SAVONIA UNIVERSITY OF APPLIED SCIENCES

UNIT OF BUSINESS AND ADMINISTRATION, KUOPIO

# A VIEWPOINT TO CUSTOMER RELATIONSHIP MANAGEMENT IN NON-PROFIT CONTEXT:

Case County Carlow Chamber of Commerce

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Tiivistelmä

Opinnäytetyön päätarkoitus oli tuottaa tietoa asiakkuuksien johtamisesta case organisaation asiakkuusstrategian kehittämisen tueksi. Työn tavoitteena oli auttaa muodostamaan kattava kuva siitä, mitä asiakkuusajattelu yleisesti ottaen tarkoittaa sekä kerätä lista asioista, jotka tulisi ottaa huomioon strategiaa suunniteltaessa. Koska asiakkuuksien johtamista ei ole erityisen mittavasti tutkittu voittoa tavoittelemattomissa organisaatioissa, työn sivutuotteena oli tarkoitus tutkia myös asiakkuusajattelun hyödynnettävyyttä voittoa tavoittelemattomissa organisaatioissa yleisemmin.

Kattavan kokonaiskuvan luomiseksi työ esittelee ajatuksia useista sekundaarisista lähteistä kuten aiemmista tieteellisistä julkaisuista, tutkimuksista ja kaupallisesta kirjallisuudesta. Voittoa tavoittelemattoman organisaation näkökulman esille saattamiseksi työssä on hyödynnetty teemahaastattelua. Benchmark- arvon mahdollistamiseksi haastateltavaksi valittiin suomalainen voittoa tavoittelematon organisaatio, jolla on hyvin samankaltainen tehtävä case organisaation kanssa. Myös haastatellun organisaation yhtä asiakasorganisaatiota haastateltiin. Opinnäytetyön kirjoittajan omia havaintoja case organisaatiosta on niin ikään käsitelty ja hyödynnetty.

Primaari aineisto eli haastattelut ja havainnointimateriaali analysoitiin deduktiivisesti tarkoittaen sitä, että niiden yhtenevyyttä olemassa olevien teorioiden välillä vertailtiin. Analyysin johtopäätöksenä todettiin, että asiakaskeskeisyys on niin ikään erittäin tärkeää ei-kaupallisessa kontekstissa. Tutkimus osoitti myös, että arvontuotantoprosessien ymmärtäminen ja tehokas kaksisuuntainen kommunikointi on tärkeää. Näiden lisäksi työ havaitsi mm. asiakasportfoliojohtamisen käyttökelpoiseksi työkaluksi johtamistyössä. Työssä mainitaan myös mahdollisia aiheita tulevia tutkimuksia varten.

Johtopäätöksissä opinnäytetyö esittelee listan suosituksista asiakkuusstrategian luomisen tueksi. Lista esittää mm. arvontuotantoprosessien mallintamista, asiakastyytyväisyyden sekä asiakassäilyvyyden mittaamista, tarvittavien teknologioiden hyödyntämistä sekä osaamistarpeiden kartoittamista. Työn voitanee katsoa onnistuneen tavoitteessaan tukea asiakkuusstrategian luomista sekä tarjoamaan näkökulman aiheeseen kosien voittoa tavoittelemattomia organisaatioita.

Asiasanat

asiakkuuksien johtaminen, asiakkuuskeskeisyys, asiakastieto, arvon tuotantoprosessi, asiakastyytyväisyys, asiakasuskollisuus, voittoa tavoittelematon organisaatio

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Abstract

The main objective of the paper was to support the customer relationship management (CRM) strategy development of the County Carlow Chamber of Commerce (CCCOC). The focus of the study was on assisting the case organisation to compile an extensive description of CRM. Moreover, the purpose of the study was to introduce ideas and recommendations to foster the CRM strategy. CCCOC is a non-profit organisation and at the beginning of the research the author found that CRM was not extensively researched in non-profit context. Therefore, discovering a viewpoint to the subject regarding not-for-profit organisations was decided to be a supplementary goal.

Secondary sources such as latest business literature, journal articles and earlier researches were examined to build an extensive picture of CRM. To discover a non-profit viewpoint, thematic interview was selected to be the main research method. To enable the possibility to deliver benchmark value, the interviewees were selected by using purposive sampling. As a result, a Finnish organisation with a fairly similar mission to the case organisation and their client were interviewed. The observation data collected during the author's final training session at CCCOC was also exploited. The primary research data was analysed and classified by using deductive analysis.

The study found evidence to support the importance of customer centricity. The primary research data also revealed that understanding of value creation processes and meaning of efficient two-way communication are equally important in non-profit organisations. Moreover, the paper confirmed the applicability of several concepts such as portfolio management and documented complaints-handling. The study also found topics for future researches.

The paper introduces a list of issues to consider regarding the CRM strategy development. The list includes suggestions such as modelling value creation processes, measuring customer retention and satisfaction, exploiting required technologies and acquiring essential competences. As a conclusion one may argue that the paper has managed to discover a non-profit viewpoint to CRM and to introduce ideas and recommendations as required.

Keywords

customer relationship management, customer orientation, customer information, value creation process, customer satisfaction, customer loyalty, non-profit organisations

Note

CONTENTS

# 1 INTRODUCTION TO THE STUDY

## 1.1 Background of the study

The topic of the study was discovered during the author's final training at the County Carlow Chamber of Commerce (CCCOC) in Ireland. The main objective of the training was to implement a newly developed customer relationship management (CRM) system. As the implementation process advanced, the true complexity of CRM and the business model beyond the system became evident raising considerable number of questions. What is the fundamental purpose of the implementation and what are the factors that must be taken into consideration in order to gain full advantage of CRM, were the questions that inspired to conduct this research. It was also recognised that a common reason for customer churn was that the member businesses of the County Carlow Chamber of Commerce were questioning the Chamber's ability to deliver value. Therefore, it was also noticed to be beneficial to examine the factors affecting to customers' value creation process, to the heart of CRM.

## 1.2 Research problem

County Carlow Chamber of Commerce is a non-profit organisation facilitating local businesses to grow and influence local decision-makers (Carlow Chamber Website 2010). To be able to successfully complete the task, the operations of the Chamber should be built on the understanding of its member businesses and ability to create value to them. As the fundamental understanding of the customers appeared to be questioned, and moreover the Chamber's ability to recognise the importance of customer centricity was not completely certain, it was decided to search both – the motivation and the practices to gain the understanding.

A business model, which we know as customer relationship management, provides an aspect to approach the required understanding. Therefore, the topmost objective of the paper is to provide ideas and recommendations to foster CRM strategy development of the case organisation, County Carlow Chamber of Commerce. Secondly, the study

aspires to clarify the complexity of the CRM business model in not-for-profit context and introduce common drivers for implementing CRM practices.

## 1.3     Research methods and research design

The recommendations and conclusions of the study are mainly based on qualitative data. Both primary and secondary data are exploited to build an extensive picture of the subject as it revealed to be necessary in order to reach the objectives of the paper.

Author's conception of the case organisation's status quo considering CRM practices is based on observation during the final training. The observation was not planned or documented systematically and it is also to be noticed that the author was observing as an insider, meaning that he was participating observed activities. Therefore, even though the observed situations and practices were executed in a natural operating environment, some of the perceptions may be just interpretations of the author (Hirsijärvi et al. 2009, 217). However, these possibly partly subjective perceptions and interpretations revealed the need to examine the subject and exploit the opportunities of the modern CRM practices. As these perceptions may be considered as drivers for the study, they are also exploited as qualitative data and therefore discussed in the paper.

Building the frame of reference based on secondary sources such as latest business literature, journal articles and earlier researches was the second step of the study after formulating the research problem. This part of the research process may be considered to be contributing significantly to the value perceived by the case organisation as the subject is complex and commonly interpreted in fairly different ways. It was recognised that the understanding of the modern CRM business model was incomplete also in the case organisation. Therefore, the paper examines quite extensively the theory building a comprehensive picture of the CRM business model. The frame of reference is considerably influenced by widely recognised business authors such as Philip Kotler, Adrian Payne and Francis Buttle as they have long experience in developing theories and conducting researches considering CRM. Also viewpoints of many other authors are introduced and their applicability in non-profit context critically evaluated.

After building the frame of reference and outlining it to fit into the not-for-profit context, the primary data was collected. As basically every secondary source was discussing about CRM from the pure commercial point of view, the main objective in collecting primary research data was to discover a not-for-profit viewpoint. It was recognised that the ideal primary data would describe the relevance of the CRM practices that the secondary data revealed and join the discussion from the non-commercial point of view. Therefore, this research paper may be considered as a deduction based, which means that the study examines the functionality of the existing theories in a new context (Saaranen-Kauppinen & Puusniekka 2006). However, as the non-profit approach to the modern CRM practices appeared to be quite rarely researched, it became obvious to exploit fairly unstructured methods to raise discussion considering certain essential topics, but also enabling the possibility to reveal issues and concepts, which were not covered in the theory review.

Several different research methods were evaluated and considered as possible tools for primary data collection. One possibility was to conduct a quantitative research collecting relatively large data to discover which CRM practices are commonly implemented in non-profit organisations. However, as the interpretations of the topics and concepts considering CRM appeared to be everything else but simple and cohesive, it was recognised to be justifiable to avoid the risk of possible misinterpretation of involved concepts. It was also noticed that the physical location of the author was Finland and there is no guarantee that the Finnish non-profit organisations are advanced in implementing CRM practices in the first place. Another important factor influencing the method selection was that the tool should be capable to provide deep information of the essential concepts. As the quantitative research methods tend to be incapable to deliver such information, the option to use them as a data collecting tool was excluded. The best way to collect deep information about attitudes towards certain issues was recognised to be semi-structured or thematic interview giving the interviewee chance to justify and explain his or her opinions. It was also recognised that because some of the concepts might require explaining and therefore interaction between researcher and interviewee during the data collection may be required, the data was decided to be gathered by using personal interview as the research method.

The scale of required data was also pondered. As mentioned earlier, the main objective of the study was to provide ideas to support the development of a successful CRM strategy for the County Carlow Chamber of Commerce. To take into consideration the background and the mission of the case organisation and moreover the possibility to deliver benchmark value, it was recognised to be beneficial to discover the non-profit viewpoint by interviewing a Finnish organisation that has fairly equivalent mission with the case organisation. Therefore, the decision was made to have only one extensive thematic interview. Thereby, the interviewee was selected by using purposive sampling, meaning that the interviewee was chosen for a reason (Saaranen-Kauppinen 2009), in this case to emphasise the background and the operations of the Carlow Chamber. To respect the interviewee's anonymity there will be no names used. However, basic background information of the interviewed organisation is covered in appendices.

As it will be later on discussed on this paper, the CRM practices and decisions involve both the organisation and their clients. To assure that the interviewee has cohesive understanding of the organisation's CRM practices and success with their clients, it was recognised to be beneficial to also have a viewpoint of a client of the interviewed non-profit organisation. As a result, after the chief executive officer (CEO) of the selected Finnish not-for-profit organisation was interviewed, one of their clients was briefly interviewed via email by using statements describing how CRM practices, mentioned by the interviewed CEO, appear to the client. Naturally the interviewed non-profit organisation did not have a chance to influence on the client selection.

The data collected through interviewing was analysed and classified by using deductive analysis, meaning that the discussion with the non-profit organisation's CEO and opinions of a client were examined in relation to the information presented in the secondary sources (Saaranen-Kauppinen & Puusniekka 2006). The analysis and discussion regarding primary data are presented along the study and placed under the topics that are related to comments of the interviewees.

Conclusions and recommendations regarding the research problem were given based on the information and analysis of both the primary and the secondary sources in relation to author's observations of the current state of the case organisation.

## 1.4 Limitations and outline of the study

Before collecting primary data by using methods discussed under the previous topic, it was recognised that there is a risk of selecting an interviewee from an organisation that is not fundamentally customer-orientated or customer-relationship-oriented. It is possible and even probable that there are organisations having more sophisticated CRM practices implemented. It is also to be noticed that the data collected through interviewing do not present opinions of non-commercial organisations extensively and therefore may not be directly generalised. On the other hand, the purpose of the study was not to research how advanced Finnish organisations are exploiting the opportunities of CRM, although that information could have extended the entire picture of CRM's capabilities in non-profit organisations. However, the paper manages to describe some possibilities of CRM in non-profit context as it was the secondary goal of the research. But as the main objective of the paper was to provide fresh ideas to support the development of Carlow Chamber's CRM strategy, the deep interview with the benchmark value was considered to be a suitable option to deliver sufficient outcome. Even though, using observation as the data collection tool instead of interviewing could have given more in depth view to interviewed organisation's CRM practices. However, as the resources were limited, it was not possible to exploit the observation.

As the case organisation operates in business-to-business (B2B) market, the paper does not considerably refer to CRM practices in organisations serving consumer markets. Secondly, even though the study aspires to focus on not-for-profit context, it discusses also about the commercial practices as the theory around the subject mainly refers to the commercial purposes. However, the study outlines deeper examination of pure and completely commercial areas of CRM. Thirdly, the paper does not commit itself on examination of some certain CRM systems, applications or vendors. The research also outlines the implementation process of CRM practices and therefore does not discuss about change management or project management.

## 1.5 Reliability and validity

Reliability of the study, meaning that any other person would find the same results by using the same methods, in qualitative research can never achieve the complete

objectivity, as the researcher interprets the information as an individual (Hirsijärvi et al. 2009, 231-232). However, to reinforce the reliability it is possible to redo the tests after a while or use another person as an interpreter. Within the time frame of the study, it was not possible to redo the interview or use another interviewer, but the reliability of the paper may seen improved by using the perception of the interviewee's client. Another factor that may reinforce the reliability is that the interview was recorded and littered and thereby available for another person's interpretation.

As it is also important to evaluate the validity of the selected research methods, the introduction to the study aspires to describe all those factors influencing the author's decisions made during the entire research process. Evaluation of validity regarding qualitative research methods may be sometimes quite challenging as the validity is based on believe of which method would deliver the best outcome (Hirsijärvi et al. 2009, 231-232). During the interview the author noticed that the interviewee used different terms to describe concepts that are related to CRM. Moreover, the interviewee required stimulation to examine some essential issues more in detail. The interview also exposed some ideas that were not revealed in literature review. Therefore, exploiting interview as the selected research method may be seen as a successful choice. In addition, without an extensive review of literature, the suggestions for further studies and identifying unexploited possibilities of CRM would not have been possible. Considering the research problem, selected methods, the limitations and the results in general, the author believes in the paper's ability to deliver value to the case organisation providing also a ground for further studies.

