be kept in mind and the study has to be seen as having a very strong management anchoring. Also, the fact that the first stage was based on purely qualitative data and the second stage mostly on quantitative data has certainly had an impact on the final outcome. The use of qualitative data in the very beginning of the research project has, however, hopefully given a better understanding of the deeper structures lying behind the offering development processes.

The internal validity, which according to Miles and Huberman (1994, p. 279) represents the truth-value and credibility of the findings, seems to be quite high. Throughout the research process there has been a constant assessment of the internal validity in close co-operation with the case company representatives.
The biggest open question is the level of external validity, i.e. possibilities to make generalisations (Miles and Huberman 1994, p. 279). The conclusions of this study have been based on the research of six cases in stage 1 and on three cases in stage 2. The author has been able to identify offering development patterns that clearly stabilise after an analysis of only a few cases. All case companies operate in the Helsinki Metropolitan area and that has to be taken into account when assessing the empirical findings. A detailed presentation of each case company is included in the study in order to give the reader the opportunity to assess the similarities/differences among the study objects. Also, the level of utilisation in this study seems to be high as the conceptual model can easily be turned into operational procedures and processes, as stated in the previous section.

In assessing theory-building research based on case studies, one has to remember that there is no generally accepted set of guidelines for the assessment of this type of research (Eisenhardt 1989, p. 548). However, she (ibid, p. 548) lists three assessment criteria, which seem to be appropriate and can also be used in assessing this specific study from a theory-building viewpoint:

1) The concepts, the framework and the propositions emerging from the process are ‘good theory’.

2) The methodology has clear strengths and the empiric gives support to the theory.

3) The entire research process results in new insights.

When assessing the validity and reliability of a study, one has to apply different criteria to qualitative and quantitative research. According to a traditional view, scientific generalisation can only be shown through statistical sampling. Coffey and Atkinson (1996), however, point out, that there is a difference between generalisation in qualitative and quantitative research. They suggest that qualitative research creates generalisations based on discoveries in mechanisms and internal patterns of a phenomena, whereas in quantitative research a generalisation is a product of a representativeness of the population sample. Also Marshall and Rossman (1989) state, that ‘generalising from statistical samples is just one type of generalisation...’. In this study the discussion about possibilities to generalise or not is relevant in connection with the extended offering development model. The model is of conceptual character and the author sincerely believes that the inter-relations and logics of offering development in other types of restaurants and even in other service industries would be quite similar. That is, however, only an assumption and any verification of that is beyond the aims of this study.

In all, validity is another word for truth and reliability refers to the degree of consistency with which instances are assigned to the same category by different observers or by the same observer on different occasions. They both are dependent on the used procedures, on reliable methods and valid conclusions (see also Silverman 2000, pp. 175-189). In this study, during the entire research process, all the
abovementioned criteria have been kept in mind. The author has treated all data identically. At the same time the author has been fully aware of the difficulties in assessing the final outcome of the study. A research journey is never finished and therefore some ideas for further research are presented in the final section.

12.4 Ideas for further research

During the research process the author has come up with many research ideas, which have fallen out of scope of this specific study. As mentioned earlier, more research is definitely needed and at least the following four aspects might be further developments of the presented conceptual model:

1. **The role of customer involvement in offering development.** That role seems to be changing rapidly and it would be extremely interesting to conduct research about possible customer-activating procedures (management viewpoint) and customer perceptions of these procedures (customer viewpoint).

2. Research about possibilities to create an offering development framework, which takes into account the development stage of the company. In the present study all empirical objects represent mature companies. One can assume that offering development processes may look different at different stages of the company life-cycle. Combining that kind of life-cycle-thinking with an analysis of offering development could bring totally new insights into the forefront.

3. A comparative study, in which different kinds of restaurant concepts are analysed and compared from the offering development point of view. In the present study all empirical objects fulfilled certain loose criteria and they were from the same geographical area. Even though the author believes that the obtained results can be generalised, the evidence of that should be provided through a specific study.

4. The inter-relation between offering development strategies and corporate culture. One of the conclusions of the present study was that offering development is quite manager-driven. Therefore, the impact of managers could clearly be noticed. Another issue, which has fallen out of the scope of
this study, is the potential impact of corporate culture. One can assume that corporate culture at least has an impact on how different processes work in a company. Corporate cultures may even be developed towards a more ‘development friendly’ direction.

In general, it has become clear that a lot of work is needed in the area of offering development. As most companies are trying to create and maintain competitive advantages, one can assume that all developmental activities come more and more to the forefront. One should constantly be capable of analysing one’s present situation in order to be better equipped for tomorrow. One should also understand, that without developmental activities, there is no success in the ever harder competitive world. The ones who stay where they are will actually be left behind. However, it is also important to keep in mind that no development work should be carried out only because it is perceived ‘trendy’ or ‘fashionable’. The ultimate goal of all development is to preventively improve one’s competitive situation and to anticipate potential changes in the target-markets. Despite the fact that developmental activities usually require a lot of work, many trial-and-error processes and even unnecessary actions, one should always perceive development as an entirely positive concept. In the long run that ‘future-optimism’ may be the single factor separating winners from losers.

Besides being development-positive one also has to be quick. Nordström and Ridderstråle (2003, p. 150) state simply:

'Knowledge has limited shelf life. Therefore, continuous innovation, both revolutionary and evolutionary, is a necessity – possibly an evil one – but still a fact of (business) life.'

Offering development is just one tool getting us a little bit better prepared for the future challenges and future decision-making.
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## INTERVIEWS

<table>
<thead>
<tr>
<th>Interview Location</th>
<th>Type of Visit</th>
<th>Dates and Times</th>
<th>Managers/Contacts</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lankinen Heikki</td>
<td>Research Manager</td>
<td>Nov 17, 2001, 12.30 - 15.00 PM</td>
<td>SHR (Finnish Hotel and Restaurant Association)</td>
</tr>
<tr>
<td>Restaurant Fly Inn</td>
<td>Observational Visit</td>
<td>Dec. 11, 1997, 12.30 - 1.15 PM, Dec. 18, 1997, 2-4.30 PM &amp; Jan. 12, 1998 9-11 AM</td>
<td>Food and Beverage Manager Pekka Pakarinen, Managing Director Kristiina Inkiläinen, Food and Beverage Manager Jaani Suominen</td>
</tr>
</tbody>
</table>

Customer study from the managerial perspective, Nov. 20, 2002
Customer study from the managerial perspective, Nov. 21, 2002,

TELEPHONE INTERVIEWS

Lankinen Heikki (C)  Research Manager at SHR (Finnish Hotel and Restaurant Association) Jan. 18, 2002 12.05-12.15 PM

Restaurant Fly Inn  Food and Beverage Manager Pekka Pakarinen, Feb. 22, 1998, 2-2.10 PM

Restaurant Kanavaranta  Managing Director Eero Mäkelä, Feb. 22, 1998, 1-1.30 PM
APPENDIX 1: INTERVIEW GUIDE

1) BACKGROUND INFORMATION

- NAME OF THE RESTAURANT
- ESTABLISHED
- OWNED BY
- ADDRESS
- CONCEPT (IN BRIEF)
- ADDITIONAL PARTS OF OFFERING
- SEATS
- ANNUAL SALES
- DIVISION OF SALES
- OPERATING PROFIT
- ORGANISATION AND AREAS OF RESPONSIBILITY
- STAFFING

2) STORY TELLING

HOW THE RESTAURANT WAS ESTABLISHED? ‘TELL A STORY’ (TAPED)

3) OFFERING DEVELOPMENT PROCESS

A) GENERAL:

1. WHAT IS THE ROLE OF OFFERING DEVELOPMENT BEFORE AND AFTER OPENING THE RESTAURANT?

2. HOW DO FINANCIAL ASPECTS AFFECT OFFERING DEVELOPMENT?

3. HOW MUCH DOES THE SPECIFIC CHARACTERISTICS OF THE RESTAURANT INDUSTRY AFFECT YOUR OFFERING DEVELOPMENT?

4. WHAT IS THE GENERAL IMPORTANCE OF OFFERING DEVELOPMENT?

5. WHAT IS YOUR ASSESSMENT OF FUTURE TRENDS IN OFFERING DEVELOPMENT?
B) INFORMATION:

1. WHAT KIND OF INFORMATION SYSTEM DO YOU HAVE FOR COLLECTION OF ENVIRONMENTAL INFORMATION?

2. WHAT KIND OF SYSTEM DO YOU HAVE FOR COLLECTION OF ENVIRONMENTAL INFORMATION ON AN INDIVIDUAL BASIS?

3. WHAT ARE THE MOSTLY USED INFORMATION SOURCES IN OFFERING DEVELOPMENT?

C) ACTORS AND THEIR COLLABORATION:

1. DO CUSTOMERS PARTICIPATE AT OFFERING DEVELOPMENT? HOW? WHY?

2. INTERNAL PARTICIPATION?

3. EXTERNAL PARTICIPATION?

4. HOW IS OFFERING DEVELOPMENT ORGANISED?

5. WHO ARE USUALLY INITIATORS OF OFFERING DEVELOPMENT?

6. HOW IS DECISION MAKING CARRIED OUT? WHO MAKES THE FINAL DECISIONS?

7. PLEASE DESCRIBE YOUR INTERNAL CO-OPERATION THROUGHOUT YOUR OFFERING DEVELOPMENT PROCESS.

8. PLEASE DESCRIBE YOUR EXTERNAL CO-OPERATION THROUGHOUT YOUR OFFERING DEVELOPMENT PROCESS.

D) CREATIVITY:

1. PLEASE ASSESS THE LEVEL OF CREATIVITY IN YOUR OFFERING DEVELOPMENT. HOW IS CREATIVITY SUPPORTED?

E) PLANNING:

1. HOW MUCH WAS/IS OFFERING DEVELOPMENT PLANNED?

2. WHAT IS THE PLANNING HORIZON OF OFFERING DEVELOPMENT? WHAT ARE THE USED METHODS?

3. HOW STANDARDISED IS YOUR OFFERING DEVELOPMENT AS A PROCESS?


Mikäli teillä on tähän tutkimukseen, sen taustoihin, käytettäviin menetelmiin ja johonkin muuhun liittyviä ajatuksia/kysymyksiä, voitte olla suoraan yhteydessä allekirjoittaneeseen. Olen Haaga Instituutin koulutusalajohtajan tehtävästä kolmen vuoden tutkimusvapaalla ja työssä tätä tutkimusta Budapestista käsin. Samassa yhteydessä toivotaan hyvää jatkoa ja luotan tutkimusmyönteisyyteen.

