

Emphatic understanding as a source of value co-creation and differentiation

Inka Lappalainen, Merja Airola, Maaria Nuutinen
VTT Technical Research Centre of Finland Ltd.

Abstract

Purpose – The paper examines how experience-driven design methods support an understanding of value co-creation and differentiation in changing service ecosystems. The aim is to build linkages between topical debate on S-D logic, brand research, service design and experience-driven design approaches. Furthermore, we demonstrate empirically the dynamic and socially constructive nature of value co-creation with an emphasis on unique, holistic experience and image co-construction among beneficiaries, as a means of differentiation.

Methodology – Qualitative multi-case and participatory fieldwork approach were adopted in the context of residency in Finland. We focused with six SME companies on topical real estate management service by means of emphatic understanding and holistic experience of the residents as end customers as a powerful means for differentiation in the changing industry.

Findings – An experience-driven design approach seems to deepen the understanding of value co-creation and differentiation among personnel in real estate management service companies towards a service mindset. However, empirical findings also revealed that the complex dynamics of transformation were inhibited by institutionalized practices and enabled by new value creation opportunities.

Research limitations – The chosen research approach provided rich empirical data. However, the findings are tentative with case-study limitations, and thus open avenues for further research.

Practical implications – The experience-driven design approach seems relevant, and methods applicable across industries to support adopting the service mindset in practice.

Originality/value – The paper brings a new insight to the topical research debate by linking S-D logic, brand research and experience-driven design approaches, and exploring them empirically, particularly in rather unstudied real estate management service context with great value creation opportunities.

Key words: value co-creation, value-in-use, value-in-context, experience, design thinking, real estate management, SME

Paper type – Research paper

1. INTRODUCTION

As we know, due to increased complexity, dynamism and global competition, companies face even greater challenges in order to differentiate themselves from their competitors in the changing ecosystems. Across industries, companies seek distinctive ways for value creation to enhance their competitiveness, growth and renewal. The focus has been turned on customers and end users with multiple needs, desires and resources as a source of value creation and differentiation as an alternative to tougher price competition. However, it is not only a question of utilizing deepened customer understanding as such, but understanding customers and all involving actors as active players in value creation.

Essentially, comprehensive change is called for in terms of value creation logic throughout networked beneficiaries, which is highlighted both among business practitioners and academics. In

service marketing research, the widely adopted and topical theoretical argumentation is based on Service-dominant logic (S-D logic) by stating that value is always reciprocally co-created, and therefore contextually interpreted and experienced by the beneficiaries, i.e. providers, customers, and end-users (e.g. Vargo & Lusch, 2008). Furthermore, in their recent article on past and future trends in relationship marketing research, Payne and Frow (2016, 11) highlight “the need for firms to shift from a value-in-exchange to a value-in-use perspective when addressing customer relationships”. Moreover, they call for focusing not only on the customer but on the customer’s customers.

Consequently, emphasis is increasingly placed on unique customer and user experiences and image/meaning co-construction, enabled also by digitalization, as a means of differentiation. Branding is a purposeful means to build differentiation and, therefore, to enhance value co-creation with customers and end users. Traditionally, in research and business practice, branding and brand management has been considered a task for marketing or as a strategic management tool. However, there is an ongoing paradigm shift from companies’ strictly controlled brand promises to more open views on branding. Aligned with the debate on the paradigm shifts in value creation logics, the evolution of brand value and branding has been characterized by shifts from product, service and corporate brands to brand relations as the basis of brand value (e.g. Merz et al., 2009). Accordingly, brand value is understood to be continuously co-created by company representatives, customers and other stakeholders in the ecosystem (e.g. Mertz et al. 2009; Payne et al. 2009; Hatch & Schultz, 2010; Iglesias & Bonet, 2012; Ind, 2014).

Therefore, employees are seen as playing a central and active role in contributing to a company’s brand value through how and what they communicate to customers and other stakeholders at multiple touch points. While the role of the brand is increasingly seen as a facilitator of employee-stakeholder relationships, and a holistic brand experience as a primary source of meaning creation, brand building and brand management should also be seen as a social process. Accordingly, Ind (2014) calls for functional adaptation, as well as a change in perception, or mindset, which should be based on value co-creation logic, along with people-centricity and a participative leadership style (see also Iglesias & Bonnet, 2012). There seems to be a need for new theoretical insights and practical approaches to support these aims.

We suggest that the experience-driven design approach could provide new insights into the scientific debate on ongoing paradigm shifts in value creation and branding, characterized by a socially constructive, dynamic, experiential and systemic nature (e.g. Vargo ym. Hatch & Schutz, 2010; Iglesias et al., 2013; Kaasinen et al., 2015). An experience-driven design approach builds on an emphatic understanding of other’s’ feelings, which enables a holistic view of human needs and desires as a basis for co-creation of value and brand meanings (e.g. Hassenzahl et al., 2013; Kaasinen et al., 2015). Based on our empirical multi-case study in the context of real estate management, we examine **how an experience-driven approach, using the three methods chosen, could, in practice, facilitate involving employees and management in co-creation brand meanings and adopting service mindset**. Three specific experience-driven design methods such as *hypothetical personas, customer critical touch points and UX goals* were applied in our study. The final aim is to boost differentiation by means of strengthening emotional customer relations and service development in the on-going transformation and increased competition in the real estate management industry, which seems hitherto to be little studied.