1.6    The structure of the study

There are six main chapters in the paper. The chapter number two provides a brief introduction to the case organisation, County Carlow Chamber of Commerce. The background and the status quo regarding CRM practices of the case organisation are discussed and introduced along with the theory and other research data under latter chapters. In chapter number three the focus is on examining the complexity of the CRM business model. The chapter aspires to outline the subject and justify the selection of the concepts covered in the latter chapters. Chapter number four examines relationships in business environment introducing a theoretical and systematic

viewpoint to approach relationships. The chapter covers concepts such as customer lifecycle, customer portfolio and customer account.

In chapter number five the paper discusses about the mutual value creation, the ultimate goal of CRM practices. The study examines how mutual value may be created through the relationship between the customer and the supplier. Chapter number six examines the importance of the customer information. The paper discusses about the information as an enabling factor for mutual value creation. The chapter also stress the competences organisation should have to be able to gain success in implementing the CRM practices. In the final chapter the paper will summarise the findings and introduce the recommendations to develop the case organisation's CRM strategy.

1.7    Central terminology of the study

Following list is a collection of central terminology of the study. The terms are briefly explained to facilitate a reader to keep in track as the paper proceeds.

Business-to-business market:

> Consists of organisations selling products or services to other businesses instead of consumers (InvestorWords Website 2010)

Cross-selling:

> Pushing new products to existing customers (InvestorWords Website 2010)

Customer account:

> Overview to relationship with a customer including all relevant information (Storbacka and Lehtinen 1998, 53)

Customer lifecycle / pipeline:

> An approach to examine relationship with a customer from the perspective of time (Buttle 2009, 227)

Customer-orientated organisation:

> An organisation operating on customers' terms (Storbacka et al. 1999, 20)

Customer portfolio:

A customer base dived into mutually exclusive customer groups. (Buttle 2009, 125)

Customer relationship management (CRM):

A business strategy integrating internal functions and external networks to create and deliver value to targeted customers at a profit. CRM is also grounded on customer-related data and enabled by information technology. (Buttle 2009, 15)

Customer-relationship-oriented organisation:

An organisation focusing on value creation processes of both the customer and the supplier (Storbacka et al. 1999, 20)

Customer tenure:

Customer tenure represents the length of period of time the customer is actually customer (Buttle 2009, 31-40)

Non-profit / not-for-profit organisation:

An organisation from which its shareholders or trustees do not benefit financially (InvestorWords Website 2010)

Strategy:

Long-term action plan to achieve a goal (InvestorWords Website 2010)

Tactics:

Near term actions to achieve a goal (InvestorWords Website 2010)

Upselling:

A sales strategy to sell maximum quantity of same type of product (BusinessDictionary Website 2010)

Value creation process:

Process that identifies how customers create value and how to maximise the value perceived by the supplier (Payne 2006, 103)

## 2    DESCRIPTION OF THE CASE ORGANISATION: COUNTY CARLOW CHAMBER OF COMMERCE

County Carlow Chamber of Commerce, established in 1947, is one of the 60 member Chambers of Chambers Ireland (Carlow Chamber Website 2010). Chambers Ireland for one is part of the International Chamber of Commerce (ICC) (Chambers Ireland Website 2010).



Figure 1. *Carlow Chamber Logo (Carlow Chamber Website 2010).*

According to Ireland's Companies Registration Office (CRO) there were around 184 000 businesses operating in Republic of Ireland in year 2008 (CRO annual report 2008). Chambers Ireland has about 13 000 member businesses of which nearly 270 are located in the County Carlow (Carlow Chamber Website 2010). According to office manager of the Carlow Chamber there are approximately 1 600 businesses in total in the area of County Carlow (Observation data 2009). This means that 7 percent of all businesses in Ireland and 17 percent of businesses in County Carlow are part of Chamber of Commerce network. Even though Chamber of Commerce provides Ireland's most extensive business network there is still great potential to enhance the coverage. It is to be noticed that the number of member businesses has direct impact on the Chamber's credibility as an influential party.
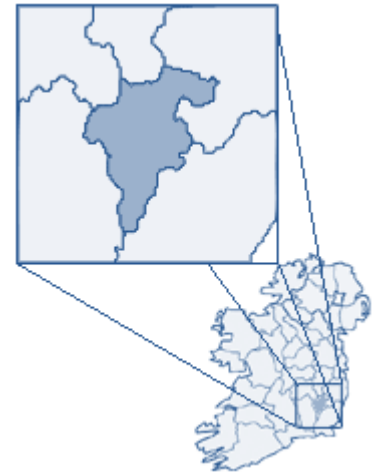


Figure 2. *Map of Ireland: County Carlow (Answers Corporation Website 2010).*

Until year 2007 Republic of Ireland enjoyed over a decade long period of economic growth, which was faster than in any country in Western Europe. Foreign investments poured in and Ireland redeemed its place among the world's largest exporters in relation to its population. However, within past two years Ireland's economy has strongly affected by the global economic crisis. National economy has decreased by a tenth, unemployment rate has tripled and banks are struggling to survive. (Economist 2009)

The current economic climate is exposing businesses to new challenges. Quick changes in business environment have driven businesses to reconsider their

competitiveness. Meaning of lobbying decision-makers to sustain a bearable ability to do business is challenging Chamber of Commerce as well.

## 2.1     Mission and services

The ultimate goal of the County Carlow Chamber of Commerce is to facilitate its member businesses to grow by lobbying local as well as regional and national governments. The mission of the Chamber is to connect businesses and influence decisions. In addition to engaging researches with an objective for lobbying purposes, the Carlow Chamber provides training services through Carlow Kilkenny Training Skillnets (CK Training). (Carlow Chamber Website 2010)

The Chamber also fosters networking by organising events such as business breakfasts, theme lunches and golf classics. Moreover, trade and international services are provided as well. Carlow Chamber among many other Chambers around the world has authority to process well-recognised Certificate of Origin, which is a document used in international trade revealing the country of manufacture. (Carlow Chamber Website 2010)

According to office manager of the Carlow Chamber there are no direct competitors to the Chamber. Most commonly CCCOC provides its services through other organisations, which usually are members of the Chamber. Cooperation with other non-profit organisations providing similar services is active and joint projects supporting the Chamber's mission are gladly participated. Therefore, one may argue that the Chamber is most commonly seen as a partner, not as a competitor. (Observation data 2009)

## 2.2     Organisation structure

Carlow Chamber has been living through quite significant changes over the past year regarding the organisation structure. Currently the Carlow Chamber officially employs one person only, the office manager. However, the organisation has strong bonds with CK Training and some other organisations operating in the same building at the Carlow Gateway Business Centre. Therefore, the number of staff may vary from one to ten depending on requirements. (Observation data 2009)

It is possible that in the near future the Carlow Chamber will engage a new CEO as well. There is a clear need for more personnel to sustain the quality of services and moreover to respond to the challenges of current economic climate (Observation data 2009). The operations of the Chamber are governed by the board of directors, which consists of 21 local business managers and influencers (Carlow Chamber Website 2010).

3       INTRODUCTION TO CRM

In this chapter the paper will discuss about the development and the diversity of CRM aspiring to help the reader to understand how wide the subject actually is. Moreover, to build a cohesive picture with the author what is actually meant by CRM, it may be considered to be beneficial to cover different viewpoints and definitions regarding the CRM business model. Based on the ideas discovered in this chapter, the author also aspires to justify the selection of the concepts that will be covered in latter chapters of the study. Moreover, it was recognised that examining the subject in more detail may be beneficial to the case organisation and support the CRM strategy development.

3.1     Development of CRM

For centuries, companies and other organisations were physically and mentally close to their markets (Buttle 2009, 38). It was very common to be in face-to-face contact with customers even on daily basis and organisations' knowledge of their customers' preferences and requirements grew (Buttle 2009, 38). As industries developed and mass production was introduced, companies expanded. As a result, organisations usually became increasingly remote geographically and culturally to their customers and began to lose the intimate relationship with the customer (Buttle 2009, 38).

In the middle of twentieth century, several frameworks such as "the marketing mix" were introduced to meet the market demand. The idea was to optimise the expenditure on "4Ps" – product, price, promotion and place – in order to maximise sales. (Payne 2006, 6)

Later on, as markets matured, customers became increasingly harder to please and transactional approach was not delivering the desired outcome anymore (Payne 2006, 6). Customers' consciousness of price, quality and their own needs grew and therefore they became more demanding and less forgiving than ever (Kotler & Keller 2006, 154).

Marketers noticed that something must be done in order to discover the connection with the markets. As a result, relationship marketing was developed paying more

attention to the importance of the stakeholders such as customers, employees, suppliers, distributors, government and other important parties in the operating environment (Payne 2006, 7).

In the turn of the millennium, new ideas of building stronger customer relationships by exploiting advanced information technologies were introduced (Payne 2006, xiv). But not until the past couple of years the true potential of the strategic approach and technological innovations were successfully integrated to serve the ultimate goal of mutual value creation of both the customer and the organisation (Payne 2006, xiv). The combination of the strategic approach and technology is today known as customer relationship management (CRM).

3.2     Motivation to CRM

In the modern business scenario, global markets together with owner and management separation from the customer interface have led into the situation where even the small companies lack intuitive knowledge and understanding of their customers (Buttle 2009, 38) However, customers are widely recognised to be the major asset of the business process, and the organisations' success has become dependent on how well relationships with the customers are managed (Ranjan and Bhatnagar 2009, 239). Therefore, many organisations despite the industry have implemented CRM concepts and technologies (Ranjan and Bhatnagar 2009; Nguyen et al. 2007, 107).

One of the major benefits of CRM is that it enables organisations to distinguish themselves from their competitors by moving closer to their customers through better exploitation of information, superior service and organisational learning (Nguyen et al. 2007, 103-107). The idea is to facilitate customer's ability to create value through the relationship in a way that the organisation benefits as well (Storbacka et al. 1999, 21). Because the fundamental business goal is not to maximise the market share or sales, but to generate highest possible profit, it is beneficial to know the current customers and recognise the ones with the highest future potential (Nguyen et al. 2007, 103-107). This is the case in pure commercial organisations of course.

In non-commercial contexts there are other goals to achieve instead of maximum profit or revenue. Many of the not-for-profit organisations, such as the case

organisation and the organisation that was interviewed, exist to serve their members and just and only to create value to them. Therefore, especially these organisations should understand how their customers create value. However, whatever the mission and the objectives of the organisation are, it is to be remembered that the resources are usually limited and in most cases even scarce and moreover the organisation must generate enough incomes at least to justify the cost base.

3.3    Main characteristics of relationship marketing

In chapter 3.1 it was explained why relationship marketing was developed and how is it related to CRM; therefore, it may be beneficial to briefly examine the main content of the concept. Relationship marketing consists of three key principles: retaining profitable customers, understanding multiple markets and examining cross-functional approach to marketing (Payne 2006, 9).

The first principle, retaining profitable customers, emphasises the identification of the profitable customers or customer groups (Payne 2006, 9). Maximising the lifetime value of the customers is recognised as the ultimate goal of the relationship marketing (Payne 2006, 9). However, as mentioned earlier, this is the objective in the pure commercial context and for the non-profit organisations there are other drivers for implementing relationship marketing approach. For example to the case organisation and the interviewed organisation retaining all the customers, no matter if they are profitable or not, may be seen as an objective.

Second principle, understanding multiple markets, focuses on the idea that there are several parties (see Figure 3) influencing the performance of an organisation (Payne 2006, 10). Those contributing market groups are customer markets, influencer markets, recruitment markets, referral markets, internal markets and supplier & alliance markets (Payne 2006, 10). Customer relationship management emphasises especially the understanding of the customer markets, but it is also closely related to other market domains. That understanding may be considered to be critical in order to be able to create and deliver value to customers. Value creation will be discussed more in depth in chapter 5.

Figure 3. *The six-markets model (Buttle 2009, 53).*

Third main character, examining cross-functional approach to marketing, underlines the idea that everybody in the organisation is part of the marketing team (Payne 2006, 10). Marketing is no longer a task of a separate marketing department, but everyone being in touch with the customers has influence on the customer experience (Payne 2006, 10). This is a viewpoint that is also closely linked with concepts covered in this paper.

## 3.4    Types of CRM

There are considerable amount of possible misunderstandings regarding CRM. To be able to build an extensive picture what is the CRM about, it is probably reasonable to mention the most common misunderstandings first.

It is often thought that customer relationship management involves only marketing processes especially database marketing, but in fact if an organisation's goal is to acquire and retain high value customers through CRM practices, it requires comprehensive understanding and true commitment of the entire organisation including all other departments as well (Buttle 2009, 12-13). However, if marketing is seen as a cross-functional approach, as mentioned under previous topic, one may argue that everything is somehow marketing and therefore CRM is just a marketing process. But the point is that it cannot be said that CRM is all about database marketing. It can be used as a tool, but it is not the core of the concept.

Another misunderstanding of CRM may be that it is all about technology that some providers call CRM. In many CRM projects information technology (IT) is highly involved but it is to be remembered that IT is just a tool enabling better management of the relationship between the customer and the organisation and in some cases IT is not even necessarily required. (Buttle 2009, 14)

For some people CRM means a loyalty scheme. Managing customer relationships may involve collecting customer-related data and preventing customers to switch to competitors by offering benefits through a loyalty scheme. But once again, it is just one possible part of CRM. (Buttle 2009, 14)

A good example of an incomplete viewpoint to CRM is represented in Bolton's (2004, 44-51) article. In the paper author discovers a separate concept, the "Customer-centric business processing" (CCBP), to cover areas and issues, which he considers not to be included in CRM (Bolton 2004, 44-51). An extensive examination of CRM reveals the complexity of the concept and as the subject appears to be challenging even for professionals to outline, it is not a surprise that there are considerable amount of misunderstandings in the field.

