

Methodology For Service Innovation In Real Estate Business – Case Senior Housing In Finland

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Abstract

As concluded in previous work by the authors, seeing the real estate business from more service-oriented point of view could add value to both players in the real estate sector, service providers and end-users (the customers). Using the vocabulary of Kotler, it can be said that dwelling is the core of the product. More value producing layers (service elements) could be added around this core to construct an augmented product. This way housing could be seen as service business and a housing offering with more than just walls could be constructed.

In housing sector services and service elements are still rare in Finland. Thus it is important to outline the service potential that could help the actors in senior housing field to construct a real “augmented product” offering. As such product does not exist yet, a methodology for outlining the potential service elements must be developed before the problem can be tackled in more detail. The aim of this article is to present one way of doing this.

The activities carried out in dwellings are a starting point for the suggested approach. It is assumed that these activities and 3 other non-activity based factors form the basis of possible service solutions. Activities may be carried out by external service provider entirely or partially. Or different technical solutions may help in carrying out some tasks or free individuals of these entirely. Further it is possible that service solutions give different possibilities to carry out activities or create totally new activities. Still we claim that all intangible services and tangible products are related to activities carried out at homes and to the 3 mentioned non-activity based factors.

The article presents first the activity lists and then presents a methodology for service innovation through these activity lists. Then the paper goes on to present a short case study on existing Finnish senior houses. First the potential service categories are presented. These categories are based on existing services that could be, but not necessarily or typically are, included into the augmented senior housing product. After this some case senior houses in Finland are used to illustrate the status quo. This analysis shows that the augmented senior housing product do not exist yet and that there are much potential for building such an augmented product.

1. Introduction

In recent year many product-oriented companies have changed their focus to more service oriented business. This change in focus has forced the companies to see their products in new ways. The most common example is the railway company that no more focuses on trains but transporting goods and people from place to place (see for example Curry 2000). This transition is evident also in real estate business. More in business-to-business activities and with lesser extent in consumer sector. The building is no more just walls and ceilings but a resource that can be utilised by the user to add value to his business or private life.

To the practitioners in real estate business service oriented approach has many advantages. One of these advantages is, as will be shown later, that understanding the real estate as a “service platform” offering intangible benefits to the users creates new business opportunities and offers possible ways on differentiating oneself from the competitors.

This paper introduces a new structured method for contemplating new possible service elements that could be included into real estate service platform. One way to plan physical premises is activity-based planning (see for example Piirainen 1996). We claim that activity based approach should also be utilised in planning services that are attached to physical premises. The theoretical aim of this paper is to present a method for assessing the potential services that could be included into the service platform. To illustrate the potential of the model an empirical case is presented.

The empirical part outlines the service potential in one particular case – namely in senior housing sector. One major reason in selecting senior housing as the case is that dwelling is rarely seen as a service platform. For example in business premises the service approach is much more often adopted (see for example Riihimäki & Siekkinen 2000). Another reason for choosing senior housing as the case is that the interest in seniors has increased lately as the populations both in Western Europe and United States are ageing. Third reason for adopting senior housing as the case is that the activities of a senior’s home have been well documented.

The empirical and theoretical parts are intertwined so that theory and empirical findings go side by side. The empirical part shows how the service platform could be construed from existing service offering and how the platform looks at the moment in senior housing field. The material is gathered from Finland and the findings may not be generalised to other market areas.

2. Activity-based service planning

The first step in activity based service planning is to familiarise oneself with the (intended or existing) activities in selected premises. In the case of senior housing this is quite easy, as there exists a vast understanding of the activities carried out in homes of senior citizens. For example Finnish Work Efficiency Institute lists following main activities:

- Care and keeping fit
- Eating
- Personal hygiene
- Dressing
- Moving
- Recreation, communication and self-actualisation
- Sleeping and resting
- Housework
- Gardening and maintenance
- Storage (Kivilehto et al. 2003)

All these main activities may be divided into several sub-activities. For example the activity “eating” may be divided into following sub-activities: food preparing, dining, storage of the food, dishes and waste, and washing up dishes. (Kivilehto et al. 2003) The second step is to innovate potential service solutions to these sub-activities. For example, possible services in sub-activity “food preparing” could be to deliver restaurant food to senior home or to assist the tenant in the food preparation (if the customer is not able to prepare the food himself/herself). (See figure 1) By going through all sub-activities it is possible to outline the maximum service offering in a senior home.