Parhain terveisin,

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Ruuusulankatu 11 B 39
00260 Helsinki
I VASTAAJAN TAUSTATIEDOT
Näitä tietoja käytetään tutkimuksen taustamuuttujina sekä haastatellun kohderyhmän kuvaamisessa. Valitkaa itseäänne kuvaava vaihtoehto rastittamalla.

1. Sukupuoli: Mies
   Nainen

2. Syntymävuosi: 

3. Pääsääntöinen ammattiryhmä: Johtavassa tai selkeässä esimiesasemassa oleva
   Toimihenkilö tai erityisasiantuntija
   Suoritustason työntekijä
   Yrittäjä
   Opiskelija
   Aktiivisen työelämän ulkopuolella oleva (kotiäiti/-isä, työtön, eläkkeellä, tms.)
   Osa-aikatyöntekijä
   Joku muu, mikä?

4. Asuinpaikka: Kunta/kaupunki: 
   Postinumero: 

II) PÄÄSÄÄNTÖISESTI TÄHÄN RAVINTOLAAN LIITTYVÄT KYSYMYKSET

5. Kuinka pitkään olette käyneet tässä ravintolassa asiakkaana?
   alle vuoden
   1 - 2 vuotta
   2 - 4 vuotta
   yli 4 vuotta
6. Kuinka suureksi arvioisitte yhden tähän ravintolaan suuntautuvan käynnin keskimääräisen keskiostokseen? (Mikäli ostokseenne vaihtelevat runsaasti, pyrkikää valitsemaan sellainen keskiarvoluku, joka parhaiten kuvaa keskimääräistä kulutustanne. Luku voi sisältää muille kuin itsellenne ostettuja tuotteita.)
   Keskimäärin _________ Euroa/keskiverto käyntikerta

7. Seuraavassa on lueteltu joitakin tähän ravintolaan liittyviä seikoja. Valitkaa kolme (3) mielestänne keskeistä tämän ravintolan kohdella erityisen myönteistä seikkaa sekä ympyröikää niistä mielestänne tärkein vaihtoehto.

- sijainti
- hintataso
- henkilökunta
- tuotevalikoima
- muut asiakkaat
- tulemisen helppous
- tuttuus
- ravintola ”in”
- tuotteiden laatu
- sisustus
- näitä tuotteita saatavilla vain täältä
- tunnelma
- tuotteiden ja palvelun tasalaatuisuus
- joku muu, mikä?

8. Mainitkaa kolme (3) tähän ravintolaan liittyvää kielteistä ominaisuutta, jotka mahdollisesti voisivat johtaa siihen, että valitsisitte jonkin kilpailevan ravintolan tämän ravintolan sijasta:
   1. _______________________________________________________________________________
   2. _______________________________________________________________________________
   3. _______________________________________________________________________________

   vanhasta tottumuksesta
   eri vaihtoehtoja vertailemalla
   seuralaisten vaikutuksesta
   ravintolakäyntiä edeltävän
   televiestinnän tuloksena
   hetken mielijohteesta
   summamutikassa ajautumalla
   mahdollisten etujen johdosta
   ravintolakäyntiä edeltävän e-
   mailviestinnän tuloksena
ravintolakäyntiä edeltävän tiedonkeruun (esim. lehtien mainokset) kautta
jonkun muun henkilön päättöksen/suosituksen tuloksena
jokin muu tapa, mikä? _______________________________________________________

10. Valitkaa seuraavista mahdollisista tietolähteistä kolme (3) tekijää, jotka yleensä
vaikuttavat eniten päättöseenne tulla tähän ravintolaan. Merkitkää
tekijättärkeysjärjestykseen numeroilla (1 - 3).

aikaisemmat kokemukset muut ravintolassa mahd. olevat asiakkaat
oma perhe ystäväpiiri
sanomalehdistö/mainokset internet
sanomalehdistö/artikkelit TV
aikakausilehdistö/mainokset radio
aikakausilehdistö/artikkelit ravintolan oma viestintä
jonkun muun henkilön vaikutus
joku muu syy, mikä?
____________________________________________
____________________________________________

11. Seuraavassa on esitetty kymmenen tähän ravintolaan liittyvä väittä. Vastatkaa
kunkin väitten kohdalla rastittamalla mielipidettäne kuvaava vaihtoehto. Kunkin
väittämän kohdalle voi merkitä vain yhden rastin. (1=Täysin samaa mieltä,
2=Osittain samaa mieltä, 3= Ei osaa sanoa, 4=Osittain eri mieltä, 5= Täysin eri
mieltä; sama asteikko on käytössä myös kysymyksissä 13, 16 ja 18.)

- Tässä ravintolassa asiakkailla on aktiivinen
rooli.

- Tähän ravintolaan on helppo tulla.

- Tässä ravintolassa henkilöstö tuntuu
 työskentelevän yhteisen päämäärän eteen.

- Tämä ravintola toimii asiakkaiden ehdoilla.

- Tämä ravintola on tyylijleen uskollinen.

- Tämä ravintola tarjoaa aina yllätyksiä.

- Tämä ravintola panostaa asiakkasuhteeseen.

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</table>
- Tätä ravintolaa voi pitää brändinä (tuotemerkkinä).
- Tähän ravintolaan tullaan vain syömään ja juomaan.
- Tällä ravintolalla on selkeä oma persoona.


- Mikä tekee tämän ravintolan erilaiseksi?
  ____________________________________________
  ____________________________________________

- Mitä tarpeitanne voitte tyydyttää tämän ravintolan kautta?
  ____________________________________________
  ____________________________________________

- Mistä tämä ravintola on erityisen tunnettu?
  ____________________________________________
  ____________________________________________

13. Seuraavassa on jälleen esitetty kymmenen tähän ravintolan tarjoamaan liittyvää väitettä. Tarjoomalla tarkoitetaan tässä yhteydessä sitä kokonaisuutta, minkä ravintola tarjoaa asiakkailleen. Vastatkaa väitteisiin rastittamalla kunkin väitteen kohdalla mielipidettäneen kuvaavan vaihtoehto. (Asteikko on selvitetty kysymyksen 11 yhteydessä.)

TSM  OSM  EOS  OEM  TEM
  1    2    3    4    5

- Tämän ravintolan tarjoama on selkeä.
- Tämän ravintolan tarjoama on monipuolinen.
- Tämän ravintolan tarjoama on asiakkaat huomioonottava.
- Tämän ravintolan tarjoama on käytännössä toimiva.
- Tämän ravintolan tarjoama on hinta-laatu suhteeltaan hyvä.
- Tämän ravintolan tarjoama on lupaukset täytävät.
- Tämän ravintolan tarjoama on korkeatasoinen.
- Tämän ravintolan tarjoama on selkeä brändi.
- Tämän ravintolan tarjous on henkilöstön varassa.
- Tämän ravintolan tarjous on pikemminkin viihdettä kuin ruokaa ja juomaa.

14. Mainitka se tai ne Helsingin pääkaupunkiseudun ravintolat, jotka mielestänne suorimmin kilpailevat tämän ravintolan kanssa.

______________________________________________________________________
______________________________________________________________________

III RAVINTOLAVALINTAAN YLEISEMIN LIITTYVÄT KYSYMYS

Nämä kysymykset liittyvät ravintolavalintatilanteeseen yleisesti. Voitte siis pitää mielellänne myös muita ravintoloita kuin tämän ravintolan. Tavoitteena on selvittää niitä seikkoja, jotka nousevat pintaan valintatilanteessa sekä lopulliseen valintaan liittyvää arviointikriteereitä.

15. Kun yleensä valitsette ravintolaa, mitkä seikat ovat teille tärkeimmä? Mainitka viisi tärkeintä seikkaa tärkeystarkastukseksi (1 - 5) siten, että merkitsette tärkeimmän numerolla 1, toiseksi tärkeimmän numerolla 2, jne. aina numeroon 5 asti.

1. ______________________________________________________
2. ______________________________________________________
3. ______________________________________________________
4. ______________________________________________________
5. ______________________________________________________


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</table>

- Käyn mielelläni tutussa ravintolassa.
- Käyn mielelläni tutustumassa uusiin ravintoloihin.
- Ystävänä vaikuttavat voimakkaasti ravintolavaihtoehtoihin.
- Ravintolan valinta on aina iso päätös.
- Aikaisemmat kokemukset vaikuttavat ravintolan valintaani.
- Ravintolan sisustus vaikuttaa ravintolan valintaani.
- Hinta/laatu-suhde on tärkein ravintolan
valintakriteeri.
- Ravintoloita ei valita; niihin ajaudutaan.
- Seuraan aktiivisesti ravintoloiden ulkoista markkinointia (esim. ilmoittelua).
- Huhut ja ravintolan yleinen imago vaikuttavat ravintolavalintoihini.

17. Jakakaa sata (100) pistettä seuraaville kymmenelle ravintolan valinnassa yleensä esiintyvälle valintakriteerille siten, että luvun suuruus kuvaa tekijän tärkeyttä juuri teidän päätöksenteossanne koskien ravintoloita yleensä. Mikäli kaikki tekijät olisivat täysin sanarvoisia, kunkin tekijän painoarvoksi tulisi 10. Mikäli jokin tekijä on mielestänne täysin mitätön, voitte jättää sen myös pisteittä. Huomioikaa kuitenkin, että loppusumman tulee olla 100 pistettä.

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</table>

   p. ravintolan hinta/laatu-suhte
   p. ravintolan tuotteiden laatu
   p. ravintolan palvelun laatu
   p. ravintolan sisäni
   p. ravintolan henkilökunnan toiminta
   p. ravintolan muut asiakkaat
   p. ravintolan yleinen imago
   p. ravintolan ajamnukaisuus
   p. ravintolan ruokalistan laajuus
   p. jokin muu, mikä?

100 p. YHTEENSÄ

18. Seuraavassa on esitetty kymmenen ravintolakäynnin motiiveihin liittyvää väitettä. Vastatkaa väitteisiin rastittamalla kunkin väitteen kohdalla mielipideesi kuvaava vaihtoehto. (Asteikko on selvitetty kysymyksen 11 yhteydessä.)