But if these viewpoints are inadequate, what is the proper way to approach the subject? To help in compiling an extensive picture of the CRM business model, many authors including Buttle (2009, 4) divide CRM into four main types:

1. Strategic CRM is a core customer-centric business strategy that aims in winning and retaining profitable customers (in non-profit context simply retaining as many customers as possible)
2. Operational CRM focuses on automation of customer-involving processes such as selling, marketing and customer service
3. Analytical CRM focuses on collecting, processing, interpreting and exploiting of the customer-related data for strategic or tactical purposes
4. Collaborative CRM applies technology across organisational boundaries aiming to optimise company, partner and customer value

### 3.4.1 Strategic CRM

Fundamentally strategic CRM is about creating customer-centric business culture. This means that the culture must be supportive and empowering in keeping and winning customers by providing and delivering better value than competitors. Leadership behaviour and design of formal systems of a company are in critical role in developing such culture. Therefore, customer-centric business approach requires changing behaviour from regular business models such as product-orientation, production-orientation or selling-orientation. (Buttle 2009, 4-5)

In a customer-centric organisation resources should be allocated where they increase customer value, for example in reward programs to promote employee behaviour that have positive impact on customer satisfaction and retention, as well as capturing, sharing and applying customer information across the organisation. (Buttle 2009, 4-5)

This is the approach, which should be examined in very early stage of CRM strategy development. Every other types of CRM may be considered as enabling approaches to reach the customer-centric business culture. This is may be seen as one of the critical issues that should be considered in the case organisation as well. The importance of understanding customers will be therefore discussed more in detail later on this paper.

### 3.4.2 Operational CRM

Operational CRM is about automating some of the marketing, selling and service functions of an organisation. (Buttle 2009, 6)

Marketing automation (MA) can be applied to select suitable candidates from the customer database for certain campaigns based on customer-related data. MA can also be used to coordinate campaigns through multiple channels. Usually the majority of the customers are reachable through several different channels and to avoid confusion it is beneficial to have cohesive message in all the channels. Event-based, or trigger marketing, which is also enabled by MA, is concerned with creating a proposition to a customer at certain point of time. (Buttle 2009, 7)

Sales force automation (SFA) has traditionally been the operational side of the CRM for many organisations. As many organisations, especially in business-to-business environment, have already adopted SFA, it can be seen as a "competitive imperative". SFA provides applications for account management, lead management, opportunity management, pipeline management, contact management, quotation and proposal generation and product configuration. Usually implementation of such an application enables an organisation to share mentioned information across the organisation's sales-force, management and different departments. As a result, the organisation is able to create a full picture of a customer, form segments, forecast sales and assign opportunities and leads to appropriate people within the organisation. (Buttle 2009, 8)

Service automation is concerned with reducing service costs, improving service quality, lifting productivity and increasing customer satisfaction by providing customer service more efficiently through integrated communication channels. Service automation may include incident or issue management, inbound communication management, queuing and routing and service level management. (Buttle 2009, 9)

As a result of author's final training in the case organisation, there is a contact management system implemented in the Carlow Chamber. The application enables the customer information sharing with several users across the local network and currently represents the operational side of CRM in the Chamber. As mentioned earlier, technology is not an end itself, but should be deployed to an appropriate extent. Technological requirements should be based on the vision and organisation structure facilitating the goal achievement.

### 3.4.3 Analytical CRM

Analytical CRM (aCRM) is highly involved with the customer-related data (Buttle 2009, 9-11). It enables the value creation to both, the customer and the organisation, by capturing, storing, extracting, processing, interpreting and reporting the data (Greenberg 2004 cited in Ranjan and Bhatnagar 2009, 242). Customer-related data may include information about purchasing history, payment history, credit score, marketing campaign response, loyalty scheme data and service data (Buttle 2009, 9-11). In addition to internal data, organisations may gather and analyse demographic

and lifestyle data from external sources as well (Buttle 2009, 9-11). Therefore, aCRM may be considered as a 360 degree view of a customer delivering all the relevant information for marketing, selling and service purposes (Kotorov 2002, 218-232 cited in Ranjan and Bhatnagar 2009, 242).

Analytical CRM enables organisations to identify critical factors for growth (Ranjan and Bhatnagar 2009, 240). Customer retention may be seen as the most important factor that is possible to be examined through the analytical CRM (Ranjan and Bhatnagar 2009, 240). Customer retention and customer-related data will be discussed more in depth later on this paper.

### 3.4.4   Collaborative CRM

Collaborative CRM is concerned with enabling better customer value delivery within entire value chain by improving cooperation and customer-related data sharing across organisational boundaries. Some vendors have developed own applications for partner relationship management (PRM) for managing complex value chains. In some organisations collaborative CRM is used to describe information systems designed to enhance communication just internally. (Buttle 2009, 11-12)

County Carlow Chamber may be also considered to be as part of a value chain when providing its services. Every loop in the chain has impact on the customer experience; therefore, the quality of all loops must be considered. However, even though CRM includes a collaborative approach, one must understand that the focus should be on organisation's own task and the quality to justify its place in the chain. There is no place for loops delivering no value to the customer. Therefore, in training services for example (see Figure 4), the task of the Chamber is to ensure that they provide



Figure 4. *Service value chain (Observation data 2009).*

training that is actually required by the members and communicate about the opportunity to fulfil their needs. Partner hotel and the trainer will ensure the suitability and quality of the physical environment and the content of the training. If the

Chamber is not the professional in understanding the needs of their members, there may not be place in the chain. (Observation data 2009)

## 3.5    Defining CRM

As discussed under previous topics, CRM is quite diverse subject and therefore may not be the easiest one to define. For example Bose (2002 cited in Ranjan and Bhatnagar 2009, 239) argue that customer relationship management is an integration of information technology and business processes to serve the customer better in all interactions with the organisation. Nguyen et al. (2007 cited in Ranjan and Bhatnagar 2009, 239-240) add that because customers are the one keeping the business running, the ultimate goal of organisations is to keep their customers satisfied and CRM is a tool to reach the goal.

However, if the entire complexity of the subject is taken into consideration, perhaps following definitions are the most extensive ones:

- "CRM is the core business strategy that integrates internal processes and functions, and external networks, to create and deliver value to targeted customers at a profit. It is grounded on high quality customer-related data and enabled by information technology." (Buttle 2009, 15)
- "Customer relationship management may be described as the strategic process involved in developing interactions between a company and its customers with an objective of optimizing current and lifetime values of customers for the company as well as maximizing satisfaction for customers." (Sanchez and Sanchez 2005, 314)

To put it very simply, as Payne (2006, 11) does; CRM is information-enabled relationship marketing.

## 3.6    Models of CRM

There are several different models developed of CRM to illustrate how the concepts are related to each other regarding the subject. Buttle (2009, 18-22) names five of the models; The IDIC model by Peppers and Rogers, The QCI model by QCi Consultancy, The CRM value chain by Francis Buttle, Payne's five-process model by Adrian Payne, and The Gartner competency model by Gartner Inc.

To facilitate the outlining of different types of CRM approaches, it may be beneficial to examine briefly two of the mentioned models. When examining the models, one may notice that they place the customer differently into the CRM concept. This paper combines the concepts of following models and refers to them in latter chapters.

3.6.1   Payne's five-process model

Payne's model is based on five key CRM processes which are (Payne 2006, 29):

1. Strategy development process
2. Value creation process
3. Multichannel integration process
4. Information management process
5. Performance assessment process

The model begins with aligning and integrating business strategy and customer strategy (see Figure 5). Payne (2006, 78) argues that these two strategies must live in symbiosis and have shared goals in order to gain business success. By this Payne means that if the organisation decides to implement customer-centric customer strategy, business objectives and measurement tools should be more focused on customers than products or selling.

Second process examines the value creation processes of both the customer and the organisation. Payne (2006, 156) states that only balanced value exchange will lead into mutually satisfactory relationship. In addition, satisfied customers are more likely to be loyal as it will be discussed later on this study.

Third process is about integrating all customer-facing processes and channels to deliver expected quality. According to Payne (2006, 216) it is useless to have rest of the channels delivering high quality if one of them upsets the customer by retracting the organisation's promise.

Fourth process involves the idea of the importance of the customer information. With appropriate systems and through effective use of analytical tools, organisations are able to interact with right customers in the most suitable manner Payne (2006, 272).

The last process focuses on measuring CRM performance. Payne (2006, 317) highlights that every organisation should develop assessment indicators and create their own success map to clarify their objectives and recognise the gap between target levels and status quo.
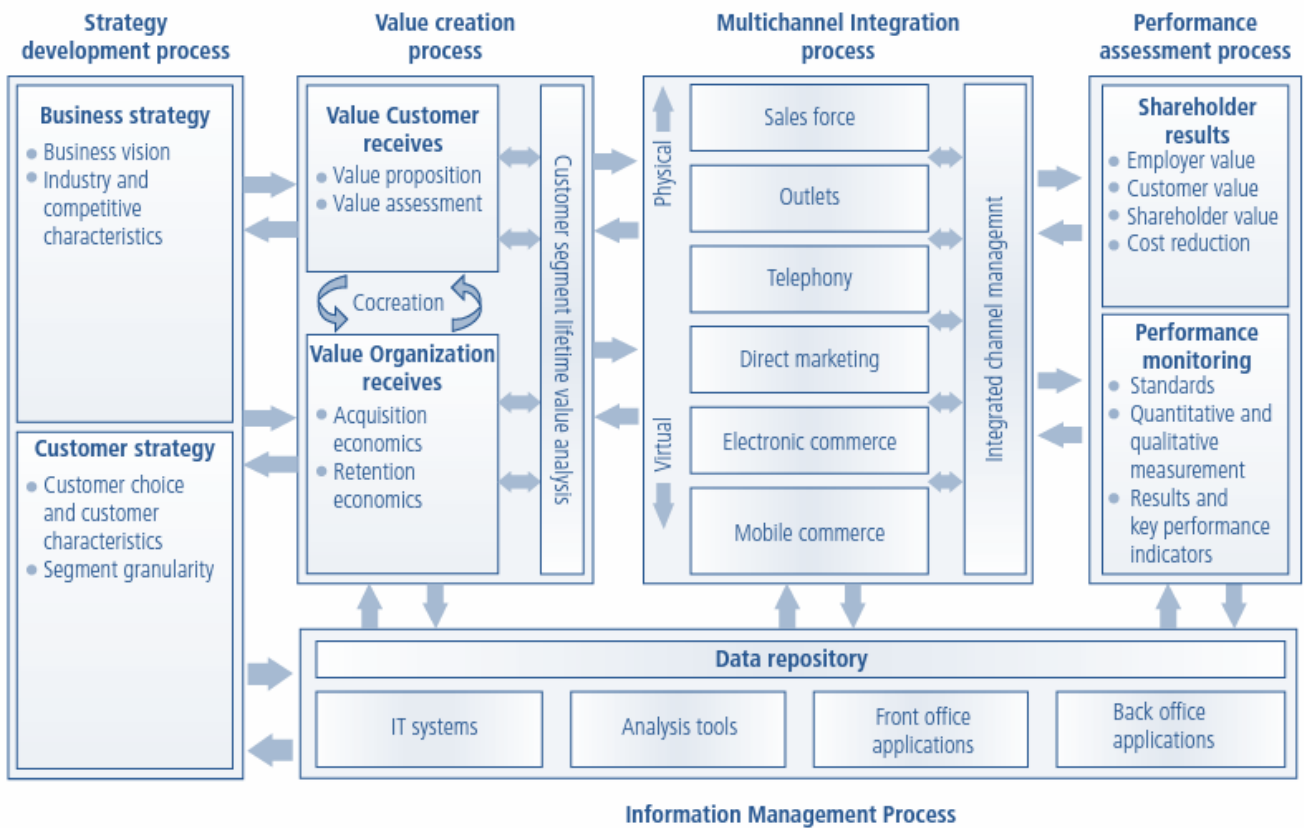


Figure 5. *Payne's model of CRM (Buttle 2009, 21).*

### 3.6.2 The QCI customer management model

The QCI customer management model may be considered slightly more customer-centred than Payne's model (see Figure 6). Instead of focusing on organisation's CRM processes alone, the QCI is aligning the activities affecting to customer relationship during the entire customer lifecycle (Buttle 2009, 18-22). Even though the QCI is named as the "customer management model", it is clearly CRM model including relationship viewpoint. In the model, the organisation is basically living through the customer lifecycle with the customer; starting from recognising and selecting an attractive partner, ending to the management of dissatisfaction and winning back the customer (Buttle 2009, 18-22). Customer relationship in the perspective of time will be discussed in the following chapter.

In the QCI model all activities considering a certain customer account are identified enabling the calculation of cost-to-serve, which is needed to examine the actual costs caused by the customer. Applicability or inapplicability of the cost-to-serve in non-profit context will be also discussed in the latter chapters. Other processes in the model are delivering support for the customer management activities and are indirectly covered in this paper.
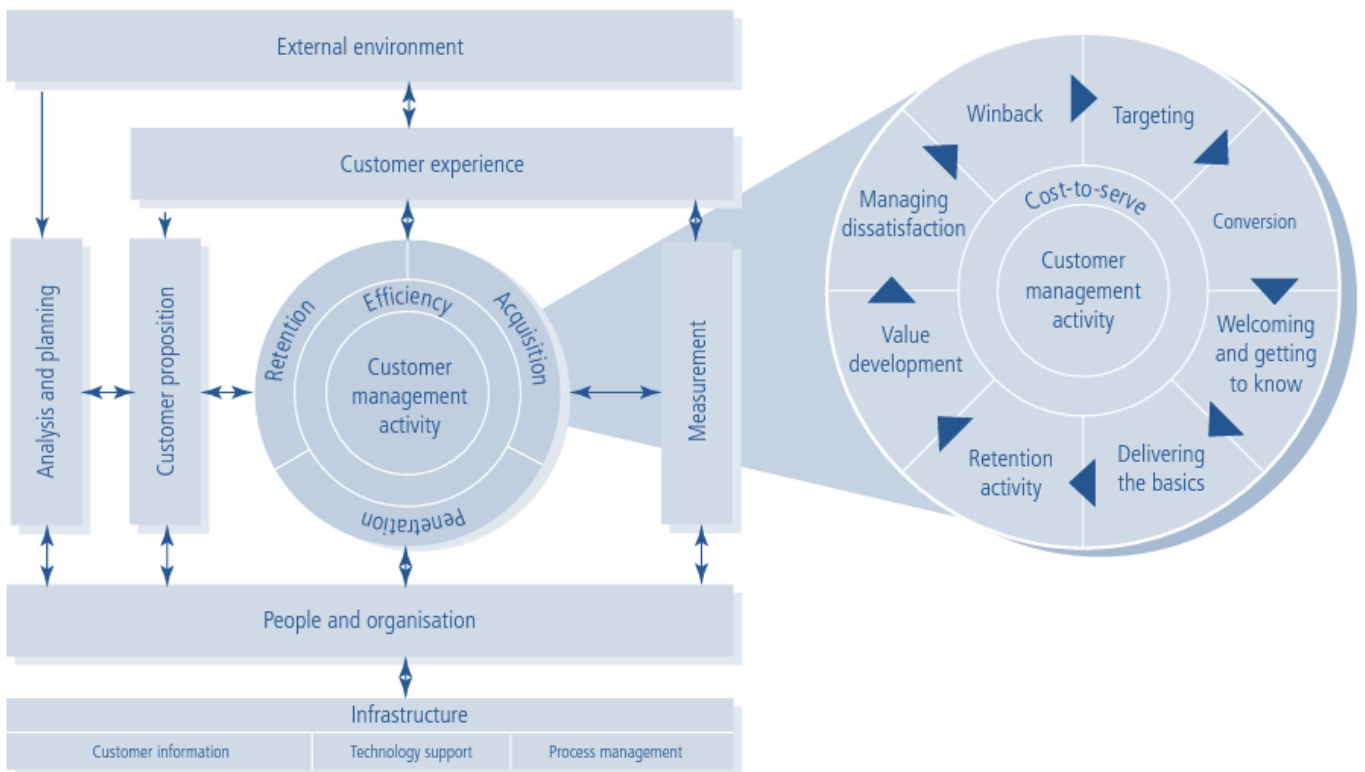


Figure 6. *The QCI customer management model (Buttle 2009, 22).*

4      FROM INTERACTION TO RELATIONSHIP

In this chapter the study explains what is meant by relationship in business environment and how to facilitate customers' ability to enter a relationship. The chapter recognises the mutual value creation as the ultimate goal of a relationship and examines its relation to the concepts such as customer lifecycle, customer base, customer portfolio and customer account.

