

# RELATIONSHIP & TRUST

DEVELOPING SERVICES,  
CREATING LOYALTIES AND  
GENERATING KNOWLEDGE



EUROPEAN UNION

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**Prosperous forest**  
Diversification through Inclusion and Specialisation

## **THE GUIDEBOOKS IN THIS SERIES:**

All guidebooks are produced as a joint effort of the Prosperous Forest – partnership. The main authors of each guidebook are listed below:

### **WHAT IS A SERVICE?**

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### **RELATIONSHIP AND TRUST**

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### **FOREST OWNERS' DECISION-MAKING**

Anne Matilainen, UH Ruralia

### **ORDERING COMPETENCY**

Paulina Enoksson, Swedish Forest Agency

### **INCLUSIVE SERVICE DEVELOPMENT**

(Only in Swedish and Finnish)

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### **COMMUNICATING SERVICES**

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### **BUSINESS MODEL**

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### **SERVICE DESIGN**

(Only in Swedish and Finnish)

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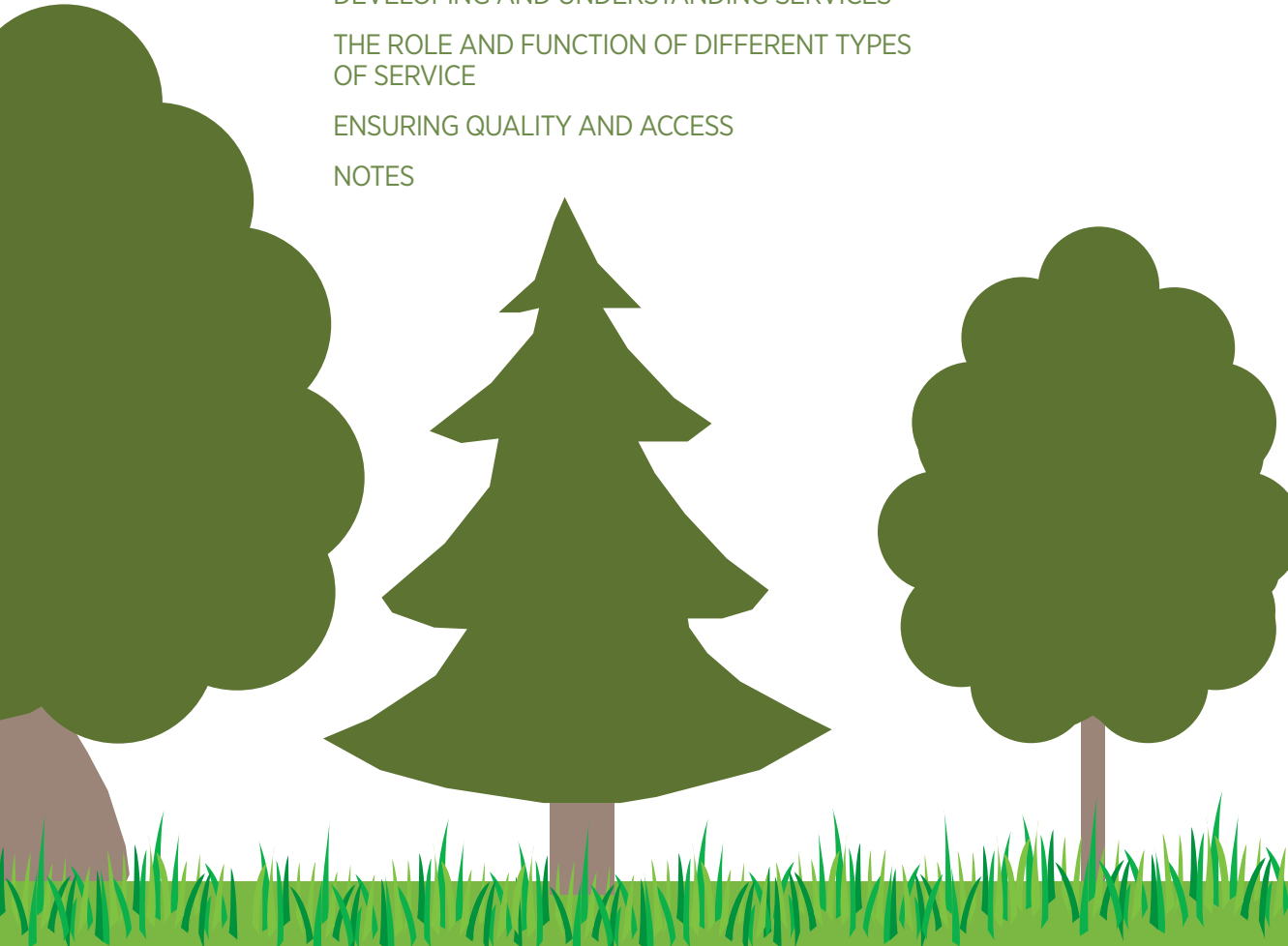
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A relationship can be seen both as a barrier to and opportunity for business. When the relationship, and potential loyalty, takes precedence over business activities and potential revenue, this is often seen as a barrier to profitable sale and business. The intimacy of a relationship is frequently perceived as the challenge and something that should be avoided in traditional sales. However, the relationship can also have positive effects on managing sales interactions through knowledge, loyalty and trust – which, to an extent, can drive developing services and profitability in both short and long term. This is a fine line that needs to be balanced and reflected upon when optimising a business relationship and the strategic work with service sale.