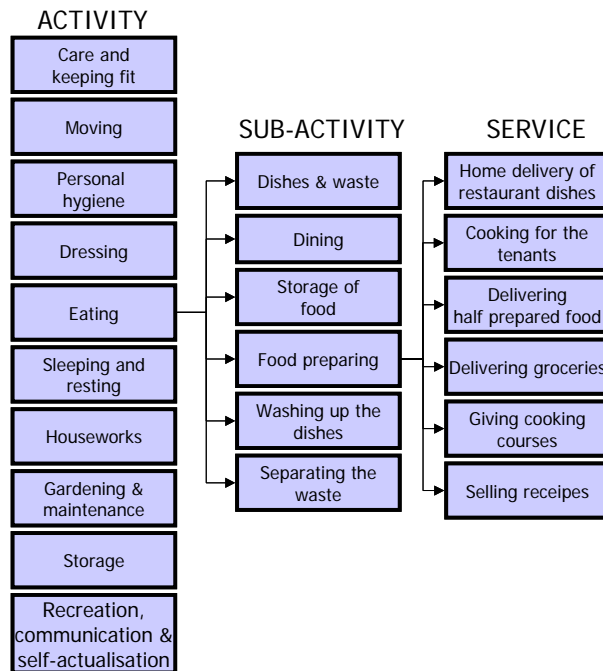


Figure 1: Activity based service innovation

Actually going through all the activities and sub-activities is an immense task and is not necessarily useful in real life. This method for outlining potential services is most useful in innovating new service solutions to individual activities. Thus it is possible to systematically analyse the service potential in different activities of activity groups. This method could as well be utilised in product innovations.

This activity analysis gives an overview of possible services (and products) that could be integrated into the offering. To choose the right set of services (and products) from the palette one must know more about the organisations / individuals active in the building. (Piiirainen 1996) One needs to know what they want to pay for and what activities they want to carry out by themselves. In the case of senior house the service provider should also know something about the physical and mental state of the client – even if the client would like to carry out the tasks by himself it is not always possible. And so on. Thus, knowledge about activities and possible services do not by themselves give direct answers to actors in service housing business. Knowing the customer in this respect is unfortunately not in the limitation of this study.

3. Components of Finnish senior housing service product

With the help of this activity list an empirical study was made. The aim was to find existing services that fulfil needs based on activity list – this is to say companies that offer services for senior housing. For practical reasons the review is limited to those existing services and products that are available in Finland. The material for this examination is from various data sources. The main sources are:

- Electric material – Searching from internet and from different databases
- Pretend material – phone books, service catalogues etc...
- Direct personal contact – fairs, seminars etc...
- Word of mouth – asking actor's about other actors in the field.
- A questionnaire - to some 200 of these companies and 30 % of these returned it.

From these sources a list of several hundred companies and a list of their products and services were gathered. All these companies operate in the 'senior market' either entirely or partially but they may not see themselves working in senior *housing* market even if their products and services are consumed in seniors' homes. In common for all is that they all act consciously in senior market. This means that all or some of their products and/or services are designed especially for senior citizens.

The result of this empirical study suggests that there are several service provider categories that offer services for senior housing. At the moment following services are offered for senior homes:

- **Physical space /building services.** Physical setting in a dwelling and its near surroundings (for example staircases) and building services attached to these settings. Products such as: enhanced walls to suit handrails, non-skid floor materials, sprinkler systems etc. Fixtures are excluded from this category.
- **Mechanical aids.** Mechanical aids are (primarily) used in seniors home. Aids that are used also constantly outside the dwelling (such as eyeglasses) are excluded. Products such as: handrails, walking aids, medicine dozers etc...
- **Home automation and health care technology.** Electronic devices that are used in senior dwellings. Products such as: devices to monitor doors or stoves or human activity levels.
- **Security technology / services.** Products and services that are used to increase physical or psychological security levels of senior dwellings. Products such as: security guard services, surveillance cameras etc...
- **Support services for technology.** Services that are needed to support technical products. Services such as: installation, guidance and maintenance. Also solutions that enable the communication between products or customers and service providers (telecommunication links; phone lines, internet connections etc...)
- **Real estate services / housing services.** Traditional real estate services such as house management and janitorial services and housing solutions directed to seniors
- **Social and health care services.** Social services include housework services, meal services and recreational services. Health care services include health care services at home and services related to coming home from hospital. These services are in most cases funded by the public sector. Still some private business appears in this field.
- **Home deliveries / transportation services.** Home deliveries of such products as food, medicine and "mail-order" goods. Transportation of seniors from and to home. (Special buss lines for seniors, taxis etc.) Transportation services differ from other services as it is not consumed at home. Thus it may not be considered as a part of senior housing product if the product is defined as it is in this paper. Still transportation is a crucial "external" factor affecting the product.
- **Furniture.** Furniture that are specially designed for seniors. Fixtures and movable furniture are both included into this category. Such products are: kitchen fitments, chairs, beds etc.
- **Other services.** This group includes all other services and products that may be forgotten from this classification.