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<th>TEM</th>
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</thead>
<tbody>
<tr>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
</tbody>
</table>

- Ravintolaa menään pääasiassa tapaamaan muita ihmisä.
- Ravintolaa menään nautiskelemaan.
- Ravintolan tuotteet ja niiden laatu ovat tärkeämpää kuin ravintolassa olevat muut asiakkaat.
- Kiinnitän paljon huomiota muihin asiakkaisiin.
- Valitessani ravintolaa joudun usein tyytymään kompromissiin.
- Ravintolan imago vaikuttaa ravintolavalintaani enemmän kuin ravintolan todellinen laatu.
- Ravintolan muut aiakkaat ovat osa ravintolan laatua.
- Ravintolakäynnin pääsyy on nautiskella hyvistä juomista ja ruuista.
- Laadun tekemisessä ravintolan henkilökunnan rooli on keskeinen.
- Ravintolavalinta on aina arpomista.


________________________________________________________________________
________________________________________________________________________
________________________________________________________________________
________________________________________________________________________
________________________________________________________________________

SYDÄMELLINEN KIITOS VAIVANNÄÖSTÄNNE; MUISTATTEHAN TÄYTTÄÄ ARVONTALIPUKKEEN JA PALAUTTAA SEN TÄYTETYN LOMAKKEEN MUKANA. ARVONTALIPUKKEEN YHTEYSTIETOJA EI MISSÄÄN VAIHEESSA YHDISTETÄ LOMAKKEISIIN, JOTEN VASTAAJIIEN NIMEITTÖMYYS ON TAATTU. ONNEA ARVONNASSA!

ARVONTALIPUKE

Osallistun arvontaan, jossa kaikkien vastanneiden kesken arvotaan kahden hengen illallinen (arvo n. 100 Euroa) kysymyslomakkeen käsittelemässä ravintolassa.

NIMI: _____________________________
OSOITE: ___________________________
PUHELINNUMERO: __________________

Viimeinen palautuspäivä: 27.11.2002
DEAR GUEST OF RESTAURANT X!

This questionnaire is a part of my Ph.D.-studies, in which I investigate questions concerning the choice of a restaurant, restaurant consumption and possibilities to incorporate these two into the product development process of a restaurant. You have been chosen into the sample from frequent customer records of Restaurant X. As the sample is quite small and well defined, I sincerely hope that you take about 10-15 minutes of your time to answer the given questions. All answers are analysed anonymously and total confidentiality is guaranteed. The results are presented as a block concerning one restaurant and no single answers can be identified.

The questionnaire consists of three parts: I) Background information, II) Questions mainly about this restaurant and III) General questions about restaurant choice. It is extremely important that you answer all questions according to your best knowledge.

A lottery ticket is accompanying the questionnaire. By returning the filled questionnaire and the lottery ticket with your contact information, you take part in a drawing, where the prize is dinner for two in this restaurant (value approximately Euro 100). The drawing takes place November 27, 2002 and the winner is informed personally.

If you have any questions or comments about this study, its background or used methods, please don’t hesitate to be in direct contact with me. I am at the moment on a three-year leave of absence from my duties as the Dean of Haaga Institute and I work on my doctoral dissertation in Budapest, Hungary. In the meantime I wish you all the best and trust on your positive stand towards research.

With best wishes,

Lic.Sc. Teemu Kokko
Maimo@saunalahti.fi, tel. 050-5551131
C/O Airi Kokko
Ruusulankatu 11 B 39
00260 Helsinki
I BACKGROUND INFORMATION OF THE RESPONDENT
This information is used as background variables and in describing the interviewed target-group. Please mark the alternative best describing yourself.

1. Sex: Man
   Woman

2. Year of birth: ________

3. Professional status: Management or supervisory position
   Functionary or expert
   Worker
   Entrepreneur
   Student
   Outside of active working-life (home-mother/-father, unemployed, retired, etc.)
   Part-time employer
   Something else, what?_______________

4. Place of residence: County/city: ________________________
   Zip code: ________________________

II) QUESTIONS ABOUT THIS RESTAURANT
5. How long have you been a customer of this restaurant?
   less than a year
   1 - 2 years
   2 - 4 years
   more than 4 years

6. What is your estimate about the average check in this restaurant during one single visit? (If your checks vary, please choose an average figure, which according to you best describes your consumption. The figure may include products bought to other people than yourself.)
   In average _________ Euros/visit
7. In the following a list of characteristics of this restaurant is presented. Please choose three (3) of them, which according to your opinion are most positive in this restaurant and draw a circle around the most positive one.

<table>
<thead>
<tr>
<th>location</th>
<th>price-level</th>
<th>staff</th>
</tr>
</thead>
<tbody>
<tr>
<td>selection of products</td>
<td>other customers</td>
<td>easy to enter</td>
</tr>
<tr>
<td>familiarity</td>
<td>restaurant &quot;in&quot;</td>
<td>quality of products</td>
</tr>
<tr>
<td>interior</td>
<td>some special products only available here</td>
<td></td>
</tr>
<tr>
<td>atmosphere</td>
<td>consistency of the quality of products and service</td>
<td></td>
</tr>
</tbody>
</table>

Something else, what? _______________________________________

8. Please, list three (3) potential negative characteristics of this restaurant, which could make you to choose a competing restaurant instead of this restaurant.

1. _____________________________________________________

2. _____________________________________________________

3. _____________________________________________________

9. How do you usually make the decision to come to this restaurant? You can choose from the alternatives below all those, which in your opinion somehow describe or characterise your decision-making. In other words, you may choose more than one alternative.

old habit       impulsive behaviour
comparing different alternatives  it just happens
accompanying peoples´ influence  because of possible benefit restaurant offers to me
SMS´s before the restaurant visit  e-mails before the restaurant visit
active information collecting (i.e. advertisements in newspapers) before the visit
influence/recommendation of some other person

something else, what? ______________________________________

10. Please, choose from the following potential information sources the three (3) most important ones that according to your opinion have most impact on your decision to come to this restaurant. Number them in order of importance from 1 (most important) to 3.
previous experiences  other customers in the restaurant
own family  friends
newspapers (advertisements)  internet
newspapers (articles)  TV
magazines (advertisements)  radio
magazines (articles)  restaurant’s own communication
impact from some other person
some other source, what? ________________________________

11. In the following you can find ten statements about this restaurant. Mark your opinion for each statement by choosing one alternative. (1=Agree totally, 2=Agree somewhat, 3=Cannot say/don’t know, 4=Disagree somewhat, 5=Disagree totally; the same scale is also used in questions 13, 16 and 18.)

- In this restaurant the customers have an active role.
- It is easy to come to this restaurant.
- In this restaurant the staff seems to be working for a common goal.
- This restaurant operates on customer terms.
- This restaurant is loyal to its style.
- This restaurant always provides surprises.
- This restaurant actively emphasises the customer life-cycle.
- This restaurant can be considered an institution.
- One comes to this restaurant only to eat and drink.
- This restaurant has a clear personality of its own.

12. In the following there are three quite abstract questions about this restaurant. Please answer the questions shortly – only with few words.

- What makes this restaurant different? _____________________________________
- _______________________________________________________________________
- _______________________________________________________________________

- Which of your needs do you think you can satisfy through this restaurant? 

- For what is this restaurant specially known for? 

13. In the following there are ten statements about the **offering of this restaurant**. In this context the term ‘offering’ means the whole entirety this restaurant offers to its customers. Choose the alternative for each statement, which best describes your opinion. (The scale has been introduced in question 11.)

<table>
<thead>
<tr>
<th>Statement</th>
<th>AgT</th>
<th>AgS</th>
<th>Cns</th>
<th>DiS</th>
<th>DiT</th>
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</thead>
<tbody>
<tr>
<td>The offering of this restaurant is clear.</td>
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<tr>
<td>The offering of this restaurant is versatile.</td>
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<tr>
<td>The offering of this restaurant pays attention to customers.</td>
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<tr>
<td>The offering of this restaurant is operatively good.</td>
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<tr>
<td>The offering of this restaurant has a good quality-price ratio.</td>
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<tr>
<td>The offering of this restaurant fulfills given promises.</td>
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<tr>
<td>The offering of this restaurant is of high quality.</td>
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<tr>
<td>The offering of this restaurant can be seen as a clear brand.</td>
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<tr>
<td>The offering of this restaurant relies on the staff.</td>
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<tr>
<td>The offering of this restaurant is more entertainment than food and drinks.</td>
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</table>

14. Please, make a list of restaurants in the Helsinki metropolitan area, which according to your opinion compete **directly** with this restaurant.

---

**III QUESTIONS ABOUT RESTAURANT CHOICE IN GENERAL**

The following questions deal with the choice of a restaurant in general. When answering, you may also think other restaurants than this one. The aim with these questions is to analyse aspects, which have an impact on a choosing-situation. Also the criteria for the final choice is of interest.

15. When you are choosing a restaurant, which aspects are most important to you? Please, mention the five most important aspects in an order of importance so, that the
most important aspect is marked as 1, the second important aspect as 2 and so on until
the fifth aspect.
1. ________________________________________________________
2. ________________________________________________________
3. ________________________________________________________
4. ________________________________________________________
5. ________________________________________________________

16. In the following there are ten statements about restaurants in general. Please, choose the alternative best describing your opinion. (The scale has been introduced in question 11.)

- I like to go to a familiar restaurant.
- I like to go and check out new restaurants.
- My friends have a strong impact on my restaurant choices.
- Restaurant choice is always a big decision.
- Previous experiences always have an impact on restaurant choice.
- The interior of a restaurant has an impact on my restaurant choice.
- Price/quality-ratio is the most important restaurant selection criterium.
- You don’t choose restaurants; You just drift to them.
- I actively follow the external marketing of restaurants (i.e. advertisements)
- Gossip and the general image of a restaurant have an impact on my restaurant choices.

17. Please divide hundred (100) points to the following criteria used in choosing a restaurant. The more points you give to a certain criterium, the more important you feel it is. If all criteria would be of equal importance, each criterium would get 10 points. If some criterium is totally insignificant, you can leave it without any points. However, please notice that the total sum should be exactly 100.

   __ p. The price/quality-ratio of a restaurant
   __ p. The quality of restaurant’s products
   __ p. The quality of service in the restaurant
   __ p. Restaurant location
   __ p. The activity of the restaurant staff
18. In the following there are 10 statements about a restaurant visit. Choose the alternative best describing your opinion. (The scale has been introduced in question 11.)