4.1     Through accessibility and interactions to value creation

Nowadays almost every organisation claims to be customer-oriented. They state that they are close to their customers and operate on customers' terms. However, there is a difference between customer orientation and customer relationship orientation. Latter cannot be defined to be based on physical or mental distance. Instead, the focus is on the mutual value creation. Storbacka et al. (1999, 20-23) suggest that the value is created through interactions between the customer and the organisation (see Figure 7). They also argue that there will not be interactions if the organisation is not accessible to the customers. (Storbacka et al. 1999, 20-23)

Value creation

Interaction

Accessibility
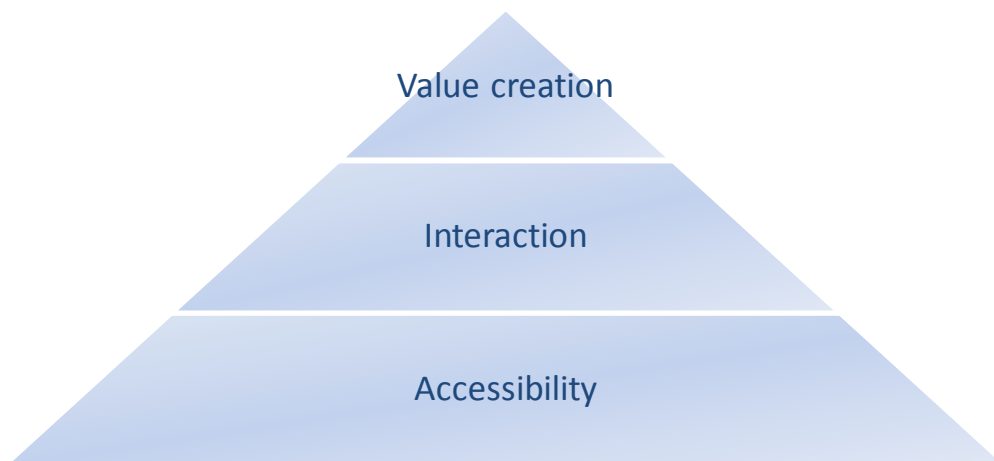
Figure 7. *Hierarchy of customer relationship orientation (Storbacka et al. 1999, 23)*

The ultimate goal in customer-oriented approach is to create value to the customer. Relationship centricity for one emphasises also the value creation ability of the supplier recognising that there are two parties in the relationship. It is to be understood that as the organisation and the customer create value through shared processes, the more mutual processes the better the chance is to deliver superior value to the

customer and at the same time the required value to the supplier (Storbacka et al. 1999, 24-25). The value creation process will be discussed more in depth in chapter 5.

As mentioned earlier, interactions in shared processes enable the mutual value creation. An interaction between a customer and a supplier may include the exchange of information, competences and products (Storbacka et al. 1999, 24). Traditionally exchange of information has been recognised as a one way stream but in order to be sincerely customer-oriented the communication must be more like a dialogue where the customers have a change to communicate back (Mäntyneva 2001, 10). Toor (2009, 56) continue by arguing that the customer should have a chance to communicate back as easily as possible through the channel he or she prefers.

To enable interactions, the first issue to consider is the accessibility, as there will not be interactions if the organisation is not accessible. In addition to enabling customers' ability to contact the organisation, being accessible means also being strongly presented at the market. Especially it is important to be accessible to the markets and segments that are valuable for the organisation (Storbacka et al. 1999, 23).

The very first issue the primary research data stress is the importance of two-way communication. The interview with a client of a Finnish non-profit organisation reveals that the client's ability to communicate back is a hugely important matter to consider. The interviewee emphasises Storbacka, Mäntyneva and Toor by stating that the organisation must be accessible whenever there is a need to contact the organisation and that the organisation should make it as easy as possible to interact with the organisation by providing channels, which are preferred by the client. (Client interview 2010)

The CEO of the interviewed Finnish non-profit organisation argues that they have tried to provide the communication channels that their clients are comfortable with. The interviewee continues by stating that the communication through electronic channels has considerably increased lately and therefore the website and the portal in it is continuously improved. It is also to be noticed that the older clients still prefer telephone as the primary communication channel and some issues are preferred to be handled in phone by the younger generations as well. Contacting via email is also very common and the CEO remarks about the importance of replying and showing that the

organisation is pleased to be contacted by the customers. Therefore, it may be said that the diversity of the communication channels is required and should be considered based on the preferences of the clients. (CEO interview 2010)

The thematic interview revealed that active or even aggressive promotion of services contributes significantly to the customer relationships. The interviewed CEO states that they arrange around 60-70 events per year and provide other benefits to their members and there is no sense to provide any services if the target groups are not aware of them. He continues that therefore they have empowered their presence at the market by increasing communication efforts during the past couple of years. Paying more attention to the communication has been a strategic decision as the importance of it has clearly increased. The CEO argues modestly that "now our communication is clearly the best if it is compared to the Finnish Chamber of Commerce or other similar organisations". There are around 25 printed newsletters or magazines posted every year to the members of the organisation. 10 of them are also sent to all those 9 000 companies located in the Northern Savo, as they all are potential customers. In addition, there is a monthly sent electronic newsletter, which is received by everybody in the customer database. (CEO interview 2010)

However, there is a risk in the strong communication. The CEO states that in the future more attention must be paid to the core message of the information. Even though, there are dozens of events organised every year, the membership of the organisation do not require participating events. The original purpose of the interviewed organisation is the same as the County Carlow Chamber's: to influence the local decision-makers. Therefore, the message that is sent out to the clients must also communicate about the value that clients receive by paying the yearly subscription. The CEO explains that the issue came up by asking reasons why quitting members do not want to renew the membership. "We must sharpen our message", he argues. To conclude, the importance of aggressive promotion, but also enabling efficient two-way communication may be classified as the first issues that the thematic interview managed to point out. As the latter topics will discover, the communication will be even more effective if the organisation has managed to capture how customers create value and include the knowledge in the core message. (CEO interview 2010)

4.2     What is meant by relationship in business environment?

Relationship is a social construct made by people (Buttle 2009, 28). Regarding customer relationship, the focus is on relationship between the customer and the supplier (Storbacka et al. 1999, 19). It is to be remarked that a relationship can be unilateral or reciprocal (Buttle 2009, 28). This means that if someone thinks that there is a relationship and acts accordingly, there is one, but it is possible that only one of the parties believe in being in a relationship (Buttle 2009, 28).

Customer relationship can be seen as a process where both parties fulfil their obligations (Storbacka et al. 1999, 19). Relationship process consists of a series of interactive episodes (Buttle 2009, 27). Barnes (2000 cited in Buttle 2009, 27) adds that those encounters require emotions in order to fulfil the description of a relationship. Some authors define relationship as a bond between two parties when they are becoming dependent or interdependent on each other, in other words losing their independency (Health and Bryant 2000 cited in Buttle 2009, 27).

Such things as respect, trust and well lead cooperation during a long period of time are highly related to the customer relationship (Storbacka et al. 1999, 19). In addition, commitment has been the subject of many researches in developing relationships (Buttle 2009, 29).

4.3     Phases of the customer relationship

From the perspective of time, relationships may be seen living through different phases during their lifecycle. The lifecycle of the customer relationship is also often called pipeline. To be able to manage the cooperation with the customer, it is beneficial to recognise the stages and understand that different phases require different actions. Depending on author, there are different amount of phases and alternative terms for naming them, but they all attempt to depict the development of customer relationship over time (Buttle 2009, 227). Dwyer et al. (1987 cited in Buttle 2009, 28-29) found five phases of the customer relationship that the relationship lives through: awareness, exploration, expansion, commitment and dissolution (See Figure 8).

Figure 8. *Five phases of customer relationship (Dwyer et al. 1987 cited in Buttle 2009, 28-29)*

In QCI customer management model (Figure 6), the customer lifecycle consists of three phases: acquisition, penetration and retention. Buttle's (2009, 227) partition emphasises the phases of the QCI model by dividing customer lifecycle into phases such as: acquiring new customers, developing customer value and retaining existing customers (see Figure 9).



Figure 9. *Three phases of customer relationship* (*Buttle 2009, 227)*

The interviewed CEO states that they have outsourced the recruitment of the customers. The organisation supports the recruitment process, but the actual conversion is executed by a professional. During the past few years the number of acquired members has been around 700 per year. The net growth is around 200 customers per year as the yearly customer churn is around 10 percent. The CEO argues that those numbers could not be possible if the recruitment would not be carried out professionally. He continues by stating that approximately 10 to 15 percent of new members join "naturally", meaning that other members have recommended the membership of the organisation or they join by their own initiative. (CEO interview 2010)

The CEO argues that the rest of the pipeline is not systematically managed, however he continues by stating that they do have welcoming events for the new members. In addition, they actively ask their customers what services the organisation should provide in the future and are they interested in participating some particular events, which are especially aimed to the industry they represent. The interviewed organisation also has documented complaints-handing process put in place. Moreover,

the organisation stimulates the older entrepreneurs to consider if they are willing to look for a buyer for their business. Therefore, it may be said that the customer lifecycle is taken into consideration at some level, even though it is not seen as a pipeline. (CEO interview 2010)

County Carlow Chamber might also consider managing the pipeline. Perhaps it would be beneficial even for both organisations to create a suitable customer lifecycle model that can be systematically followed (cf. Figure 6). Especially in the Chamber's case, if the customers question the Chamber's ability to deliver value, maybe better understanding of what value the customers are looking for and practices to deliver the required value should be implemented. The mission of the Chamber is to act as a voice of the local businesses, but is there enough information to complete the mission? The Chamber has documented complaint handling process and win-back process implemented, but maybe more attention should be paid on delivering basics. As a conclusion, one may argue that managing customer lifecycle systematically could be a topic for further investigation as there might be unexploited potential in the approach.

### 4.3.1 Customer journey

There is an approach applied to show where the customers are positioned in terms of their tenure. Depending on author, the concept used to describe the approach varies. Cristopher et al. (1991 cited in Buttle 2009, 57) call the approach "Value ladder" and Gordon (1998 cited in Buttle 2009, 57) calls it "Value staircase".

Buttle (2009, 57) describes the seven steps of the value ladder as follows:
1. Suspect: A possible customer that may fit into the description of the target customer
2. Prospect: The customer that fits into wanted customer profile and has been approached for the first time
3. First-time customer: The customer that have made the first purchase
4. Repeat customer: The customer that buys several times but the share the of the customer's purchasing portfolio is marginal
5. Majority customer: The customer choosing to buy from the organisation and the organisation has a significant place in the customer's purchasing portfolio

6. Loyal customer: A customer being resistant to competitors' offers and having positive attitude towards the organisation's propositions

7. Advocate: A customer promoting the organisation through positive word-of-mouth.

Ranking customers in terms of a value ladder may be more proper action in commercial organisations. However, if a non-profit organisation monitors the purchasing behaviour of their customers, the staircase may be exploited to the appropriate extent for naming different customer groups. Moreover, the value ladder may help non-profit organisations to understand what is commonly meant by loyal customers and advocates. In addition, loyal customers and advocated may be seen as valuable customers as their tenure tend to be longer than regular customers'.

4.4    Trust and commitment

Buttle (2009, 29) argues that the development of trust is an investment on relationship with high long-term reward. He also suggests that trust may be seen to be composed of three parts:

1. Benevolence: Acting in interest of the other party
2. Honesty: The word of the other party is reliable or credible
3. Competence: The other party has required expertise

Harris and Dibben (1999 cited in Buttle 2009, 29) suggest that as the relationship evolves and moves from a phase to another, trust develops along. They also suggest the three phases in development of trust:

1. Calculus-based-trust: The first phase is based on time before mutual history of customer and supplier and the trust is based on expectations of each other.
2. Knowledge-based-trust: The trust is based on knowledge and experience of the other party enabling to predict how the other acts in a particular situation.
3. Identification-based-trust: The understanding of each other is very deep and the mindset is becoming consistent.

Regarding the mentioned phases in development of trust, one may recognise that the understanding of customer's goals and predicting his or her behaviour can be enabled through trustworthy relationship. Therefore, one must understand what is meant by

trust. In the CCCOC's case it could mean that the Chamber shows its ability to create value and deliver promises through its services at the required quality.