A service oriented senior housing product could be outlined from these categories. Such a product is depicted in figure 2. It is called *potential product* in the following sections.

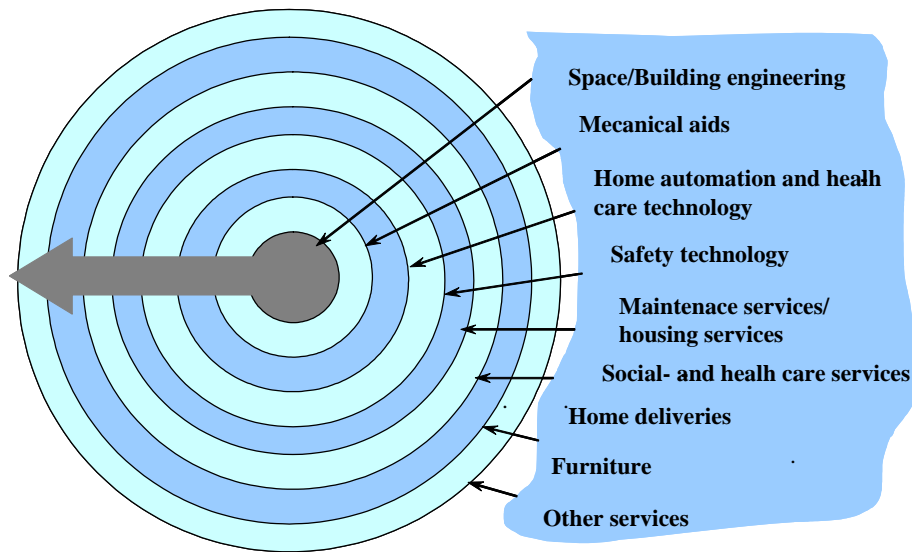


Figure 2: Senior housing product

4. Empirical testing: existing senior houses as service product – case study

Some attempts to include service elements into housing have already appeared in Finland. This is at the moment most prominent factor in senior housing and in new concepts called “senior houses” (apartments that are build specially for the elderly). Following examination is based on three real cases (one of each type in following text). The material for this examination is from marketing information of relevant actors (construction companies, social housing companies, foundation etc...). These sites have also been visited by the authors.

In Finland the senior houses are usually blocks of flats situating in urban city structure close to basic services like shopping centres and public transportation links.

There seems to be three types of senior houses. Two of them include some service elements. In the first version construction companies make new senior homes that are technically feasible for ageing dwellers. These homes include technical solutions that suit the needs of seniors for example automatic front doors and no doorsteps. In most advanced solutions there may also be some electronic safety equipment or a possibility to install such if needed. This solution is still entirely core product oriented even if there is some customisation. These kind of senior houses were built mostly in the late 90’s. The first buildings had also deprivations in their physical planning. For example the sanitary spaces may be inaccessible for people with wheelchairs.

Second type is typical for public housing companies and foundations and has some service orientation. In these senior homes there are nursing services easily available for the tenants. In most cases the apartments are mildly technologically adjusted for ageing dwellers, but they don’t really differ technically from “normal” homes.

The third type of senior house is the most advanced. It combines the two first types and includes versatile services and technologically feasible surroundings (www.kotosalla.fi). This third type is totally new and the first senior houses built this way are no more than few years old. The physical planning is advanced and the surroundings are planned to be welcoming. There are different kinds of services available to the dwellers depending on their individual needs. A service helper is available to help with the needs of the customers and there are also organised activities and gymnasium in each condominium.

5. Conclusions and suggestions for further research

From the cases it can be concluded that existing senior houses in Finland are very much core product oriented with only few services offered. The potential product in figure 2 consisted of core product and ten additional layers. The most advanced senior housing model in Finland offers mechanical aids, safety technology, housing services and social and health care services – this is to say 4 layers. The most advanced products are developed within two latest years. Before that the concept ‘senior house’ was more like an usual apartment building with age limit and without any special services.