<table>
<thead>
<tr>
<th>Statement</th>
<th>AgT</th>
<th>AgS</th>
<th>Cns</th>
<th>DiS</th>
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<tbody>
<tr>
<td>- One goes to a restaurant mainly to meet other people.</td>
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<tr>
<td>- One goes to a restaurant to enjoy oneself.</td>
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<tr>
<td>- In a restaurant the products and their quality are more important than</td>
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<tr>
<td>the other customers.</td>
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<td>- I pay a lot of attention to other customers.</td>
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<td>- I often have to settle for a compromise when choosing a restaurant.</td>
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<tr>
<td>- The image of the restaurant has more impact on my restaurant choice</td>
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<tr>
<td>more important than the actual quality of that restaurant.</td>
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<tr>
<td>- Other customers in a restaurant are part of its quality.</td>
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<tr>
<td>- The major reason for a restaurant visit is to enjoy nice drinks and</td>
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<tr>
<td>food.</td>
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<tr>
<td>- The staff has a central role in producing quality.</td>
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<tr>
<td>- Choosing a restaurant is always like drawing of lots.</td>
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</table>
19. Finally, an open question: How can the high level of product development according to your opinion be seen operationally in restaurant’s everyday routines? If possible, please give some descriptive example. If you wish, you can also attach to your answer general comments and opinions about restaurants.

______________________________________________________________________
______________________________________________________________________
______________________________________________________________________
______________________________________________________________________
______________________________________________________________________
______________________________________________________________________
______________________________________________________________________

A WARM THANKS FOR YOUR EFFORTS; DON’T FORGET TO FILL OUT THE LOTTERY TICKET AND RETURN IT WITH THE FILLED-OUT QUESTIONNAIRE. THE QUESTIONNAIRES AND LOTTERY TICKETS ARE SEPARATED FROM EACH OTHER AND THEREFORE YOUR FULL ANONYMITY IS GUARANTEED.

GOOD LUCK IN THE DRAWING!

LOTTERY TICKET

I take part in a lottery in which among all respondents a dinner for two (value approx. 100 Euro) is drafted.

NAME: ____________________________________________
ADDRESS: ____________________________________________
TEL.: ______________________

Dead-line: Nov. 27, 2002
## APPENDIX 4: PECTOPAH SASLIK

CUSTOMERS/MANAGERS COMPARATIVE ANALYSIS PECTOPAH SASLIK (customers n = 160, managers n = 5. This appendix includes only responses to questions, which have not been fully reviewed in the report.)

<table>
<thead>
<tr>
<th></th>
<th>Customers (n=160)</th>
<th>Managers (n=5)</th>
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</thead>
<tbody>
<tr>
<td>1. Sex:</td>
<td>32.1 / 67.9</td>
<td>Man / Woman</td>
</tr>
<tr>
<td></td>
<td>40.0 / 60.0</td>
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<tr>
<td>2. Average age:</td>
<td>42.4 / 36.4</td>
<td>Years</td>
</tr>
<tr>
<td>3. Professional status:</td>
<td>27.2 / 100.0 %</td>
<td>Management or supervisory position</td>
</tr>
<tr>
<td></td>
<td>64.2 / - %</td>
<td>Functionary or expert</td>
</tr>
<tr>
<td></td>
<td>3.7 / - %</td>
<td>Worker</td>
</tr>
<tr>
<td></td>
<td>4.9 / - %</td>
<td>Entrepreneur</td>
</tr>
<tr>
<td></td>
<td>- / - %</td>
<td>Student</td>
</tr>
<tr>
<td></td>
<td>- / - %</td>
<td>Outside of active working-life (home-mother/-father, unemployed, retired, etc.)</td>
</tr>
<tr>
<td></td>
<td>- / - %</td>
<td>Part-time employee</td>
</tr>
<tr>
<td></td>
<td>- / - %</td>
<td>Something else</td>
</tr>
<tr>
<td>4. Place of residence:</td>
<td>40.6 / 60.0 %</td>
<td>Helsinki</td>
</tr>
<tr>
<td></td>
<td>21.8 / - %</td>
<td>Espoo</td>
</tr>
<tr>
<td></td>
<td>8.8 / - %</td>
<td>Vantaa</td>
</tr>
<tr>
<td></td>
<td>28.8 / 40.0 %</td>
<td>Outside Helsinki Metropolitan area</td>
</tr>
<tr>
<td>5. How long have you a) been a customer of b) worked at this restaurant? (n=160/5)</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>9.7 / - %</td>
<td>Less than a year</td>
</tr>
<tr>
<td></td>
<td>12.1 / 20.0 %</td>
<td>1 – 2 years</td>
</tr>
<tr>
<td></td>
<td>11.5 / - %</td>
<td>2 – 4 years</td>
</tr>
<tr>
<td></td>
<td>66.7 / 80.0 %</td>
<td>More than 4 years</td>
</tr>
<tr>
<td></td>
<td>***</td>
<td></td>
</tr>
</tbody>
</table>

8. Please, list three (3) potential negative characteristic of this restaurant, which could make you to choose a competing restaurant instead of this one. (n=160/5) (The number in the parenthesis indicates the number of respondents having mentioned the specific item.)

<table>
<thead>
<tr>
<th>Customers (n=160)</th>
<th>Managers (n=5)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Price-level (76)</td>
<td>1. Price-level (5)</td>
</tr>
<tr>
<td>2. Location (45)</td>
<td>2. Location (4)</td>
</tr>
<tr>
<td>3. Cannot say (35)</td>
<td>3. Slow service (3)</td>
</tr>
<tr>
<td>4. Restaurant is full (22)</td>
<td>4. (1): Offering too narrow, inconsistent quality,</td>
</tr>
<tr>
<td>Food quality (18)</td>
<td>Food quality, Restaurant is full</td>
</tr>
<tr>
<td>Unfriendliness of the staff (12)</td>
<td></td>
</tr>
<tr>
<td>Narrow offering (11)</td>
<td></td>
</tr>
<tr>
<td>Slow service (9)</td>
<td></td>
</tr>
<tr>
<td>No parking places (8)</td>
<td></td>
</tr>
<tr>
<td>Too heavy food (8)</td>
<td></td>
</tr>
</tbody>
</table>
Inconsistent quality (7)
Interior (6)
“Tourist Russian style” (6)
Noise (5)
Misty air (5)
Change in the atmosphere (4)
Restaurant closes too early (4)
No real vegetarian alternatives (3)
Low level of the Troubadour (3)
Darkness (3)
Restaurant is too fancy (2)
Interior is too wintery (2)
The non-smoking side is often full (2)
Closes too early on Sundays (2)
Not technically suitable for meetings (2)
Quality of toilets (2)
Not enough fish alternatives (2)
(1): Unprofessional garderobe facilities, Too hard air-conditioning, No separate smoking room, The system of taking reservations is not always working properly, Too quiet restaurant, Too small portions, Food is not always warm, The calling-button system in the cabinets

12. In the following there are three quite abstract questions about this restaurant. (n=155/5, the number in the parenthesis indicates the number of respondents having mentioned the specific item.)

- What makes this restaurant different?

<table>
<thead>
<tr>
<th>Customers</th>
<th>Managers</th>
</tr>
</thead>
<tbody>
<tr>
<td>Atmosphere (79)</td>
<td>/ 1. Atmosphere (5)</td>
</tr>
<tr>
<td>Interior (61)</td>
<td>/ 2. Interior (4)</td>
</tr>
<tr>
<td>Food offering (39)</td>
<td>/ 3. Music (3)</td>
</tr>
<tr>
<td>Russian style (31)</td>
<td>/ 4. Cabinets (2)</td>
</tr>
<tr>
<td>Music (24)</td>
<td>/ 5. Russian style (1)</td>
</tr>
</tbody>
</table>

The total offering (20)
Own personality (17)
Cabinets (16)
Staff (13)
Unlikeness to any other restaurant (13)
Quality (6)
Good smells (4)
Image (2)
Customer service (2)
(1): Internationality, Abundance

- Which of your needs do you think you can satisfy through this restaurant?

<table>
<thead>
<tr>
<th>Customers</th>
<th>Managers</th>
</tr>
</thead>
<tbody>
<tr>
<td>Enjoying oneself (74)</td>
<td>/ 1. Hunger and thirst (3)</td>
</tr>
<tr>
<td>Representation (48)</td>
<td>/ 2. Enjoying oneself (2)</td>
</tr>
<tr>
<td>Getting new experiences (25)</td>
<td>/ 3. (1): Social needs, New experiences, A place to celebrate</td>
</tr>
</tbody>
</table>
4. Enjoying a different kind of a restaurant (19)
5. Associating (18)
Hunger and thirst (11)
Can not say (11)
Escape from darkness (7)
Quality (3)
Experiencing the history (2)
Eating too much (2)

(1): Abundance, Longing far away, Toasts, Nostalgia

- For what is this restaurant specially known for?

<table>
<thead>
<tr>
<th>Customers</th>
<th>Managers</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Food offering</td>
<td>1. Atmosphere, Music (4)</td>
</tr>
<tr>
<td>2. Russian style</td>
<td>2. High quality food (3)</td>
</tr>
<tr>
<td>3. Atmosphere</td>
<td>3. Big portions (2)</td>
</tr>
<tr>
<td>5. Music</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td>Good service (9)</td>
<td></td>
</tr>
<tr>
<td>Consistent quality (8)</td>
<td></td>
</tr>
<tr>
<td>History (7)</td>
<td></td>
</tr>
<tr>
<td>Ivan’s sword (=food item) (5)</td>
<td></td>
</tr>
<tr>
<td>Cabinets (5)</td>
<td></td>
</tr>
<tr>
<td>Abundance (4)</td>
<td></td>
</tr>
<tr>
<td>Cannot say (3)</td>
<td></td>
</tr>
<tr>
<td>A place for representation (3)</td>
<td></td>
</tr>
<tr>
<td>Expensive (3)</td>
<td></td>
</tr>
<tr>
<td>Smell of garlic (3)</td>
<td></td>
</tr>
<tr>
<td>(1): Internationality, Blinis, Timo T.A. Kaukonen (=the original founder of the restaurant), Owen ice-cream</td>
<td></td>
</tr>
</tbody>
</table>

14. Please, make a list of restaurants in the Helsinki metropolitan area, which according to your opinion compete directly with this restaurant. (n=160/5, the number in the parenthesis indicates the number of respondents having mentioned the specific item.)

