
**THE DEVELOPMENT OF CUSTOMER RELATIONSHIPS
AND BUSINESS**

Epe's Music Store



Bachelor's thesis

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ABSTRACT

The commissioner for this thesis was Epe's Music Store, which operates in Tampere. The author did her internship for Poko Rekords record label and the idea for the research came from there. The record labels' personnel works closely with Epe's music store.

There was a necessity to research the current level of customer satisfaction, find out possible weaknesses and shortages in business operations as well as come up with possible solutions and decisions in order to have a more successful business. At the time, there was an evident lack of customers as well as advanced business functions and something needed to be done quickly in order to save the legendary record store.

Empirical evidence was collected from various sources by designing two questionnaires and an interview, which were then passed on to current customers and lost customers. Discussions between the owner of the store, the staff and the author were held as well. After gathering the answers they were analysed and revised for further conclusions and improvement ideas can be found at the end of this thesis. Theory on customer relationship management, customer loyalty and service quality was used as a base for the solutions and study.

The main questionnaire was the one done for current customers, which gave a wider view on the actual findings. The most generalised outcome was that the customer age base ruled out the youth, the customer visits were rare, improvements on music genres needed to be made and the general appearance of the store needed to be improved among other aspects. The questionnaire completed for lost customers as well as the discussions held with the staff showed some deeper and further information regarding the study.

Keywords customer relationships, Epe's Music Store, customer service, music industry

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TIIVISTELMÄ

Tämä opinnäytetyö on tehty Epe's Music Store –levykaupalle, joka toimii Tampereella. Levy-yhtiön työntekijät työskentelevät läheisesti Epe's levykaupan kanssa.

Yrityksellä oli tarve tutkia asiakastyytyväisyyden nykytilannetta, saada selville mahdollisia heikkouksia ja puutteita yritystoiminnassa sekä kehittää mahdollisia ratkaisuja, jotta levykaupan toiminta olisi menestyvää. Tutkimusta tehtäessä yritys kärsi selvästi asiakkaiden puutteesta sekä lähes kehittymättömästä liiketoiminnasta.

Empiiristä todistusaineistoa kerättiin eri lähteistä suunnittelemalla kaksi kyselyä nykyisille sekä menetetyille asiakkaille sekä pitämällä keskustelutilaisuuksia Epe'sin omistajan sekä työntekijöiden kanssa. Vastaukset analysoitiin ja arvioitiin uudelleen, jonka jälkeen muodostettiin ratkaisuja sekä kehitysideoita ongelmiin. Tutkielman ja ratkaisujen pohjana on käytetty teoriaa asiakassuhteiden johtamisesta, asiakaslojaliteetista sekä palvelun laadusta.

Tärkein kysely tehtiin nykyisille asiakkaille, ja se antoi laajemman käsityksen eräisiin ongelmakohtiin. Päätulos oli se, että asiakkaiden ikäryhmästä puuttivat tyystin nuoret, asiakaskäynnit olivat harvoja sekä parannuksia musiikkityyleihin, oheistuotteisiin ja yleisilmeeseen täytyi tehdä. Kysely menetetyille asiakkaille sekä keskustelut omistajan ja työntekijöiden kanssa antoivat syvempää tietoa itse aiheesta sekä ongelmista.

Avainsanat asiakassuhteet, Epe's Music Store, asiakaspalvelu, musiikkiteollisuus

Sivut 51 s.





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1 INTRODUCTION

1.1 Background information

As the world we live in continues to change and develop, companies need to find a suitable way to keep up with the changes and answer to them with power and success in order to stay competitive. However, it is easier said than done.

What happens, when once an innovative mind fails to impress and no new ideas come up? It moves the business towards a downturn and unless something is done to actually detect the problems, the end might be near. The same result might be procurable if the company does not put effort into their customer relationship management; satisfied customers are one of the most important things to any company or organization selling something.

Developing your organization and taking good care of current and potential customers, when there is a need for it, is vital for staying relevant, competitive and effective in the markets. We all like to go back to the same hairdresser or grocery store, because we get good customer service from that particular place. Customer loyalty does not come easy or free - a lot of work has to be put into it, especially to maintain the relationship.

“A business absolutely devoted to Customer Service Excellence will have only one worry about profits. They will be embarrassingly large.”—Sir Henry Ford, car manufacturer. (SmallBizCRM.)

There is a lot of truth to that quote but it surely takes more than excellent customer service to have an impressive and successful business. But it is definitely a great start and remains one of the core aspects on running a business. Not only is it important to have outstanding customer service and good customer relationships but acknowledgments need to be given to the ability to prepare the organization for possible changes in trends and other aspects when needed.

Music will most likely be on this planet for as long as there is life, as it has always been a big part on people's lives. The industry has faced some big changes during the years and as technology goes on, more changes are inevitably coming sooner or later. How does an old-school record store respond to those changes and how can they remain on top of their game? What is the current situation when it comes to customers? What changes should be made for a more secure future? This is what the commissioning company for this thesis wants to find out along with the author of this work.

1.2 Epe's Music Store's history

Kari Helenius, who is better known as Epe Helenius, established Epe's Music Store back in the 1970's. He is a well-known public figure in Finland and especially in Tampere as well as in the music industry. He and his businesses have opened various doors both to Finnish music acts and foreign artists trying to make it internationally.

Helenius was born in November 1950 and he has lived most of his life in Tampere. He graduated with a matriculation examination in 1969 and after the army, started studying in commercial school. It was not long after that he dropped out and went to the University of Tampere. However, it still was not the path for him and he dropped out once more. It was at this time, that the idea of a music store became a very strong vision in his head and it was time to make it a reality. (Kontiainen 2004, 9.)

It was a hard job to find a music store in Finland in the early 1970's. Some stores that did sell music, concentrated only on Finnish hit music, but buying pop or rock music was a much harder quest. This was one of the reasons why Epe Helenius decided to make his dream come true and make buying rock and pop music easier for everyone by setting up his very own music store. No more would the consumers have to order albums from abroad as they could find it in their local music store. The grand opening was in September 1972, in central Tampere. (Kontiainen 2004, 10.)

First, Epe's Music Store was operating with Kari's father's fabric press company when it came to bookkeeping terms. Later, the fabric press company moved to a bigger firm and another company owned by his father was made the owner of Epe's Music Store, named Unitor Oy. (Kontiainen 2004, 11.)

Helenius recalls being too optimistic in the beginning because soon after the opening, he noticed that there were not as many consumers of rock music in Tampere as he had thought. The positive turning point was when they started mail ordering. This made it possible for them to get the whole of Finland under their market area. The fact that their selling percentage from mail ordering was 80 and physical sales was 20, speaks for itself. (Kontiainen 2004, 12.)

In the mid 1970's, Epe's Music Store was able to sell their products way cheaper than their competitors; they sold albums from 30 to 40 per cent under the market prices. Helenius said that they were the first ones in Finland to really successfully launch price competition as well as imports. (Kontiainen 2004, 13.)

Epe's Music Store has two full-time employees at the moment and they get seasonal help when needed. Sometimes the company has employed as many as 9 persons. (Kontiainen 2004, 17.) Another important figure for the store is the chief executive officer Jukka Hynninen, better known as Jaska Hynninen.

He has been working in Epe's Music Store for over 35 years. Later on, this thesis will have an interview constructed for him in order to find out more information regarding the current situation of the music store.

The company expanded their operations in the late 1980's but the outcome was not glorious. The beginning was promising and products sold well as people had capital. The business grew too fast and the company did not have the needed resources to keep up with the happenings. Hynninen says that a mistake was made for example by not running the different stores from one headquarter but all stores were basically responsible for their own products and operations. Finland was struck by a heavy recession in the early 1990's, which gave another reason for the failed stores to close their doors. (Konttinen 2004, 22.)

Epe Helenius launched his own record label called Poko Rekords based on the same ideology that was present when Epe's Music Store was established; to publish the kind of music he wanted to listen to (Konttinen 2004, 28). Over the years, Poko Rekords and Epe's Music Store have made co-operation and still continue to do so this day.

There have been hard times for the record store down the road. They have come under a boycott when record labels refused to sell albums to them. They have faced rumours that said the imported music was unofficial and had even been stolen from somewhere. Their marketing efforts were criticized. (Konttinen 2004 14-15.) So, this is not the first time the company has been in trouble or in the need for a change or upgrade. This thesis will present some possible solutions for the current situation regarding customer relationships and how to develop the organization in order to stay active and successful.



Figure 1 The Epe's Music Store logo taken from www.epes.fi

1.2.1 Company's business idea

The company was set up mainly because of the lack of music stores offering rock and pop music. The majority of music stores in Finland at the time only provided their customers with Finnish hit music. The store quickly became clear about their mission, which was to offer their customers the kind of music that was hard to get. Still today, Epe's Music store wants to stand out as a specialty store but the margin for these customers has become more limited as

music is a lot easier to reach from all over the world. (Helenius, interview October 2011.)

1.2.2 Products and services

The very basic products that Epe's Music Store sells to their customers are different kinds of music releases and publications. Their product portfolio consists mostly of compact discs (CD) but they have also long playing records (LP), digital versatile discs (DVD), books, fan memorabilia and products, such as T-shirts, mugs, music movies and other gadgets. (hynninen, interview October 2011.)

Epe's Music Store also sells tickets to various events, like concerts. The distributors are Tiketti and Lipputoimisto. The process works so that the customer can reserve or fully pay the tickets online and then come and pick them up from Epe's. Another option is to simply buy tickets straight from Epe's to either Lippupalvelu's or Tiketti's events. (Hynninen, interview October 2011.)

Another service the store offers for their customers is mail ordering which happens mostly via their website, www.epes.net. The consumer can either pay online through their online banking system or with a credit card. A different option is to pay on delivery. Ordering can also happen by phone or e-mail. (Hynninen, interview October 2011.)

The biggest retailers Epe's Music Store uses for ordering their products are Warner Music in Helsinki and a Swedish warehouse that sells publications by Sony Music, Emi, Playground Music and Universal Music. The two Finnish retailers Epe's uses the most are Supersounds and Suomen Musiikkipiste. (Hynninen, interview October 2011.)

For their loyal customers, Epe's has a loyalty card. For every purchase worth 20 euros or over, the customer gets a stamp for their card and after ten stamps, the customer gets a free purchase worth 25 euros. However, Epe's Record Store is not currently actively telling customers about it. (Hynninen, interview October 2011.)

1.2.3 Target market

The targeted market for Record Store Epe's has varied through the years. When the store first started their operations, it was clear that the majority of the customers represented the young people of Finland. The service naturally expanded to be nationwide after mail ordering became possible.

The selection the music store holds in their catalogue of music genres is limited. This is also one of the reasons why certain age groups or certain music consumers don't purchase from Epe's. (Helenius, interview October 2011.)

1.3 Research question, objectives, purpose and structure

The main research question for this thesis points in two directions. The first part is: "How to develop and improve the customer relationships of Epe's Music Store?" The second part is: "How to develop Epe's Music Store's overall business?"

These are the five objectives that make up this thesis in order to reach answers to the research question:

- To describe the concept of service quality, customer satisfaction and customer relationship management
- To describe the current situation in music industry
- To understand the current situation of the company along with problems
- To offer solutions to the problems regarding customer relationship management
- To offer solutions on developing the organization

This thesis is made for Epe's Record Store and it is interesting to see the outcome of the research as the company has been running for decades. Are the possible solutions that will be presented later on something that an "old" company might consider taking advantage of?

The author's solutions are based on theoretical information from literature and other sources as such combined with the empirical information gathered from the questionnaires. With the outcome and given propositions, the author hopes to give new and fresh ideas for the company in order for them to have a more successful business.