The paper is structured as follows; Section 2 presents the theoretical base for our empirical study. Methodology is described in Section 3 and the main findings are summarised in Section 4. Finally Section 5 includes concluding remarks with limitations and suggestions for further research.

2. THORETICAL BACKGROUND

As a theoretical background to our empirical research, we next build linkages between the topical debate on S-D logic, brand research, service design and the experience- driven design approach.

2.1. Value-in-use and value-in-context in co-creating value and brand meanings

S-D logic argues that the use context and contextual experience is essential in value co-creation, by stating that *value is always uniquely and phenomenological determined by the beneficiary* (Vargo & Lusch 2008). The role of the provider is to offer input and to support the customers' activities, but the customer determines what is of value in their own context. Therefore, in order to create competitive value propositions, it is crucial to understand the *value expectations and needs* of the customers and other beneficiaries. Vargo and Lusch (2004) have highlighted the interactive, relativistic, and experiential nature of customer value.

By following the evolution of the S-D logic debate, one can identify the emphasis on *value-in-use* instead of value-in-exchange (e.g. Vargo et al. 2008; 2009). In terms of relationship marketing Payne and Frow (2016, 13) characterised the shift from "value creation through exchange" to "value creation through use". Value-in-use bases assumption on the active involvement of the customers in resource sharing, and therefore contributing to relational outcomes as a result of value co-creation (Payne & Frow, 2016). Accordingly, value-in-use emerges through use experiences, not products or services as such (see also Helkkula et al., 2012). As Medberg et al. (2016, 718) summarise the experience approach as part of their review on theoretical debate on value-in-use: "*As a result of the characterization of value-in-use as arising through use experiences, the scope of value-in-use is significantly wider in this approach than in the utility and consumption outcome approaches on value-in-use. The experience approach essentially gives value-in-use the same holistic and multifaceted features as experiences*". The dynamic, processual, long-term and constantly evolving nature of value-in-use are emphasised (Vargo et al. 2008; Medberg et al. 2016; Grönroos & Voima, 2013). Furthermore, as Medberg et al. (2016, 718) states, the experience approach also highlights the possibility for value-in-use to generate negatively (see also Grönroos & Voima, 2013).

Moreover, the theoretical S-D logic debate has been turned to stressing and examining *value-in-context* (e.g. Chandler & Vargo, 2011; Edvardsson et al., 2011) while adopting socio-constructive and sociological perspectives on value co-creation. Here, social interaction are highlighted as the basis of service exchange and service innovation shaped by the cultural-historically modified values, competencies, knowledge, and related expectations of all the parties involved (e.g., Edvardsson et al., 2011; Kallio & Lappalainen, 2014; Mele & Russo-Spena, 2015; Mele et al., 2017). As Payne et al. (2008) summarised, companies may seek to build deeper customer relationships through opportunities enabled by technological breakthroughs, changes in industry logics and changes in customer behaviour. Recently, the debate has been expanded at the ecosystem level, adopting perspectives from institutional theories (e.g. Vargo et al., 2015) in order to explore the role of *institutional logic* behind the dynamic value co-creation and innovation activity in multiple levels of service systems. For instance, in their case study Holmlund et al. (2016) aptly describe the top executive sensemaking of ongoing service business transformation in retail banking sector where digitalisation challenges an institutional logics of the financial industry. Therefore, understanding of and contributing to not only value-in-exchange but to value-in-use /context for the beneficiaries, such as customers and other actors involved, is crucial for enhancing competitiveness and the differentiation of companies as stressed also recently by Penny and Frow (2016). Despite a vastly increasing amount of research regarding S-D logic, there is still a need for empirically tested conceptual frameworks and evidence to explicate change towards a service mindset in order to support companies in their transformation endeavours in dynamic ecosystems.

Aligned with the particularly topical S-D logic debate, in branding research, brand value is understood to be continuously co-created by company representatives, customers and other stakeholders in the ecosystem (e.g. Mertz et al. 2009; Payne et al., 2009; Iglesias & Bonet, 2012; Ind, 2014). This dynamic, integrative, socio-constructive approach to brand (value) building is captured by Iglesias et al. (2013) in their brand value co-creation model. The “organic view of brand” is based on critical reviews of previous conceptual frames and empirical studies, which appear to be as yet rather few in branding and brand building research (e.g. Fetscherin & Usunier 2012). Therefore, empirical research is called for to understand and support the dynamic and social constructive nature of value co-creation with the emphasis on unique, holistic experience and image co-construction among beneficiaries, as a means of differentiation.