<table>
<thead>
<tr>
<th>Customers</th>
<th>Managers</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Nevski (66)</td>
<td>1. Palace, Sundman’s, Nokka, Bellevue, Nevski, Kasakka,</td>
</tr>
<tr>
<td>2. Bellevue (50)</td>
<td>Troikka (3)</td>
</tr>
<tr>
<td>3. Troikka (48)</td>
<td>2. Sipuli (2)</td>
</tr>
<tr>
<td>4. Kasakka (42)</td>
<td>3. Amigo (1)</td>
</tr>
<tr>
<td>5. Galleria Hariton (35)</td>
<td></td>
</tr>
<tr>
<td>Cannot say (32)</td>
<td></td>
</tr>
<tr>
<td>Babushka Ira (20)</td>
<td></td>
</tr>
<tr>
<td>Restaurant Sipuli (17)</td>
<td></td>
</tr>
<tr>
<td>Sundman’s (10)</td>
<td></td>
</tr>
<tr>
<td>Havis Amanda (8)</td>
<td></td>
</tr>
<tr>
<td>Restaurant Savoy (7)</td>
<td></td>
</tr>
<tr>
<td>Nokka (6)</td>
<td></td>
</tr>
<tr>
<td>Restaurant Lappi (5)</td>
<td></td>
</tr>
<tr>
<td>George (4)</td>
<td></td>
</tr>
<tr>
<td>10th Floor (4)</td>
<td></td>
</tr>
<tr>
<td>Palace (3)</td>
<td></td>
</tr>
<tr>
<td>Lehtovaara (3)</td>
<td></td>
</tr>
<tr>
<td>Amigo (2)</td>
<td></td>
</tr>
<tr>
<td>Eatz (2)</td>
<td></td>
</tr>
<tr>
<td>Kynsilaukka (2)</td>
<td></td>
</tr>
</tbody>
</table>
15. When you are choosing a restaurant, which aspects are most important to you? Please, mention the five most important aspects in an order of importance so, that the most important aspect is marked as 1, the second important aspect as 2 and so on until the fifth aspect. (n=160/5, the number in the parenthesis indicates the number of respondents having mentioned the specific item.)

<table>
<thead>
<tr>
<th>Customers</th>
<th>Managers</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>1.</td>
</tr>
<tr>
<td>Food products and drinks (63)</td>
<td>Food quality (3)</td>
</tr>
<tr>
<td>2.</td>
<td>2. (1): The actual need, Service quality</td>
</tr>
<tr>
<td>The character of the occasion (23)</td>
<td>The character of the occasion (23)</td>
</tr>
<tr>
<td>Atmosphere (20)</td>
<td>Atmosphere (20)</td>
</tr>
<tr>
<td>Previous experiences (13)</td>
<td>Location, Price-level (21)</td>
</tr>
<tr>
<td>Quality (10)</td>
<td>Interior (10)</td>
</tr>
<tr>
<td>Price-level (8)</td>
<td>Cannot say (5)</td>
</tr>
<tr>
<td>Customer service (8)</td>
<td>Quality (4)</td>
</tr>
<tr>
<td>Interior (5)</td>
<td>(1): Cabinets, Image</td>
</tr>
<tr>
<td>Cannot say (3)</td>
<td>Cleanliness, Is there room in the restaurant?</td>
</tr>
<tr>
<td>Location (3)</td>
<td>Cleanliness, Quick service</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Customers</th>
<th>Managers</th>
</tr>
</thead>
<tbody>
<tr>
<td>2.</td>
<td>1.</td>
</tr>
<tr>
<td>Customer Service (32)</td>
<td>Customer service (2)</td>
</tr>
<tr>
<td>2.</td>
<td>2. (1): Drinks, Food quality, Coziness</td>
</tr>
<tr>
<td>Food products and drinks (29)</td>
<td>Food products and drinks (29)</td>
</tr>
<tr>
<td>Atmosphere (22)</td>
<td>Atmosphere (22)</td>
</tr>
<tr>
<td>Location, Price-level (21)</td>
<td>Location, Price-level (21)</td>
</tr>
<tr>
<td>The character of the occasion (13)</td>
<td>The character of the occasion (13)</td>
</tr>
<tr>
<td>Interior (10)</td>
<td>Interior (10)</td>
</tr>
<tr>
<td>Cannot say (5)</td>
<td>Cannot say (5)</td>
</tr>
<tr>
<td>Quality (4)</td>
<td>Quality (4)</td>
</tr>
<tr>
<td>(1): Cabinets, Image</td>
<td>Cleanliness, Quick service</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Customers</th>
<th>Managers</th>
</tr>
</thead>
<tbody>
<tr>
<td>Customer service (25)</td>
<td>Customer service (25)</td>
</tr>
<tr>
<td>2.</td>
<td>2.</td>
</tr>
<tr>
<td>Interior (21)</td>
<td>Interior (21)</td>
</tr>
<tr>
<td>3.</td>
<td>3.</td>
</tr>
<tr>
<td>Atmosphere (20)</td>
<td>Atmosphere (20)</td>
</tr>
<tr>
<td>Food product and drinks (19)</td>
<td>Food product and drinks (19)</td>
</tr>
<tr>
<td>Location (18)</td>
<td>Location (18)</td>
</tr>
<tr>
<td>Price-level (17)</td>
<td>Price-level (17)</td>
</tr>
<tr>
<td>Cannot say (6)</td>
<td>Cannot say (6)</td>
</tr>
<tr>
<td>Cabinets (5)</td>
<td>Cabinets (5)</td>
</tr>
<tr>
<td>The character of the occasion (5)</td>
<td>The character of the occasion (5)</td>
</tr>
<tr>
<td>Image (4)</td>
<td>Image (4)</td>
</tr>
<tr>
<td>Professionalism of the staff (4)</td>
<td>Professionalism of the staff (4)</td>
</tr>
<tr>
<td>Previous experiences (3)</td>
<td>Previous experiences (3)</td>
</tr>
<tr>
<td>Live music (3)</td>
<td>Live music (3)</td>
</tr>
<tr>
<td>Familiar place (3)</td>
<td>Familiar place (3)</td>
</tr>
<tr>
<td>Consistent quality (2)</td>
<td>Consistent quality (2)</td>
</tr>
<tr>
<td>The ethnicity of the food (2)</td>
<td>The ethnicity of the food (2)</td>
</tr>
<tr>
<td>Possibility to book last minute (2)</td>
<td>Possibility to book last minute (2)</td>
</tr>
<tr>
<td>(1): Cleanliness, Quick service</td>
<td>(1): Cleanliness, Quick service</td>
</tr>
</tbody>
</table>
### Customers

4. 1. Price-level (34)  
   2. Location (30)  
   3. Cannot say (15)  
   4. The entire offering (14)  
   5. Customer service (13)  

### Managers

1. Atmosphere (2)  
   2. (1): Food product, References, Location

### Customers

5. 1. Location (35)  
   2. Cannot say (31)  
   3. Price-level (23)  
   4. Customer service (15)  
   5. Previous experiences (13)  

### Managers

1. Location (2)  
   2. (1): Price-level, Marketing activities

---

19. Finally, an open question: How can the high level of product development according to your opinion be seen operationally in the restaurant’s everyday routines? (n=160/5, the number in the parenthesis indicates the number of respondents having mentioned the specific item.)

### Customers

1. Cannot say (70)  
   2. Good service (27)  
   3. Good food (25)  
   4. Consistent quality (24)  
   5. Professional staff (20)  

### Managers

1. (1): Visibility in media, High class raw-materials, professional staff, Good internal follow-up routines, Quick reaction to changes in the consumer behaviour  
   2. Generally known (13)
Health aspects taken into consideration in menu planning (13)
Raw-materials according to the time of the year (11)
Renewal (9)
Good price/quality-ratio (8)
Good general offering (8)
Coziness (7)
Variety of group-menus (6)
Flexibility (5)
Clear concept (4)
Good selection of wines (4)
Own personality (3)
Clean toilets (3)
E-mail-based communication (3)
Separate smoking room (3)
Services for people holding meetings (3)
Cleanliness (2)
Live music (2)
Keeping the schedules (when working with groups) (2)

(1): Professionalism of the Restaurant Manager, Listening to the customers, Use of fresh raw-materials, Interesting additional services, Interesting Internet-pages, Taken environmental issues into consideration, Stressing frequent customer-marketing
APPENDIX 5: PAPA GIOVANNI

CUSTOMERS/MANAGERS COMPARATIVE ANALYSIS RISTORANTE PAPA GIOVANNI
(Customers n= 108, managers n = 4. This appendix includes only responses to questions, which have not
been fully reviewed in the report.)

<table>
<thead>
<tr>
<th>Customers</th>
<th>Managers</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Sex: (n=108/4)</td>
<td>36.1 / 50.0 % Man</td>
</tr>
<tr>
<td>63.9 / 50.0 % Woman</td>
<td></td>
</tr>
<tr>
<td>2. Average age: (n=108/4)</td>
<td>41.7 / 32.0 Years</td>
</tr>
<tr>
<td>3. Professional status: (n=108/4)</td>
<td>34.3 / 100.0 % Management or supervisory position</td>
</tr>
<tr>
<td>55.6 / - % Functionary or expert</td>
<td></td>
</tr>
<tr>
<td>4.6 / - % Worker</td>
<td></td>
</tr>
<tr>
<td>0.9 / - % Entrepreneur</td>
<td></td>
</tr>
<tr>
<td>- / - % Student</td>
<td></td>
</tr>
<tr>
<td>1.9 / - % Outside of active working-life (home-mother/-father, unemployed, retired, etc.)</td>
<td></td>
</tr>
<tr>
<td>- / - % Part-time employee</td>
<td></td>
</tr>
<tr>
<td>2.7 / - % Something else</td>
<td></td>
</tr>
<tr>
<td>4. Place of residence: (n=106/4)</td>
<td>54.6 / 100.0 % Helsinki</td>
</tr>
<tr>
<td>19.4 / - % Espoo</td>
<td></td>
</tr>
<tr>
<td>10.2 / - % Vantaa</td>
<td></td>
</tr>
<tr>
<td>15.8 / - % Outside Helsinki Metropolitan area</td>
<td></td>
</tr>
<tr>
<td>5. How long have you a) been a customer of b) worked at this restaurant? (n=108/4)</td>
<td>9.3 / - % Less than a year</td>
</tr>
<tr>
<td>17.6 / 50.0 % 1 - 2 years</td>
<td></td>
</tr>
<tr>
<td>37.9 / - % 2 - 4 years</td>
<td></td>
</tr>
<tr>
<td>35.2 / 50.0 % More than 4 years</td>
<td></td>
</tr>
<tr>
<td>8. Please, list three (3) potential negative characteristic of this restaurant, which could make you to choose a competing restaurant instead of this one. (n=108/4, the number in the parenthesesis indicates the number of respondents having mentioned the specific item)</td>
<td></td>
</tr>
</tbody>
</table>