The first chapter supplies common and generic information about the commissioning company talking about their history, mission and vision statements, business idea, products and services as well as their target market.

The second and third chapters focus on the theory part. First, there is information about service quality, customer satisfaction, customer loyalty, customer relationships and customer relationship management. These are the cornerstones for this thesis in order for it to be influential and thorough.

In chapter four, the reader can find information about the current situation on music industry.

The fifth chapter is about analyzing the outcome of the surveys constructed for this thesis.

The sixth chapter provides the author's suggestions for the company to move towards a better future.

1.4 Research methods

The information in this thesis has been collected and analyzed through desk research as well as field research in order to get primary and secondary data.

Designing and implementing two different questionnaires to both current customers of Epe's Music Store as well as lost customers gather the primary data. The designing of the questions and different answer scales happens early on in the thesis process and three weeks are given in order to gain enough answers. The author is responsible for designing the questions but naturally, the wants and needs of the commissioning company are heard and they have a part in the designing process. Both of the questionnaires were done using Google docs and more specifically the form –application. The questionnaires were then passed on to the customers by sending a link to the actual form via Mad Mimi. Mad Mimi is a marketing tool for companies who stay in touch with their customers by creating and sending out newsletters for example. Mad Mimi works well in basic e-mail marketing. A reminder was sent in Epe's newsletter two times after the initial e-mail took place.

A discussion is also held for the staff of Epe's Music Store to gather primary data on the current situation.

Secondary data is gathered from different available sources. These include books, articles and Internet writings found by using a search engine.

1.5 Personal motivation

The author expressed the need for a thesis work commissioned by a company when she started her internship in Poko Rekords and Sound Of Finland. The chief executive officer was glad to help and gave a topic that is important for Epe's Music Store and for their future. The fact that the commissioning company helped in coming up with a topic for this thesis is valuable as it makes the whole process more important and real. They also helped through the whole process.

The author was glad to get a topic that interests her personally. She is personally interested in change and organizational development management as well as customer relationship management.

2 THEORIES CONCERNING SERVICE AND CUSTOMERS

We are living in a much different place socially and economically than a few decades ago. People are able to get more knowledge through media like from the Internet and the income level for a regular consumer gives them more opportunities to spend their money on material goods or services if they feel like it. This is a major reason for the fact that people also expect a lot more when it comes to customer service and relationships with the supplier.

It is not enough to just purchase the item or service; there is a need to feel like they have a good enough reason to go back to the same store over and over again. If they are dissatisfied, they can easily change their minds and change the location from where they purchase that special item. It is easy for the customer but not an adequate thing for the seller.

All companies making business need customers in order to stay alive and competitive in the markets. They can be regular consumers or other companies buying services from your company. Whatever the case, every business requires customers.

When the customer purchases a product or a service, the desire for them to get something extra when the deal closes, is inevitable. It is called added value and customer relationships are defined by the exchange of values according to Lahtinen and Isoviita (1994, 5) in their book *Customer Relationship Marketing*.

The importance of effective, mutual and good customer relationships are essential in today's competitive world where new businesses emerge basically every single day. Naturally, some relationships are of more importance than the others. When the relationship works intensively well for both parties, the minor relationships can morph into a bigger and more productive over time. This is another reason, why managing customer relationships is something important for every company to put more emphasis on. (Lahtinen & Isoviita 1994, 11–12.)

Great care should also be put into receiving feedback from the customers. It is not enough to just receive the input, positive or negative, actions have to be taken regarding what the feedback is about. It should also be delegated for others inside the company and if a change or some other action needs to be done, it is taken care of in a sensible time. If taking action takes too long, it might cost the company the customer in question. Nothing spreads as fast as bad word of mouth. (Lahtinen & Isoviita 1994, 12.)

2.1 Service quality

The customer starts the process of criticising the purchasing experience from the very beginning after stepping inside the store or company. This keeps on going until the very end where the customer has made his or her mind regarding the experience and how he or she sees the whole happening. Products are often checked rapidly and it is easy to detect any mistakes or problems and evaluate them. (Lahtinen & Isoviita 1994, 114.)

The reality strikes hard when the seller and the customer meet face-to-face, exchange e-mails or talk on the phone. A lot of things can go gravely wrong at this stage and no matter how good the product might be the customer is likely to change stores if the service quality they receive is bad. (Lahtinen & Isoviita 1994, 114.)

Especially e-mailing the customers and keeping in contact that way has definitely exploded in the 21st century. Sending electronic letters is fast and can help a lot when responding to customers' questions or feedback time wise but it also gives a lot of space for error as there are no facial expressions present or you cannot hear the tone of the voice. Another aspect is that it is so fast to type e-mail that if you are in a hurry and have no time to check-up the spelling or the style of the message, the writer might make things worse by looking like an unprofessional person with bad writing and communication skills.

Lahtinen and Isoviita (1994, 115) propose, that the image of service quality is influenced by two different things:

1. Expectations and image

- Customer needs, values, previous experiences and images
- Previous experiences, opinions, statements of others, rumours
- Advertising and other marketing operations

2. Service Experience

Output quality

- Was the problem solved, did the customer get help
- Customer satisfaction with the output

Interaction Quality

- With the contact personnel
- With technical equipment
- With other customers

Service Environment Quality

- Quality of facilities
- Quality of machines and equipment
- Quality of physical products

The expectations and service experiences are tied together and the customer puts the two sides into contrast and pulls the actual quality image out of them. A good example would be a customer who goes into a clothing store, which is known for “thinking green”. The customer chose the store because of his or her own needs and values and possibly because a friend suggested the place. They already have a strong idea of the place, which again brings them certain expectations about the quality of the place and service. (Lahtinen & Isoviita 1994, 115–116.)

Lahtinen and Isoviita (1994, 116) suggest, that the customer can in fact think that the service quality is better than what it in reality is. This is because they have a positive outlook towards the organization’s image and their own personal expectations. However, the case is quite the opposite if the customer has negative feelings regarding their expectations; they appear a lot more vulnerable and take notice of anything that does not go as previously thought.

Service experience is a sum of three things, which include service output, the quality of the service facilities and interactions. The environment is critical as it is usually the first thing the customer sees and visually takes in. It is something that happens really fast and is hard to change. The same can be thought when thinking about two people meeting for the first time; first impressions stick in a person’s mind like nothing else, especially if it is bad . Another example is when a customer goes in to a regular grocery store. They ask for help in finding something and the seller appears friendly, helpful and professional and the quality of interactions is excellent. However, if the product the customer is looking for is for example out of stock, the output quality is poor. (Lahtinen & Isoviita 1994, 116.)

It is vital for the business to take action if a mistake has happened and seek further to find out the core reasons behind the problem. If things like these are taken care of, the quality can also be enhanced. There is also no reason to point fingers, as that will not solve the possible issues, it is more important to share information and tell, what will be changed or done differently because of the occurred problem. Because of this, everyone working for the company is also highly responsible for the outcome of the quality in different areas of the business. (Lahtinen & Isoviita 1994. 116.)

2.2 Customer satisfaction

The writers' statement: a satisfied customer is a happy customer. It definitely sounds simple but the truth is it is challenging to achieve. Not every company masters this quality when it comes to their customer service operations. How to really satisfy the customer and know what they actually want and expect from you?

There is not one definite description on what customer satisfaction is. The common understanding is that it is a reaction to a service, product or general customer experience based on rational or emotional feelings and thoughts. (eHow Money, David Dunning, 2011.)

A satisfied customer is someone who has received service and thinks the service was fine. The customer still does not go prancing around praising the company in question but he or she will respond in a positive way about the company if someone presents a question or asks something about it. This means, there is a possibility in making this person a loyal customer for the company – someone, who will most likely come back and make a repurchase. It is a stage well worth putting time and effort to as it makes the needed step to achieve the next stage, customer loyalty, a lot easier. (Inghilleri, Solomon & Schulze 2010, 7.)

A customer simply becomes satisfied after purchasing a product and taking it successfully into deployment. There is no satisfaction if the product does not work properly. This is also when the importance of a good seller becomes a bigger picture because the seller can be the one to fix the problem with the product and the customer achieves satisfaction. (Gerson & Machosky 1993, 5.)

Camilla Reinboth (2008, 10-11), the writer of the book *Johda ja kehittä asiakaspalvelua*, gives an example of herself in a customer service situation where satisfaction is not achieved. Her Internet connection did not work and she called the customer support service where a very kind person answered and instructed Reinboth to check the lines. She did but the connection still failed to work. She was then kindly advised to go with the modem to the retailer. She went and there was again a nice and kind person advising her about what to do. She was then to renew her contact with the customer support service only to receive a similar answer to contact the retailer once more. Reinboth describes that no matter how kind the customer service people sounded on the phone, it did not make her feel satisfied when dealing with the problem she had. This was mainly because she was made to run around several times in order to find solutions.

The example above shows that customer satisfaction needs careful attention from the people doing work with customer service. They need to know, what satisfies their customer in reality. It is simply not enough to receive extremely nice service if the actual problem is still not properly fixed. The point is, the

producer of the work gives customer service, but the customer is ultimately the one defining customer satisfaction and not the seller for example. (Scott 2000, 48.)

Any company dealing with customers needs satisfied customers. It is true that satisfied customers are likely to come back and make a repurchase. They will also say positive things about the company or organization in question, which works as a free marketing technique for the company. (Gerson & Machosky 1993, 5.)

Another important aspect to look at when thinking about customer satisfaction is that the customer will always remain the customer. Customers are not always right about everything, but it is far better to keep that information to oneself and just focus on providing excellent service and solve the problem. In the end, that will be a lot more beneficial in order for the employee to achieve customer satisfaction with the customer. (Scott 2000, 58.)

2.3 Customer loyalty

Achieving customer loyalty is important for any company as it gives them a good customer base that keeps coming back time after time. It is even said, that a loyal customer brings 10 times more value to a company than the cost of one product. This fact alone makes customer loyalty definitely look like something worth pursuing. (Gerson 1998, 9.)

When a company can enjoy a solid and loyal customer base they can also mark their prices a little higher than normally. Market share and profits can also be increased as well as concentrating on giving excellent customer service in order to keep those loyal customers. Customers are more eager and prepared to pay a little more if they know they will receive better service. (Gerson 1998, 9.)

To achieve customer loyalty, there is usually an establishment of a mutual and equal relationship between the customer and the seller or service person. The relationship brings the feeling of knowing the other end, which again brings trust. Customers want to make their purchases in places they trust whether it is a restaurant, a clothing store or a doctors' office. A relationship between a customer and a seller enables the feeling of a personal and private service for the customer. Having a more personal relationship has a strong effect on the customer more likely to come back and not change companies or service providers. (Reinboth 2008, 44–45; Gerson 1998, 11.)

The importance of a mutual relationship between the seller and the customer is also presented as one of the cornerstones by Christian Grönroos (2001, 32-33) in his book *Palveluiden johtaminen ja markkinointi*. There is a possibility for the customer relationship to consolidate, if the customer in question feels

that the interaction between both parties is special and valuable. However, the connection is not enough on its own to make a customer loyal, but it's definitely a start towards it.

Richard Gerson (1998, 62) writes in his book called *Beyond Customer Service: Keeping Customers for Life*, that in order to gain loyal customers the company has to show them how much they C.A.R.E. for them. The benefit of caring is simply getting loyalty. The word C.A.R.E. comes from **credible**, **accessible**, **reliable** and **excellence**.

- **Credible** stands for the company's reputation. Everything the company does from customer service to products or brands to performance must be totally credible. If the company is not believable and credible, there will eventually be no loyal customers.
- **Accessible** stands for easy and quick customer service system. This means letting the customer run from one employee to another is a setback for the company in the end.
- **Reliable** stands for exercising what you promised and not doing the opposite. When the company is able to show they are reliable with their actions and promises, customers will be happy to make business with them in the future as well.
- **Excellence** stands for the fact that customers believe they are important which again means the company must give excellent service. The company should also be the one wanting excellent service, not just the customer.