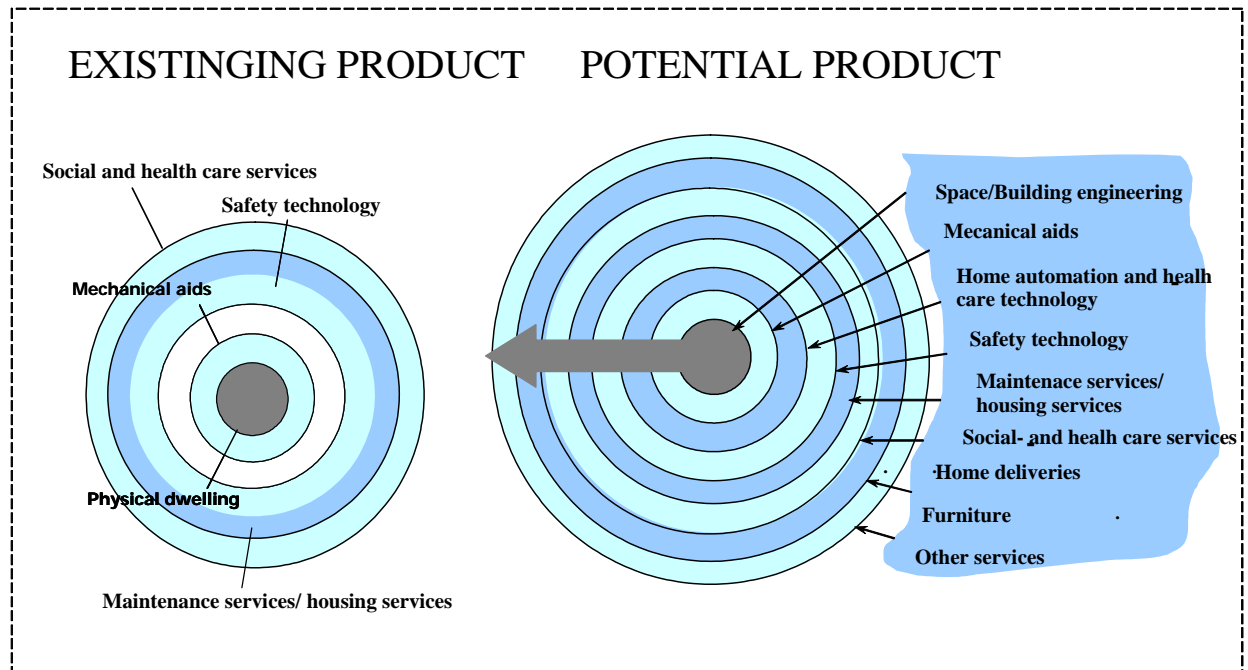


Figure 3: Existing senior housing product and potential senior housing product.

In previous text a method for outlining a real estate as a service platform was presented. This method was utilised in senior housing business in Finland and the existing senior housing offering was assessed with the help from this information. As a conclusion it may be argued that so far Finnish existing senior houses have been more core product oriented than service oriented. Within two latest years more advanced concepts including services have been developed. As senior housing concept is quite new it can be expected that still more advanced solutions will come up in following years. The senior business area is developing fast as the age structure of Finland is getting older. The firms that adopt a service oriented approach first are expected to gain competitive advantage over other actors.

As it was mentioned, utilisation of this method in real life is not by itself enough if one wants to know which services to include into the offering. More thorough understanding of customers and their needs and wants is essential for right decisions in managing services in real estate business. Still the method presented offers one way to outline service potential. It also offers one starting point for creating horizontal networks of businesses interested in delivering services to different kinds of buildings.

Activity based methodology utilised in this paper seems to have following advantages:

- All activities carried out in the buildings may be considered successfully.
- The methodology allows for new product and service innovation.
- An understanding of what happens inside the building increases.

- The information used in activity-based planning (of physical settings) may be utilised also in planning services.
- The methodology helps in outlining the intangible parts of the real estate offering.
- The knowledge of the users increase

There are also some disadvantages:

- Vast amount of information is difficult to handle as an entity.
- In business premises the activities are not as standard as at homes. Thus increase in the need for site-specific information about activities.

It would be interesting to research this issue further. One option could be to use this methodology in co-operation with property developers. Additionally it would be interesting to utilise this methodology in other types of buildings.

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