**Customers**

1. Restaurant often full (35)
2. Price-level (31)
3. Low food quality, Slow service, Narrowness (14)
4. Unprofessional staff (13)
5. Getting tired of Italian cuisine (10)
Long waiting times (10)
Noise (8)

**Managers**

1. Restaurant is often full, Price-level (4)
2. Inconsistent service-level (2)
3. Worn out interior, Slow Service (1)
Too theatrical interior (7)
Narrow food offering (7)
Darkness (5)
No small cabinets (5)
Willingness to see new places (4)
Getting tired of audio-visual effects (4)
Not possible to get the wished table (3)
Restaurant’s chain background (2)
Not enough light and low-chalory alternatives on the menu (2)
Restaurant not “new” any more (2)
Difficult to find parking places (2)
Groups cannot receive separate bills for each person (2)
Other customers not classy enough (2)
Worn-out interior (2)
Bad carderobe-system (2)
No separate loges for smokers (2)

(1): Restaurant too big, Wine-list not wide enough, The service process too standardised, Groups are not treated flexibly, Narrow menu during theme-weeks, No separate lunch-menu, Too pasta-orientated, The smell of food, The popularity of the restaurant has brought with it some kind of stuck-up thinking, Smell of cigarettes, Closes too early, No music, Bad fish-items, Restaurant’s image as an in-place, Small portions, Steep stairs, Bad procedure for taking care of complaints, Food too standardised, No after-marketing to big groups

12. In the following there are three quite abstract questions about this restaurant. (n=106/4, the number in the parenthesis indicates the number of respondents having mentioned the specific item.)

- What makes this restaurant different?

<table>
<thead>
<tr>
<th>Customers</th>
<th>Managers</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Atmosphere (40) / 1. Atmosphere (4)</td>
<td></td>
</tr>
<tr>
<td>2. Italian style (17) / 2. Interior (2)</td>
<td></td>
</tr>
<tr>
<td>3. High quality food (14) / 3. (1): Service, Italian food, Menu, Easy going place</td>
<td></td>
</tr>
<tr>
<td>4. Good service (12)</td>
<td></td>
</tr>
<tr>
<td>5. Interior (11)</td>
<td></td>
</tr>
<tr>
<td>Professional staff (8)</td>
<td></td>
</tr>
<tr>
<td>Audio-visual effects (8)</td>
<td></td>
</tr>
<tr>
<td>Location (6)</td>
<td></td>
</tr>
<tr>
<td>The restaurant is based on a creative idea (6)</td>
<td></td>
</tr>
<tr>
<td>High quality (5)</td>
<td></td>
</tr>
<tr>
<td>There is nothing that makes this restaurant different (5)</td>
<td></td>
</tr>
<tr>
<td>Easy-going place (4)</td>
<td></td>
</tr>
<tr>
<td>Well-known brand (3)</td>
<td></td>
</tr>
<tr>
<td>Nice meeting facilities (3)</td>
<td></td>
</tr>
<tr>
<td>(1): Enough staff, Going to this restaurant is like travelling, Nice menu, Nice wine-list, Stone-floor, Nice light, Versatile offering, Restaurant’s name, Restaurant’s style, Active staff, Conservative but modern restaurant, Price-level, Home-made ice-cream</td>
<td></td>
</tr>
</tbody>
</table>

- Which of your needs do you think you can satisfy through this restaurant?

<table>
<thead>
<tr>
<th>Customers</th>
<th>Managers</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Hunger and thirst (33) / 1. Social needs (4)</td>
<td></td>
</tr>
<tr>
<td>2. Associating (27) / 2. (1): Hunger and thirst, Representation</td>
<td></td>
</tr>
<tr>
<td>3. Representation (24)</td>
<td></td>
</tr>
</tbody>
</table>
Enjoying oneself (19)
Relaxing (10)
Tasting delicacies (7)
Romance (5)
Spending a nice evening (4)
Eating a nice lunch with friends (4)
Meeting friends (4)
Enjoying a different kind of restaurant (3)
Travelling to Italy in a restaurant (3)
Celebrating a family event (2)
Increasing one’s prestige by going to this restaurant (2)
(1): Nothing special, Organising seminars, Restaurant suitable for groups

- For what is this restaurant specially known for?

<table>
<thead>
<tr>
<th>Customers</th>
<th>Managers</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Good food (39)</td>
<td>1. Professional staff (3)</td>
</tr>
<tr>
<td>2. Italian style (23)</td>
<td>2. High quality food and drinks (2)</td>
</tr>
<tr>
<td>3. Audio-visual effects (15)</td>
<td>3. (1): Italian style, Visual and sound-effects</td>
</tr>
</tbody>
</table>

Good atmosphere (14)
Good service (13)
Nice wine-list (7)
Good price/quality-ratio (6)
Location (6)
For nothing special (5)
Pasta items (4)
Interior (3)
(1): Easy-going place, Restaurant’s name, Snails, Chosen as The restaurant of the year by Citylehti-newspaper, Big portions, Home-made ice-cream, Low barrier to enter, The staff’s good knowledge in wines, Nice meeting facilities

14. Please, make a list of restaurants in the Helsinki metropolitan area, which according to your opinion compete directly with this restaurant. (n=108/4, the number in the parenthesis indicates the number of respondents having mentioned the specific item.)

<table>
<thead>
<tr>
<th>Customers</th>
<th>Managers</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Cannot say (28)</td>
<td>1. Restaurant Via (3)</td>
</tr>
<tr>
<td>2. Restaurant Raffaello (21)</td>
<td>2. Restaurant Michelle (2)</td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td>Nuevo, Santa Fe, Strindberg (7)</td>
<td>Line and Viking cruise ships</td>
</tr>
<tr>
<td>Restaurant La Vista, Mamma Rosa, Rodolfo (6)</td>
<td></td>
</tr>
<tr>
<td>Restaurant Via (5)</td>
<td></td>
</tr>
<tr>
<td>Restaurant Eaatz (5)</td>
<td></td>
</tr>
<tr>
<td>Piccolo Mondo (5)</td>
<td></td>
</tr>
<tr>
<td>Restaurant Sundman’s (5)</td>
<td></td>
</tr>
<tr>
<td>Al Viale (5)</td>
<td></td>
</tr>
<tr>
<td>Cantina West (4)</td>
<td></td>
</tr>
<tr>
<td>Memphis (4)</td>
<td></td>
</tr>
</tbody>
</table>
Restaurant Lasipalatsi (4)
Kappeli (3)
Maxill (3)
Restaurant Peck (3)
Hulu Kukko (3)
Vespa (3)
Rivoletto (3)
(1): Amigo, Pääkonttori, Colorado, Carelia, Copacabana, Restaurant Savoy, Restaurant Palace, Nevski, Chez Antonio, Olivo, Amarillo, Kosmos, Tony’s deli, Torni, Vaakuna, Restaurant Lappi, La Tour, Saslik, Helmi, 10th Floor, Chez Dominique, Lyon, Pörssi, Jade, Stockan Vintti, Katajannokan Kasino, Fransmanni, Galleria Hariton, Havis Amanda, Musta Hevonen, Ravintola Lehtovaara, Ravintola Messenius

15. When you are choosing a restaurant, which aspects are most important to you? Please, mention the five most important aspects in an order of importance so, that the most important aspect is marked as 1, the second important aspect as 2 and so on until the fifth aspect. (n=106/4, the number in the parenthesis indicates the number of respondents having mentioned the specific item.)

<table>
<thead>
<tr>
<th>Customers</th>
<th>Managers</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Food quality (36)</td>
<td>1. The basic need (3)</td>
</tr>
<tr>
<td>2. Selection of food items (17)</td>
<td>2. Location (1)</td>
</tr>
<tr>
<td>3. Location, Suitability for the actual need (11)</td>
<td></td>
</tr>
<tr>
<td>4. Customer Service (8)</td>
<td></td>
</tr>
<tr>
<td>5. Price/quality-ratio (5)</td>
<td></td>
</tr>
<tr>
<td>Previous experiences (3)</td>
<td></td>
</tr>
<tr>
<td>You know, what you get (3)</td>
<td></td>
</tr>
<tr>
<td>Your company’s wishes (3)</td>
<td></td>
</tr>
<tr>
<td>The general image of the restaurant (3)</td>
<td></td>
</tr>
<tr>
<td>Price-level (3)</td>
<td></td>
</tr>
<tr>
<td>The size of the restaurant (2)</td>
<td></td>
</tr>
<tr>
<td>Cleanliness (2)</td>
<td></td>
</tr>
<tr>
<td>(1): Easiness</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Customers</th>
<th>Managers</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Food quality (22)</td>
<td>1. Food quality (2)</td>
</tr>
<tr>
<td>2. Service (18)</td>
<td>2. (1): Price-level, Atmosphere</td>
</tr>
<tr>
<td>3. Atmosphere, Location (14)</td>
<td></td>
</tr>
<tr>
<td>4. Price-level (9)</td>
<td></td>
</tr>
<tr>
<td>5. Selection of food-items and drinks (7)</td>
<td></td>
</tr>
<tr>
<td>Price/quality-ratio (4)</td>
<td></td>
</tr>
<tr>
<td>Interior (3)</td>
<td></td>
</tr>
<tr>
<td>The restaurant’s suitability for the actual need (3)</td>
<td></td>
</tr>
<tr>
<td>Consistency (2)</td>
<td></td>
</tr>
<tr>
<td>Selection of wines (2)</td>
<td></td>
</tr>
<tr>
<td>Quick service (2)</td>
<td></td>
</tr>
<tr>
<td>(1): Willingness to see new restaurants, Previous experiences, Special diets are taken into consideration by the restaurant, Restaurant is not a chain-restaurant, The general image of the restaurant, Cleanliness, Time of the year, Size of the company</td>
<td></td>
</tr>
</tbody>
</table>
### Customers

3. 1. Customer Service (24)  
    2. Location (21)  
    3. Atmosphere (17)  
    4. Price-level (12)  
    5. Selection of food-items and drinks (9)  
       Price/quality-ratio (7)  
       Food quality (4)  
       There is room in the restaurant (3)  
       Wine-list (2)  
       Interior (2)  
       Preferences of the company (2)  
       (1): Customer orientation, Meeting facilities, Light (food) alternatives,  
       Quality, Day of the week

