Customer relationship marketing in hair and beauty salon

Lilleleht, Merilyn

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Merilyn Lilleleht
Liiketalouden koulutus
Opinnäytetyö
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Tämä opinnäytetyö on tutkimus asiakassuhteiden prosessista, joka sovelletaan kauneusalalla toimivien yrityksiin. Opinnäytetyön tarkoituksena oli selvittää liike-elämän asiakassuhteiden hallinnasta ja miten tämä sovelletaan kauneudenhoito -ja hiusalaan. Yhteistyökumppanina toimii Phorest Finland, joka tarjoaa hius -ja kauneudenhoitoalan yrittäjille kassa- ja ajan-varausjärjestelmää. Opinnäytetyössä käydään läpi asiakashallinnan ja asiakasmarkkinoinnin perusteet, sekä miten koko tämä prosessi etenee. Hius- ja kauneudenhoitoalalla kilpailu on kova ja tämän takia on asiakashallinta hius- ja kauneudenhoitoalalla on tärkeä.

Opinnäytetyön tutkimukseen kuului kauneudenhoito– ja hiusalan yrittäjille laadittu haastattelu, jonka tarkoituksena oli selvittää yrittäjien ajatukset asiakassuhde-hallintaan ja asiakassuhdemarkkinointia kohtaan. Haastattelu suoritettiin syksyllä 2017 teemahaastatteluna hius- ja kauneudenhoitoalan ammattilaisien kanssa. Haastateltavia oli yhteensä neljä. Vastauksia analysoitaessa selvisi, että kauneudenhoito- ja hiusalan yrittäjät eivät kerää asiakkaista tietoja, ja heillä on suurimpana haasteena uusien asiakkaiden hankkiminen sekä saada asiakkaat pysymään. Tutkimuksen perusteella kehityskohteeksi löytyi hius- ja kauneudenhoitoalalla tiedon kerääminen asiakkaista, ja sen hyödyntäminen markkinoinnissa.

Lilleleht Merilyn

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This thesis is a research about the customer relationship management process between the company and the customer. The aim of the thesis was to observe the process of business customer relationships and how it applies in hair and beauty salon. The co-operating partner is Phorest Finland which offers cash and appointment software for salon owners. This thesis deals with the basics of customer relationship management and customer relationship marketing as well as the process in customer relationship management. Competition is very high in the hair and beauty field, hence the importance of customer relationship management.

This thesis included 4 interviews with hair and beauty salon owners in fall 2017. The main purpose of the interviews was to hear their thoughts about customer relationship management and what are they doing right now to keep their customers. Research was done as a semi-structured qualitative interview. When analyzing the answers, it became apparent that beauty and hair care entrepreneurs do not collect information about their customers and their main challenge is obtaining new clients and getting them involved enough to stay as loyal customers. Based on the research the development area for hair and beauty salons is collecting data about their customers and to learn how to take advantage of this data when doing marketing.

Content

1   Introduction

Customer relationship management and marketing is one of the companies' basic functions and without that it is hard for the company to succeed. Without correct customer management or marketing can lead to customer loss for the company. All big companies have customer relationship management under control and they use it daily. Hair and beauty salon Owners in Finland do not understand the importance of customer relationship management and Phorest's new vision is to give their customers more information about customer relationship and why it is important.

The objective of this thesis is to produce theory material to the Phorest Finland company. Theory is about customer relationship management and customer relationship marketing. Thesis theory gives useful information for Phorest Finland to use in their marketing trainings. Theoretical framework of the thesis is about customer relationship between the company, how to develop it, what maintaining a customer relationship means and what companies have to do to maintain the customer relationship. The theory is the base for the interview with Hair and beauty salon owners, where Phorest wants to know what are the hair and beauty salons thoughts towards the customer relationship management and customer relationship marketing.