2.2. Experience-driven design approach to facilitate participative brand building

Empathic understanding of others’ feelings in the core of the experience-driven approach creates the possibility of building emotional bonds with customers, a basis for employee commitment and value co-creation as well as a driver for innovations. As concluded by Kaasinen et al. (2015), experiential elements have been included in user- and human-centred design traditions, while experience-driven design focuses basically on emotional and experiential elements as such. However, their review also demonstrates a variety within experience-driven design approaches in terms of their own focus areas and approaches on interaction with customers and end users (Kaasinen et al. 2015). Our interest is aligned with, for instance, Wright and McCarthy (2010) who highlight a dialogue and co-production to build empathy. Furthermore, experience-driven design has its roots in design thinking, where a topical debate of *service design approach*, both among practitioners and service researchers, can also be traced (Brown 2008; 2009; Andreassen et al. 2016). To summarise, *design thinking* pays attention particularly to the following aspects: 1) identifying all actors engaged in enabling a service, 2) emphatic understanding of the users with their needs and desires and an analysis of use context within the service system, 3) building representation of the service by using methods that integrate all elements of the service such as physical elements, interactions, logical links and temporal sequences. These are the elements which can be designed to *facilitate* pursued experiences. (Brown 2008; 2009; Andreassen et al. 2016). Though interestingly, in their recent article Andreassen et al (2016) *exclude empathy* explicitly when defining service design in order to build linkages to value creation and service research.

Instead, experience-driven design places pleasurable and meaningful moments at the centre of all design efforts (Hassenzahl et al., 2013). Essential to this is the fact that you do not have control over others’ experiences, even though *use of any* product or service inevitability creates experiences. Targeting for “wow” or just good experiences is not concrete enough to guide design. Here, for example, Hassenzahl et al. (2013) provide the *conceptual framework to explicate the holistic positive experience*. Categorization is based on previous studies of psychological needs as a source for positive experiences, and ultimately happiness. It is defined as both a situational affective experience of joy and as a long term cognitive and holistic sense of a meaningful and positive well-being, with active engagement. The following six main needs are proposed as being relevant when conceptualizing the holistic positive experience: autonomy, competence, relatedness, popularity, stimulation and security (see the Table 1).

Needs	Description
Autonomy	Feeling that you are the cause of your own actions rather than feeling that external forces or pressure are the cause of your action.
Competence	Feeling that you are very capable and effective in your actions rather than feeling incompetent or ineffective.
Relatedness	Feeling that you have regular intimate contact with people who care about you rather than feeling lonely and uncared for.
Popularity	Feeling that you are liked, respected, and have influence over others rather than feeling like a person whose advice or opinion nobody is interested in.
Stimulation	Feeling that you get plenty of enjoyment and pleasure rather than feeling bored and under-stimulated by life.
Security	Feeling safe and in control of your life rather than feeling uncertain and threatened by your circumstances.

Table 1. Dimensions of needs to explicate/understand the holistic positive experience.

Designing *for* experience lies with R&D activities (Forlizzi & Battarbee, 2004; Hassenzahl et al., 2013; Kaasinen et al., 2015), but, increasingly their relevance as a more strategic company and management tool issue is being recognised (Väättäjä et al., 2014; Borja de Mozota, 2010). In order to guide designing for experiences and enhancing innovations, different kinds of user experience (later UX) methods and techniques have been developed for practical guidance (e.g. Hartson & Pyla, 2012; Roto et al., 2015b) but academic published cases on their use are rare, e.g. related to UX goals (Kaasinen et al., 2015). In our study, we chose the following three experience-driven design methods for further examination and application, because their main purpose is to enhance emphatic understanding from different angles, and they have already been applied in different contextual settings.

Firstly, to reach an emphatic understanding of end users and customers, one of the most popular and successful techniques is using a *hypothetical archetype, persona*, built from contextual data as a storyline and description of an individual with a personality (Hartson, & Pyla, 2012). The idea is that, when you cannot satisfy all users with a single design, you should target making some users completely satisfied, instead of all of them half-satisfied. This is a way to “step into other’s shoes”. We propose that hypothetical personas provide a means to identify with users as holistic human beings with *contextual* settings and capture related user needs, expectations and resources taken into account in designing the service to facilitate their *value-in-context* experience.

Secondly, in previous chapters we highlighted the various touch points where the user or customer interacts with the company with the impact on their own experience in terms of co-creation of value and brand meanings. Here, *recognising and designing for customer touch points* provides a relevant method (e.g. Roto et al., 2015a). Essentially, it is again to start with the perspective of customers and end users in terms value creation. Furthermore, we suggest that analysis should be extended to capture the *criticality* of touch points not only of *value-in-exchange* but also *value-in-use perspective* in order to focus on designing for the experience aligned with service thinking, described above. In that way by challenging the current way thinking, this may also make it possible to identify the novel ways of differentiation.

Thirdly, *UX goals* provide a means to characterise the anticipated and desired experience in the specific context. They can serve as a high-level objective of interaction design and a framework for the evaluation (e.g. Hartson & Pyla, 2012). The company and brand identity can be recognised as the most obvious source of UX goals (Kaasinen et al., 2015). This approach ensures that the UX goals are in line with the company’s brand promise, but, we suggest that it can also serve the other way around, clarifying the brand promise, particularly internally among the personnel (and also with external partners) in sharing and interpreting *brand value*.