4. 1. Price-level, Customer service (15)  
    2. Price/quality-ratio (14)  
    3. Location (13)  
    4. Atmosphere (11)  
    5. Cleanliness (5)  
       Other customers (4)  
       Interior (4)  
       Consistency (4)  
       Menu (4)  
       Restaurant spacy (3)  
       Food specialties (3)  
       Easiness (2)  
       (1): Staff, Quick service, Company´s wishes, Restaurant´total offering,  
       Peacefulness, Informative Internet-pages, There is room in the  
       restaurant, Music, Genuineness, Quality, Day of the week

5. 1. Location (21)  
    2. Price-level (20)  
    3. Customer service (18)  
    4. Interior (11)  
    5. Atmosphere, Image (5)  
       Previous experiences (4)  
       Specialties (4)  
       Special experiences (3)  
       Quick service (2)  
       Own state of mind (2)  
       Wine-list (2)  
       (1): Suitability to the group´s schedule, Genuineness, S-card,  
       Company´s wishes, Food- and drink items available, Other customers,  
       One own situation, Parking possibilities, Easy to reach physically, No  
       smoke, Restaurant well-functioning

### Managers

3. 1. Price-level (2)  
    2. (1): Service quality,  
       Food quality

4. 1. Atmosphere (2)  
    2. (1): Location, Staff

5. 1. Service quality,  
    2. Price/quality-ratio (2)
19. Finally, an open question: How can the high level of product development according to your opinion be seen operatively in restaurant’s everyday routines? (n=108/4, the number in the parenthesis indicates the number of respondents having mentioned the specific item.)

<table>
<thead>
<tr>
<th>Customers</th>
<th>Managers</th>
</tr>
</thead>
<tbody>
<tr>
<td>2. Professionalism, Versatile offering (16)</td>
<td>Flexibility, Theme weeks, Good entirety</td>
</tr>
<tr>
<td>3. Good service (15)</td>
<td></td>
</tr>
<tr>
<td>4. Quality, Trendy products, High-quality raw-materials, Wine recommendations (7)</td>
<td></td>
</tr>
<tr>
<td>5. Atmosphere, Consistency (6) Harmony (5) High level of motivation (5) Tasty food (5) Interesting menu (4) Genuiness (4) Visibility in media (3) Vegetarian alternatives (3) Answering all e-mails (2) Taking care of complaints (2)</td>
<td></td>
</tr>
</tbody>
</table>

(1): Quick service, Cleanliness, Warm food, General Image, Small “surprises” for customers, Good price/quality-ratio, No smoke, Portions for children, Meeting facilities, Customer feed-back-based bonus-system for the staff, Frequent-customer evenings, Nice background-music, Good knowledge of products, Long-term thinking, A reliable system for collecting customer feed-back, Staff clothing, Interesting Internet-pages, Traditions, Taking care of small details, Flexibility
APPENDIX 6: MICHELLE

CUSTOMERS/MANAGERS COMPARATIVE ANALYSIS RESTAURANT MICHELLE (Customers n = 125, managers n = 5. This appendix includes only responses to questions, which have not been fully reviewed in the report.)

<table>
<thead>
<tr>
<th>Question</th>
<th>Customers</th>
<th>Managers</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Sex: (n=125/5)</td>
<td>54.4 / 80.0 % Man</td>
<td>45.6 / 20.0 % Woman</td>
</tr>
<tr>
<td>2. Average age: (n=125/5)</td>
<td>42.8 / 37.6 Years</td>
<td></td>
</tr>
<tr>
<td>3. Professional status: (n=125/5)</td>
<td>48.8 / 100.0 % Management or supervisory position</td>
<td>37.6 / - % Functionary or expert</td>
</tr>
<tr>
<td></td>
<td>4.0 / - % Worker</td>
<td>4.0 / - % Worker</td>
</tr>
<tr>
<td></td>
<td>10.4 / - % Entrepreneur</td>
<td>10.4 / - % Entrepreneur</td>
</tr>
<tr>
<td></td>
<td>4.8 / - % Student</td>
<td>4.8 / - % Outside of active working-life (home-mother/-father, unemployed, retired, etc.)</td>
</tr>
<tr>
<td></td>
<td>- / - % Part-time employee</td>
<td>- / - % Part-time employee</td>
</tr>
<tr>
<td></td>
<td>- / - % Something else</td>
<td>- / - % Something else</td>
</tr>
<tr>
<td>4. Place of residence: (n=123/5)</td>
<td>70.4 / 100.0 % Helsinki</td>
<td>20.0 / - % Espoo</td>
</tr>
<tr>
<td></td>
<td>4.8 / - % Vantaa</td>
<td>4.8 / - % Vantaa</td>
</tr>
<tr>
<td></td>
<td>4.8 / - % Outside Helsinki Metropolitan area</td>
<td>4.8 / - % Outside Helsinki Metropolitan area</td>
</tr>
<tr>
<td>5. How long have you a) been a customer of b) worked at this restaurant? (n=125/5)</td>
<td>2.4 / - % Less than a year</td>
<td>2.4 / - % Less than a year</td>
</tr>
<tr>
<td></td>
<td>2.4 / - % 1 - 2 years</td>
<td>2.4 / - % 1 - 2 years</td>
</tr>
<tr>
<td></td>
<td>24.8 / 20.0 % 2 - 4 years</td>
<td>24.8 / 20.0 % 2 - 4 years</td>
</tr>
<tr>
<td></td>
<td>68.0 / 40.0 % More than 4 years</td>
<td>68.0 / 40.0 % More than 4 years</td>
</tr>
<tr>
<td></td>
<td>2.4 / 40.0 % No answer</td>
<td>2.4 / 40.0 % No answer</td>
</tr>
</tbody>
</table>

***
8. Please, list three (3) potential negative characteristic of this restaurant, which could make you to choose a competing restaurant instead of this one. (n=125/5, the figure in the parentheses indicates the number of respondents having mentioned the specific item.)

<table>
<thead>
<tr>
<th>Customers</th>
<th>Managers</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. The restaurant is full (56)</td>
<td>1. The restaurant is full (5)</td>
</tr>
<tr>
<td>2. Price-level (37)</td>
<td>2. The quality of food (3)</td>
</tr>
<tr>
<td>3. Lack of interest from the staff (18)</td>
<td>3. Price-level, Service quality (2)</td>
</tr>
<tr>
<td>4. Narrow selection of food-items and drinks (15)</td>
<td>4. (1): Queus outside the restaurant, Noise, Restaurant perceived as snobby</td>
</tr>
<tr>
<td>5. Food quality (13)</td>
<td></td>
</tr>
</tbody>
</table>

- Slow service (11)
- Too high average age among customers (9)
- The restaurant is not spacy enough (8)
- Less friends among customers (8)
- Disturbing other customers (7)
- Noise (6)
- Not possible to dance (6)
- The restaurant does not have its own personality (6)
- No entrance guaranteed for a VIP-card holder (5)
- Willingness to try new restaurants (5)
- Disturbing smoke (4)
- Unfriendly doormen (4)
- Uninteresting music (4)
- “One night stand” - image of the restaurant (3)
- Interior (3)
- A potential big change in the concept (3)
- No specialties available (3)
- Restrictions on smoking (3)
- Food products too snobby (3)
- Change of staff (2)
- General decrease in the quality level (2)
- Lack of Belgium beers (2)
- Hasty atmosphere (2)

(1): Cleanliness, Draftiness, Bad lights, Disappearance of the VIP-card, Change of doormen, Opening hours, The place not trendy, The restaurant is not a place for professional businessmen, Potential change of owner, No sun in the summer terrace, No meeting facilities, No small snacks available, Frequent customer mail disappears on its way, Not enough chairs during an evening, Present lunch-buffet, Expensive vegetarian dishes, Unflexibility, Too few womens toilets, Not possible to eat on the terrace, The clientele too male-dominated, Bad selection of Tonic Waters

12. In the following there are three quite abstract questions about this restaurant. (n=125/5, the figure in the parentheses indicates the number of respondents having mentioned the specific item.)

- What makes this restaurant different?

<table>
<thead>
<tr>
<th>Customers</th>
<th>Managers</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Cannot say (31)</td>
<td>1. Atmosphere, Staff, Food product (2)</td>
</tr>
<tr>
<td>2. Atmosphere (23)</td>
<td></td>
</tr>
</tbody>
</table>
Other customers (21)

Location (19)

Place for “grown-ups” (10)
Stylish place (9)
Familiar and secure place (7)
Interior (5)
Easy-going place (5)
Staff (4)
The restaurant belongs to Center-Inn-group (4)
Trendy place (3)
Interesting products (3)
Quality (3)
Business-look (2)
(1): Internationality, A meeting place, Easy access to neighbouring restaurants, Luminousness, A combination of a restaurant and a bar, A different kind of restaurant, Market leader, VIP-benefits, Cleanliness

- Which of your needs do you think you can satisfy through this restaurant?

<table>
<thead>
<tr>
<th>Customers</th>
<th>Managers</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Hunger and thirst (54)</td>
<td>/ 1. Social needs (4)</td>
</tr>
<tr>
<td>2. Associating (40)</td>
<td>/ 2. Hunger and thirst (2)</td>
</tr>
<tr>
<td>3. Spending an evening (23)</td>
<td>/ 3. (1): The need to get new experiences, The need to enjoy oneself</td>
</tr>
<tr>
<td>4. Cannot say (17)</td>
<td></td>
</tr>
<tr>
<td>5. Meeting friends (16)</td>
<td></td>
</tr>
<tr>
<td>Representation (7)</td>
<td></td>
</tr>
<tr>
<td>Dancing (5)</td>
<td></td>
</tr>
<tr>
<td>Enjoying oneself (4)</td>
<td></td>
</tr>
<tr>
<td>Family celebrations (3)</td>
<td></td>
</tr>
<tr>
<td>Spend time in a stylish place (2)</td>
<td></td>
</tr>
</tbody>
</table>

(1): Organising events for own personnel, Enjoy different beers, Have some benefit for having a VIP-card, Enjoy a service provided by a professional staff, Enjoy a long and nice dinner, Just to drop in

- For what is this restaurant specially known for?