The goal of this thesis is to produce new easily read theory foundation for the Phorest Finland trainings with hair and beauty salon owners. The ideal would be that the theory material of this thesis will help the company to give their customers better support on maintain a customer relationship in a company. Phorest has understood that one of the reasons hair and beauty salons are struggling is the lack of customer relationship management. Hair and beauty salon owners do not know how to use the data they have about their customers for marketing. Phorest Finland would like to help hair and beauty salons to start reading the data they have about their customer and help them grow their business with that data.

Another goal for this thesis is that the same theory can be used also in Phorest Finland customer relationship management and that through this theoretical basis Phorest Finland can grow their business even faster than now. Ideal is that through this information the Phorest Finland Company can give even more personalized customer service for their existing customers and also make more personalized marketing to obtain new customers.

The key of the thesis is to find out what is the process of customer relationship management and customer relationship marketing to help Phorest Finland develop their business actions. Produced material is intended to be as diverse as possible in order that Phorest Finland can

use it for a variety of uses. The theoretical material is taken mainly from books and the goal is to bring Phorest Finland interesting and provoking content.

The partner of this thesis is Phorest Finland which is established in 2016 as an auxiliary business name to NTC to import Phorest software to Finland. NTC chief Devor Systems Limited is an Irish software company founded in 2002, which serves Phorest Salon Software as a cloud service. Software includes cash register and an appointment system for hair and beauty salons. Phorests strengths compared to its competitors are marketing tools, a mobile application and a loyalty program. Phorest's mission is to help salon owners to improve their business profitability, get their customers back faster, grow their recommendations and get their customers to spend more. The software has been in Finland from 2013.

Phorest grow team is working with salons every day assisting with basic day to day stuff and helping them to grow their businesses. Through listening to the salon owners Phorest team has noticed that salons have problems with keeping their customers. This is why Phorest has asked me to research customer relationships between the customer and the company in order to help the salon owners keep their customers and grow their purchases.

2   Customer oriented marketing

Marketing has come a long way changing from a product oriented way of thinking to a whole customer relationship management development. Companies' competitive tools are still important but next to them are also companies' staff and customer service, internal marketing and taking care of relationships. (Bergström & Leppänen 2010, 483.) Customer oriented thinking started already in 1950 but most companies were not using it back then. According to Ylikoski a lot of companies think that they are customer oriented company but in reality, they do not really know how it works in practice. (Ylikoski 2001, 33.) Companies who do not have customer oriented thinking have to change. Creating customer oriented thinking in the company requires the motivation to change the culture and the way they work in the company. (Ylikoski 2001, 58.)

2.1   Transformation to customer oriented thinking

First step of changing the company to customer oriented thinking is to create the company's business idea to understand why the company exists. Through business idea the company can

see future challenges and create a vision. To achieve the goal, company has to inform and in-spire the staff about the company's vision. Every member of the company has to internalize that vision will go through customer satisfaction which means high quality service for the cus-tomer. (Ylikoski 2001, 59.)

Second step is to figure out where the company is now. Key tool for analyzing the company's situation is Marketing audit tool. Marketing audit is a method used to see the company's rela-tionship to its operating environment. Through Marketing audit tool the company can find out whether the company is customer oriented or not and what action needs to be done to de-velop customer oriented thinking.

The company's transformation has three stages of marketing audit. First and the most im-portant marketing audit is to find out how good the company has accomplished satisfaction go their customer needs and how to make it even better. Second is to measure the company in relation to their competitive environment. Third marketing audit stage is attitude of the per-sonnel and their views.

It is important to also find out the attitude of executives. Customer oriented thinking starts from the company's management. The company's management has to show their interest about customer oriented thinking and highlight it constantly to their employee. (Ylikoski 2001, 59-61.)

Third step of customer oriented thinking transformation in the company is about figuring out what needs to be done to fix the situation. The company has to find out how to be better than the competitors. After final analyze about what the company wants to offer for the cus-tomers, they will go through with necessary actions to root the customer oriented thinking into their company. (Ylikoski 2001, 61.)