To summarise, the paper examines how experience-driven design methods support the understanding of value co-creation and differentiation in changing service ecosystems. Here we have built theoretical linkages between the topical debate on S-D logic, brand research and an experience-driven design approach with some links also to service design. In the following, we present our empirical study of the dynamic and socially constructive nature of value co-creation with an emphasis on the unique, holistic experience and image co-construction among beneficiaries, as a means of differentiation.

3. EMPIRICAL RESEARCH DESIGN

A qualitative multi-case and participatory fieldwork approach was adopted in the context of residency in Finland. To answer to the research purpose and to narrow the identified research gaps, we adopted the empirical qualitative case study approach and targeted SME companies. (e.g. Fetscherin & Usunier, 2012). As an empirical context, we found the industry of real estate management topical and highly relevant due to the on-going transformation, with increased competition and mergers in the industry.

3.1. Case description

According to Finnish Real Estate Management Federation: “*Real estate management is an expert service which ensures that everyday life in residences goes well, living costs can be anticipated and repair projects go according to plan. In Finland, real estate management looks after the homes of 2.7 million people (of 5.5 million Finns) living in terraced houses and apartment buildings. Real estate management services are provided by 700 companies, mainly SMEs. The sector employs 2,500 real estate managers and altogether 5,000 employees*”. (<http://www.isannointiliitto.fi/inenglish/>.) The national corporate model for housing forms the basis for the real estate management service in Finland. The national housing share system is unique in the sense that this precise system does not exist in any other countries. In Finland, the housing company owns the building with residences and the shareholder owns shares entitling them to home ownership. Residential buildings managed by a housing company may be flats, terraced houses, semi-detached houses or single-dwelling houses. The housing company’s top decision-making powers are at the Annual General Meeting. The Annual General Meeting elects the board of directors, consisting typically of representatives of the shareholders, for the housing company. However, one of the growing trends seems to be so-called private housing investors, who rent their shares forward and also take the opportunity to be elected to the board of directors with professionalised expertise. The most important tasks of the Board are the selection of the real estate management company and the representation of the shareholders. Therefore, the housing companies have outsourced the operational management to the real estate management companies to ensure and even enhance the value of property and living of residences. In the future, the role of the real estate management service will become more significant, while the needs for renovation grow due to aging residential building stock.

At its best, the national housing company model with a long-term collaboration with real estate management expert partners provides an ideal basis for value co-creation between beneficiaries. On the other hand, the so-called *institutionalized collaboration models* in the housing ecosystem are somehow challenged by evolving megatrends, which are shared broadly in western countries. Trends such as the growing number of elderly people, sustainability, increasingly individualised life styles and digitalization have many impacts on ways of living, attitudes to personal and national property with diverging service needs and value expectations. The home embeds both huge emotional charge and economic value, particularly for Finns, because living costs are relatively high and homes are typically the main form of private property in Finland. Though, paradoxically,

nowadays residents are typically more focused on their daily lives at hand instead of being interested in maintaining or even enhancing the value of their critical life time investments over time. Residents have in a way outsourced their responsibility to the housing association, which chooses and builds collaboration with the external service providers. At the same time, the real estate management service has been experienced as distant and vague, resulting in unrealistic value expectations from the residents as end customers (and payers).

Therefore, real estate management is in the middle of growing and diverging demands, which can also be seen opportunities such as to grow not only by acquisitions but also by digitalization and business renewal. Here, the importance of emphatic understanding and holistic experience of the residents as end customers has been acknowledged as the one powerful mean for differentiation in the industry which has traditionally taken as granted or even “necessary evil”. Thus, the call for increasingly multidisciplinary and specialist expertise with a service mindset and participatory branding capability boosts not only new growth and business opportunities with institutional renewal, but professional pride, attractiveness and appreciation across industry.

The study was conducted as part of the multidisciplinary research project lasting from January 2015 to December 2017. By taking into account the ongoing transformation, *six case companies* were selected based on the following criteria: SMEs, growth and renewal interests, geographical location and avoiding direct mutual competitive interests. The case companies are presented in Table 2.

Cases	Main facts	Brand promise	Proclaimed/ Communicated services
Case 1	Established 2000 25 employees Strong growth through the acquisition Helsinki Metropolitan area	<i>You can concentrate on residency – we secure the value of your property</i>	Main services: real estate management, financial management, and technical services. Special services: Real estate strategy, project management, energy services, technical real estate management, communication plan.
Case 2	Established 2003 20 employees Strong growth through the acquisition 6 offices in Eastern Finland	<i>We offer professional real estate services with many years of expertise</i>	Real estate management and technical property management. Long-term focus on digital services.
Case 3	Established 2009 19 entrepreneurs, total of 47 employees (+25) Nationwide franchising chain	<i>Nationwide management We take care of your real estate</i>	Tailored and customized real estate and technical management services for chain entrepreneurs serving customers. Entrepreneur-based specialization for local customer needs.
Case 4	Established 1973 80 employees Wide range of services, public ownership Central Finland	<i>Offering unique customer experiences, A service organization that increases customers real estate value</i>	Wide range of services: real estate management, real estate maintenance and cleaning services (including domestic cleaning.) Concept for supporting annual plan for services and property developer services.
Case 5	Established 1998 11 employees Currently (2015-) part of large national finance group Northern Finland	<i>In good hands</i>	Real estate management, technical property management, as well as housing services through the Group's services (For example real estate agency)
Case 6	Established 1975 10 employees Focus on estate in the centre of Helsinki capital	<i>Real estate management is maintenance of living comfort and value of your real estate property.</i>	Real estate management including financial services, technical real estate maintenance services

Table 2. The description of the six case companies.