Getting a customer for life is highly valuable for any company or organization living off customers, which is why "C.A.R.E.ring" for them should be a big part of the company's organizational operations and strategies (Gerson 1998, 62).

2.4 Taking care of customer relationships

The significance of customers is finally making sense to many companies. The most important thing used to be gaining as much profit from a product or service as possible but in a today's world, companies are more eager on keeping their current customers happy and productive than simply just focusing on numbers all the time. It is also more beneficial for the company to retain their current customers than to just focus all energy and sources to finding new customers – it saves money, time and resources as well as gives the company a free marketer once they manage to attain a happy, satisfied and a loyal customer. (Grönroos 2001, 47–50.)

The companies that understand their customer relationships to the core understand that the customer remains a customer at all times. It does not matter if

there is a certain period of time when the customer does not make a purchase; he or she is still very much a customer. This is why it has to be remembered that this person needs to be treated as a customer no matter the circumstances. (Grönroos 2001, 67.)

It is beneficial for a company to put an effort into their service quality and customer relationships as it will have a positive effect on customer loyalty, which again will benefit the company when they are making adjustments to their business strategies. For example pricing can be done in a much more cost-effective manner. (Grönroos 2001, 204.)

One option for a company is to set up a database, which is founded on customer data files. This database enables the company to operate fully on relationship mode. All valuable information regarding the customer and his or her buying behavior for example can be stored in the database. The database can also be used for marketing functions like customer segmentation forming customer profiles. (Grönroos 2001, 63.)

3 CUSTOMER RELATIONSHIP MANAGEMENT

3.1 What is customer relationship management?

There has always been a form of Customer Relationship Management around but it has not been thought of as something so formal sounding. Back in the day, it meant knowing everyone around the village if you were a farmer, a shopkeeper or a hairdresser. This meant you knew everything about your clients, their families and how they operated in their daily lives. This is hardly the case anymore as everything has expanded. In a hectic business life, it is quite possible, that the businessman will not even meet all of his clients in person but all connections happen through Internet or phone.

Kristin Kerr Anderson (2001, 1-2) writes in her book, *Customer Relationship Management*, that although the staff of the company will always be the backbone of the business, Customer Relationship Management, hereafter shortened to CRM, can critically affect your business operations and make your employees work better in their daily jobs. She suggests that CRM can be even more important than employees. CRM will simply make a company succeed.

CRM is a common word in the business life and everyone has an opinion about it and what it means. Graham Roberts-Phelps (2001, 2) describes it simply as an attitude that a company or an organization has towards their mindset. CRM is the value that the business has with its customers when it comes to relationships. When a company wants to enhance their position in the marketplace, CRM is the way to go as it helps with finding out the suitable way to generate and develop the current organizational structure of the company.

Applying CRM, a company or an organization has the chance to view their clients and customers as individuals who have different choices they can make. When CRM is working properly, the company in question can focus on those individual needs and wants and that way make an effort towards the customers who can then make a positive choice towards the company. CRM does not forget the aspects of customer loyalty and marketing database management; it works as a great tool for those as well as including many other management and marketing procedures. (Roberts-Phelps 2001, 2.)

The form of customer relationship management can be a complex matter when adding in technologies and systems that can take customer relationship management to a whole another level. This basically means that the organization can gather massive amounts of customer data, which will again help with forming strategies based on that information. This data can be the one solution where the organization can find everything related to that one specific

customer if they want to or need to. What does the customer prefer buying? What brands do they like? Are they single, in a relationship or do they have a family? What about pets? Buying habits tell a whole lot about different people and this data is very valuable for companies when taking care of their customer relationships. Not only does it give extremely valuable information, it also provides the tools for more special customer service towards that person if wanted. (Bain & Company 2010, Customer Relationship Management.)

CRM can be used for variable reasons. This list was found on Bain & Company's website:

- Gather market research on customer, even in real time
- Generate more reliable sales forecasts
- Coordinate the information fast between sales staff and customer support representatives which will help increase effectiveness
- Enable sales representatives to see the financial impact on different product configurations before setting prices
- Accurately measure the return on individual promotional programs and the effect of integrated marketing activities and redirect spending
- Feed data on customer preferences and problems to product designers
- Increase sales by systematically identifying and managing sales leads
- Improve customer retention
- Design effective customer service programs

The list is long and there is no doubt, CRM is a powerful tool. No matter where one checks, people are usually raving about the effectiveness of properly functioning CRM system. Thanks to the evolving technology, it is also possible for smaller companies to purchase simple CRM tools from the Internet as programs. The costs for these vary from free to 10 dollars a month to around 200 dollars a month. (McCue 2011, 9 Customer Relationship Management (CRM) Apps for Small Business)

It was a long time ago, that customers simply acted out by looking at the prices. People are more eager to get excellent service that will help them make decisions for them and make their lives a bit easier. In order to do this, companies must have some form of a CRM tool in usage. The customer relationship management of today involves informing customers on products or services suitable for their needs, reminders and suggestions, excellent customer service, acting when the customer has a problem, staff that responds to customers and acts when needed. (Roberts-Phelps 2001, 150.)

3.2 The three elements

According to Graham Roberts-Phelps (2001, 2), there are three main elements that have big roles when a company or an organization wants to go towards the customer relationship model. There are retention, developing customer potential and de-selection of customers.

The first element, retention, means keeping your customers. If you are having trouble finding new customers, you might have trouble keeping them in the first place and this works vice versa; if the company is able to keep their customers they are most likely to gain new customers as well. (Roberts-Phelps 2001, 2.)

The second element, developing customer potential, means turning the one-time customer into a regular customer who also spends more of their money in your company. (Roberts-Phelps 2001, 3)

The third element, de-selection of customers means that it is better for the company to put more time and effort into their existing customers that have potential in becoming frequent buyers for the company in question. This again means losing the customers who show no potential in becoming customers that offer future benefits for the company. (Roberts-Phelps 2001, 3).

Another important aspect when talking about customer relationship management is customer lifetime value. One customer and his or her input on dealing with the company in question for a particular period of time normally measures the value. The more often the customer comes back and makes a purchase, the more loyal they become towards your business. A loyal customer is also someone who is more likely to pay more for their purchases from that company. Other aspects that need to be considered when talking about customer loyalty and lifetime value are naturally the personnel inside the organization, the brands there are selling and representing and the emotional link that person has towards the company. (Roberts-Phelps 2001, 2-3.)

3.3 Making the customer feel special

Graham Roberts-Phelps (2001, 45) has listed seven different and equally important elements in making a customer feel special in his book *How to Turn a Good Business into a Great One!* and they are:

1. Speed and time
2. Personal interaction with a customer
3. Expectations
4. Courtesy and competence
5. Information and keeping the customer informed
6. Attitude and customer liaison

7. Long-term relationships

Speed and time and highly important in the world we are living today. Customers might see it as a competitive advantage if the company in question can deliver in great speed whatever they offer. It is not only the time spent with the actual product, it is also about how long it takes to answer the phone and reply to e-mails and letters. (Roberts-Phelps 2001, 45.)

Personal interaction with a customer is also an important factor nowadays as the amount of specialty stores and boutiques has risen. It depends on the size of the company in question on how well they can interact with every customer. This includes remembering details about the customer like their name. Careful attention should be put towards training the staff on how to take care of customers and how to make them feel more special; every customer should be treated as their most important customer. (Roberts-Phelps 2001, 47.)

The characteristic of a successful business is how well they can meet expectations and exceed them after that. Roberts-Phelps (2001, 49-50) says there are three emotional and physical states that the personnel can leave the customer in:

A delighted happy customer

This type of customer goes 'wow' when dealing with your business, they tell their friends all about it and they will definitely come back to you and make more business. They are like an unpaid salesperson and this is a great value for any company. To gain this, the company must exceed their every expectation. It is about making them feel surprised and have a smile on their faces.

A satisfied customer

This type of customer is someone whose expectations are equal to his or her experience. The outcome of the action is not better they had thought but it is not any worse either which means they are satisfied. This type of outcome usually does not stick for a very long time in to the customer's mind.

A dissatisfied customer

A dissatisfied customer can be someone who feels annoyance frustration or impatience when dealing with the company in question. This is where the customer's expectations have not been met. One of the most important things for a company to remember is to always under promise and then over deliver. Many companies and organizations are promising significant things in their marketing efforts, things that are hard to achieve and when this happens, customers are left with a dissatisfied feeling. The expectations the company sets for their customers need to be clear, achievable and specific.

Courtesy and competence are stuck together and they are dependent on each other. We all like to be served by an excited and hard-working amateur than a negligent expert. Naturally, we would like to be served by an excited expert. Culturally based manners and courtesies are very important in the business world. In this sense, competence means that the person responsible for serving the clients has to actually do things and do them as well as possible. It also means that this person needs to know what is expected from them to know. A good example is about a waitress that served me in a lunch restaurant this year: I asked something about a meal, she did not know the answer and had to go ask someone else. I asked the price difference between a large and small cola, she did not know and again, had to ask another person. This left me a little dissatisfied because the questions I presented were normal questions that she should definitely have learned the answers before starting her job. (Roberts-Phelps 2001, 52.)

There is a mass of information in the world today as technology and social things have met big changes in the past years. It is a good idea to keep your customers informed about your actions at all times, this makes them feel special. If there are changes happening in your organization, let your clients know about it. If there is something new that might interest that one special client, let him or her know about it. Every company should find their own way of how to keep their customers informed. Nowadays it seems like the best way for most companies is to use the Internet: e-letters, e-mails, Facebook pages, Twitter and the list goes on. Naturally, it depends on the information that will be sent, some information might be personal and the best way to send out that type of information is probably a letter or a phone call. (Roberts-Phelps 2001, 53.)

The personnel working for a company should also have a positive attitude towards the work they do and serve the customers with the same positive attitude. This means the person should show that they like serving customers and enjoy their job and not just the money it brings. Although this might be pretending in some cases, the customer can also pretend to like doing business with them and they are likely to come back for more. The attitude is especially important when the customer is dissatisfied, as they tend to look everything in more detail and every little thing might make them more annoyed. Another important aspect in this is the verbal and non-verbal behavior people use in censorious times. Usually it is more about the attitude the personnel works with and the way they say things than about the actual company policy if for example there is nothing that the personnel can do about some specific problem. (Roberts-Phelps 2001, 54-55.)

After all this, the customer will feel even more special if after a few times they've done business with the company in question, they are rewarded and recognized in some way. For example, a person searching for a CD from a website might like it when there is a list of other CD's similar to the one that the person is looking for purchased by others who have purchased that CD in

question. Also, a simple ‘can I help with you anything else’ does a lot too. (Roberts-Phelps 2001, 55.)

If a company manages to make all these seven aspects work properly inside their organization, they are a huge step closer in satisfying their customers in a near-perfect way. Companies should ask often enough questions like ‘Are we doing things quickly enough’ and ‘How well do we keep our customers and our customer groups informed?’ (Roberts-Phelps 2001, 56.)

3.4 Interacting with the customer

According to Roberts-Phelps (2001, 59-60), there are four basic prerequisites for the customer interaction cycle and these are receiving, understanding, helping and keeping.

How you receive the customer makes usually the biggest first impression for that customer; is the customer happy that they bought and did business with you or not and did they get good customer service or not. Again, it is about making the customer feel special and individualistic. That is why making a good first impression is extremely important. Important aspects to look at when making a good first impression for the customer are the tone of voice, verbal language and body language. (Roberts-Phelps 2001, 60-63.)