2.2   Internal marketing

Internal marketing is used as one of the marketing methods where customer oriented thinking is adapted in relation to the companies' employee. Internal marketing is for instructing the employee that the customer is always right. Internal marketing is leading strategy, which main goal is to develop customer oriented thinking in the company. Organization employee creates internal marketing. Through targeted actions employee Is trying to develop the cus-tomer oriented thinking. Internal marketing is based on fulfilling the promises given in the ex-ternal marketing. (Lewis & Varey 2000, 141.)

Companies try to affect their employee attitudes and behavior through internal marketing. Through internal marketing companies can create a customer oriented thinking organization,

where the employee wants to produce customer satisfaction and customer loyalty for the company. Training the employee insures the company that their employee has all needed information and skills. Employee can be shared into different segments and companies can produce different actions to different segments.

Internal marketing is used for creating, maintaining and developing the service culture in the company. Internal marketing goal is that customer oriented thinking is seen in the attitude towards the customers and co-workers. Company`s employee must know their role in the company.
Employee is the company`s internal customers with whom they can grow their business. Service culture needs continuous developing and without the encouragement from the company's management it does not grow. Most important thing in internal marketing is twoway communication between the employee and the company. (Lewis & Varey, 2000. 142-142.) Companies marketing campaigns and news have to be introduced first to the employee and then to the customers. It is important to give all the information to the employee, because without the updated information, employee cannot give customers high quality customer service. (Ylikoski, 2001. 64-65.)

3   Customer relationship Management

The marketing basis nowadays are buying customers and service users. Companies have to know as good as possible the customers` needs, purchasing habits and their lifestyle. Instead of marketing to everybody, companies should concentrate on customers whose needs the company can satisfy. (Bergström & Leppänen 2010, 16.)

Customer relationship is evolving a company to the marketplace and keeping in mind companys' customers individually. Customer relationship management in the company is looking at the whole process of what the company is involved starting from suppliers to all the way pf end applications, internal staff and to the companys' customer. (Graham 2001, 2) Customer relationship management is about choosing the strategy and collecting the data for the customer relationship marketing.

Customer relationship management is based on collecting customer data and includes different customer analysis which helps to create customer groups. (Bergström & Leppänen, 2001, 461.) Customer relationship management includes several data based marketing methods and loyalty marketing. (Graham 2001, 2)

Customer relationship management strategies are based on how to grow already existing clients' purchases and how to get new customers. In order to grow the business it is important

to follow up how the strategy is going and use the data to develop customer relationships. (Bergström & Leppänen 2011, 462.)

The main purpose of marketing is to create a kind of value that consumers would appreciate. The goal of customer relationship management is to get companies' customers to buy from them instead of their competitor. Relationship management benefits are shared into two groups. First, it will add companies' knowledge about their customers and understanding of why they are buying their products or services. Secondly it will add efficiency and effectiveness to sales and marketing. (Mäntyneva 2001, 11.)

Customers' needs and buying behavior changes all the time and because of that, companies should collect and update their customer data all the time. It is clear that customers are different and their profitability from the companies view is changing significantly and because of that the companies should not approach customers through mass marketing. To develop sales and marketing processes, it is important to measure their functionality and the companies can exploit the results for their next campaigns. (Mäntyneva 2001, 12-13.)

Customer relationship management has four different stages. The first stage is to get new clients, the second stage is to grow customer relationship so it would become profitable. The third stage is evolution, to deepen the customer relationship. The last stage is retention which is based on good data collection about customers. The company should already know in the early stages if the customer has potential to become a loyal customer. (Mäntyneva 2001, 18.)