The participatory brand building and service development processes were planned, facilitated and studied by a multi-disciplinary research group between January 2015 and March 2017. The collaborative process consisted of *four collaborative workshops for the top managers* of six companies and a *company-specific workshop for the employees*, in each company. The aim of collaborative and facilitative process was defined as follows. Firstly, to enable sharing insights into future development trends in the ecosystem of residency and related value creation opportunities and threats, considering real estate management service. Secondly, to challenge companies to seek

new means for differentiation in terms of co-creating brand meanings and modifying brand propositions as well as their entire business mindset towards service thinking. Thirdly, to support companies by providing frameworks and methods for critical evaluation, collaborative development and brand building.

This study focused on *company-specific workshops*, conducted in the autumn of 2016. The participants covered all occupational groups of the companies including the top management. The workshops lasted approximately four hours. They were organized by applying three experience-driven design methods: hypothetical personas, customer critical touch points and UX goals.

We started each workshop with the orientation regarding short audio and pictured storylines of six different residents living in the same block of flats (**hypothetical personas**). The storylines told about lively people of different ages, genders, life styles as well as different orientation and expectations to the living environment and neighbourhood, services, digitalization, ecology and real estate management. After the orientation, employees were encouraged to reflect their feelings and insights into how they take into consideration the different resident's' life situations with specific needs and desires.

Next, we chose the topical case of pipe removal to work in smaller groups with **critical touch points**. The pipe removal topic was chosen because it is a critical and expensive investment for residents and a complex project with many stakeholders to manage successfully and within set time lines. While there are growing needs for renovation due to aging residential building stock, a critical debate with novel experiments has recently emerged to challenge the traditional way of working by involving business actors. Therefore, the topic provided an ideal context for challenging the current service mindset and seeking a novel means for differentiation collaboratively. Facilitated by researchers, groups discussed and summarized the typical touch points where they interact before, during and after the pipe removal with residents as end customers. The focus was on each phase: what were residents' main concerns, the critical contact points with residents and how the company could stand out with its service. Groups shared their insights and the conclusion was conducted for further use.

Finally, we concluded the workshop with a rehearsal of experience statements. The purpose was to let employees think freely about the different feelings that they want residents to feel when they are in contact with employees from the real estate management. All the feelings were collected and will be used as a basis of co-constructing the **UX-goals** to guide service and brand development further.

3.2. Data collection and analysis methods

We applied a *participatory fieldwork approach* and used participant observations as the main research methods (Hennink et al., 2011). The main empirical data consisted of our observation memos including all the discussions and the notions of employees' activities and interactions during the workshops as well as documented workshop outputs. In addition, pre- interviews with the top managers from six companies were utilized as supplementary data to collect the manager's views of their company's business, strategy, customer orientation, value and brand propositions as well as related development needs, ideas and the main focus areas.

Data analysis was conducted through several iteration phases. We started with the company specific interview data, which was roughly analysed and then compared across cases. The aim was to build a holistic understanding of both shared and distinctive insights of the informants considering the main challenges and opportunities in value creation and differentiation in the context of residency and particularly in real estate management. This pre-analysis confirmed our tentative assumptions to focus on different aspects of service thinking in practice, and particularly the end user perspective,

and guided planning of the workshop facilitation with data collection and analysis. Furthermore, the literature review by combining S-D logic and supportive brand research perspectives with relevant design approaches such as experience-driven design methods resulted in the theoretical assumptions with main concepts described at the end of the Chapter 2.2. They also guided our main analysis considering workshop outputs with the emphasis on empathic understanding of holistic human experience as a source of value creation and differentiation. In addition to thematic analysis in terms of concepts of value-in-context, value-in-use and brand value, the conceptual framework by Hassenzahl et al (2013) was applied to the content analysis of service ideas and experience statements boosted by an emphatic understanding of residents. We found the conceptual framework relevant when examining holistic end customer experiences in the context of real estate management (see the Table 1).

4. MAIN FINDINGS

Based on our iterative analysis, the three chosen experience-driven design methods seems to deepen the understanding of value co-creation and differentiation among personnel in the following ways.

Firstly, we proposed that **hypothetical personas** can provide a means to identify with users as holistic human beings with contextual settings and capture the related user needs, expectations and resources taken into account in designing the service to facilitate their **value-in-context** experience. Based on the analysis in general, employees recognized the residents described in the storylines, and they felt it was easy to adapt to their varied situations along the life span with concerns and service needs. There were many notions that they knew these types of people living in a housing company they worked with. They also described in a vivid way their own experiences related to different residents. In some company-specific workshops, there was also a positive surprise that it was somehow refreshing to employees to reflect collaboratively all the different residents in their internal meetings in a positive and constructive way.