Tone of voice

We all know that the tone of voice is a huge factor when dealing with another person. It usually even tells more than the actual words coming out. Careful attention should be put towards volume (soft or loud), fluctuation (varied or monotonous), clarity (clear or muffled), rate of speech (rapid or slow) and emotion (hostile or pleasant).

Verbal language

Verbal language is used when the personnel meet and greet the customers in the welcoming phase, which is approximately 30 seconds depending on the business area. This is when customers make their minds about the person serving them. Verbal language includes attitude (courteous or uninterested), effectiveness (clear or encumbered by jargon) and appropriateness (short-spoken or long-winded).

Body language

Body language includes everything possible the person serving the customer physically does: posture, gestures and facial expressions. Physical behavior is the key thing when showing customers how the customer server really feels about serving them

and doing their job. Body language looks at the aspects of presence (energetic or apathetic), eye contact (direct or evasive), spatial proximity (close or distant) and facial expression (smiling or lifeless). Also, close to body language is the fact that the customer really notices everything from dust on the floor to untidy essence of a service person to store disorder. However, these are usually the things that the company does not pay attention to.

The second stage is to really understand the customer and his or her problem or need that is presented towards the company they are doing business with. This stage is probably the hardest as the person serving the customer must give their entire focus and attention to what the customer is actually saying and listens to them closely. A service person that is able to do this also pays attention to the way these needs and problems are spoken and answers in an appropriate manner helping the customer. It is important also to ask questions from the customer to clarify the issue in case it is a more complex situation. Listening to the customer makes the whole experience better for the customer as it builds trust and confidence. (Roberts-Phelps 2001, 64-67.)

The third stage is about helping the customer. Again, the customer has a specific need or a problem and helping can simply be explaining things associated to the matter for them or giving out information. Usually, it is also better for the customer to give more than one answer or option to them. This is also the stage, where you can make your customer a satisfied customer, who is likely to come back and do business with you again. The customer is not responsible for asking all the right questions in order to find other possible solutions or options for them to choose on, this is the responsibility of the person providing the service. All this is only possible, when the customer server is fully trained and aware of the products and services they are offering including company policies, procedures and standards. (Roberts-Phelps 2001, 67-69.)

The fourth and last stage in the customer interaction cycle is the keeping stage. Keeping stage means keeping the customers informed and satisfied. After all the three stages, the customer recalls the first and last impression given by the person providing the service. After the helping stage, the customer server needs to find out what the customer's level of satisfaction is, acknowledge their time spent and offer them more help if needed. This is also the stage, which is extremely important when managing the customer relationship as it determines if the customer will make business with you in the future as well. (Roberts-Phelps 2001, 72-73.)

3.5 The digital era and customers

As people have evolved from reading newspapers, the digital era has become here to stay and it is moving forward faster than many of us can even think. New ways to use Internet connection evolve all the time and companies are becoming better and better on taking this as an advantage. The possibility of ordering products via Internet has revolutionized marketing as well as selling. People are becoming more and more used to the idea that they do not have to go outside to get a specific product, they can simply sit at home, do a few clicks on the mouse and the item will be delivered to them. (Roberts-Phelps 2001, 142.)

Rather than thinking about the digital era as a threat, companies should be open about and ready to face these changes because they are coming fast. Companies need to adapt fast and serve their customers as well as possible in the digital era due to a growing demand. Careful attention should be put towards Internet-sites and interacting with the customers through web-based systems. These tools provide excellent opportunities for the companies and their customers. But as the competition, awareness and opportunities in using Internet tools expands, companies need to be able to personalize their operations and differentiate themselves from others serving same types of products and services through the Internet.

The digital era has also made it possible for companies to gather information on their customers, their buying habits and preferences. This information can be used when finding out who are the company's most profitable and loyal customers. Having this kind of a database allows the companies to serve their clients in a more individualistic way as everything can be found from their own file from a computer. It is a big help when there is a want to serve the customer excellently. (Roberts-Phelps 2001, 156-158.)

4 THE MUSIC INDUSTRY TODAY

4.1 What is happening right now?

The following information is from Rumba –magazine, which is a Finnish music magazine. The article, named *Kenelle kellot soivat* in Finnish, is called *Who the bells are ringing for?* in English. Tommi Forsström wrote it and the article was published in October 7, 2011. The number of the publication is 13/2011.

As the world evolves, the music industry is evolving with it and the pace is extremely fast. People thought the change from vinyl to cd –form was massive, but it is nothing compared to what is happening at the moment. This is mainly because the availability of different tracks and albums is infinite, social networks are actually truly global and the prices of recording equipment has plummeted massively. This change has its good and bad sides. For the consumer it is a positive change as they can get music for very cheap prices, even free in some cases. New kinds of organizations and companies are set up every day that have something to do with the music industry. Some artists have also benefited from this change as they can easily share their music with anyone around the world.

From a more negative point of view, this industry is not doing well at all; the turnover in music industry has almost halved in the 21st century and it is still going downward. The old patterns for working in the music industry are disappearing without new patterns showing up. What is happening in different fields of the music business?

Back in the 1960's, a singer could easily sing songs written and composed by other artists. In the 1980's it was desirable if the singer could compose his or her own music but in the 21st century it is better if the artists can make everything on their own, from composing to playing the instruments to recording and distributing the finished product. The reason for this is mainly because the record labels have less money to use for promoting and marketing the artist and their publications. The fact that artists are producing their own music more and more has also narrowed the need for professionals. In Finland, the production budget for recording projects has halved within the last five years.

The position of the record labels has received most of the attention regarding the massive changes that are happening in the music and recording industries. This is why record labels are finding more and more ways to operate in different fields nowadays. This means that some labels do everything related to

the artist from selling gigs to handling the spinoff products. Other labels make deals with artists where they only make a master-deal with them where they purchase ready-made albums from the artists and market the product.

The chief executive officer of Universal Music Finland, Jarkko Nordlund, says that the label, which makes awesome music for the consumers, will succeed. Without hits there will be no new outstanding artists, media visibility, sell-out tours and gigs or sponsors. He says that Universal Music Finland is all for open market space but piracy is an issue that needs more attention from the government. Nordlund points out that in the United States, nearly 95 per cent of the digitalized music is gained by using piracy. This observation was done by RIAA –organization in 2009, which monitors the benefit of the record labels and recording industry.

However, there are still some positive effects from these huge changes facing the music industry. Finnish composers are doing well and they are highly popular in Finland as well as overseas. There are no obvious hits overseas yet but it is only the matter of time when that will be the case.

The distribution channels are also feeling the changes that are happening in the music industry although no major changes have taken place just yet. The fact that artists are distributing their own products more and more will have a bigger impact on distribution channels in the future. This is why it is important, that most of the remaining basis stores will stay healthy and operate well. At the moment, digital music takes only around 20 per cent of the sales.

One of the most obvious changes in Finland has been the disappearance of voluminous record stores like Free Record Shop, which had stores all over Finland. Another visible change in this field is the fact that many markets have downsized or completely abandoned their product range regarding music products. Again, this has had some positive effects for smaller music retailers such as Levykauppa Äx, which has obtained the market-leader position in music retailing stores.

The music stores have been facing these problems long time before the whole issue of the music industry even came exactly visible for a bigger audience. This is not because of Spotify or piracy but because of cheap foreign music stores like Play.com. Although this has taken its toll on music stores, foreign music stores do not sell Finnish music, which is the most important thing for Finnish music stores.

Jarkko Nordlund also says that it would help the music stores and the whole music industry and business, if music was considered as culture and their value added tax would be lowered to the same level as books. Currently, the value added tax for music products in Finland is 23 per cent and the value added tax for books and concerts is 9 per cent. The wait for the tax cut has been around 20 years.

Experts rely on the fact that music stores can provide the customer with excellent service, help and information as well as the right atmosphere in which the online stores can't respond to. In Finland however, people still tend to want the best prices possible. The general manager of Playground Music, Tom Pannula, says it is extremely sad, that some people spend their time on the Internet searching for albums they can purchase for a euro less than from an actual store from the corner. It is crazy that people do not take advantage of the expertise that these sellers in specialty stores possess.

4.2 The digital era and Spotify

The digital business is still the most interesting part of the whole idea of changes happening in the music industry and business. How can the artist and the consumer face each other in the Internet so that the artist will make reasonable profit?

Everyone is talking about Spotify and there is no way that it could be left out of this thesis in any circumstances. The effect it has had on everything related to the music industry is massive and needs careful attention. Spotify has revolutionized the way to find, share and listen to music but it has somehow avoided paying the artists reasonable profits from their music. Consumers however, are extremely happy of this service.

Rumba –magazine's writer, Oskari Onninen, wrote an article about Spotify in the same publication. In Sweden, Spotify has become a bigger income maker for many record labels than selling actual, physical recordings. In Finland, experts find Spotify's future to be bright and powerful; Spotify also works as a counterforce for piracy. Kimmo Valtanen from Sony Music Finland says that Google and Apple are big in the United States whereas Spotify has a strong hold of Europe. He thinks Spotify can operate in peace at least for a few more years before anyone tries to challenge it.

Some experts find Spotify as a threat for indie music makers and artists; as the budgets are getting slimmer and slimmer, indie businesses will have to make a living with minimized marketing funds whereas at the same time big players can take advantage of the ongoing profit that Spotify offers. There is no actual knowledge on how the profits from Spotify in real life divide but the amounts are definitely not significant.

Experts are also saying that at some point, artists will start working straight with Spotify without involving record labels in the process in any way. Although the artists are not gaining as much profit from Spotify at the moment as they are giving to it, Spotify is still entirely dependent on the content created by others, which means that at some point it will have to broaden their operating principles or the artists will walk out.

4.3 Interesting facts

The article has listed some interesting facts about the current situation in the music business:

1. In 2000, physical recordings were sold for approximately 9,4 million euros all together and that same amount in 2010 was approximately 5,4 million euros. This means that in about ten years, the selling amount has come dramatically down. The drop happened between the years 2006 and 2007 and has not faced a brighter day since.
2. The gold record limit in Finland has also been lowered during the years dramatically. In 1975 the limit for a gold record in Finland was 25 000 albums sold. In 1994 it was still 20 000, in 2001 15 000 units and now it has come down to only 10 000 albums in 2008. The amount for gaining a gold record in the United-States is 500 000 units and 100 000 units in Great Britain, Japan and Germany and 20 000 units in Sweden.
3. The global market value for digital music is approximately 3,4 billion euros. This amount shows huge potential for this industry.
4. In 2004, there were only 1 million different songs available in the market area, now the amount is 13 million. This shows intensive growth within music makers as well as growth in finding new sources where to share and sell your music.
5. There are over 400 licensed music stores selling digital music.
6. The value of the digital music stores has increased by 1000 per cent between the years 2004-2010. This clearly shows the trend that is present in the music business at the moment.
7. Rumba magazine made a poll for different managers working in the music industry on how much they would pay for CD's, LP's and MP3's. Their answers in the CD –category, ranged from 5 euros to 18 euros. In the LP –category the range was between 21 euros to 10 euros. In MP3 –category the range was between 10 euros and 0,5 euros.
8. Rumba magazine made another poll asking what different managers working in the music industry would pay for concert tickets depending on the artist. For Finnish music (example was the band *Pariisin kevät*) they would pay anything between 10 to 25 euros. For globally medium-sized artists (example was artist Björk) they would pay between 20 to 60 euros. For big, international artists (example was artist Beyoncé) they would pay between 25 to 70 euros.

9. LP's (long-playing record) have become a huge hit in the music industry and the younger generation has started to purchase LP's again. The LP sales have gone up by 41 per cent between years 2010 and 2011. This shows signs for record stores to stock up and enhance their vinyl sections.
10. Concerts produced approximately 17 billion euros in 2011 worldwide. Next chapter will go into more detail on concerts.