### Establishing trust through mutual values

Since service production and consumption occurs in the interrelation between seller/producer and buyer/consumer, trust is a central prerequisite for both managing the service interaction and creating a sustainable and long-term relationship. Mutual understanding, respect, and value creation are fundamental for success in the process of service production and consumption. As emphasised in a relation-oriented approach, achieving the goal of mutual value requires focusing on and experiencing a win-win by both actors for there to be full engagement and resource utilisation. Trust is not something that is a given. It is a product of the process and interaction and is something that also needs to be managed. The interactions and the personal traits of both service providers and consumers influence whether this kind of trusting atmosphere can be created. In general and in a forest-related context, this emphasises the importance of understanding both the present and potential value creation. Value in the service interaction is not primary objective, but individual and subjective. It needs to be understood and managed from this perspective. If the forest owner does not value a well-thinned stand to the same extent as the seller, this constitutes, if not compensated, an imbalance in the relationship, no matter how well the thinning was carried out according to the seller. In interactions where costumers do not feel that their values are fully acknowledged and developed, the potential for a mutual relationship and trust is weak.



## Creating opportunities through understanding

From the perspective of the service provider, knowledge and understanding of specific consumer needs and opportunities for value creation is crucial. Service provision needs to be a subjective process and different from the provision of goods, where specific aspects and characteristics can more easily be measured and described. As value creation is a part of the process, there is no objective service and template for implementation, Instead, it is something that needs to be adapted to achieve a win-win situation. The service is not primarily assessed based its output but on the experience of the process and interaction as a whole. This means that different values, perspectives, emotions, meanings etc. of the process need to be acknowledged and managed to achieve a positive experience. The relationship should be regarded as an opportunity for exploring and understanding these different aspects and expectations of the service – both for adapting the process and managing the available resources in the best way. Understanding the motives and objectives of forest owners is crucial to adapting the service process to their values, needs and expectations and thereby to creating a basis for a relationship. Understanding these values and motives not only shapes old practices and processes, it can also create opportunities for high-value adapted and new services for both the forest owner and the seller.



## Managing risks and complexity

In general, services are a complex process by nature and a vital part of the interaction is minimising and managing this, e.g., by avoiding extensive and difficult-to-read contracts or descriptions. The consumer's resources for understanding and feeling confident with the service is important to acknowledge and reflect upon. Consumers' experience purchasing services as more complex, particularly for rare purchases. Dependent on their knowledge level and available information, assessing the service, its results and its quality is challenging, and this can potentially undermine the experience of the service and the service provider. In these cases, the expectation of the service determines the experience and the outcome of the sale – regardless of whether it is realistic or not. Here, trust can bridge complexity that is potentially difficult to overcome in the design and production of the service. Together with long-standing relationships, trust can help minimise the risk of customer turnover and, to an extent, contribute to improving



the service. With new and unexperienced forest owners, trust can initially help to bridge this complexity in both service consumption and forest ownership in general. However, so that it is not taken for granted, the basis of the trust needs to be assessed and reflected upon for each customer and relationship. An expertise in forest-related issues might be relevant, but other aspects can also be crucial for establishing trust and improving the overall experience of the service process.