Another challenge is to discover how to commit the customer. Commitment shows that a party believes in the value of the relationship and that the ongoing relationship is worthwhile to work on. A party may show its commitment to another by making investments on the relationship. If another responses positively to the investment, the relationship may evolve and become stronger. Investments should be made on satisfactory relationships as unsatisfied customers are not likely to commit despite the investment. Organisations may invest time, money or side-linings. (Morgan and Hunt 1994, 20-38 cited in Buttle 2009, 30)

The interviewed organisation invests time in the customer relationships by asking frequently customers' opinions regarding different matters. They invest time in knowing their customers' needs and expectations. They also invest in communicating about the available opportunities to fulfil the needs. Moreover, they are proficient in exploiting the development funds administered by European Union to finance different development projects benefiting their members. These investments should be also considered in the Chamber. As a conclusion, it may be argued that non-profit organisations could foster customers' commitment by being interested in their needs and expectations. By showing that the organisation is actually in business of their clients, they will probably have positive impact on the development of trust. (CEO interview 2010)

4.5     The structure of the customer base

Customers of an organisation constitute the organisation's customer base (see Figure 10). From the organisation's viewpoint, customer relationships may be seen as customer accounts. Relationships as well as customer accounts consist of several interactive episodes, which are also often called touch-points or encounters. All the interactions with the customer include smaller activities. Identifying activities in relation to customer accounts enables organisations to calculate the actual cost-to-serve of individual customers and monitor the profitability. In addition, it also allows organisations to identify factors in customer touch-points that have influence on customer experience. Latter notice may be more important than the first one

considering the not-for-profit organisations as the customer experience is related to the customer value creation process. (Storbacka and Lehtinen 1998, 53)

For example in the Chamber's case: there could be customers who have three different encounters with the organisation every year. They may be participating one training event, a business breakfast and answering a questionnaire regarding current affairs and all these interactions consist of activities. Regarding the training event, there may be activities such as receiving invitation, enrolling, welcoming speech, actual training, lunch, some more training, free discussion, feedback survey and a few days later the customer will receive an invoice. After recognising all the involved activities, it is possible to calculate the cost-to-serve of the customer account. However, it may not be essential for non-profit organisations to calculate the customer profitability, but recognising inefficient activities and improving them may help the organisation to lower the cost base. The lower the cost base is the more resources are available to provide actual services. This idea is supported by the interviewed CEO. He argues that they have actively tried to encourage their customers to use electronic channels where ever possible as they tend to be more cost efficient (CEO interview 2010). To conclude, it may be argued that recognising the structure of a customer base may be beneficial in non-profit organisations as well.
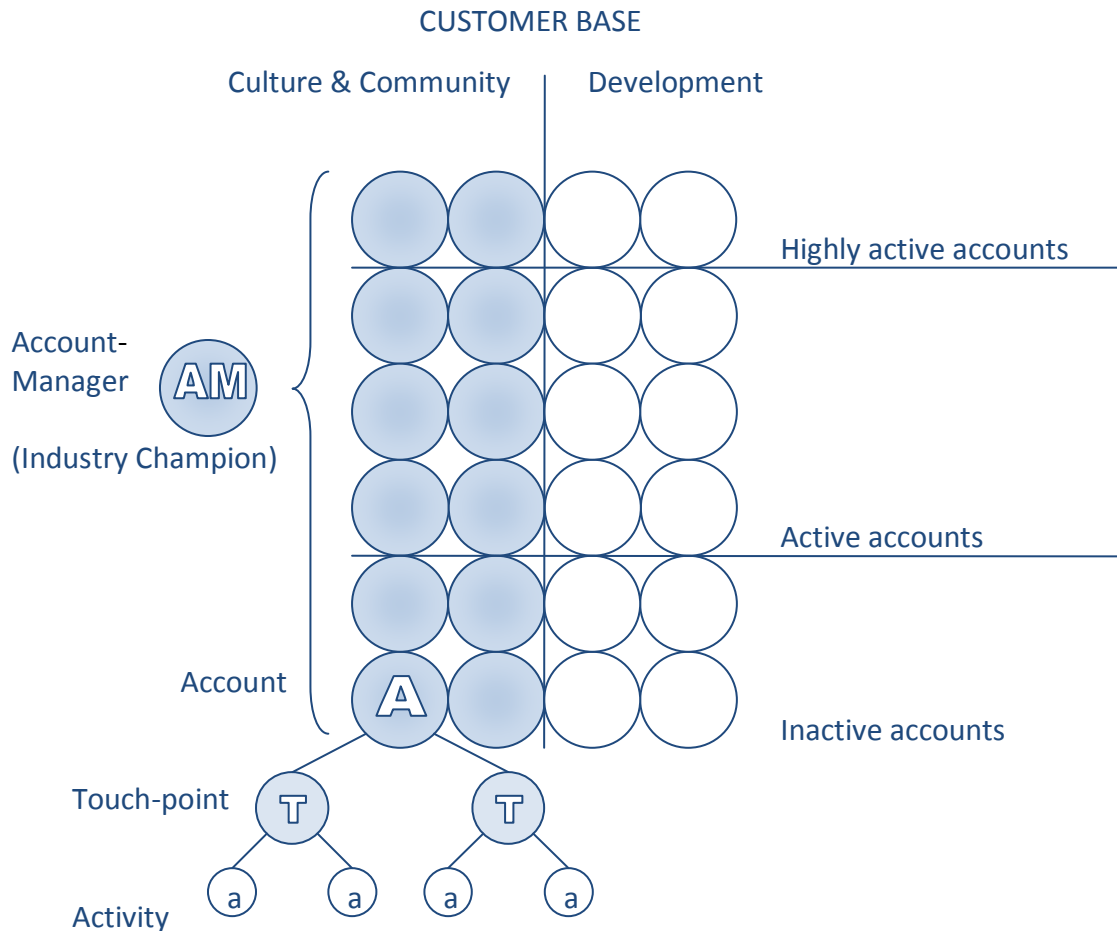
Figure 10. *A possible structure of a customer base*

## 4.6    Customer portfolio management

According to Buttle (2009, 125) "A customer portfolio is the collection of mutually exclusive customer groups that comprise a business's entire customer base." This means that the organisation may form customer account groups based on strategically important variables. One of the fundamental ideas of customer portfolio management (CPM) is to understand that not all customers should be treated identically unless it is strategically rational to do so (Buttle 2009, 125). CPM aims to enhance business performance across entire customer base, whether that means improving profitability, growing sales volume or something else (Buttle 2009, 125).

Strategically important variables can be for example size, lifetime value or creditworthiness of the customers (Buttle 2009, 126). In B2B context, where organisation-specific data is usually easily reachable, segmentation may be based on sales volume and cost-to-serve (Buttle 2009, 126).

Probably the most common approach of forming customer groups is based on the profitability. Storbacka and Lehtinen (1998, 59) argue that there are three commonly used segments based on customer account profitability:

- Accounts to be protected: These accounts are the most valuable for the organisation. They are already generating significant amount of profit for the organisation and their value improvement potential is therefore quite marginal. Companies should develop strategies to retain these customers and protect them against competitors' offerings.

- Accounts to be developed: These customers have high future potential. Organisations should develop strategies to exploit the potential.

- Accounts to be changed: These accounts are clearly unprofitable and without considerable change in their potential, it is not self-evident to allocate resources in retaining them.

Sanchez and Sanchez (2005, 316) streamlines the very same basic idea by naming portfolios as follows:

- High profitability: Customers having high current and future profitability
- High potential: Customers having high potential value
- Underperforming: Customers that are currently unprofitable

In the Chamber's case, customers are divided into groups based on the industry they represent. In the interviewed Finnish non-profit organisation the current situation is the same (CEO interview 2010).

The interviewed CEO emphasises Buttle by arguing that there is no sense in treating all the customers identically. By this he refers to marketing efforts and states that they aim the marketing of industry-related events only to the members which might benefit from the event. In the future, they are also planning to start monitoring how customers use the services and it may lead to another approach of forming customer groups. (CEO interview 2010)

One possible viewpoint to approach the customer base could also be based on the customer activity (see Figure 10). This could help organisations to identify customers

who do not actively exploit the services of the organisation enabling proactive actions to save the customers that may be in danger of defection. Another possible variable for forming customer groups could be the reason why customers actually are customers. In other words: what is the value the customer expects to perceive and develop different customer strategies for different expectations. On the other hand, classification could be based on customers' strategic significance. Strategically significant customers will be examined more in detain in chapter five. Despite the variable or variables that are used, the fundamental idea of CRM is to create suitable plans for each group and this should be noticed in non-profit organisations as well.

### 4.6.1 Customer relationships require owners

An interesting question an organisation should consider is that who actually owns relationships with customers. Most commonly selling teams or single sales representatives own parts of the customer base. When individual people or teams own the relationships, they tend to have monopoly over the customer information and may not be willing to share the information with other people within the organisation. Without organisational memory of the customer information, it is impossible to develop sensible CPM strategies for different customer groups as the management lack the intuitive knowledge and understanding of the customers. (Storbacka et al. 1999, 156)

The organisations implementing CPM practices should rather establish teams who are responsible for increasing the value of the customer portfolios by mobilising an agreed strategy. In different levels of the structure of the customer base and different phases of customer lifecycle the organisation requires quite wide range of expertise which supports the idea of having a managing team for each customer portfolio. However, it is well known fact that if people are collectively responsible for something, at the end of the day no one is actually interested in it. Therefore, it is important to have responsible contact person, an account manager, in the team coordinating all resources required in customer's value creation process. (Storbacka et al. 1999, 156)

According to conversations with the president of the Carlow Chamber, one possible approach to exploit the CPM and the idea of customer ownership is to deploy "an industry champion program" (see Figure 10). This would mean that for each industry

there would be a named champion selected from the board of directors of the County Carlow Chamber. Each champion would be responsible for being aware of the needs and expectations of the customers in his or her industry. Moreover, the champion would be collectively responsible with the CEO and other staff of the Chamber for retaining and acquiring customers of that particular industry. (Observation data 2009)

A similar idea is exploited in the interviewed Finnish organisation. They have established a work group to improve their services to meet especially sole traders' needs. The group consists of customers of the organisation and is lead by a board member. The CEO argues that they are continuously aspiring to improve their performance based on the needs of their customers. The main idea is to give the customers a chance to invent the products of the organisation. (CEO interview 2010)

As a conclusion, one may argue that managing customer portfolios by naming responsible managing team could facilitate in creating stronger link between customers and the organisation. Champion program could also help in gaining better understand of customers' needs and expectations. Therefore, CPM could be exploited in non-profit organisations as well.

5       VALUE THROUGH RELATIONSHIP

Previous chapter examined some of the essential concepts that are related to relationships in business environment. The chapter also revealed how relationship may be approached systematically by breaking it into smaller pieces. In this chapter the focus is on how the organisation and the customer create value through the relationship. The paper explains why concepts such as customer retention, customer loyalty, customer perceived value, customer satisfaction are important regarding the mutual value creation, the ultimate goal of CRM.

5.1     Why organisations prefer relationships with customers?

As discussed earlier, one of the objectives of CRM is to retain profitable or otherwise valuable customers. By increasing average customer tenure an organisation can reduce marketing costs, gain better customer insight and the customer will become aware of the supplier's portfolio of offerings (Buttle 2009, 31-40). Understanding the structure and the lifecycle of the customer relationships enables management to invest resources in the most efficient way (Sanchez and Sanchez 2005, 316). Ang and Buttle (2006, 85) state that as the customer tenure lengthens the volume of purchases grow; customer referrals increase; relationship maintenance costs fall; customer churn decrease leading to lower customer replacement costs; and retained customers are likely to pay higher prices.

As researched, acquiring new customers is more costly than retaining old ones (Buttle 2009, 31-40). Kotler and Keller (2006, 156) state that acquiring new customers can cost five times more than retaining current ones. In a survey conducted in 2001, Aspinall et al. (2001, 79-87 cited in Ang and Buttle 2006, 85) found that 54 percent of companies consider customer retention more important than acquisition. If the same research would be conducted again, the preference of the retention would probably be even greater.

According to the interviewed CEO, to be able to do business in long term, one of the most critical issues to consider is to ensure that "the barrel won't leak". He argues that it is important to acquire new customers, but the organisation must ensure that the product is delivering the required value and the customers do not defect as a result of

uncompetitive or inadequate offering. Therefore, it may be said the in the non-profit context the main focus should be on retaining the current customers without forgetting to acquire new ones either. (CEO interview 2010)

## 5.2    Customer retention

Customer retention rate indicates about the expected customer tenure (see Table 1). Customer tenure represents the length of period of time the customer is actually customer. Recruiting targeted customers may in some cases require huge investments and it may take even years to get to breakeven point with a certain customer. In order to make profit out of that customer, the customer tenure must be higher than required number of years to recover from the costs of acquiring. (Buttle 2009, 31-40)

Kotler and Keller (2006, 156) state that the average defection rate in organisations is 10 percent per year which is equal to retention rate of 90 percent. By reducing defection rate by 5 percent, it is possible to increase profit by 25 percent to 85 percent, depending on industry (Kotler and Keller 2006, 156).

Table 1. *Retention rate and average customer tenure (Buttle 2009, 40).*

| Customer retention rate (%) | Average customer tenure |
| :---: | :---: |
| 50 | 2 years |
| 67 | 3 years |
| 75 | 4 years |
| 80 | 5 years |
| 90 | 10 years |
| 92 | 12.5 years |
| 95 | 20 years |
| 96 | 25 years |
| 97 | 33.3 years |
| 98 | 50 years |
| 99 | 100 years |

From the Table 1 one may see that the higher the customer retention rate is, the greater the impact of a small change in retention rate percentage is on the average customer tenure.

The retention rate in the interviewed Finnish organisation is the same 90 percent that Kotler and Keller argue to be the average. This means that 390 customers of the total 3900 defect every year. According to the CEO, 9 percentage units of the 10 percent defection is explained by the natural reasons such as the customer do not exist anymore meaning that he or she has quit the operations. Only 1 percent of the customers defect because the product does not deliver expected value. The CEO states that the retention rate is one of the indicators the organisation regularly monitors. Possible changes are also examined to understand the factors causing the change. (CEO interview 2010)

Retention rate may be therefore seen as one of the key indicators that the non-profit organisations should also monitor. County Carlow Chamber does not measure the retention rate at the moment. It is also to be noticed that the Chamber has approximately 270 member businesses of circa 1600 businesses, which operate in the area of County Carlow. The number of possible customers is limited and therefore the Chamber should hang on tight to the current members.

### 5.2.1   Measuring retention rate

There are several possible indicators to be used to measure customer retention (Buttle, 2004 cited in Ang and Buttle 2006, 86):

- Raw: Giving percentage or number of retained customers
- Sales-adjusted: The sales volume of retained customers
- Profit-adjusted: The profit generated by retained customers

The focus should be on managing entire spending of retained customers rather than on raw number of customers (Coyles and Gorkey 2002, 80-89 cited in Ang and Buttle 2006, 86). When customers engage portfolio purchasing, meaning that customers buy products from several different suppliers from a certain product range, managing the share of the portfolio rather than customer defection is even more important (Ang and Buttle 2006, 86).