4.4 Overload of live music

Professionals working inside the music industry have been saying for a good while, that the business of live music is overheated. This is why bigger music acts and venues are doing great at the moment although it alone cannot compensate the dropped album sales. The gap between bigger and smaller music acts has become wider and highlighted from what it used to be; big acts can get many gigs whereas smaller acts are kept in the dark.

It is in the Finnish culture that people do not just go out to see a gig or a concert by an unknown artist, even if friends recommend one to go see that particular act. Finnish people want to hear familiar songs performed by familiar artists and bands.

One of the biggest problems with bigger music acts is that the cost structure is getting higher and higher all the time. This means artists are asking for a bigger fee, which again forces the venues to increase the ticket prices. Now this again is a problem for Finnish concertgoers because people here tend to think that a ticket costing over 10 euros is pricy. The venues situated outside Helsinki are now hoping that artists would rethink their own cost structure and prepare a different setting for different venues depending on their size and capacity. Agent Elina Orma from Live Nation says that the costs regarding concerts and gigs have jumped up because of euro currency. Not only has the prices gone up in the music business, they have gone up elsewhere too like in the accommodation sectors.

Finnish club venues have noticed that the people coming to hear a gig are mostly older people and there are less and less young people attending the gigs nowadays. Live music might not even be that important for the younger generation anymore. Another problem is the fact that some cities in Finland are suffering from surplus when it comes to different music acts. This again creates the problem that live shows are not considered as special anymore.

4.5 Biggest opportunities and challenges in the near future

Rumba magazine asked in their article related to music industry and its current situation questions about the opportunities and challenges that professionals see in the near future touching the music industry. Record label executives, promoters, producers and musicians gave answers to these appealing questions.

Opportunities

First-class music products should be managed and distributed in an effective way, not only in physical products from stores but in the digital world as well. Thanks to the customer-friendly music services, it is possible for the industry to change the attitudes of the customers towards a more positive outlook when it comes to their business. When it comes to record labels in Finland, Spotify will have a big part on their incoming cash flow. Spotify also offers music programs with a monthly fee, which will eventually grow the amount of music buyers and listeners. It is also important to forget about the so-called fast profits and start focusing on the artists again, which are different, original and creative. Another big opportunity in the future is that different art forms will start opening doors for each other and start working closely together. In the end, the biggest and probably the most important opportunity for the music industry has always been there: good music, good songs and good artists.

Challenges

A failure was made the last time the music industry was facing a big change and the fact that different music fields just lingered and did not act and response fast enough, was a mistake. This should not be made again. Record labels and music stores need to keep up with the development and the fight with piracy has just started. This is the time, when the music industry must be ready to start developing their services towards a more customer-friendly path as people are already listening to music more than ever before. It is also important to get the message of what the value of music makers are to the younger generation because they have grown accustomed to getting their music free. The amount of physical music products being sold is decreasing quite rapidly, so it is about time to think, how to make the digital possibilities work well for the customer, the label, the distributors and the artist.

5 THE CURRENT LEVEL OF CUSTOMER SATISFACTION

5.1 Method

To understand the current situation of the customer satisfaction level of Epe's Music Store's customers, empirical evidence was gathered through two questionnaires; one for the current customers and one for lost customers. The two questionnaires were composed by the writer of this thesis but the production manager of Poko Records as well as the chief executive officer of Epe's Music Store were assisting in coming up with important questions they were interested about to get answers for. The final questionnaire was then showed to the chief executive officer as well as the owner of the Epe's Music Store, Epe Helenius. After all parties accepted it, it was sent forward to the customers.

The completed questionnaires were placed in Google Docs, which enabled the customers to give anonymous opinions and answers for the questions. The link for both questionnaires was sent through Mad Mimi, which is an online newsletter program that Epe's Music Store uses for informing their customers. That was the best way to reach as many customers as possible as it shows those customers who order the newsletter but also lost customers who are not ordering the newsletter anymore for one reason or another.

The questionnaire was done early on in the thesis process. Three weeks were given to gather the answers from the customers. A reminder was sent two times a week apart from each other when the weekly newsletter was sent. To motivate and activate the customers a bit more to answer, two Epe's Music Store gift cards were also drawn for two customers.

5.2 Procedure

Both questionnaires were placed on Google Docs form-program and both links were sent out via Epe's Music Store weekly newsletter, which is drafted and published by using the marketing program Mad Mimi. The newsletter contained a letter written by the writer of this thesis explaining the meaning and future usage of the questionnaire and the answers it produces. It was also explained that the answers were to be given anonymously and no third party would see the answers. Two lucky winners were also given gift cards for Epe's Music Store, which was motivating for the customers. The questionnaires were going to be used by a graduate student, which was also informed about. It was also explained that answering the questionnaires did not take longer than five minutes.

The first questionnaire done for the current customers who are ordering the Epe's Music Store weekly newsletter contained twenty-three questions. Two

of the questions were classifying questions, twelve of the questions were multiple-choice questions with a scale from one to five and eight of the questions were defining everything from when was the last time the customer visited Epe's Music Store to how often they visit the Epe's Internet store. There was also one open-ended question, which asked if there is some product group missing from Epe's Music Store product portfolio. Epe's Music Store's current customers gave 105 responses to the first questionnaire.

The second questionnaire for the so-called lost customers, who had cancelled the weekly newsletter, contained nine questions. The questions were produced in a way to find out if these customers have negative opinions about Epe's Music Store. The questions were going from if the customer has moved on in buying music products from another retailer to if they are not purchasing physical music products anymore.

5.3 The first questionnaire

The first questionnaire was conducted for the current customers who also order the Epe's Music Store weekly newsletter via Mad Mimi.

5.3.1 Classifying questions

The outcome of the questionnaire showed that 55 % of the answerers were male and 45 % were women. This shows that of the customers visiting Epe's Music Store are almost equally men and women as the difference is not very significant. However, it can be said that the image of the store might be more appealing to men than to women.

The second question asked about the age of the customer. None of the respondents was under eighteen years of age. Eighteen to thirty years of age were 25 % of the respondents, 61 % were from thirty-one to fifty years of age and 14 % were over fifty years of age. This clearly shows that the majority of the customers are middle-aged people and the base on young customers is almost nonexistent. This can be a problem as the young people are one of the main customer groups in the music industry.

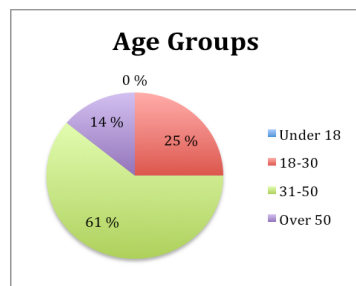


Figure 2 Age Groups of Epe's Music Store's customers

5.3.2 Visiting the store, buying products

The third and fourth questions were about the customer visiting Epe's Music Store. The third question asked how often the customer visits the music store. A majority of the respondents, 53 %, said they visit the store only once a year and 6 % said they never visit the store. Also, 39 % said they visit the store once a month and only 2 % visits more than that. The amount of people visting the store only once a year is major and something needs to be done how to make them come to the store more often and that way purchase more as well. Naturally, most people do not visit music stores all the time but if they visit just once a year, it can be concluded that they are doing their music purchasing mostly somewhere else.

The fourth question asked when was the last time the customer visited Epe's Music Store. A majority of the respondents, 45 %, said they visited about a month ago and 7 % said they had visited on the same week as the questionnaire was sent out. On the other hand, 43 % said they visited the store about a year ago and 5 % said they had never visited the store. These numbers seem to be almost exact to the previous questions answers, which gives more credibility.

The fifth question asked the customers how many products they have approximately purchased from Epe's Music Store. Out of the respondents, 36 % said they had purchased over 20 products and 15 % said they had bought 11-20 products. A majority of the respondents, 42 %, said they had purchased 1-10 products and 7 % said they had bought no products. This shows that although people might visit the store seldom, half of them still purchase several products at the same time. This amount could however be a lot greater if there is a possibility to get the customers to visit the store more often.

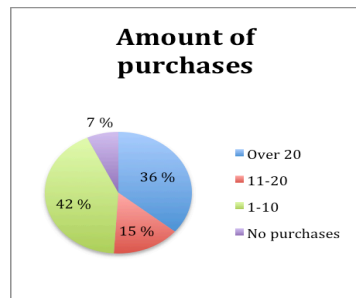


Figure 3 The amount of purchases made by customer

5.3.3 How satisfied are you?

Questions from six to thirteen were about how satisfied is the customer at the moment on different fields regarding the store and visiting the store. The answers were given on a scale from 1 to 5 where 1 was the worst answer and 5 the best answer. The sixth question asked if it is easy to go around the store

and do business. Out of the respondents, 4 % answered 1, 3 % answered 2 and 16 % answered 3. The majority, 47 %, answered 4 and 30 % answered 5. This shows that the majority of the customers think it is easy to do business inside the store.

The seventh question asked if the products are nicely on display. Only 2 % answered 1, 7 % percent answered 2 and 12 % answered 3. The majority, 54 % answered 4 and 25 % answered 5. This shows that most of the customers do think that all products are well on display but there is still a minority that thinks that this is not the case at the moment. Something could be done to the store windows to make them more clear and appealing. In addition, the clothing items as well as specialty items need more consideration towards where and how to display them.

The eighth question asked if the customer is satisfied with the level of professionalism within the sales people. Out of the respondents, 4 % answered 1, 2 % answered 2 and 9 % answered 3. Again, the majority of people, 38 % answered 4 and 47 % percent answered 5. This shows that the sales people of the Epe's Music Store are respected and most probably well known as they have been working for the company for decades. They definitely bring their own twist and image to the store.

The ninth question asked how people find the service, is it fast and efficient. Out of the respondents, 3 % answered 1, 5 % answered 2 and 10 % answered 3. Nearly half of the respondents, 49 % answered 4 and 33 % answered 5. This also shows that the current state of customer service seems to be in good condition in the eyes of current customers. More careful attention should be put towards phone service as well as e-mail service.

The tenth question asked if the store has a good general appearance. Again 3 % answered 1 on the scale, 10 % answered 2 and 20 % answered 3. Four was given by 44 % of the respondents and 5 was given by 23 %. Almost one third of the answerers thought the store's general appearance is ok or less. The store desks are usually untidy and full of boxes, cd's, papers, magazines and other items. More consideration should be put towards keeping the store nice and clean as it does have a lot to do with how the customer sees the place and what they think of it.

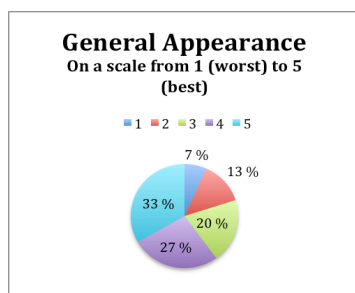


Figure 4 The general appearance

The eleventh question asked the respondents if different music genres are represented enough. Out of the respondents, 4 % answered 1 and 14 % answered 2. Number 3 was given by 21 % of the respondents. The majority, 35 % answered 4 and 26 % answered 5. This has been an issue in the store before as well and it does show by the answers that people are possibly hoping for a bit more range when it comes to music genres.

The twelfth question asked if people are satisfied with the quality of the products Epe's Music Store sells. Out of the respondents, 4 % answered 1, 2 % answered 2 and 5 % answered 3. The majority of the respondents thought the quality is good, 41 % answering 4 and 48 % answering 5. However, some of the books can look a bit worn out and some CD's may have cracks on the covers.

The thirteenth question asked about the accessories Epe's Music Store sells, which include t-shirts, mugs, books and other items as such. Out of the respondents, 3 % answered 1 and same 3 % answered 2. Number 3 was given by 34 % of the respondents. The majority, 40 % answered 4 and 20 % answered 5. This has always been discussed in the store before whether they should start selling more accessories. By the answers, it can be said that the customers are pretty satisfied but there is still space for more accessories.