The method challenged the *institutionalized mindset* that the board or the chair of the board is the only real customer of the real estate companies and the residents are the “necessary evil” or source of problems in their work. The understanding of human to human aspects arose from the reflections of employees. They made remarks for instance that they should more actively take into account that young residents do not read paper post, families do not have time to come to traditional meetings and especially elderly people cannot read long and impalpable reports. There was also a remark that tenants were often not taken notice of when serving the residents. These are just examples of illustrating on the one hand so-called megatrends and on the other hand individualised living styles. Accordingly, there were also concerns that residents want too much and all of it free and it is challenging to sell profitable services to them. In general, in all workshops there was a major concern that residents do not read the necessary reports and information they send them. In some workshops, participants emphasized that they should develop new ways to reach different residents and create services that are time- and place-independent. Moreover, some participants told of good experiences from active communities of residents in some housing companies who are using social media platforms to resolve emerging needs and problems collaboratively, and with smooth collaboration with real estate management. To summarize, hypothetical personas enabled empathic understanding of complex value-in-context driven by megatrends and increased individualized end user needs in changing ecosystems.

Secondly, we suggest that **identifying customer critical touchpoints** provides the mean to capture the criticality of touch points, not only from a value-in-exchange but also a *value-in-use perspective*. In that way, by challenging the current way of thinking, this also may enable us to identify the novel ways of differentiation. Examples of service ideas co-created in workshops are presented in Table 3. The variety of ideas appears to be huge, and service ideas are widely

connected to all the different human need categories adopted from Hazzelzahl et al. (2013). As demonstrated in the Table 3, they covered not only the topical case of pipe removal, but varied aspects of value creation activities of real estate management. Above all service development ideas reflect the challenge of changing the mindset; ideas are still largely modest, but there were many of them. However, some of the radical ones clearly demonstrate a value-in-use perspective aligned with S-D logic and the new value creation opportunities (cf. social housing, new services enabled by technology). On one hand, residents are not willing to pay for these services (yet), and on the other hand, the housing company's governments make decisions about the services; the specific needs of residents were acknowledged as being rather distant from the interests of the board of directors (of the housing company); Only a few representatives of the residents are members of the board. Accordingly, the multifaceted needs of residents are often not represented on the board. In some workshops, challenges were also critically elaborated, resulting in new service ideas. To summarise, by identifying customer critical touchpoints were aimed to "simulate" value co-creation activities and roles with contributions to value-in-use for beneficiaries, which appeared important but rather challenging empirically.

The purpose of the **UX goals method** was to provoke discussions on what kind of feelings employees want to arouse in residents to enhance the pursued experience of value of the service in their living and crucial investment in the short and long term. In the light of the holistic need framework of Hassenzahl et al. (2013), the feelings of the residents expressed as end customers illustrated the variety of human needs; there were many positive feelings mentioned and examples are presented in Table 3. There was not enough time in one workshop to co-construct the company-specific UX-goals at this point. Nevertheless, this was an initial starting point of a longer brand building process, and the statements are going to be iterated further on by the companies. We suggest that the method can also serve the other way around, clarifying the brand promise, particularly internally among the personnel (and also with external partners) in sharing and interpreting both *value-in-use and brand value* to personnel as guiding principles in their work .

Needs	Examples of service ideas (to focus on critical touch points) (Value-in-use)	Examples of experience statements (towards UX-goals) (Brand Value)
Autonomy	Concept for annual planning to make all the actions carried out by real estate managers <i>proactively</i> visible and thus <i>manageable</i> to residents.	Residents themselves know how to get information and how to use it.
Competence	Communication on clear visual ways, training residents to achieve a better <i>understanding</i> of relevant issues related to living and owning of stocks of their apartment in <i>short and long terms</i> .	Time, money and responsibility are provided residents.
Relatedness	Real estate managers visible to the residents in the housing company. To make real estate managers and other personnel more <i>approachable</i> to residents in the <i>alternative</i> ways (physically and virtually).	Residents are always welcomed Residents always receive help as one human to another.
Popularity	<i>Social real estate management</i> . Inquiries from residents that are handled in a friendly manner and as quickly as possible.	Residents are listened to and taken care of individually.
Stimulation	Open door days: sharing and caring. Providing tools and events to boost	Residents feel loved

	<i>empowerment and co-creation mindset.</i>	
Security	<i>Special security service, for instance during renovation in order to ensure that residents property is safe during the renovation project.</i>	It feels good and safe to live in your house. The resident is in safe hands.

Table 3. Examples of service ideas and experience statements illustrating empathic understanding of residents.

In general, the feedback from the workshops was very positive, and employees mentioned that this was something different than what they were used to. Workshops gave them a possibility to jointly reflect and challenge their mindset in terms of who are our customers, how is value created from the residents' perspective, what kind of experiences do they gain and what kind of experiences do we want to create in the future. Workshops were also described as open, interesting and inclusive.