As one of the services of the Chamber is lobbying, the number of member businesses itself is important for the organisation. Increasing the raw number of members

enhances the credibility of the Chamber as an influential party. However, to facilitate budgeting, sales-adjusted retention rate could be a possible approach as well.

### 5.2.2 Strategically significant customers

Retention rate is highly important in extending customer base, but there is no sense in growing the customer base aimlessly as organisations tend to have scarce resources (Buttle 2009, 31-40). The goal should be retaining existing customers and acquiring new customers that have future profit or other strategically important potential (Buttle 2009, 31-40). One of the major value destroyers in organisations is poor management of customer churn and incapability to recognise the most valuable customers (PricewaterhouseCoopers 2002 cited in Ang and Buttle 2006, 86). Valuable customers can be considered to be those who contribute the most to the goal achievement of an organisation (PricewaterhouseCoopers 2002 cited in Ang and Buttle 2006, 86). Buttle (2009, 31-40) argue that it is obvious that not every customer is worth of acquiring or retaining and such less preferred customers may be brand switchers, debtors, late payers or customers having high cost-to-serve.

According to Storbacka and Lehtinen (1998, 29-32) there are five strategically significant types of customers. They argue that customers may be valuable from following perspectives:

- Profitability: Customers are currently profitable
- Customer tenure: Customers that are using services of the organisation for a long period of time
- Competences: Customers have special skills that contribute to the organisation's performance
- Reference: Customers that can be used as a reference to promote the organisation
- Potential value: Customers that have potential value from some earlier mentioned viewpoint

Buttle (2009, 157-158) describes five strategically significant customer groups as well:

- High future lifetime value customers: Customers with profitability and long customer tenure expectations.

- High volume customers: Customers that enables the organisation to keep unit costs low as they may not be profitable but cover significant part of fixed-costs.

- Benchmark customers: Customers that can be used as a reference

- Inspiration: Customers giving considerable amount of feedback and suggestions to improve the organisations operations

- Door openers: Customers that enables the organisation to enter a new market. These customers may be seen as the point of junctions considering different networks.

The CEO of the interviewed organisation refused to see any customer to be more valuable than another. That is quite an understandable viewpoint for a non-profit organisation. However, he agrees that the member businesses, which are significant employers in the region, empower the credibility of the organisation as an influential party. He also states that the customers who actively help the organisation to develop its services contribute remarkably to the success of the organisation. In addition, as mentioned earlier, from 10 to 15 percent of new customers join as a result of current members' recommendations. Therefore, even though all members are valuable for the non-profit organisations, the organisation may identify the customers contributing significantly to the organisation's success and moreover aspire to acquire customers with potential strategic significance. (CEO interview 2010)

The interviewed client of the Finnish non-profit organisation stress that "every customer and customer group, no matter how significant employer it is, should have an equal chance to exploit services and must be taken seriously (Client interview 2010)". The client's argument is a clear signal of how sensitive and careful especially non-profit organisations must be in treating their customers with respect. However, taking everybody seriously does not mean that the organisation should not pay special attention to the members who significantly contribute to the goal achievement of the entire organisation. By special attention the author does not mean giving privileges, on the contrary to encourage every member to contribute to the success of the organisation, for example by giving feedback, joining service development work groups and acting as a reference.

Another viewpoint to approach the value of the customers could be that if a non-profit organisation implements the sales-adjusted retention measurement tools, they will be able to identify the customers contributing the most in covering fixed-costs of the operations. Recognising these customers do not have to lead to any kind of special treatment, but if these customers are about to defect, it may used as an alarm system to wake up the organisation to reconsider budgeting. According to author's own work experience in the case organisation the mentioned approach could be useful to avoid unwanted surprises in liquidity. As a conclusion, it may be argued that even though every customer is valuable for the case organisation, to foster the organisation's goal achievement especially customers with potential significance should be the target of acquiring.

5.2.3   Reducing customer defection

Kotler and Keller (2006) introduce five main steps to decrease customer churn. First step is simply to monitor the retention rate. Without monitoring it is hard to estimate the performance of the organisation. Secondly, the organisation should examine the reasons for losing customers and identify those relationships which may be in danger of defection and try to manage them better. Third step is to estimate how much the organisation loses profit when the customer defects prematurely. Fourthly, the organisation should estimate how much it needs to spend in order to decrease the defection rate and if the figure appears to be less than lost profit, the investment should be made. Finally, senior management should be regularly monitoring the feedback given by the customers. (Kotler and Keller 2006, 158-159)

In the not-for-profit context these steps may be considered to a certain extent. The interviewed CEO emphasises steps one, two and five by arguing that the viewpoint of the customers must be continuously considered in the daily operations. Knowing the changes in the customer retention rate and the reasons affecting to it is highly important as discussed earlier. (CEO interview 2010)

Ang and Buttle (2006, 85) mention five processes that may be developed and implemented in order to improve customer retention:
- customer satisfaction measurement process
- customer retention planning process

- quality assurance process
- win-back process
- complaints-handling process

The concepts behind these processes will be examined under the following topics.

## 5.3    Searching for customer loyalty

As the loyal customers tend to have longer customer tenure, in the next couple of topics, the path to the customer loyalty and the most important factors affecting to it, will be examined. The Figure 11 below illustrates the relations of the concepts influencing on customer loyalty.
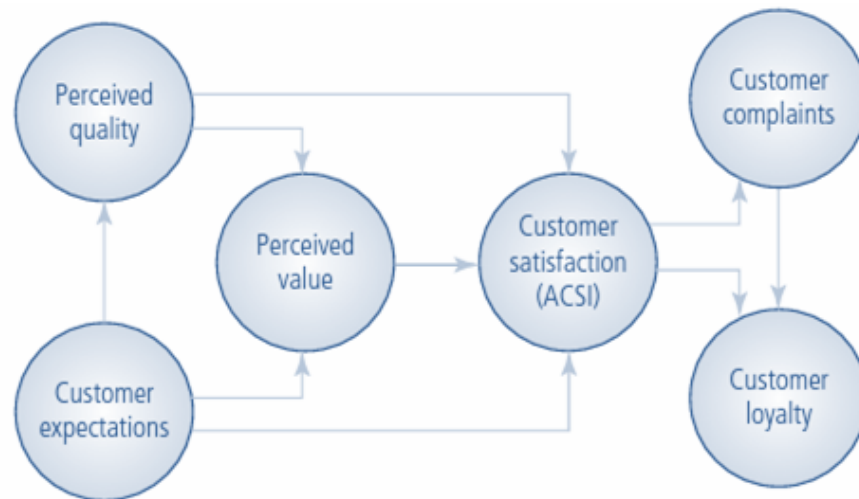
Figure 11. *The American Customer Satisfaction Index (ASCI) model (Buttle 2009, 47).*

### 5.3.1   Quality

The overall assessment of the quality of the relationship with a customer is based on the gap between expectations and perceived value (Parasuraman et al. 1994, 201-230 cited in Ranjan and Bhatnagar 2009, 240). Customer-centric approach to quality recognises quality as the totality of the characteristics and features of the product or service that satisfies stated or implied needs (Kotler and Keller 2006, 147). In other words, the product or service is delivering quality if the customer perceives the value he or she expects.

However, there are two types of quality. The quality can be either conformance quality or performance quality. Conformance quality is related to the promise given by the organisation; as described in the first paragraph. The performance quality is about distinguished difference between two separate offerings where one of them is raising and meeting higher expectations and therefore delivering greater value than another. (Kotler and Keller 2006, 147)

Fourth type of CRM, collaborative CRM, emphasises delivering expected value – quality – in all encounters with the customer. In order to increase customer loyalty these encounters should be aligned with "branded customer experience" (Kotler and Keller 2006, 144). To achieve the objective, an organisation may implement total quality management (TQM) approach, which is an organisation-wide approach to continuously improve processes, products and services to deliver promises the brand represents (Kotler and Keller 2006, 148). However, Kannisto et al. (2005, 68) remind that the atmosphere and success at a customer touch-point are dependent on the customers' personal life, situation and mood as well. They continue by arguing that the encounters with the organisation's personnel give to the customer an opportunity to release their stress (Kannisto et al. 2005, 68). Therefore, as well as delivering promises, the successful organisations recognise the customer as a variable affecting to the delivered quality and aspire to adopt an appropriate approach to influence positively on the customer's mood in every touch-point.

The best organisations that have implemented CRM seem to be obsessed over improving customer touch-points and they endeavour to do things that are not expected from the organisation. Successful organisations want knowingly exceed customers' expectations. (Storbacka et al. 1999, 16)

If an organisation decides to modify processes or add characteristics into products or services; the decision should be based on needs and expectations of the market (Kotler and Keller 2006, 148). The modification should be made only if the return on quality (ROQ) is positive, in other words the market is willing to pay for it or it helps to achieve required customer satisfaction levels (Kotler and Keller 2006, 148).

The interviewed CEO argues that they do not have an actual quality assurance process implemented. However, they do actively measure the customer satisfaction and act

based on the changes if required. They also aspire to continuously improve their operations. One may argue that it sounds like they do actively aspire to manage the quality. Customer satisfaction may be seen as a quality indicator as well. Measuring satisfaction will be discussed more in depth later on. (CEO interview 2010)

### 5.3.2   Customer value creation process

CRM's fundamental objective is to understand the value creation of the customer, on individual or on portfolio basis, and use the knowledge to differentiate offerings. To fundamentally understand the customer, the organisation should consider: what are the objectives of the customer and how can the organisation help in achieving those? (Storbacka et al. 1999, 15)

It is important to ask customers how they expect create value through the relationship, but the focus should be on customer behaviour instead of customers' attitudes. The advantage in focusing on behaviour is that the organisation is more likely to learn to understand how customers really create value. This is because people may say one thing and do another. (Storbacka et al. 1999, 147)

The interviewed CEO emphasises Storbacka by arguing that the focus in the future will be on developing the current information system to capture the customer interactions. He states that "it would be absolutely relevant information to know how our customers have exploited our services". Moreover, to facilitate the customer acquisition it would be beneficial to store the information of the date when the prospect has been approached and what was the reaction of the potential customer. However, the CEO argues that it has been also vitally important to constantly ask and observe the opinions of the customers regarding their wants and expectations. He continues by stating that they made a strategic decision in 2003 to research the customer viewpoint to improve the organisation's services and hired an extra person to enhance the value of the organisation's offering. Ever since, the organisation has conducted an extensive research every two years asking the customers about the services and needs and how the operations of the organisation can be improved. For past couple of years, the organisation has grown remarkably; 2002 they had only 2 employees and nowadays there are 9 in total. Therefore, it may be said that both ways

of becoming aware of customers' value creation may be and should be exploited in non-profit organisations as well. (CEO interview 2010)

The interviewed client of the Finnish non-profit organisation confirms that the organisation has become increasingly active and customer-centred during the recent years. The interviewee states that nowadays the organisation is well aware of the needs of their clients. (Client interview 2010)

Storbacka et al. (1999, 16) argue that the value of the offering becomes completely visible when the customer consumes the offering, not when he or she buys it. Therefore, the supplier's responsibility in customer's value creation process is wider than usually thought.

The value proposition consists of a whole bunch of benefits the organisation promises to deliver, not just the core positioning of the offering (Kotler and Keller 2006, 143). Instead of focusing on adding value by binding more services into the product in order to differentiate offerings, organisations may gain competitiveness through developing unique components into the customer process (Storbacka et al. 1999, 16). Almost everyone in the supplier's organisation is somehow dealing with the customer; therefore, organisations may develop unique offerings through all their customer-facing processes such as selling, marketing, logistics, support or service processes. Understanding the wideness of the possibilities relieves a huge range of opportunities to differentiate offerings (Storbacka et al. 1999, 16). In order to keep all the promises, the organisation must manage the entire value-delivery system, which consists of all the experiences the customer will face when obtaining and using the offering (Kotler and Keller 2006, 143). The brand should represent the total experience the customer may expect (Kotler and Keller 2006, 143). Therefore, brand management may be seen to be closely linked to CRM.

### 5.3.3 Customer perceived value

Customer perceived value (CPV) is the difference between total customer value and total customer cost (see Figure 12). Total customer value consists of the perceived monetary value of economic, functional and psychological benefits of the offering.

Total customer cost includes all costs the customer expects to incur in evaluating, obtaining, using and disposing the offering. (Kotler and Keller 2006, 141)

Wang et al. (2004, 178-180) found in their research that the functional value, which is perceived through supplier's products and services, has direct impact on customer's behaviour considering cross-buying and repurchasing. Cross-buying means that the customer purchases several different types of products from the supplier. They also found that the social value of an offering, which is affected by personnel and the image of the supplier, has a positive influence especially on customer satisfaction and brand loyalty (Wang et al. 2004, 178-180). Therefore, one may agree with Kotler and Keller (2006, 143) who argue that the customers perceiving high value tend to be loyal.

In the case of CCCOC, the focus should be on ensuring that the delivered functional value meets the expectations and the social experience is pleasant enough to empower the satisfaction. It must be also noticed that for some members of the Chamber, social value may be the functional value at the same time, meaning that the members join the Chamber to experience social interactions. Based on the author's personal experience it is to be noticed that entrepreneurs tend to be quite alone with their businesses; therefore, perhaps just listening to them on regular basis may create value to them. The interviewed CEO supports the interpretation by arguing that most of their customers are not too much interested in influencing on government, but the well-being of the entrepreneur is important (CEO interview 2010). Therefore, to be able to understand the factors affecting to the customers value perception, the reasons for being a Carlow Chamber's member should be extensively researched.
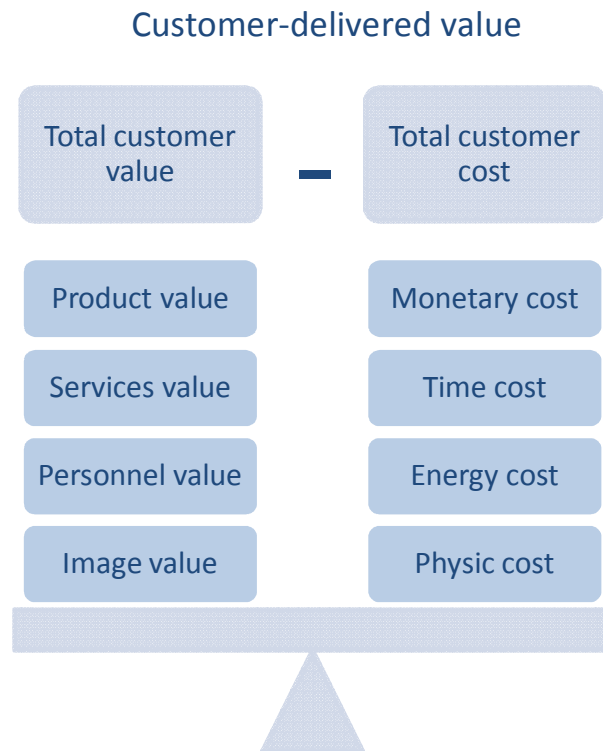
## Customer-delivered value



Figure 12. *Determinants of customer-delivered value (Kotler and Keller 2006, 141).*

As it is presented in the Figure 12, customer-delivered value may be increased by improving the value of the product, services, personnel or brand image. Alternatively, the organisation may achieve the same objective by decreasing the monetary, time, energy or physic costs perceived by the customer.