5.3.4 Products

The fourteenth question asked the respondents what they usually purchase from Epe's Music Store. The answerers could tick more than one option for the answer, which is why the number of people giving that specific answer presents the numbers. Out of the 105 respondents, 89 people said they usually buy CD's. Only 8 people said they usually purchase LP's, 34 people answered they usually purchase DVD's. Only three people said they purchase usually books and just one person said they usually purchase a clothing item. The low amount of the people purchasing LP's can be due to a very limited variety of different LP's and the same is with books and clothing items. Also, the clothing items are not well presented in the store and they can be hard to find for the customer.

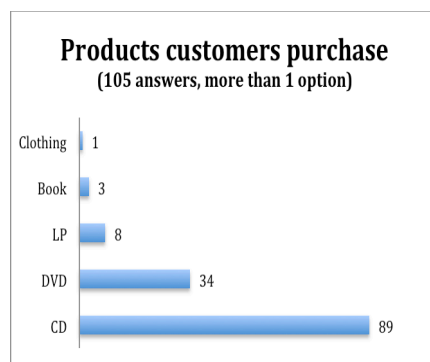


Figure 5 Products customers purchase

The fifteenth question was an open-ended question asking if there is some specific category missing from Epe's Music Store's product portfolio. The answers were:

- Blues
- Choro
- African music
- Overall badges
- Fan items
- Books in Finnish
- T-shirts
- Classical music
- Psychobilly
- Jazz

There has also been discussion about adding new music genres as they would very possibly attract new customers and make old customers buy all their music from one place, which could be Epe's Music Store.

5.3.5 Epe's Music Store, marketing, price range

The sixteenth question asked what overall grade would the respondents give to Epe's Music Store. Only 2 % of the respondents answered 1, 4 % answered 2 and 14 % answered 3. The majority, 60 %, gave a grade 4 and 20 % gave a grade 5. This was a positive outcome but it still leaves room for improving the Epe's Music Store, their procedures and business, as not everyone was exactly happy about the overall grade given.

The seventeenth question asked how important it is for the respondents, that Epe's Music Store has for example sofas, a separate listening corner for new music or refreshments. This answer divided the respondents somewhat as 11 % answered "very important" and 41 % answered "somewhat important". On the other hand, 31 % answered "not so important" and 6 % answered "not important at all". Also, 11 % of the respondents answered "can not say". This clearly shows that customers do appreciate if the outlook of the store is nice, cozy and relaxed. It is also good service to give people the opportunity to listen to new CD's that are published and read the newest music magazines.

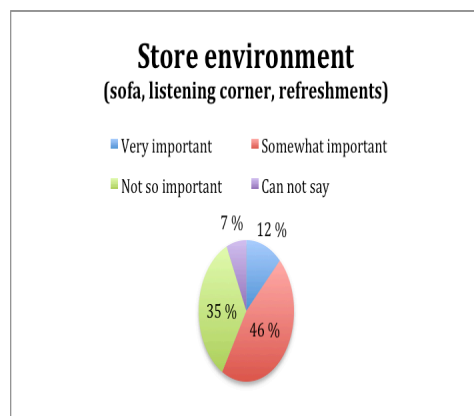


Figure 6 The store environment

The eighteenth question asked where the customers usually find information regarding the products Epe's Music Store is selling or about their special offers. Again, the answers for this question are presented as the numbers of people giving that specific answer as they had the choice to choose more than one option. Out of the 105 respondents, 92 people answered getting information mostly from Epe's Music Store's Internet page. Only 12 people said they get information from magazines, which shows that the marketing channels Epe's is using in the magazine media might not be the most powerful one. Also, 12 people said they get information from the store itself. Seven people said they get information from their friends and also seven people said they get information on Epe's Facebook page.

The nineteenth question asked what the customers think about the price range in Epe's Music Store. Out of the respondents, 22 % answered the price range is affordable. The majority, 73 % answered the price range is set according to the general price range that is prevailing right now. Only 5 % thought the price range is expensive. There are a lot of products that have very different pricings and real steals can be made in the store when looking for older publications. However, new publications might be a little bit higher in price than in some other stores. Still, it is understandable that the price range might be a bit higher in some cases because it is a smaller boutique that also sells more rare items and is specialized in Finnish music.

5.3.6 The store, web page and recommendations

The twentieth question asked the respondents how often do they do their music business in other stores instead of Epe's Music Store. Out of the respondents, 33 % answered they shop elsewhere often, 57 % answered they shop elsewhere seldom and 10 % answered they never shop anywhere else for music items. This is a good time to think why people are shopping elsewhere and what can be done to make them come back to Epe's Music Store more often. How to enough satisfy these 33 % that often shop somewhere else?

The twenty-first question asked if the respondent would visit Epe's Music Store again. Out of the respondents, 59 % answered they will visit again very surely and 29 % answered they will visit pretty surely again. Only 2 % answered they will never visit again and 10 % answered they do not know whether they will visit again or not. This question showed again a positive outcome.

The twenty-second question asked how often the respondents visit the Epe's Music Store's Internet page. Only 3 % answered they never visit the web page and 19 % answered they visit once a year. A majority, 54 % answered they visit once a month and 24 % answered they visit more than once a month. The responses for this question were encouraging but at the same time, more time and effort should be put towards the Epe's Music Store's Internet page as it is very outdated and old-fashioned.

The last question, number twenty-three, asked the respondents if they would recommend Epe's Music Store to their friends and relatives. The outcome for this was also encouraging as 96 % answered yes and only 4 % answered no. Still, there is a lot to take care of before we can say that everyone can recommend the store for his or her friends and relatives. It is good to remember, that bad-word-of-mouth travels a lot faster and further than the opposite and costs a lot more for any company or organization.

5.4 The second questionnaire

The second questionnaire was conducted for the "lost customers" who were previously ordering the Epe's Music Store newsletter but for one reason or another, had cancelled ordering it. This was conducted in order to find out, if they have some negative opinions and experiences regarding Epe's Music Store.

5.4.1 The newsletter

The first question on the second questionnaire asked the respondents if the Epe's Music Store newsletter is published too often. Out of the respondents, 32 % answered that the newsletter is being published too often and 68 % answered the newsletter does not come out too often. At the moment it is being published once a week, as there are new releases of music products every week.

The second statement said that the information inside the newsletter is of no interest to the respondent. Out of the respondents, 33 % said the information found in the newsletter does interest them and 67 % said it does not interest them. This shows that the newsletters might need something more, new and fresh inside to make it more appealing to readers.

5.4.2 Epe's Music Store

The third statement said that the respondents are not interested about the products Epe's Music Store sells. Out of the respondents, 60 % answered that yes, the products interest them. On the other hand, 40 % answered that no, the products do not interest them. This is alarming and more attention should be put towards enhancing the product range of the store.

The fourth question asked if the respondents are disappointed to Epe's Music Stores customer service. Out of the respondents, 15 % said that yes, they are disappointed about the customer service they have received and 85 % said they are not disappointed. This shows, there are some unhappy customers, which most likely are not coming back either to make business in Epe's Music Store. It is highly important to take care of all customers and make sure that customers leave satisfied from the store.

The fifth question asked the answerers, what they would like to read on the Epe's Music Store newsletter when receiving it. This was an open-ended question and the answers were as follows:

- Nothing
- New releases
- Special offers and promotions
- Blues music
- Specialties

Most of the people answering this question said they would like mostly to read about special offers. The newsletter seldom contains information about special offers and promotions at the moment, which is why it would be a good idea to add them to the newsletter on a regular basis.

5.4.3 Other retailers

The sixth statement said that the customer has moved on buying his or her music items and products from another retailer. A majority, 68 % of the respondents answered that yes, they are now purchasing their music products from someone else and 32 % answered they are not buying from another retailer.

The seventh question was again an open-ended question asking why the respondent buys from another retailer. The answers were as follows:

- I live abroad
- I live in Helsinki
- I buy products from Internet stores
- I buy where they have a greater range of products
- I buy where I can make pre-orders on items

- I buy from foreign Internet stores because of the lower price

Again, the limited product range is a problem for some customers as they are not able to find nearly all of the music genres they are interested about from Epe's Music Store. Pre-ordering is possible on some items but maybe it should be possible on all new publications. Also, how to show customers that it is good to support local, small retailers instead of bigger online-sellers?

The eighth statement says that the respondent is not purchasing physical music records anymore. A majority, 85 % of the respondents are still purchasing physical products and 15 % are not. It is true that the amount of people buying online-music has grown but still it is obvious, that most people still want a tangible album instead of an MP3 version. Still, those online-customers should be satisfied as well and there is a possibility to grow in to a bigger player by adding an online music store as a service from Epe's Music Store.

5.4.4 Free comments

The last statement, number 9, wanted to get some free comments from the customers on the newsletter or on Epe's Music Store in general. The answers were as follows:

- I'm buying all music from Spotify
- I liked Epe's, when I lived in Tampere
- Too many newsletters are coming from various different places
- The attitude towards e-mail marketing is negative
- Does serve when talking about Finnish music but not so much when talking about foreign music

Epe's Music Store should revise their marketing efforts and not market so strongly only via e-mail because there are other channels as well. Again, the product range should be widened in order to serve customers better and make them buy everything from one place more possibly.

6 SUGGESTIONS

This chapter will focus on how to develop the existing customer relationships that Epe's Music Store has with their current customers and how to build up a good relationship with them in order to make the business mutually beneficial for both parties. We will also talk about how to make customers come back and how to make them more loyal towards Epe's Music Store. Also, how they will better serve their customers and how to attract the younger generation to shop more in their store. We will look more closely at the service they are offering their customers right now, and how they should develop it as well as develop the store to look more attracting.

On the other hand, there will also be suggestions on improving their current marketing efforts in order to build more loyal customer relationships in the future. Another important aspect will be their web page and their web store, which needs big improvements in order to stay competitive against other companies offering the same service for their customers. The newsletter needs careful attention as well. Finally, we will also look closer at their current product portfolio and what they should add to it in order to get more customers, and make the current customers purchase more from them at the same time.

In order to give out good and reasonable suggestions for Epe's Music Store, we had a long discussion between the workers of the music store, the owner and Poko Rekods' production manager at the time. The writer of this thesis was present in these discussions regularly and gave out opinions actively. In addition, the writer of this thesis had many chances to observe the daily life of the Epe's Music Store, which helped to see the reality of the situation and see, how the workers actually operated every day. Finally, the suggestions are also related to the outcome of the customer satisfaction surveys.

6.1 Developing current relationships

Making the customer satisfied is the most important step in order to make the customer possibly a loyal customer. This is why this step in the process is worth pursuing. (Inghilleri, Solomon & Schulze 2010, 7.) Like Gerson and Machosky wrote in their book (1993, 5), to have a good seller and service person is also extremely important in making the customer a satisfied customer. Like the outcome of the first questionnaire showed, a minority of the respondents did have some bad experiences regarding the quality of the products. This is where the seller needs to fix the problem and make the customer satisfied. It is possible that there might be a CD cover that has a crack or two in it, and this is when the seller can offer a discount for the customer even though they are not asking for it. It is a nice surprise for them and leaves them

satisfied and it is a small matter for Epe's Music Store. Sometimes the Epe's Music Store sellers go too easy with their customers and they do not offer a solution to their questions or problems and simply answer, "I don't know". This will certainly not leave the customer satisfied because their problem was left unsolved. More so, they should serve the customer until the very end so that there is a good possibility to make them satisfied. It can take more time and effort, but it is important and valuable to do so.

Also, a satisfied customer will say positive things about the company they made business with if it comes into question with their friends or relatives for example. This is a free marketing technique for the company as well. (Gerson & Machosky 1993, 5.)