## Building long-term relationships

For services, the product should not be separate from the service since the value-creating relationship constitutes the “product”. Thus, a relationship can be defined as:

*“an interactive process through which actions, knowledge and emotions become part of the customer’s value-creating process”<sup>1</sup>*

The service process involves many different interactions at different levels. These are significant for analysis of the quality of the relationship.<sup>2</sup> A relationship consists of different sequences (interactions), several components and, thereupon, several actions. The actions constitute the moment of truth, which is judged in relation to the whole. Therefore, a relationship can only grow when all, or at least the majority, of company’s contacts with the customer support relationships.<sup>3</sup> As previously noted, a service is produced and consumed almost simultaneously, and for that reason it cannot be stored. However, a customer can be “stored” during decreases in production capacity, e.g., by focusing on other services or working actively with customer databases. Though, this is only possible for a limited time before it endangers the relationship. Digital customer support and platforms, such as apps and personalised webpages, can help keep forest owners activated during this time.

## From individual exchange to business relations

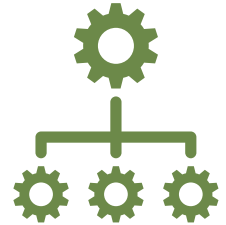
Traditional transaction/goods marketing focuses on achieving individual purchases and transactions (exchange), often through campaign-oriented approaches. In relationship marketing, it is not the exchange that is the most important but instead the business relations – where the exchange takes place. To adapt a relationship marketing perspective is to focus on directing business relations instead

of individual exchanges. To fulfil the potential of relationship management with services, there are three key strategies: <sup>4</sup>

- 1) Redefine the business/organisation focus
- 2) Relate to the organisation from the process perspective instead of the function perspective (facilitate value creation)
- 3) Establish partnerships and networks to handle the whole service process

In the everyday practice, this requires the following tactics:

- 1) Direct contact
- 2) Build knowledge/information on customers and partners
- 3) Establish a customer-oriented service system



The primary focus is to understand customers, their needs, their resources and their potential for value creation to best adapt and utilise available resources. This requires direct contact and interaction, which goes beyond personalised direct advisements, marketing and membership/loyalty programmes. Although these might be appreciated by the customer, they are not relationship marketing and do not lead to establishing a relationship.

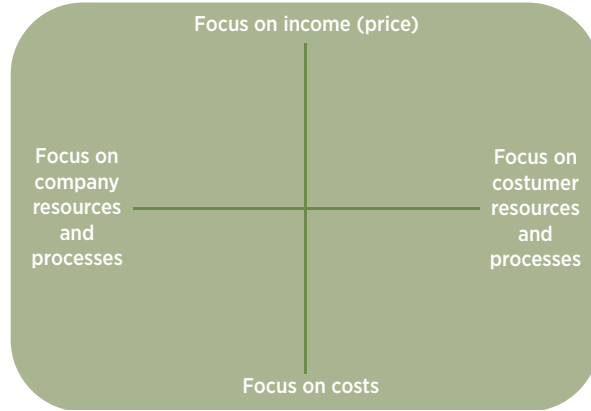
## Creating and managing connections

Recurring purchases from the same company can be a sign of a relationship, but it is not possible to make this assumption on these actions alone. There can be a number of different explanations for recurring purchases, such as price, location or lack of competition. If the connections that tie a customer to a company disappear, there is a large risk that the individual is going to do business with someone else. The cost of acquiring customers, especially specific groups and locations, can be quite high, so customers need taken care of. Another aspect is that the customer relationship for services does not often become profitable with the first purchase. The profit comes over time. This means that not only do relationships need to be established, they also need to be nurtured and managed for success. Loyal customers are considered more profitable and long-term relationships are seen as the best way to create this loyalty.<sup>5</sup>



## Understanding focus and avoiding conflicts

To better understand relationships, experiences and actions, it is important to be aware of what partners potentially focus on the most.