<table>
<thead>
<tr>
<th>Customers</th>
<th>Managers</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Cannot say (24)</td>
<td>/ 1. Service, High quality food (2)</td>
</tr>
<tr>
<td>2. The summer terrace (20)</td>
<td>/ 2. (1): Familiarity, Image, A place to meet</td>
</tr>
<tr>
<td>3. A meeting place (18)</td>
<td></td>
</tr>
<tr>
<td>4. Food items (14)</td>
<td></td>
</tr>
<tr>
<td>5. Location (13)</td>
<td></td>
</tr>
<tr>
<td>The average age of customers a little bit higher than in other places (10)</td>
<td></td>
</tr>
<tr>
<td>A place for “one night stands” (10)</td>
<td></td>
</tr>
<tr>
<td>Atmosphere (10)</td>
<td></td>
</tr>
<tr>
<td>Other customers (10)</td>
<td></td>
</tr>
<tr>
<td>Trendy place (9)</td>
<td></td>
</tr>
<tr>
<td>A place for grown-ups (8)</td>
<td></td>
</tr>
<tr>
<td>Belongs to Center-Inn-group (6)</td>
<td></td>
</tr>
<tr>
<td>A nice dancing-place in the basement (5)</td>
<td></td>
</tr>
<tr>
<td>Quality (5)</td>
<td></td>
</tr>
<tr>
<td>Consistency (4)</td>
<td></td>
</tr>
</tbody>
</table>
Loyal customers (4)  
Good bar (4)  
Yuppies (4)  
Nice name (4)  
Best singles in town (3)  
A family company (3)  
Fresh asparagus (2)  
Wines and wine-knowledge (2)  
A place for representation (2)  
(1): Politicians, A dancing place, New York saladd, Queues, Customer service

14. Please, make a list of restaurants in the Helsinki metropolitan area, which according to your opinion compete directly with this restaurant. (n=125/5, the figure in the parentheses indicates the number of respondents having mentioned the specific item.)

<table>
<thead>
<tr>
<th>Customers</th>
<th>Managers</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Restaurant Teatteri (50)</td>
<td>1. Restaurant Teatteri (4)</td>
</tr>
<tr>
<td>2. Raffaello (36)</td>
<td>2. Strindberg (3)</td>
</tr>
<tr>
<td>3. König (23)</td>
<td>3. Raffaello, König (2)</td>
</tr>
<tr>
<td>5. Papa Giovanni (13)</td>
<td></td>
</tr>
<tr>
<td>Strindberg (13)</td>
<td></td>
</tr>
<tr>
<td>Eatz (12)</td>
<td></td>
</tr>
<tr>
<td>Omenapuu (11)</td>
<td></td>
</tr>
<tr>
<td>Storyville (10)</td>
<td></td>
</tr>
<tr>
<td>Pub Soopeli (9)</td>
<td></td>
</tr>
<tr>
<td>Pub Gaselli (9)</td>
<td></td>
</tr>
<tr>
<td>Kaarle XII (7)</td>
<td></td>
</tr>
<tr>
<td>10th Floor (7)</td>
<td></td>
</tr>
<tr>
<td>Belge (7)</td>
<td></td>
</tr>
<tr>
<td>Friday (7)</td>
<td></td>
</tr>
<tr>
<td>Bulevardi 2 (5)</td>
<td></td>
</tr>
<tr>
<td>Copacabana (4)</td>
<td></td>
</tr>
<tr>
<td>La Tour (4)</td>
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<tr>
<td>Simone (4)</td>
<td></td>
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<tr>
<td>Elite (3)</td>
<td></td>
</tr>
<tr>
<td>Torni (3)</td>
<td></td>
</tr>
<tr>
<td>Kappeli (3)</td>
<td></td>
</tr>
<tr>
<td>Yade (3)</td>
<td></td>
</tr>
<tr>
<td>Kaivohuone (3)</td>
<td></td>
</tr>
<tr>
<td>Old Baker’s (2)</td>
<td></td>
</tr>
<tr>
<td>Restaurant Lasipalatsi (2)</td>
<td></td>
</tr>
<tr>
<td>Sipuli (2)</td>
<td></td>
</tr>
<tr>
<td>Palace (2)</td>
<td></td>
</tr>
<tr>
<td>Savoy (2)</td>
<td></td>
</tr>
<tr>
<td>Via (2)</td>
<td></td>
</tr>
<tr>
<td>(1): Vespa, Tapas, Stockan Vintti, Kellarikrouvi, Rock’s, Grill-Fish, Solna, Lautanen, Nuevo, Helsinki Club, Kosmos, George, Bulevardia, Sundman’s, Rivoli, Santa Fe, London Pub, Carelia, Lehtovaara, Memphis, Maxill, Peck’s, Pörssi, Saslik, Rosso, Kaksi Kanaa, Mikado, Cantina West, Barfly</td>
<td></td>
</tr>
</tbody>
</table>
15. When you are choosing a restaurant, which aspects are most important to you? Please, mention the five most important aspects in an order of importance so, that the most important aspect is marked as 1, the second important aspect as 2 and so on until the fifth aspect. (n=123/5, the figure in the parentheses indicates the number of respondents having mentioned the specific item.)

<table>
<thead>
<tr>
<th>Customers</th>
<th>Managers</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>2.</td>
</tr>
<tr>
<td>Atmosphere (26)</td>
<td>1. Food quality (3)</td>
</tr>
<tr>
<td>2.</td>
<td>1.</td>
</tr>
<tr>
<td>Food quality (23)</td>
<td>(1): Company, Other consumers, Atmosphere</td>
</tr>
<tr>
<td>3.</td>
<td></td>
</tr>
<tr>
<td>Location (22)</td>
<td></td>
</tr>
<tr>
<td>4.</td>
<td></td>
</tr>
<tr>
<td>Other customers (13)</td>
<td></td>
</tr>
<tr>
<td>5.</td>
<td></td>
</tr>
<tr>
<td>The theme of the evening (8)</td>
<td></td>
</tr>
<tr>
<td>Customer service (6)</td>
<td></td>
</tr>
<tr>
<td>Price-level (5)</td>
<td></td>
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<td>Previous experiences (4)</td>
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<td>Cleanliness (4)</td>
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<td>Image (3)</td>
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<td>Music (2)</td>
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<tr>
<td>No queues (2)</td>
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<tr>
<td>(1): Easiness, No smoke, Selection of drinks, The total offering, Quality, Health aspects taken care of in food items, Different happenings</td>
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<table>
<thead>
<tr>
<th>Customers</th>
<th>Managers</th>
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<tr>
<td>Customer Service (22)</td>
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<td>Location, Other customers (19)</td>
<td>(1): Easiness, The actual need, Food quality, Interior</td>
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<td>Atmosphere (16)</td>
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<td>Food quality (14)</td>
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<td>Price-level (10)</td>
<td>The total offering (6)</td>
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<td>Suitability for the occasion (4)</td>
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<td>Music (3)</td>
<td>Selection of drinks (3)</td>
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<td>Easiness (2)</td>
<td>Entrance without standing in line because of the VIP-card (2)</td>
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<td>(1): Company, Previous experiences, Willingness to see new places, High quality Pike Perch</td>
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<tr>
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<td>Customer Service, Other Customers (21)</td>
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<td>Atmosphere, Food items (11)</td>
<td>Customer service, Other consumers, Other</td>
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<td>Quality, Interior (6)</td>
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<td>Coziness (5)</td>
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<td>General level of the restaurant (3)</td>
<td>Drink selection (3)</td>
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<td>The total offering (2)</td>
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<td>The total offering (2)</td>
<td>Easy to enter (2)</td>
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<td>Easy to enter (2)</td>
<td>Cleanliness (2)</td>
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<td>(1): Child-friendliness, Opening hours, Seafood, Previous experiences,</td>
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Possibility to dance

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<td>3. Location (18)</td>
<td>/ 2. (1): Atmosphere</td>
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<td>5. Familiar place (7)</td>
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<td>The total offering (5)</td>
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<td>Interior (5)</td>
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<td>The style of the restaurant (4)</td>
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<td>Versatility of the offering (3)</td>
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<td>(1): Quality, Snack items, Easy access to neighbouring restaurants, Image, VIP-benefits, Possibility to smoke, Cleanliness, Atmosphere</td>
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<table>
<thead>
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<td>1. Price-level (17)</td>
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<td>/ 2. (1): Cleanliness, Location,</td>
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<td>3. Customer service (10)</td>
<td>References from other people</td>
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<td>4. Previous experiences, Interior (8)</td>
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<td>5. Other customers (6)</td>
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<td>No noise (3)</td>
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<td>VIP-benefits (3)</td>
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<td>Cleanliness (2)</td>
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<td>Summer terrace (2)</td>
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</tr>
<tr>
<td>(1): References from others, Nice place to organise a meeting, Selection of drinks, Lights, No smoke, Image, Selection of Whiskies, Quality, Atmosphere</td>
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</table>

19. Finally, an open question: How can the high level of product development according to your opinion be seen operatively in restaurant`s everyday routines? (n=125/5, the figure in the parenthesisis indicates the number of respondents having mentioned the specific item.)

<table>
<thead>
<tr>
<th>Customers</th>
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<tbody>
<tr>
<td>1. Cannot say (54)</td>
<td>/ 1. Varying offering</td>
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<td>2. Seasonal campaigns (21)</td>
<td>/ 2. (1): Customer service, Nice-looking interior,</td>
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<td>Food quality, Good</td>
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<td>service entirety, Activity, Renewal,</td>
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<td>Professional staff, High general quality</td>
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<td>3. Variableness of the menu (14)</td>
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<td>4. Customer service, Professional staff (13)</td>
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<td>5. Wide selection of food and drinks,</td>
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<td>Frequent customer communication (9)</td>
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<td>Food Quality (8)</td>
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<td>Food quality (8)</td>
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<td>Attentiveness (8)</td>
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</table>
Nice atmosphere (6)
Homeliness (6)
Theme evenings (5)
Professional staff (4)
The general quality level (3)
Other customers (3)
Showing special interest to VIP-customers (3)
Cleanliness (2)
Right positioning (2)
Basic things under control (2)
Introducing new flavors (2)
Reliability (2)
(1): Good demand, Light alternatives, Different allergies taken into account, Knowledge of one’s own target-group, Details well taken care of, Synergy with surrounding restaurants, Good lights, Good price/quality-ratio, Reliability, Feeling of security, Internationality, Good Internet-pages, Personality, Friendly doormen, Good selection of wines, Possibility to book a table through Internet or by e-mail, Theme-evenings targeted at the 45-60-age-cathegory