3.1 Customer relationship marketing

Customer relationship marketing is not only about planning discounts, having loyalty programs and developing their communication to the customers, it is planning their own whole set according to the different customer type. It is based on the information of the customer, customer valuations and knowledge of customer relationship development. The company has to think what different additional products or services the customer needs, what price they are willing to pay for the product or service and how to raise value of the company in the eyes of the customer. (Bergström & Leppänen 2011, 483.) According to the Ecoconsultancy cross channel marketing report 2015, 70% of companies agree that retaining a customer is much cheaper than acquiring one. (Ecoconsultancy.com)

Customers have become the key to business growth and profitability. Customer relationship marketing is one entity were the company continually creates, maintains and develops customer relationships. It helps the companies to understand the customers` needs and re-

focus companies' strategy to serve customers better. Developing is based on creating value for the customer, profitability of customer relationship and the happiness of both parties. Customer relationship marketing is part of customer relationship management. (Bergström & Leppänen 2011, 460-461)

A relationship marketing has been created to support Customer Relationship Marketing. The relationship marketing covers all companies` internal and external relationships with anybody who is connected or somehow affects the companies actions. Relationship marketing is a form of marketing which includes relationships, networks and interaction. According to Gummesson all companies actions should be reviewed through relationship glasses. (Bergström & Leppänen 2011, 460.)

There are four social connections in the company that they should take care of. Most important for developing the performance are classical marketing relationships which include customers, competitors and distribution networks. There are also special marketing relationships to the customers of the customers, unsatisfied customers and service meetings with the customers. Mega relationships include personal connections, people handling social media accounts and the ones who can affect the company such as business alliances and trade relationships. Nano relationships covers internally the owners and investors and externally it covers service providers for example advertising agencies. (Bergström & Leppänen 2011, 461.)

In Customer Relationship Marketing competitors stay outside of the relationship. Well-kept relationships to the customers keeps the company and its products and services on the customers mind also between purchases. According to Bergström and Leppänen it has been proven that in long time customer relationships, the customers` priority shifts from prices to quality and service. (Bergström & Leppänen 2011, 452.)

Customer Relationship marketing is often thought as a one - to - one marketing. One to one marketing means offering targeted services to different segments and also to individual customers.(Bergstöm & Leppänen 2010, 247.) According to Mäntyneva businesses which prioritize the customers needs above everything else should leave one-way marketing communication and start striving to two way communication, where also consumers have the possibility to tell their wishes and needs. (Mäntyneva 2001, 10.)

Properly targeted marketing activities will produce better results with less money. According to Bergström and Leppänen happy customers are more likely to recommend the company and its services or products to others which acts as free advertisement for the company. Bergström has found some ways how companies market their products or services. According to Bergsröm they produce and offer a product or service which stands out from the

competitors, then choose the right price which attracts people and also to take care of the availability of the product or service. Companies get new clients by encouraging their already existing customers to recommend their company and products or services to others. (Bergström & Leppänen 2011, 462.)

The consumer needs and wishes are explored through demand and marketing surveys. Demand - oriented thinking is dealing with potential consumer needs and through that make compromised products and/or services. Marketing surveys have shown that not all consumers are excited about new products and/or services. (Bergström & Leppänen 2011, 14.)

Customer orientated companies usually try to satisfy several customer segments at once but in small businesses the best solution is usually to concentrate on one or two customer segments. The goal is to be the best in some of their own special skills. In marketing there are several customer segments, whose buying behavior and needs are different. In marketing customers are categorized not only by age, sex, profession and education but also lifestyles, buying motives and attitudes. (Bergström & Leppänen 2011, 14.)

3.1.1   Obtaining a customer and creating a customer relationship

As told before - growing companies' already existing clients' purchases are much cheaper for the company but there are always customer losses which need to be covered with new customers.

The goal of the marketing is to first survey already existing clients and through them the company will have the possibility to find new customers. Advertising should be targeted to selected and potential customers. Customer acquisition is based on staff and service. By developing their products, services and prices, ensuring the availability and having good targeted marketing communication, the company creates a good base for the new customer relation- ship. (Bergström & Leppänen 2011, 474.)