**Figure 1.** Analysis of business focus <sup>6</sup>

Mentally, the customer is more frequently positioned in the upper-right corner based on their support and access to resources in their process and in relation to the price they pay (Figure 1). The company is more often concerned with costs and the cost effectiveness of their own organisation, which falls in the lower left corner. This leads to a conflict of interest between customers and companies. The extensive focus companies have on their own resources and processes tends to lead to a limited understanding of the customer's processes, goals and thoughts driving their behaviour in the service interaction. The dominating focus (mental positioning) affects the behaviour and direction of both companies and customer behaviour on various levels. From the company perspectives, these two mental positions can also be explained with a product-based (lower left corner) or service-based (upper right corner) business focus. These focuses either target the company's own resources to deliver the product to the customer or provide insight on customers' processes and resources to create value/surplus. An understanding of the different focuses/perspectives in the service interaction and a transparent and mutual dialogue based on these are crucial for both optimising use of the available resources and developing trust and relationships. When the

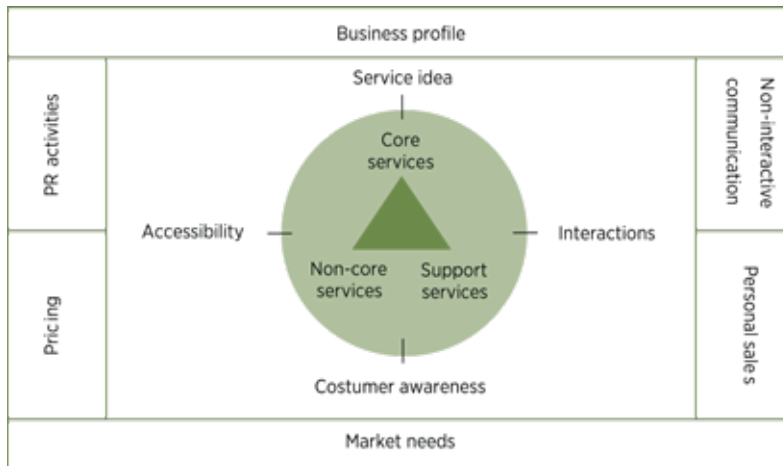




focus/perspective of the service provider becomes too dominant, trust and the relationship can potentially be weakened and forest owners begin looking for other relationships or services and assess the quality of the initial service in an “objective” way.

## Developing and understanding services

The profile of the company emerges through management and marketing. It is crucial to use the profile to be aware of, know and identify the customer. The interaction represents the centre of the service production and consumption (Figure 2).



**Figure 2.** Service offerings in service marketing <sup>7</sup>

Both the business profile and market needs shape marketing strategies in various way and are very much interrelated – e.g., that the marketing should match the profile. In the interactive service offering (the centre), the service idea relates to the needs focused on for value creation and the resources available or required.

## The role and function of different types of service

The service idea and offering need to be concretised based on the experience and valuation of specific customer segments. This can then be divided into:

- 1) Core services
- 2) Non-core services
- 3) Support services

Core services relate to the main purpose of the business in general. The non-core services are services that make the consumption of the core services possible. Support services are additional services that make the service offering and relationship more attractive and are mainly a means of competition. In a forest-related context, different forest management measures, such as thinning and cleaning, could be core services while consulting and planning services could be non-core services. In this example, support services could be certification or different forms of communication and documentation. When developing new services, it is important to not only focus on the core services – the ones that the customer directly pays for – but also the added value of different types of non-core and support services and to the total experience of the service interaction and purchase.



## Ensuring quality and access

The first step in developing a service offering is to ensure the technical and functional quality of the service before beginning with the interactive aspects. The second step of development should focus on evaluating and adapting accessibility, interaction and customer awareness of the service. All three aspects should be understood as primarily focused on the service process and facilitating customer participation. Although there are marketing aspects in, e.g., customer awareness, it does not mainly focus on awareness of the service (its existence and qualities). Instead, it focuses on the process and its requirements for a successful end result.

## Notes

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- 7 Grönroos, Christian (1988) Marketing services: the case of a missing product. Journal of business & industrial marketing, pp. 55ff.

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