In the interviewed organisation the value proposition was comprehensively re-evaluated and reconstructed in 2003 and has been continuously improved ever since. Decreasing the customers time and energy cost is one practical implication of the development. For example the organisation aspires to offer easy and flexible options to enrol events, search information, contact the organisation and pay invoices through electronic automated channels. (CEO interview 2010)

Carlow Chamber should also consider the entire value proposition and examine all the determinants affecting to customer perceived value. Together with the fundamental understanding of customers' needs, expectations and behaviour the required value proposition improvement may be executed. As a conclusion, one may argue that to manage customer relationships successfully, customer value creation process should be examined in great detail and the value proposition modified to meet the requirements.

### 5.3.4    Total customer satisfaction

Satisfaction is feelings of pleasure or disappointment resulting from comparing the perceived value in relation to expectations. If the promises will not be delivered the customer will be dissatisfied and if delivered value is greater than expected the customer will be highly satisfied. As mentioned earlier, some organisations always aspire to exceed customers' expectations, but exceeding expectations tend to cost resources, and therefore it may not be in the interest of the every stakeholder. Thereby, the organisation should focus on delivering high level of satisfaction, but also take into consideration other stakeholders such as employees, dealers, suppliers and shareholders. (Kotler and Keller 2006, 144)

Customers form their expectations from past buying experience, friends' and associates' advice, and marketers' and competitors' information and promises. If the marketing of the organisation raise expectations too high, the customer tends to get disappointed. Therefore, organisations should search the way to meet the expectations precisely. (Kotler and Keller 2006, 144)

For customer-centric organisations customer satisfaction should be both a goal and a marketing tool. Highly satisfied customers tend to stay loyal to the company, buy more as new products are introduced, talk favourably about the company and its offerings, pay less attention to the offerings of the competitors, are less price sensitive and give ideas to improve products and services. However, it is to be remembered that only the customers with the highest possible level of satisfaction are likely to stay with the company as all the rest appear to switch service provider if more attractive offering is proposed. It is said that customers only in the highest satisfaction level are ready to recommend the product of the company to their friends. (Kotler and Keller 2006, 145-146)

Customer satisfaction can be seen as a marketing tool as well. In the modern world of communication, the speed of spreading word is something unparalleled. Internet provides easily accessible environment to spread bad as well as good word about an organisation. If the organisation enjoys high levels of customer satisfaction, they should make sure that their target market knows it as well. (Kotler and Keller 2006, 146)

The primary research data confirms the importance of customer satisfaction measurement and introduces quite challenging benchmark value for satisfaction level. The interviewed organisation monitors the customer satisfaction regularly. The CEO argues that their latest satisfaction research, conducted in 2008, revealed that 98 percent of all customers would be delighted or very delighted to recommend the membership of the organisation. He continues by stating that the results surprised the organisation itself and the company conducting the research. The results clearly indicate about the organisation's ability to deliver value and the success in building comprehensive understanding of their customers' needs. The CEO argues that the success in satisfaction is also generating high pressure to be worth of acquired trust in the future as well. He states that all the operations of the organisation are therefore seen as the targets of development. (CEO interview 2010)

In the Carlow Chamber's case, the satisfaction should be also measured. The customer satisfaction could be used as an indicator giving a picture of the organisation's performance. Moreover, the customer satisfaction should be used as a tool to continuously improve the operations. Kotler and Keller argued earlier that highly satisfied customers tend to be loyal. The interview with the CEO supports that argument as their satisfaction level is 98 percent and only 1 percent of their customer base yearly defects as a result of dissatisfaction. In addition, from 10 to 15 percent of acquired customers join through referrals and that is more than the yearly defection rate of the interviewed organisation. This means that in the theory the organisation could sustain its number of members without an actual recruitment process. It is obvious that great number of referrals cannot be achieved without high satisfaction level. Thereby, it may be argued that customer satisfaction may be used and performance indicator in non-profit organisations as well.

### 5.3.5 Complaint handling

Lawrence et al. (2006 cited in Ang and Buttle 2006, 94) found in their research that documented complaints-handling process has impact on customer tenure. By having documented customer complaints-handling process there are two major benefits that can be achieved (Ang and Buttle 2006, 94-95):

- By complaining the customer gives the organisation a chance to fix the problem and do business with them in the future
- Well-designed complaint system allows management to analyse complaint data and high light repetitive reasons to identify the root causes of the problems and defection

The interviewed CEO underpins the importance of being aware of dissatisfaction. He states that they have begun to ask and document the reasons for dissatisfaction in great detail. As mentioned earlier, it is important to ensure that the barrel will not leak; documented complaints-handling will help in finding the possible wholes and prevent the defection proactively. (CEO interview 2010)

Carlow Chamber has also implemented the documented complaints-handling process and it may be argued that it is one of the key processes that customer-centric organisations should consider in the non-profit context as well.

5.3.6    Building loyalty through marketing activities

Organisations may aspire to foster customer loyalty through marketing activities. However, an organisation should consider the costs and ensure that they do not exceed the gains. There are five levels in relationship building that may be considered (Kotler and Keller 2006, 157):

1. Basic marketing: The salesperson selling the product
2. Reactive marketing: Selling the product and encouraging to contact if problems occur
3. Accountable marketing: The sales representative contacts the customer to ask if the product is meeting the expectations and if there is anything to improve the product
4. Proactive marketing: The sales rep contacts the customer on regular basis for suggestions to improve the product
5. Partnership marketing: The company operates closely with their important clients to improve customer's performance

Table 2. *Five approaches to relationship building (Kotler and Keller 2006, 157).*

|  | High margin | Medium margin | Low margin |
|---|---|---|---|
| Many customers / distributors | Accountable | Reactive | Basic or reactive |
| Medium number of customers | Proactive | Accountable | Reactive |
| Few customers | Partnership | Proactive | Accountable |

The idea of applying a different marketing approach based on customer profitability, as suggested in Table 2, may not be applicable in not-for-profit context. Especially the evaluation of occurring costs and expected gains may be unnecessary.

The interviewed CEO states that they have not developed a separate communication strategies for different customer groups. Even though, some of the events are marketed only to the customers representing one particular industry, he argues that they usually apply the same marketing plan to every customer account. As mentioned earlier, both the outbound and inbound communication may be seen to be quite active. (CEO interview 2010)

However, if an organisation monitors the customer activity on customer account basis, the organisation is able to identify inactive customers. The information may be used to evaluate if there is a need to increase communication with inactive customers to save them from defection. But to be able to apply different approach based on activity, the organisation should also have the information of the customer's reasons for being a customer. In the Chamber's case there may be other drivers for being a member than exploiting training or other services. As part of portfolio management communication plans may vary between customer groups.

# 6 CUSTOMER INFORMATION ENABLING VALUE CREATION

Previous chapter emphasised the importance of understanding value creation processes. In this chapter the paper will explain the meaning of capturing, interpreting and exploiting customer information to support the value creation. The study will examine different types of customer data, explain what is meant by data mining and what kind of competences the organisation require in order to gain advantage of the CRM business model.

## 6.1 From customer data to interpretations and implications

Managers in many organisations claim to receive too much information but too little the information they need (Kotler & Keller, 2006, 72). The problem may be that organisations are product-focused and information systems and the organisation structure are built based on products (Storbacka et al. 1999, 154). Regarding performance measurement, most commonly these organisations are focusing on indicators such as product cost and product demand (Storbacka et al. 1999, 154). As products are the most concrete evidence of the competences of an organisation, they are very important and not to be forgotten, but the importance of the customer information in the modern business scenario must be understood as well (Storbacka et al. 1999, 154).

But what is the information organisations do require? Hoots (2005, 346) suggests that by knowing needs, expectations and behaviour of the customers, organisations are able to discover the value creation process of different customer groups. As it was discussed earlier, if the long-term relationships with preferred customers are the main goal, customers must be satisfied and to fulfil that requirement, the adequate value must be delivered. Therefore, the focus should be on the value the customers perceive by using the organisation's products or services. Evans (2002, 138-139) stress that the organisations knowing the actual value perceived by the customers are also able to execute far more effective marketing campaigns. He acknowledges the importance of the information, but in addition to relevant data, organisations must have required tools and skills to be able to exploit the information in target marketing campaigns and development projects.

Kotler and Keller (2006, 72) agree with Evans by arguing that the companies who are successful in capturing superior customer information may enjoy competitive advantage. Ranjan and Bhatnagar (2009, 242) add that the success is dependent on:

- whether the customer-related data is extensive, consistent and relevant

- whether the required analytical tools are available

- whether the knowledge gained through aCRM is successfully obtained by the people and processes within the entire organisation

Smith (2006, 87-93 cited in Ranjan and Bhatnagar 2009, 242) argue that the key to successful CRM is in analysis of customer data. Buttle (2009, 111) state that to be able to analyse the data, it must be recorded in a clean, consistent and standardised way through entire organisation. Ranjan and Bhatnagar (2009, 242) continue by stating that there are two major benefits to be achieved through aCRM: firstly facilitating the prediction of the customer behaviour, and secondly pointing out issues within the organisation that needs to be streamlined in order to gain competitive advantage.

By predicting behaviour, organisations are able to select the most favourable markets, enhance offerings and improve marketing planning (Kotler & Keller, 2006, 72). The interviewed CEO argues that they have found correlation between certain customers and certain products and they exploit the information in customer acquisition (CEO interview 2010). For non-profit organisations it seems to be especially important to be able to understand the value that their customers are searching for and then modify the product to match the requirements and communicate efficiently about the offering.

Sanchez and Sanchez (2005, 316) add that from streamlining point of view, organisations often lack the mechanism to collect required data to calculate cost-to-serve on individual customer basis. This means that organisations may not be able to develop strategies supporting cost reduction of the customer-related processes. However, as discussed earlier, in non-profit context streamlining does not necessarily mean the calculation of the cost-to-serve on individual account basis. It would rather mean identifying the costs of different activities and encourage the customers to favour the most cost efficient ones.

6.2     Customer-related data

People in different positions in the organisation are interested in different data and the information processed out of the data. Customer-related data that can be collected from internal sources may include for example: contact details, contact history, transactional history, current pipeline, opportunities, products and communication preferences. There is external data that may be collected as well. External data can include:

- Compiled list data: Including related information from several sources
- Census data: Describing population on certain area
- Modelled data: Processed data compiled from several sources (Buttle 2009, 98-102)

Data may be collected through several channels. Buttle (2009, 102) mentions five of them as follows:

- Competition entries
- Subscriptions: Ordering newsletter or magazine
- Registration: Registering a purchase
- Loyalty programmes

The interviewed organisation seems to be quite proficient in collecting their customers' attitudes. In non-profit organisations the data-collection process may not necessarily involve competition entries, loyalty programs or other artificial channels. As these organisations aspire to be in business for their members, they may just simply ask and observe how their customers create value. The interviewed organisation has engaged a systematic approach in conducting surveys and exploits the information to develop their operations. As mentioned earlier, in the future they are planning to develop their information system to be able to model the customer behaviour as well. For the Chamber the customer information gathering process should not be a problem either, but simply must be implemented. (CEO interview 2010)

6.3    Data mining

Data mining facilitates organisations in finding associations between data (Buttle 2009, 114-115). Data mining can be executed by exploiting some analytical CRM application. If required data is available, through data mining the organisation should be able to identify customers with current and potential value and predict the customer churn (Ranjan and Bhatnagar 2009, 242). Buttle (2009, 9-11) continue by arguing that organisations may be able to identify customers who may be at the risk to change service provider and which customers are more likely to response to the organisation's particular offers. In other words, aCRM attempts to point out cross-selling and uppselling opportunities by searching for patterns (Ranjan and Bhatnagar 2009, 242). For example, there may be customers who buy one type of product and are likely to buy another certain type of product as well (Buttle 2009, 114-115). The link may be sequential, which means that after making the first purchase, there is a great chance that the second purchase is done after the certain period of time (Buttle 2009, 114-115).

By knowing the value of different customers, organisations are able to prioritise and allocate resources to serve better the most important customers. By customising timing, channel, the style and the content of the message, the organisation is more likely to receive a positive response from the customer and the cross-selling activities become more effective. By timing the proposition based on customer needs, analytical CRM has positive impact on customer satisfaction as well. (Buttle 2009, 9-11)

Through data mining organisations are able to produce descriptive and predictive information to support decision making. Buttle (2009, 114-115) argue that data mining can be used to:

1. divide market and customer base on segments,
2. recognise valuable customers and customers with future potential,
3. search for patterns in the purchasing behaviour,
4. differentiate pricing based on segments,
5. recognise lazy payers,
6. create profiles of customers that the organisation especially want to retain and acquire,
7. identify tactics that works in retaining and acquiring

Data mining may be seen as one of the core processes that organisations should consider in order being able to completely exploit the opportunities of CRM. Probably too little attention has been paid to practices of the analytical CRM. This viewpoint is supported by many authors as discussed in earlier paragraphs and under previous topics. Moreover, the opportunities of aCRM are not currently exploited in the interviewed organisation either, even though they have plans to do so in the future. Therefore, it is possible that there may be significant unexploited potential in data mining regarding non-profit organisations in general. Data mining could be an interesting topic for further investigation.

6.4     Required competences

It is highly important to recognise the competences that an organisation requires in order to be able to implement CRM strategy and practices successfully (Mäntyneva 2001, 116-117). As the technology may be complex, the advantage gained through aCRM is dependent on skills of the personnel working on it (Ranjan and Bhatnagar 2009, 242). But in addition to analytical CRM, insufficient skills and knowledge in any area of CRM practices may lead to even decreasing performance of the organisation (Mäntyneva 2001, 116-117).