Getting new customers through campaigns and discounts usually leads to financial loss for the company. New customer acquisition with different discounts lower the selling price under the cost price which will lead partly to loss making activities. Focusing on getting new customers becomes much more expensive for the companies than focusing on keeping their already existing customers. Getting new customers and keeping already existing customers has to be balanced. According to Mäntyneva, a sales person can't invest too much to obtain new customers, because it can have an adverse effect in already existing customers. The most important thing is always to keep existing customers. (Mäntyneva 2001, 20.)

Companies should try to recognize and satisfy first time customers in order to create new loyal customers. How a customer relationship develops after the first purchase depends on how the company fulfills the customer expectations and whether they get enough attention. If the company will not listen to the customer or react to any complaints, the customer will likely move to a competitors company. If the company listens to the customer but cannot fix the problem, 50% of the customers will stay and if the company listens and fixes the problem as much as over 95% of the customers will stay loyal. (Bergström & Leppänen 2011, 468-469.)

3.1.2   Maintaining a customer relationship

Once or randomly purchasing customers have potential and it is important to get them buy again. After first purchase company should contact the customer to thank them or make new offer. According to Bergström and Leppänen there is an old rule, 20% of existing customers bring 80% of the company income. For the company success it is very important to serve most valuable customers as good as possible. (Bergström & Leppänen 2011 477.)

According to Mäntyneva customers priorities change depending on the product or service. With only one product it is hard for the companies to manage a customer relationship. Basic solutions rarely fill any segments needs and expectations. Products and services should be customized to fit the customer needs. The more products or services the company has to offer, the more likely the customer relationship will be a longtime relationship. (Mäntyneva 2001, 20.)

Customer retention and developing requires continuous tracking of the customer relationship and methods used. Tracking is really easy when the customer relationship marketing goals are set right and customer data is frequently updated. Usually in customer relationship development the company should track customer satisfaction, customer loyalty and customer profitability. (Bergström & Leppänen 2011, 484.)

3.1.3   Tracking customer satisfaction

Customer relationship is usually tracked continually to see the satisfaction in long term and to give the company time to develop new products or services. Customer relationship marketing is based on continuous customer feedback. Customer satisfaction is tracked by spontaneous feedback, satisfaction research and the amount of recommendation. (Bergström & Leppänen 2011, 484.)

Spontaneous feedback is given randomly by the customers through various feedback channels. Feedback channels can be social media, old school paper and pen form or straight to the

staff. Satisfaction research is targeted to already existing clients and it`s about the company and its products or services functionality in relation to the customers` expectations. With satisfaction research the companies measure total satisfaction and satisfaction by sections which are: individual products, product groups, departments, pricing, quality, customer service and staff. (Bergström & Leppänen 2011, 485.)

3.1.4 Customer profitability

Nowadays marketing is an art to create, maintain and exploit profitable customer relationships. Everything a company does is marketing. Customer relationship marketing has to focus on the most profitable customers but cannot neglect other customer groups. Learning is a natural part of tracking and developing customer relationships. Companies should try to learn from every unsatisfied customer and develop their products or services accordingly. Customer profitability is tracked at the level of the entire customer base, customer types or customer groups and with more valuable customers individually. Profitability can be improved by adding sales per customer, by raising prices or lowering the marketing costs. (Bergström & Leppänen 2011, 491-492.)

Companies should know customer profitability factors. It is important to know what are the customer acquisition costs in relation to the sales income and margins. According to Mäntyneva, a company should calculate how long it takes for customer relationship to pay itself back. Through that the company can leave behind the target group off where customer relationship would be less than this payback time. Companies have to be aware of the costs of obtaining new customers and maintaining customers to know which ones are better to just leave out. (Mäntyneva 2001, 36.)

Companies can grow customer profitability also by selling products or services with better margins. To develop and retain clients, companies have to also figure out how long customer relationships usually last and how to maintain the already existing clients. By creating different segments and customer groups, companies can offer more targeted products or services and focused marketing communications. According to Mäntyneva a segments group size should be big enough to do marketing communication to this segment. (Mäntyneva 2001, 26.)