5. CONCLUDING REMARKS

To conclude based on our theoretically argued empirical results of all six case companies, the three experience-driven design methods helped the employees and managers involved to view the role of residents as end customers with a variety of needs and value expectations in their living context, and to explore the service of the real estate management as an emotional and holistic end customer experience of both value-in-use and brand value. In that way, the methods seem to contribute to the deepened understanding of the service mindset, and similarly to facilitate interpreting and co-creating brand meanings. Furthermore, the three experience-driven design methods helped employees and managers involved to develop new service ideas to support the value-in-use perspective. Therefore, based on our study an experience-driven design approach could provide new theoretical insights and practical methods for *supporting* in their part ongoing paradigm shifts in value creation and branding that is characterized by a socially constructive, dynamic, experiential and systemic nature.

As to *scientific* implications, we built linkages between the topical debate on S-D logic, brand research, service design and the experience-driven design approach. As implied in our empirical multi-case study in the context of the little studied real estate management, the changes in the institutional logic of an industry not to speak of the changing ecosystem, appear very complex and therefore typically slow (cf. Vargo et al., 2015). However, as our study indicated some disruptive tendencies can be identified to enable also radical shifts in value creation logic towards a service mindset at least to some extent. Furthermore, our study contributes to branding research through an experience-driven design approach by bringing new insights and empirical evidence to the topical debate of an organic view on branding (e.g. Hatch & Schutz, 2010; Iglesias et al., 2013; Kaasinen et al., 2015). More specifically, we empirically applied the conceptual frame to make a multiform human experience explicit and understandable in order to interpret brand value and meanings from the end customer perspective.

As to *managerial* implications, our study presents three practical methods, applicable across industries, for facilitating employee involvement in strengthening emotional bonds with end customers by developing services in the experience-driven way (Hassenzahl et al., 2013). This also provides possibilities for co-creation of brand meanings as well as boosting brand ownership and employee pride as important means for differentiation in highly competitive markets (cf. Ind 2014; Iglesias & Bonet, 2012). The experience-driven design approach seems relevant and methods applicable across industries to support adopting service mindset in practice. The methods form an interrelated synthesis to support the iterative and cyclic process for strengthening value co-creation

and brand experiences in the long run. Our empirical data is based on a first round of awakening, understanding and activation of the employees and managers. In addition, methodological support was provided to companies to continue the iterative development and renewal process independently by expanding it to customers, residents and other stakeholders.

The research approach chosen provided rich empirical data. Our empirical results are tentative with case-study and participatory approach limitations, as yet, and highlight the need for further research and validation in the real estate management field, including specifying the applied conceptual framework and external stakeholders as a new research angle. The focus of the research was on enabling a positive experience as a source of value creation and differentiation, and we did not take into account negative experiences, which is relevant for further research too (e.g. value destruction; cf. Medberg et al. 2016; Grönroos & Voima, 2013).

6. REFERENCES

- Andreassen, T. W., Kristensson, P., Lervik-Olsen, L., Parasuraman, A. McColl-Kennedy, J.R., Edvardsson, B. and Colurcio, M. (2016) Linking service design to value creation and service research, *Journal of Service Management*, Vol. 27, Iss. 1, pp. 21 – 29.
- Borja de Mozota, B. (2010) The four powers of design: a value model in design management. In T. Lockwood (ed.) *Design thinking. Integrating innovation, customer experience and brand value* (pp.65-80). New York: Allworth Press.
- Brown, T. (2009). Change by Design (Google eBook), 272. Retrieved from <http://books.google.com/books?id=x7PjWyVUoVAC&pgis=1>
- Brown, T. (2008), “Design thinking”, Harvard Business Review, Vol. 86 No. 6, pp. 84-95.
- Chandler J.D. and Vargo S.L. (2011) Contextualization and value-in-context: How context frames exchange. *Marketing Theory*, Vol 11, Iss 1, pp. 35–49.
- Edvardsson, B., Tronvoll, B. and Gruber, T. (2011) Expanding understanding of service exchange and value co-creation: a social construction approach. *Journal of the Academy of Marketing Science* Vol. 39, Iss 1, pp. 327–339.
- Fetscherin, M. and Usunier, J-C. (2012). Corporate branding: an interdisciplinary literature review. *European Journal of Marketing*, Vol 46, Iss 5, pp. 733–753.
- Forlizzi, J., and Battarbee, K. (2004) Understanding Experience in Interactive Systems. In Proceedings of the 5th conference on Designing interactive systems: processes, practices, methods, and techniques, Cambridge, USA, August, 2004, pp. 261-268.
- Grönroos, C. and Voima, P. (2013) Critical service logic: making sense of value creation and co-creation. *Journal of the Academy of Marketing Science* Vol. 41, Iss 2, pp. 133 - 150.
- Hartson, R. and Pyla, P. (2012). *The UX Book: Process and Guidelines for Ensuring a Quality User Experience*. Waltham, MA: Elsevier.
- Hassenzahl, M., Eckoldt, K., Diefenbach, S., Laschke, M., Lenz, E., and Kim, J. (2013). Designing moments of meaning and pleasure. Experience design and happiness. *International Journal of Design*, Vol. 7, Iss 3, pp. 21–31.
- Hatch, M.J. and Schultz, M. (2010). Toward a theory of brand co-creation with implications for brand governance, *Journal of Brand Management*, Vol. 17, No. 8, pp. 590–604.
- Helkkula, A., Kelleher, C. and Pihlström, M. (2012) Characterizing Value as an Experience: Implications for Service Researchers and Managers. *Journal of Service Research* Vol. 15, Iss 1, pp. 59–75.