Mäntyneva (2001, 119) argue that usually required competences include at least:
- Analytical skills: Customer profitability calculation, understanding of buying behaviour, data mining
- Planning skills: Campaigns, offerings, channels
- Execution skills: Integration of selling, marketing and service functions in different channels
- Monitoring skills: success and effect evaluation considering the target market, offerings, channel and timing
- Enabling skills: Information storage, channel integration, e-business and internet

As described above, CRM requires quite wide range of skills. In any area of business, as well as in the implementation of the CRM practices, organisations must discover the competences that are strategically significant and then recognise the cap between

status quo and preferred level of those skills. Closing the cap can be managed by recruiting new people, training current employees or buying those competences from other organisations. (Mäntyneva 2001, 120)

The interviewed CEO argues that they have very wide range of expertise engaged. He states that the young people they have hired represent the modern understanding of technologies having fresh ideas of exploiting technological opportunities. Moreover, the board of directors consists of operators in many industries enabling the execution of delicate planning tasks. (CEO interview 2010)

According to Auvinen, the deputy managing director of Soprano Oyj, Finnish business administration is highly educated in general, but often lacks the knowledge of capabilities of modern technologies. As a result, engaged tactics do not exploit the opportunities of modern technologies. No matter how delicate the strategies are, if they cannot be transformed into competitive tactics. Auvinen argue that appropriate strategy together with efficient tactics contribute significantly to the success of an organisation. (Auvinen 2010, 16)

In the Carlow Chamber, there is also a huge range of expertise available. However, before evaluating the status quo and preferred level of desired competences, the board should develop a CRM vision. Moreover, as the CRM practices may be seen as a necessity in the modern business scenario, it may be considered that the future CEO of the Chamber would be selected especially to fulfil the cap of required CRM competences.

# 7 CONCLUSION

In the final chapter the paper presents conclusions regarding the research questions and recommends topics for further studies. The chapter also evaluates the applicability of the CRM practices in non-profit context and introduces a list of issues that should be considered in the case organisation. Discussion regarding limitations, reliability and validity of the study was already covered in chapter one.

## 7.1 Conclusions

One of the objectives of the paper was to discover the motivation to customer-centric business approach. Therefore, the study has encouraged the reader to consider the importance of understanding the customer market. As it is discussed in the paper; many of the not-for-profit organisations, such as the case organisation and the organisation that was interviewed, exist to serve their members. If the ultimate goal of an organisation is to deliver value to its customers, it is highly important to find the intimacy with the customers. Delivering value to the customers may be quite challenging if there is no clear picture of how the customers create value. The paper suggests that the Chamber should gain it members' trust by showing its ability to understand the members, create value to them and deliver promises at expected quality. Mentioned factors may be seen as quite good drivers for understanding the customers better and answering the question why to pay attention to the understanding.

The main objective of the paper was to introduce ideas supporting the case organisation's CRM strategy development. As the CRM business model is based on the understanding of the value creation processes of both the customer and the organisation, the very first matter regarding CRM strategy development the Chamber should consider is modelling the value creation processes.

As discussed in the paper, customers may create value differently. The paper found that different customer groups have different reasons to join the organisation. The study also found that different customer groups' value creation process may be discovered by actively asking the customers about their needs, expectations, preferences and opinions. In practice this could be executed by exploiting surveys

efficiently as the primary research data revealed. However, the paper suggests that knowing the attitudes may not be giving an adequate picture. The organisation should capture the customer behaviour as well and model how the customers actually create value through the relationship. By monitoring customers' activity in exploiting services could also help in identifying accounts that may be at the risk of defection. Therefore, the Chamber should implement practices to record interactions and research different reasons for joining the Chamber. Even though the paper discusses about several different reasons to join the organisation, every non-profit organisation including the Chamber must discover the drivers influencing on its own customers.

Another possible way to deepen the understanding of the customers was discovered to be an industry champion program. This would basically mean that for example one of the board members would be responsible for understanding and retaining the customers in one particular industry. The industry champion would form a work group of member businesses to deepen the understanding of needs and expectations of the named industry. The main idea would be to give the customers a chance to invent the products of the organisation. The industry groups would be treated as customer portfolios and managed with the help of other staff of the Chamber. However, it is to be noticed that in Finland there is a very strong tradition in working for associations and other non-profit organisations. Finnish people are used to actively contribute to the development of non-profit organisations. If an organisation is planning to exploit the opportunities of volunteer work groups, the atmosphere and attitudes must be positive. Therefore, the applicability of the work groups should be considered in subject to the operating environment and culture.

The paper pointed out that the value, which customers perceive is difference of gains and sacrifices that customers experience with the organisation. The paper argues that the experience is affected by every touch-point with the organisation. Therefore, there is a wide range of possibilities to influence on the delivered value. Carlow Chamber should ensure that provided services deliver expected value in every interaction. The interview data revealed that decreasing customers' time and energy cost is one practical implication of reducing customers' sacrifices. For example by offering easy and flexible options to enrol events, search information, contact the organisation and pay invoices through electronic automated channels may reduce experienced sacrifices. Moreover, one of the principals of CRM is to develop customer interactions

and encourage customers to favour more cost efficient channels. Therefore, introducing modern channels may lead to mutually satisfactory outcome.

The study found that in the interviewed organisation a strategic decision of improving the product has been the major source of the organisation's success. Therefore, it may be suggested that after examining the customers' value creation process the service development should be considered in the case organisation. The entire value proposition should be examined.

The primary research data revealed the importance of communicating about the offering. The paper found that there is no sense to provide services if the target customers are not aware of them. Empowering the presence at the market should be a strategic decision and great attention should be paid to the core message. Focusing on the core message, the organisation may be able to avoid the risk of getting misunderstood. In the Chamber's case special attention should be paid to the value that customers receive by paying the yearly subscription. It is even possible that the customers are questioning the Chamber's ability to create value because the awareness of lobbying possibilities and other services is insufficient. The paper emphasises also customers' ability to communicate back. The study revealed that the organisation should facilitate possibilities to contact the organisation through the channels that are preferred by the customers. The study suggests that the communication should be active or even aggressive two-way stream.

Discovering the Carlow Chamber's value creation process may be slightly easier. As the organisation exists to serve its members, everything that facilitates the value creation of the member businesses is valuable for the Chamber as well. The paper recognised that understanding the factors contributing to the organisation's success is important. Product is the first factor as mentioned, but moreover customers themselves may be seen as a source contributing to the success. In fact, CRM recognises customers as the most important resource. It is to be remembered that there will not be business without customers. Moreover, the paper argues that acquiring new customers is important and collected customer information may be used to improve customer conversion. However, retaining the old customers is even more important.

Originally the CRM business model emphasises the retention of especially profitable customers. However, in non-profit context the valuable customers can be considered to be those who contribute the most to the goal achievement of an organisation. In the Carlow Chamber's case every customer is valuable, but some customer groups such as the customers empowering the credibility of the organisation as an influential party, the customers who actively help the organisation to develop its services and the customers recommending the membership to new customers may be seen as the most valuable members. However, the paper found that especially non-profit organisations must be sensitive and careful in treating all their customers with respect and enable an equal ability to exploit the services of the organisation. Anyway, the study argues that special attention should be paid to the valuable customers. Special attention does not mean giving privileges to certain customers, on the contrary to encourage every member to contribute to the success of the organisation, for example by giving feedback, joining service development work groups and acting as a reference. Moreover, the paper suggests that recognising the customers contributing the most in covering fixed-costs could assist in budgeting. Identifying these accounts could facilitate avoiding unwanted surprises in the organisation's liquidity in the case of their defection.

The paper argues that retention rate may be seen as one of the key indicators that the non-profit organisations should monitor. No matter is the raw number based or sales-adjusted indicator used, but without monitoring it is challenging to estimate the performance of the organisation. Moreover, possible changes should be also examined to understand the factors causing the change. The study found that documented complaints-handling process and recording the reasons for customer defection will enable organisations to identify those relationships which may be in danger of defection giving organisations a chance to prevent the customers to churn.

The paper found that customer satisfaction contributes significantly to the customer retention. The study argues that highly satisfied customers tend to be loyal and are likely to act as a reference. According to the primary research data customer satisfaction should be also measured in non-profit organisations. Satisfaction may be also seen as a tool to monitor, develop and ensure the quality of the operations.

The paper also found that it may be beneficial to examine the customer base systematically. The study suggests that customer relationships may be seen as customer accounts, which constitute the customer base. The organisation may be seen living through a lifecycle with its accounts. Every account experiences different encounters with the organisation during the lifecycle.

The primary research data did not introduce any undeniable evidence to support the idea of managing the customer lifecycle systematically. However, the study found several practices that may be seen as part of customer pipeline management. Moreover, the author believes that by executing certain activities based on the phase of customer tenure, could improve the organisation's ability to manage customers' experience. There may be significant potential in the customer lifecycle approach that is not currently exploited in the interviewed or in the case organisation. Applicability of customer lifecycle approach in non-profit organisations could be an interesting topic to examine in further studies.

Exploiting the customer lifecycle approach and customer portfolio management would basically mean developing a plan that would be followed with every account or there could be separate plans for different industries or for customers with different interests. Of course every customer could exploit the services they wish, but every customer account would also face some standard encounters with the organisation. Core message, content, channel and timing of communication and activities could also vary in different plans. Following agreed plans would for example ensure that the organisation would deliver its basic promise of listening members and communicating the opinions to decision-makers. The study found that to foster the commitment of the customers, an organisation may invest time in the customer relationships by asking frequently customers' opinions regarding different matters. The idea would be that the organisation would execute certain activities on regular basis, for instance asking every new member about their expectations and reasons for joining the Chamber, executing a survey regarding current economic climate once a year, conducting a research considering customer satisfaction every two years, asking opinions of current affairs whenever needed. Such investments could be also seen as investments in knowing customers' needs supporting service development.

The paper argues that the customer information is enabling the mutual value creation. The study suggests that the information systems are not an end itself, but must be exploited to an appropriate extent to be capable in providing the required information. Technological requirements should be based on the CRM vision and organisation structure. Therefore, the Chamber should reconsider the requirements based on its needs after developing the CRM vision. Many authors argue that the key to successful CRM is in analysis of customer data. To be able to fully exploit the data it must be recorded in a clean, consistent and standardised way. There are two major benefits to be achieved through aCRM: firstly facilitating the prediction of the customer behaviour, and secondly pointing out issues within the organisation that needs to be streamlined. Customer retention rate may be seen as the most important factor that is possible to be examined through the analytical CRM. In the Carlow Chamber's case the system should be also capable to store attitudes and capture the customer behaviour.

Data mining may be seen as one of the core processes that organisations should consider in order being able to completely exploit the opportunities of CRM. It is possible that too little attention has been paid to practices of the analytical CRM especially in non-profit organisations. However, the interview data revealed that more attention to the data analysis will be paid in the future. The author suggests that the value of data mining in non-profit organisations could be one possible topic for further studies. For the Chamber the customer information gathering process should not be a problem, but simply must be implemented. However, it should be considered if the Chamber has required skills to analyse the gathered information.

The paper discuss about the importance of recognising competences that are required in order to be able to implement CRM strategy and practices successfully. The study argues that CRM practices require for example analytical skills, campaign planning skills, execution skills and monitoring skills. The advantage gained through CRM is dependent on skills of the personnel. It is to be noticed that insufficient skills and knowledge in any area of CRM practices may lead to even decreasing performance of the organisation. The interview data revealed that employing young people may widen the understanding of the possibilities of the modern technologies.

In the Carlow Chamber there is a huge range of expertise available. However, it would be beneficial to evaluate the status quo and preferred level of desired competences in subject to the CRM vision. As mentioned in the paper, closing the cap can be managed by recruiting new people, training current employees or buying those competences from other organisations. The author suggests that the selection of the new CEO would be based on the cap between current and preferred competences.

## 7.2    Suggestions and recommendations

One of the paper's goals was to examine the applicability of CRM practices in non-profit context. The study has introduced evidence to support the assumption of the importance of customer centricity. The primary research data revealed that understanding of value creation processes is equally important in non-profit organisations as well. The research also found that continuous improvement of the product based on customer value creation process; customer portfolio management; recognition of valuable customers; measuring customer retention and satisfaction; and implementing documented-complaints handing process are issues that not-for-profit organisation should consider regarding customer relationship management. Moreover, the interview data introduced the importance of efficient two-way communication.

The study suggests that customer lifecycle management approach in non-profit organisations could be an interesting topic for further investigation as there was no clear evidence to support its applicability. In addition, the paper found that analytical CRM may not be completely exploited in non-profit organisations. Therefore, the study suggests that future papers could examine the applications of the subject. The study also discovered that CRM practices require quite wide range of expertise and to be successful in implementing CRM, the required competences must be recognised and acquired. Considering mentioned findings of the paper, the author believes that the study has joined the discussion about the CRM business model from non-profit point of view and managed to introduce some thoughts how to approach the entire concept.

To conclude the conclusions and to clearly answer the primary research question, the following list represents the issues that the author suggests to be considered in the case organisation. The author believes that the paper has managed to discover some ideas

to support the CRM strategy development of the case organisation and therefore argues that the primary objective of the paper has been achieved.

Issues to be considered in the case organisation:
- Model the value creation process of the customers by
  - Exploiting surveys
  - Capturing interactions
  - Deploying industry champion program
- Improve the product (or value proposition)
  - Assure that the product is delivering basics
  - Reduce experienced sacrifices by providing flexible channels
- Communicate about the offering
  - Paying more attention to the core message
  - Enable efficient two-way communication
- Recognise important customers
  - Customers empowering the organisation's credibility as an influential party
  - Customers actively giving feedback
  - Customers recommending the organisation to potential customers
  - Customers contributing significantly in covering organisation's fixed-costs
- Measure retention rate
  - Raw number and/or sales-adjusted retention rate
  - Analyse possible changes in the retention rate
  - Document complaints and reasons for defection
- Measure customer satisfaction
  - Analyse possible changes
  - Use the information to continuously improve the operations
- Recognise and manage the lifecycle of the customer accounts
  - Develop plans for different customer groups
  - Execute planned activities
  - Differentiate core message, content, channel and timing of activities if required
  - Recognise at-the-risk customers

- Implement required technologies to support the CRM strategy
    - Exploit analytical CRM activities
- Recognise the cap between current and required competences

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APPENDICES


Appendix 1 Background information of the interviewed non-profit organisation


Organisation: A Finnish non-profit organisation


Region: Northern Savo, East Finland


Customers: 3900 local entrepreneurs of total 9000 operating in the region


Mission and services: Very similar to case organisation's mission and services


Employees: 4 people + 5 people financed by EU


Interviewees: The CEO of the organisation and one client business