Customers who purchase rarely but in large quantities and customers who buy often but in small quantities are equally profitable. Different types of customers have to be approached in different ways and in different times. Often customer data systems have automatic tools to trigger something which is already planned before. Companies should also track the share of purchases of how much a customer is buying in total and what are the customers` main categories. Through tracking these purchases companies can focus on advertising what they are buying the most. (Bergström & Leppänen 2011, 469.)

3.1.5 Lost customers

According to Mäntyneva, sometimes customers decide months ahead that they will switch to another company and this will give the company a few months' time to see the possible signals and to do everything in their power to keep their customers. Mäntyneva reminds that in client retention, companies have to remember that all customers are not always economically worthy to keep. (Mäntyneva 2001, 23.)

It is important to do targeted marketing to different customer groups. The most expensive and hardest is to try to get old customers back. It is recommended to try and lose customers as little as possible. The basic rule is to listen the customer and learn from the feedback. (Bergström & Leppänen 2001, 468.)

4 Process of customer relationship marketing

Customer relationship can be implemented in several ways. Small business can send few marketing emails a year for their customers or invite them into customer events. Big businesses are popular with loyalty programs.

Customer relationship marketing has to be planned carefully and based on research and analyses. Customer relationship marketing process should go step by step. A process of customer relationship management has 6 stages: first is customer analyses, second is creating customer groups, third stage is selecting target group, strategies and goals, fourth is customer acquisition and increasing sales, fifth is creating marketing plan for different segments and sixth is implementation and follow up. (Bergström & Leppänen 2010, 248, 250.)

4.1 Customer analysis and customer groups

Creating customer groups is to fulfill the customer retention. When making customer groups, the companies should sort out who their customers are and what kind of demographic backgrounds they have. Advertising depends on how and where the company targets its potential customers in order to obtain customers. It is also important to track how to sell other products and services to the already existing clients aiming to grow their total amount of purchases. (Mäntyneva 2001, 25.)

The goal of segmentation can be seen as two phases. Primary goal is to use segmentation to share customers into different groups. Secondary is to create working marketing communication content and to choose the marketing channel and frequency. Traditionally the goal of segmentation is better and more accurate targeting in marketing communication. (Mäntyneva 2001, 26.)

As said before there are different customer groups. Traditional customer group division is based on the customer relationship base. Customers can be divided into potential, random, loyal and ex customers. Potential customers are the ones who may become the company's

customer. Random customers are the ones who make purchases every now and then, loyal customers are the ones who make purchases all the time and ex customers are the ones who left the company for some reason. (Bergström & Leppänen 2010, 253-254.)

These groups can be divided into smaller groups. Potential customers can be divided into suspect and prospect customers. Suspect customers are the ones whom there is no information about and prospect customers are the ones whom the company has some contact information on. (Bergström & Leppänen, 467.)

Random customers can be divided into first time buyers and randomly purchasing several times. Loyal customers are either basic customers or key account customers, which means that they are the most important customers for the company. Ex customers are divided by the reason why customer left. Companies can also track ambassador group, which includes the customers who are recommending the company and its products or services but are not purchasing much themselves. (Bergström & Leppänen 2011, 468.)

Customers can be shared into 4 groups by their character. Transact customers are born when customers favor a cheap price from the product or really easy purchase. These kind of customers don't value the company or its products or services. According to Mäntyneva, companies usually approach a wide target group in marketing to get new customers. Usually these new customer relationships are the transactional customers favoring cheap prices. (Mäntyneva 2001, 30.)

Contract customers are the ones who like to have a written contract which can for example be a 10 time stamp discount or a credit limit. Even though contract customers are stronger in nature, doesn't mean they are profitable customers. They can have contracts in several companies and they make their purchases according to which company has better offers at the moment. (Mäntyneva 2001, 30.)