After reaching customer satisfaction, there is a big possibility for that customer to become a loyal customer. This type of customer is definitely the most important and valuable customer type for any company making business with others. This is also a good thing for Epe's Music Store because they could possibly mark their prices a little higher. Some of their prices are already a little bit higher than in major shops selling music products but they do have great promotions on older publications. They could keep their prices a little higher and still make good business with their customers if they could just get more loyal customers. The customer will pay more without repentance if they know they will receive excellent service from Epe's Music Store. (Gerson 1998, 9.)

Epe's Music Store already has some loyal customers who do not buy their music products from anywhere else. They keep coming back and even if they do not always purchase something, they still want to come to the store and chat with the store workers as they have developed a more personal relationship through the years. It is obvious, that these people receive excellent and professional service from the staff but this method can be turned to a bigger habit. This just means, that all customers should be treated as potential satisfied customers and loyal customers in the future.

Gerson (1998, 62) writes in his book that customers need to know that they are cared for in the company. The word C.A.R.E. comes from credible, accessible, reliable and excellence. It is important for Epe's Music Store to be as credible as possible and people need to be able to trust them in everything they do. This is why serving the customer until the very end and solving their problems as well as possible is very important if Epe's Music Store wants more customers that are loyal. Accessibility is also very important for the store as they get a lot of calls and e-mails from customers asking questions. It is vital that they give a clear answer as soon as possible and if they promise to get back in half an hour, they should get back exactly then and not the day after. This is also where the word reliable comes into the picture. The staff should be able to do what they promise to the customer and keep their word. Excellence simply means giving excellent service and making the customer know and feel that they are important.

The third aspect when talking about developing the customer relationships that Epe's Music Store has is customer service quality. Lahtinen and Isoviita write in their book (1994, 114) that the process of criticizing the purchasing experience starts from the point when the customer steps into the store. This is why the whole outlook of the store should be as attractive as possible and the service person should welcome the customer and offer their help if it is needed. This means the staff should observe their customers if they seem to be looking for something but cannot find it. In Finland, people do not normally like if the service person comes too close and offers their help too eagerly, but this is not a problem in Epe's Music Store because the staff is genuine and have been doing their job for decades. This is why they should use this ability whenever possible and not always wait for the customer to ask for help.

Epe's Music Store receives many e-mails asking about different products and publications for example. E-mailing is probably the number one choice, when the customer wants to contact the service person. Sometimes the e-mail responses that the staff writes to their customers contain bad writing and communication skills and this of course does not look good towards the customer. Customers can make quick assumptions based on the badly written e-mail they receive and find it as bad customer service. Epe's Music Store should have a specific way of answering their clients and have a timetable when they can do it so they do not have to do it while serving physical customers in the store. This is one way to avoid spelling mistakes.

Lahtinen and Isoviita point out (1994, 115-116) that the customer's expectations and service experiences go hand in hand. If the customer has a positive outlook towards Epe's Music Store's image, they might think that they are receiving better customer service than they in reality are. On the other hand, a negative customer takes notice on every little thing possible. Service quality should meet the expectations the customers have based on marketing, interaction and service environment. We will focus more on marketing and service environment later on in this chapter.

6.2 Attracting young people

The first questionnaire showed in the results that there are no young people involved with Epe's Music Store newsletter. This means people under the age of 18 did not answer to the questionnaire and they do not order the newsletter. This is also the case of physical customers when looking at the daily life of Epe's Music Store as most of the customers are middle-aged and it is rare to see young people there. In the music industry, young people are an important target group as they are just as influenced by music as older people. It was also found out that not that many young people under the age of 18 even know about the Epe's Music Store or about its history and meaning for the city of Tampere and the development of music stores throughout their journey in the Finnish culture.

Younger people are an important target group because they do purchase music a lot and want differentiate themselves from others by listening to what they want or what their peers listen to. A survey done in the United Kingdom in 2009 showed that the people who download music illegally from the Internet are also the ones who spend a prominent amount of more money to buying music than the ones who do not download music illegally. Although piracy is a problem and possibly a threat to not only music stores but to the artists as well, it also brings more money to the people involved in the music industry. It was found out in the survey, that people downloading music illegally use it as a way to find out new music, which they will later possibly purchase. Overall, it can be said based on that survey that it is false to think that young people just do not buy physical music anymore but only download it illegally. That does not seem to be the case at all. (Shields 2009)

One reason for Epe's Music Store to focus more on attracting young customers is the fact that if they can make them satisfied, they might become loyal customers and there the store would have a loyal customer quite possibly for a very long time. Young people also like to share their experiences with their friends and they have influence over others in their own peer groups. This again can mean that with getting one young customer to become satisfied and loyal, ten more might follow and start making business with Epe's Music Store in the future.

Young people these days are all about the social media. Everyone is looking for information on Facebook and sending thoughts on Twitter. This is why Epe's Music Store should be very active on their Facebook page and socialize on a regular basis. Epe's Music Store could even come up with their own application for smart phones, androids and iPhones, which could for example share the newest information about future publications, interesting updates and possibly a media player. Naturally, publishing an own application requires money from Epe's Music Store. At least it can be an interesting option for the future.

Another important thing is to fix the problems on their web store and page as soon as possible as young people are attracted to Internet stores as well. Another option would also be to add a digital music store to the website as young people do like to purchase in an easy way and it is cheaper that way. This will be discussed later on.

Marketing efforts also have a strong part in attracting new target groups, especially young people. At the moment, Epe's Music Store is only advertising in Soundi magazine, which is aimed more at grown up people than the younger generation. They might want to broaden their marketing efforts to be more in line with their possible young customers. Renewing and updating their marketing efforts will also be talked about later on.

6.3 The service environment

It is highly important for a store that is serving customers to give a visually good impression right from the start when the customer sets their feet inside the store. First impression is hard to change and it will stick to the customer's mind more than possibly anything else. It brings trust and tells a lot about the store's operations in a daily life. These paragraphs are based on the service quality theory. (Lahtinen & Isoviita 1994, 116.)

The Epe's Music Store operates in a quite small environment so it is critical to make the whole place functional. It was found out in the first questionnaire that some of the respondents had a hard time finding all products in the store. For example, the clothing items are placed on one clothing bar and it is often too full. It might be a good idea to make an attractive sign on top of the corner, where the t-shirts are so that the customer can more easily track that corner. Since there is not that much space in the store, it would be better to put just sample t-shirts on display and keep the ones that can be sold in the storage. This gives more space and clarity to the customer for browsing.

The store windows need to be updated more often than they are currently. It is also important to keep the windows and the display area clean and not too packed. Sometimes there is just too much going on in the display area and it is not clear enough. The store windows could be updated depending on if there is a sale in the store, a special holiday coming up or exciting new publications. This is also a very affordable way to advertise effectively. (Waters n.d.)

The accessories and specialty products should also be put more towards one specific place rather than spreading them all over the store. If there is a new book being published, it should be presented in an appealing and noticeable way and not just simply stock it with the rest of the older publications.

The store desks are usually untidy and full of products and it is sometimes hard to find space to put the customer's product on the table. This might seem very negative to the customers as they might think if everything else in the store works the same way as well. The new products usually come twice a week and there should be enough time reserved for those days in order to effectively unload the boxes and place the products on sale as soon as possible. The storage area is also usually untidy, messy and it seems like there is no logic to how the products are placed in the storage area. It would be easier to clear everything out and make a clear storage area as they might hire a new person in the future and it wouldn't take that much time to show how the storage area works if it is clearly and effectively organized. Also, the products would stay in a better condition as well.

The first questionnaire also showed that most of the customers find it important to have a music listening corner, possibly a sofa or seats and refreshments in the store. At the moment, there is a listening corner for customers but the music that can be listened there is not updated according to what is

new although that would make more sense than just keeping the same music there week after week. There is really no space for a big sofa but a few chairs would fit and they are easy to move if more space is needed for example when there is a bigger promotion going on. There could be a magazine stand with all the newest Finnish and international music magazines. The refreshments could also be found from that same place.

6.4 Marketing efforts

The first questionnaire showed that the majority of the respondents find news and information about Epe's Music Store from the store's website. Only 11 people out of the 105 respondents said that they find information from magazine advertisements. This is why it would be good to consider, if Soundi magazine is the best option for advertising or should they add some other magazines to their marketing efforts as well in order to attract not only new customers but also to effectively share information.

If we are thinking about changing their current marketing efforts and the store attracting especially the younger generation, Epe's Music Store should consider advertising on more youth-friendly magazines like Suosikki. Another option is to add Rumba magazine because it is a serious music magazine for bigger music consumers that are also after rare products. There should also be occasional advertising on Tampere's regional newspapers like Aamulehti and Tamperelainen in order to reach customers and share information and news.

Another way to advertise and promote the Epe's Music Store and attract new customers as well as existing customers to visit the store more often is arranging competitions every now and then. It is a more fun way to market the store and get people interested and it is not too pricey for Epe's Music Store to arrange. Competitions could be arranged via the newsletter, in the store or on the web page.

One thing, that was very important when there was a discussion with all parties involved with this thesis, was the fact that the Epe's Music Store should have an active customer register. Not only does it provide a lot of important information about customer behavior, it also enables the staff to understand their customers' wants and needs better. One way to achieve this is to have customer loyalty cards. At the moment, they have a stamp card that gives a discount after a specific amount of stamps has been collected. However, it does not store any information about the customer. It is easier to serve the customers a lot better and more personally, if there is a customer register and it is actively taken care of. If a customer register is being put up in the future, the staff should also actively promote it to their customers and make sure, everyone knows about it and its benefits. (Roberts-Phelps 2001, 2.)

6.5 Developing the web store

The digital era has come here to stay and people from all age groups are getting more and more comfortable at ordering products online. It's easy, cheap and doesn't consume a lot of time and the customer can do it at any hour of the day so it is not dependent on the store's opening hours. Not only is the website working as an online store, it can also work as a platform between the customer and the customer service. (Roberts-Phelps 2001, 142 and 150.)

The website of Epe's Music Store is somewhat outdated, complex and untidy-looking. There has not been a software update for years as it has been the same way from the beginning. Epe's Music Store has a lot of customers purchasing items online but there could still be more of them. One reason for people finding the website a little hard to make business in is definitely the fact that it barely has any logic in it.

The categories should be named again and there is no need to have 22 categories in the website because they mostly contain the same products. For example, there are the publications from five different weeks, when there could simply be a category named "new releases" and all products from previous weeks could be put in to regular categories within a specific period.

To give out a more professional picture of the music store, there should not be as much typos as there is at the moment in the website. Everyone updating the website should also have common rules regarding the way that the text is written below the publications, which include an introduction and song list. Right now, people are using their own ways on writing the text and it simply looks floppy, if there are too many different ways and not one simple way in writing the information.

The online store could also have a modern take on it and revision ideas could be taken by looking at other online stores. Many web stores nowadays suggest other items that the customer might be interested in depending on what item that specific customer has looked at. This could encourage the customer to make another purchase although they first did not decide on buying more than one product. Also, having moving images on new releases or great offers get customer's attention better than if they would have to find those items themselves. It is a good idea for Epe's Music Store to show it clearly if there is a special offering going on right on the homepage. This is a way to offer the customer something extra and give them added value. (Lahtinen & Isoviita 1994, 5.)

Finally, there has been talking about the Epe's Music Store opening a digital store where people can buy digital music and load it straight to their computers. It is a good option especially when thinking about the younger generation. However, the digital stores are still just developing and their market share isn't relevant at least at the moment. There is no denial that in a couple of years digital stores will become more popular and they will gain market share.

This is not in the most important renovation at the moment and it should not be done within the first developments but the digital store needs to be kept in mind for the future for the Epe's online store to stay competitive, modern and relevant.