- Hennink M., Hutter I., and Bailey A. (2011). *Qualitative Research Methods*. Sage, Thousand Oaks, CA.
- Holmlund, M., Strandvik, T. and Lähteenmäki I. (2017) Digitalization challenging institutional logics: Top executive sensemaking of service business change, *Journal of Service Theory and Practice*, Vol. 27 Iss 1 pp. 219 – 236.
- Iglesias, O and Bonet, E. (2012) Persuasive brand management: How managers can influence brand meaning when they are losing control over it, *Journal of Organizational Change Management*, Vol. 25, Iss 2, pp. 251 – 264.
- Iglesias, O., Ind, N., and Alfaro, M. (2013) The organic view of the brand: A brand value co-creation model, *Journal of Brand Management*, Vol. 20, Iss 8, pp. 670-688.
- Ind, N. (2014) How participation is changing the practice of managing brands, *Journal of Brand Management*, Vol. 21, Iss 9, pp. 734-742.
- Kaasinen, E., Roto, V., Hakulinen, J., Heimonen, T., Jokinen, J. P. P., Karvonen, H., and Turunen, M. (2015) Defining user experience goals to guide the design of industrial systems. *Behaviour & Information Technology*, 3001(May), pp. 1–16.
- Kallio, K. and Lappalainen, I. (2014) Learning about service-orientation in KIBS: understanding the customer as an active actor. *Service Science*, Vol 6, Iss 2, pp. 1–14.
- Mele, C., Russo-Spena, T., Nuutinen, M. and Kallio, K. (2017) Schools of innovation thought, in Russo-Spena, T., Mele, C., and Nuutinen, M (ed.) *Innovating in practice. Perspectives and Experiences*. Springer, pp. 13-41.
- Medberg, G., Gummerus, J. and Tregua, M. (2015) Perspectives on value-in-use in service research. In T. Russo-Spena & C. Mele (ed.) *proceedings of 26th Annual RESER Conference*, September, Naples, Italy, pp. 713-725.
- Mele, C. and Russo-Spena, T. (2015) Eco-innovation practices, *Journal of Organizational Change Management*, Vol. 28, Iss 1, pp. 4 – 25.
- Merz, M.A., He, Y., and Vargo, S.L. (2009). The evolving brand logic: a service-dominant logic perspective, *Journal of the Academy of Marketing Science*, Vol. 37 No. 3, pp. 328–344.
- Payne, A. and Frow, P. (2017) Relationship marketing: looking backwards towards the future, *Journal of Services Marketing*, Vol. 31, No. 1, pp. 11–15.
- Payne, A., Storbacka, K., Frow, P., and Knox, S. (2009). Co-creating brands: Diagnosing and designing the relationship experience. *Journal of Business Research* 62, pp. 379–389.
- Payne, A., Storbacka, K. and Frow, P. (2008) Managing the co-creation of value, *Journal of the Academy of Marketing Science*, Vol. 36 No. 1, pp. 83-96.
- Roto, V., Lu, Y., Nieminen, H., and Tatal, E. (2015a) Designing for User and Brand Experience via Company-wide Experience Goals. *Extended Abstracts of the ACM CHI'15 Conference on Human Factors in Computing Systems*, 2, 2277–2282.
- Roto, V., Smedlund, A., Nuutinen, M., Kaasinen, E., and Seppänen, M. (2015b) UX expeditions. In: *User experience and usability in complex systems - UXUS 2010-2015*. FIMECC Oy, ss. 203-209.
- Vargo S.L., and Lusch R.F. (2008) Service-dominant logic: continue the evolution. *Journal of the Academy of Marketing Science* Vol. 36, No. 1, pp. 1–10.
- Vargo S.L. and Akaka M.A. (2009) Service-dominant logic as a foundation for service science: Clarifications. *Service Science*, Vol. 1, Iss 1, pp. 32–41.
- Vargo S.L., Wieland, H. and Archpru Akaka, M. (2015): Innovation through institutionalization: a

service ecosystem perspective. *Industrial Marketing Management* 44, pp. 63-72.

Väätäjä, H., Seppänen, M., and Paananen, A. (2014). Creating value through user experience : a case study in the metals and engineering industry. *International Journal of Technology Marketing*, 9(2), 163–186.

Wright, P., and J. McCarthy (2010) Experience-Centered Design: Designers, Users, and Communities in Dialogue. *Synthesis Lectures on Human-Centered Informatics* Vol. 3, Iss 1, pp. 1–123.