A preference customer is one who tends to prefer the company always when it's possible. Even though the customer is loyal, the company has to earn their satisfaction and loyalty with good marketing and service so the customer will see the value. These kind of customers are always the goal of customer relationship marketing. (Mäntyneva 2001, 30.)

Companion customer relationship requires both parties commitment where both try to promote both. Usually this kind of relationship is between companies because it is too expensive to have several companion relationships. (Mäntyneva 2001, 31.)

4.2   Goal and strategies for different customer groups

After dividing customers into groups and learning their needs and buying behavior, the company has to choose their strategies and goals. Companies have to make a decision on which customers are worth to keep and which are too costly. Every customer group has its own goals and the company has to decide how to get to these goals. (Leventhal 2006, 433.)

Companies should also think how to bring value to the different customer groups to remain the customer relationship. In customer acquisition and customer relationship marketing companies should choose customers who have the potential to increase sales profitably. (Bergström & Leppänen 2010, 257.)

When a company has figured out what customers are not worth keeping, they have to handle breaking the relationship as peacefully as possible so these customers wouldn't bring down the reputation of the company. When the company is recruiting new customers, it is important to first decide what kind of customers they are looking for, where they can find them and what needs to be done to win them over. (Bergström & Leppänen 2011, 472-473.)

Existing customers can be divided into the ones to keep, the ones to develop and the ones to change. Customers to keep are most profitable customers whose service companies should put effort more than others. Customer to develop are promising customers, who has unused purchase potential and companies should try to increase their purchases. Customers who need change are not profitable customers, these are example customers with payment default. To continue relationship which needs to change, companies must find a way to change the relationship. (Bergström & Leppänen 2010, 258-259.)

4.3   Customer data collection

The connection between marketing and data is found to be one of the most challenging strategic opportunities facing companies. (Arthur 2013, 29.)

In Customer Relationship Marketing the most important thing is to collect information about the new and existing clients. Different customer groups have a customer data base were companies add information necessary for marketing. Customer data is searched from outside the company and also from within the company's own data storage. Having a good customer record keeps all customer information in one place which helps tracking and developing customer relationships. (Bergström & Leppänen 2011, 463.)

How much information is needed for the data record depends on the company and what they are selling. Collecting data and maintenance cost a lot which is why companies shouldn't collect just any data. It is important to get the right contact details and possibly some demographic information starting from the first meeting. After the customer relationship evolves, the companies can ask for more information and collect information about purchasing. (Graham 2001, 147.)

By creating a customer database there are a few provisions and data protection provisions. It is important to ask from the customer if they give permission for marketing emails or text messages. Potential customers can have only limited information in the data base but customers who are purchasing can have all information that is needed to develop the customer relationship. (Bergström & Leppänen 2011, 466.)

According to Bergström and Leppänen it is important to maintain a customer data base, because with outdated information there will be a lot of trash mail and customers could be offended. Every company should be able to update and take advantage of necessary data. (Bergström & Leppänen 2011, 466.)

Companies should collect first essential data and then up- date the customer information system during customer relationship management. Companies can collect different information about different customer groups. Companies should collect more data from key customers than random customer. Data collected from customers should be added into the customer information system in a way that companies can make analyses based on this data. Data can be maintained by example making surveys once a year where companies can ask all the information they need about the customer. (Graham 2012, 171.)

4.4   Customer relationship marketing and maintaining the customer relationships

The companies create and maintain customer relationships with communication and by developing their products and services that customers value. Companies should also develop their benefits to keep customers interests. Good customer relationship is dialogue which helps customer relationship to develop stronger. Companies have to help customers to choose the most

right products or services for them and customer will give feedback for developing products and services. Companies have to create every target group customer care program that defines what to offer every customer group and in which way the company can do it. (Bergström & Leppänen 2010, 262.)