6.6 The newsletter

Epe's Music Store releases an online newsletter once a week, every Friday. It is a great way for them to promote new releases, special offerings and give out information on different things like music news or changing opening hours for the store. People can order the newsletter by signing up their e-mail address, which can be done either in the store or in the web page.

The problem is that people do not know about the newsletter because it is not exactly being promoted anywhere. There is no talk about it in the actual store although there could for example be forms on the counter and the customer servers could mention about it to the customers. Another thing is that it is also not mentioned well in the website. There is just one word written in very small letters stating "newsletter" and that is it. There is no harm in actively promoting it from time to time by making bigger banners on the website for example as they do want more readers for it.

The newsletter can be a more fun way to reach out to the customers and interact with them. Again, same rules should apply in making the newsletter as updating the website and there should be a proper layout for the text and for the size of the pictures for example. To make it more fun and to get the customers more involved, there could be a weekly changing poll or a question that has something to do with the hottest new release for example. The newsletter is also a great way to arrange competitions where the winner can get a discount for the store or online store or a gift certificate. Sometimes, the competitions could be done around a new big release where the customer can win the actual release.

6.7 Adding to the product portfolio

Epe's Music Store is offering more specialty products and a good amount of Finnish music, old and new. Naturally, they are also specialized on offering products that are published by Poko Rekords. However, this is not enough anymore as times have changed and there is not enough customers purchasing just these items. People are looking for more and customers are more interested on other artists as well because the artists of Poko Rekords are not the biggest selling artists nowadays and because artists from abroad are selling big in Finland too. The output quality can easily become poor, if the store does not have the product the customer is asking for. (Lahtinen & Isoviita 1994, 116.)

LP's have been in style for a good while now and especially the younger generation is purchasing LP's more nowadays. Many artists also release their new

publications on LP format as well so the availability for them is getting better all the time. The LP selection in Epe's Music Store is quite limited because there is not a lot of space provided for LP products. Since selling LP's is also profitable for the store, they should put more attention towards adding more selection to the LP's. Since DVD's do not sell that well anymore, it could be possible to get more space by making the DVD selection smaller since it is not exactly profitable anymore.

Epe's Music Store is also selling music books but at the moment they are not presented in the best possible way. They are rather hidden in the back without a proper sign showing the way. Also, some of the books are too outdated, which is why they should update the selection on books and simply order successful books that are also critically acclaimed. There is no need to have unauthorized books about different artists because most of them have official publications as well. This also brings more credibility towards the store. The quality of the physical products is not always just about the looks but also about the content and it is tied to the service environment quality. (Lahtinen & Isoviita 1994, 115-116.)

At the moment, Spotify is not offering indie music and this deficiency could be taken advantage of by Epe's Music Store. They already have a position as selling specialized products, which is why some customers do come looking for ore rare products and publications from the store. However, they have not put attention towards indie music although there could be a space for it and there are definitely customers asking for it.

Another aspect is that if they want to gain younger customers, they will need to put focus more on so-called "radio-friendly" music, like Top 40 foreign artists. The store does not have to start out by adding everything at once but little by little to see, which artists sell well in their store and who do not.

The fan clothing the store is offering is also somewhat outdated and they are not easily accessible or easy to find. They should be put up on a wall for example and then the customer could ask for a specific size. This is because there is not enough space to have all sizes visible inside the store let alone have them put out in a nice way.

7 CONCLUSION

Epe's Music Store commissioned this thesis, which is a music store selling music products from CD's to books and from clothing items to specialty products. The owner of the store, Epe Helenius, wanted to get opinions on how to develop the current operations of the store regarding their customer relationship management and other daily operations as well as service quality. The purpose of this thesis was to find out what the current level of customer satisfaction is for the store's customers and how to make their daily operations work more efficiently.

The author was working for Poko Rekords, which is run by Epe Helenius. Because of this, the author had a great chance to see the daily life of Epe's Music Store during a long period. Observing the daily operations in the store made it a lot easier for the author to address the problems the store workers had in their actions. It also gave the author a great possibility to see what where the suitable solutions for those problems in order to make the business more profitable and beneficial for not only the workers and owner of the store but also for the customers.

To find out what the customers of the music store think about Epe's two different surveys were constructed. These surveys gave out new ideas for the author and a way to see the operations of the store in the customers' eyes. The surveys were analyzed and suggestions were given in regards to those surveys and their outcome. The discussions between the owner and the workers of Epe's Music Store and Poko Rekords were also extremely vital in regards of the suggestions given as they did have strong opinions on different aspects of the daily operations of the store as well. The author was always present in these discussions and was able to give out ideas and opinions at all times.

First, this thesis focused on bringing out information regarding the founder of the store and about the actual store. The store itself is very important when looking at the history aspect of Finnish music stores and their development throughout the years. The introduction chapter also explained the store's business idea, products and services as well as the current target market, which will need changes in order for the store to stay competitive. At the moment, they have basically no young customers. This is a very negative thing as young people are a very important target group in the music industry.

The theory part of this thesis was written about service quality, customer satisfaction and customer loyalty. Also, customer relationship management is a big issue for the company and the importance of it was also pointed out in the discussions held with the owner and staff. Since the store is not big and does not have the needed resources to build an extensive CRM system, it was looked at a more down-to-earth aspect.

It was also highly important to look at the music industry's situation right now. Rumba magazine had excellent articles in their October 2011 release, where nearly twenty pages were devoted to the music industry. The articles

made it clear that the music industry is facing major changes at this very moment and it is very important for all different departments of the industry to adopt as fast as possible. Consumers are getting the more positive effects as music product prices have gone down a lot within the last few years, there is a lot of musical happenings around the globe and music is easily accessible from different parts of the world thanks to effective online stores, Spotify and other social media sites. For the industry itself the news are not that great because the turnover has almost halved in the 21st century and it keeps on going down still. Naturally, all this is affecting Epe's Music Store as well and it is even more important to focus on bettering the daily operations to an excellent quality.

The outcome of the surveys as well as the discussions with the owner and staff showed that there is definitely a need to develop the current customer relationships. Customer loyalty needs to become a priority for the staff and all customers should be treated as possible loyal customers. Although it takes more effort to help the customer until the very end of their interaction, it will be beneficial in the end for the store and the customer is more likely to come back. This aspect needs to be understood by everyone involved with Epe's Music Store. The overall customer service quality needs more attention and action from the staff.

The store environment also was found out to be somewhat dysfunctional by the owner, the author of this thesis as well as some of the customers. Suggestions were given out regarding issues like store windows, specialty products, books and clothing, disorder, counters, untidiness and storage space. The first impression the customer gets when walking to the store is highly important and sticks to the customer's mind for a very long time, which is why it is important to make sure the outlook of the store is as good as possible in all ways.

The thesis touched a little bit on Epe's Music Store's marketing efforts as well. Currently, they are advertising mostly on Soundi magazine, which is not necessarily the best option for marketing especially when thinking about the younger customers and how attract them. This thesis also talked about how Epe's Music Store could promote themselves by holding competitions and actively offering an updated customer loyalty card.

One of the biggest issues of the Epe's Music Store is their website and online store. It is outdated and complex to browse through. There are a lot spelling mistakes and typos everywhere and no common rules on what the layout should look like when adding new items to the site for example. It is all about serving the customers as well as possible and giving out a professional vibe of the Epe's Music Store. Developing the store and making it work more effectively is also important because the amount of online purchases is going up every year.

Epe's Music Store is interacting with their customers on their Facebook page but they also send once a week a newsletter containing all new publications. This is great way for them to promote themselves and share information on different aspects related to music or to the store. To make it more attractive to the customers, they should make it more fun and add competitions for example. Also, it should be more visible for customers to order the newsletter.

The surveys also showed that Epe's Music Store's products portfolio need to be updated and expanded a bit more. It is just simply not enough anymore to offer only specialty products and Finnish music, as there are not enough customers buying those items anymore. People want more foreign releases and especially LP's.

This thesis and its content will be of great assistance for the owner of the store, Epe Helenius, for the CEO of the store and other staff members. The author of this thesis has kept in mind that the store does not have extensive resources to make huge differences but as the surveys and discussions showed, most of the changes are normal things that require no money. More so, the suggestions presented in this thesis require a new way of thinking and more focus towards customer service and how to serve everyone as potential loyal customers. The Internet offers many CRM systems that can be purchased with low costs and that will work fine for a small company like Epe's Music Store. The store CEO has already taken actions on updating the website and the online store for a more modern and customer friendly outlook in order to serve the customers better. This is a step towards the right direction.

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QUESTIONNAIRE 1

1. Gender
Female / Male
2. Age
Under 18 / 18-30 /
31-50 / Over 50
3. How often you visit Epe's Music Sore (EMS)?
Never / Once a year /
Once a month / More
often
4. When was the last time you visited EMS?
Never / A year ago /
A month ago / This
week
5. How many products have you purchased from EMS?
None / 1-10 / 11-20 /
Over 20
6. Are you satisfied with the following aspects in the store?
- It is easy to get around the store and do business
(On a scale from 1 to 5, 1 being the worst and 5 being the best)
7. Are you satisfied with the following aspects in the store?
- The products are presented well
(On a scale from 1 to 5, 1 being the worst and 5 being the best)
8. Are you satisfied with the following aspects in the store?
- The staff shows expertise
(On a scale from 1 to 5, 1 being the worst and 5 being the best)
9. Are you satisfied with the following aspects in the store?
- The service is fast and efficient
(On a scale from 1 to 5, 1 being the worst and 5 being the best)
10. Are you satisfied with the following aspects in the store?
- The outlook of the store is good and it is cosy
(On a scale from 1 to 5, 1 being the worst and 5 being the best)
11. Are you satisfied with the following aspects in the store?
- There are enough different genres being presented
(On a scale from 1 to 5, 1 being the worst and 5 being the best)
12. Are you satisfied with the following aspects in the store?
- The quality of the products
(On a scale from 1 to 5, 1 being the worst and 5 being the best)
13. Are you satisfied with the following aspects in the store?
- Accessories
(On a scale from 1 to 5, 1 being the worst and 5 being the best)
14. What products do you mostly purchase from EMS?
CD / LP / DVD /
Book / Clothing
Open ended
15. Is there some product genre missing from the store?
16. What overall grade you would give to EMS?
(On a scale from 1 to 5, 1 being the worst and 5 being the best)
17. How important it is to have for example a sofa, music listening
corner or refreshments in the store?
Very important /
Somewhat important /
I don't know /
Not so important /

- | | |
|---|--|
| 18. Where do you usually find information on EMS's products and special offers? | Not important
From friends /
From the Epe's website
/ Magazine advertise-
ments / From Epe's
Facecook page / I don't
get any information |
| 19. What do you think of EMS's price range? | Affordable / The same
as everywhere else /
Expensive |
| 20. How often do you visit another music store instead of EMS? | Often / Seldom/ Never |
| 21. Will you visit EMS again? | Very surely / Pretty
surely/ I don't know /
Never |
| 22. How often do you visit EMS website? | Never / Once a year/
Once a month / More
often |
| 23. Would you recommend EMS to you friends and relatives? | Yes / No |

QUESTIONNAIRE 2

1. Does the Epe's Music Store (EMS) newsletter appear too often? Yes / No
2. The information inside the newsletter does not interest me. Interests / Does not interest
3. The products of EMS do not interest me. Interests / Does not interest
4. Are you disappointed at the EMS customer service? Yes / No
5. What would you like to read from the EMS newsletter? Open ended
6. I have started to purchase my products from another retailer. Yes / No
7. Why do you prefer another retailer? Open ended
8. I don't purchase physical music products anymore. Yes I do / No I don't
9. Free comments Open ended