5   Customer loyalty

Generally we think that happy customers are loyal customers, but according to Mäntyneva, 70% of happy customers change companies from which 90% of customers are just changing the company without complaining. From marketing view it is very challenging to keep customers who are not happy and will not complain, but are worthy of keeping. According to Mäntyneva 90-95% of customers are passive customers and which is why companies have to focus on the client retention. (Mäntyneva 2001, 23.)

Happy customers will recommend the company to their contacts. According to Bergstöm and Leppänen Finnish companies have not acknowledged the importance of recommending customers. Possibly they are afraid that customers will leave after they ask them to recommend the company to others. To get their customers to recommend, they can offer treats to the ones who recommended. (Bergström & Leppänen 2011, 478.)

5.1   Loyalty program

A loyalty program is good for desirable customers, because a loyal customer will make its purchases in a familiar company and through that the companys' marketing costs will be lower. Loyal customers know what to expect from the services or products which means that the company will have less complaints and the customers will forgive mistakes more easily. Companies are offering loyalty programs to keep their customers and to grow their purchases.

Loyalty programs can be either productized or non-productized. Productized means that there are certain rules and it is public and non-productized is where customers are not aware of all the benefits which will come by surprise. (Bergström & Leppänen 2011, 478.)

5.2   Loyal customer types

According to Mäntyneva customer's continuous use of a product or service does not mean customer loyalty. According to Mäntyneva there are two different loyalty types. Active loyalty customer is the one who consciously chooses the company and its products and services. Passive loyalty customer can easily change the company when there is a better offer in another company. (Mäntyneva 2001, 23.)

According to Bergström, customers are often added to the customer loyalty program without their knowledge by adding their information to the company loyalty program. In Bergsrtöm's opinion a customer who has made a purchase only once is not an loyal customer. (Bergström & Leppänen 2010, 18.). According to Phorest Salon Software customers are loyal when they have used the service or bought a product at least three times from the same company.

5.3 Maintaining a loyal customer

Maintaining a loyal customer relationship means several personalized ways of communication. Email is the most low-cost communication tool online and it is easy to edit and tailor according to the target audience. The customer can usually easily remove themselves from these marketing emails if they wish so. Emails can be either mass messages or targeted messages. It is important to remember that the methods for retaining the customer relationship has to bring in more than it costs. (Bergström & Leppänen 2011. 481.)

Tracking customer purchasing behavior, company can find out the development of customer loyalty. Company will track average purchases and frequencies together with what and how much customer is buying. Customer satisfaction does not guarantee customer loyalty. Customers can keep buying even if they are unhappy, because they cannot be bothered to change the company, but when there will be convenient possibility they will change the company. (Graham 2012, 169.)

5.4 Loyalty benefits

Loyalty benefits have to spark interest in the customer and change frequently enough. The benefits can be money benefits as in discounts, pay 2 get 3 or collecting points which will be turned into money later. Loyal customers should also be rewarded with other benefits than monetary advantage to get them more interested. The offered benefits should be customer-oriented, profitable and the benefits have to be personalized because of different age or gender groups are interested in different things. Another benefit can be relationship benefits, which is giving something extra from the company, for example offering a service which usually isn't included in the normal visit, free advisement or magazines. Most importantly these benefits have to be important to the customer and they confirm customer loyalty. (Bergström & Leppänen 2011, 479.)

According to Bergström and Leppänen there is research showing that relationship benefits are more productive and more attaching than monetary benefits. Monetary benefit only attach the customer for a moment and therefore they will easily change to the competitor with

lower prices. Large retail chains mostly use money benefits which means that the customers will either get their money back or get coupon vouchers. Monetary advantages are not always enough for the customers to stay loyal and customers can easily go to another company to get more discounts. (Bergström & Leppänen 2011, 481.)

6 Interview with hair and beauty industry salon owners

Customer relationship management is not very common in hair and beauty industry. Nowadays salons are using online booking softwires which collect data automatically about their customers but most salon owners do not know how to read the data or what to do with it.

6.1 Semi - Structured qualitative interview

The interview was carried out as semi-structured interview. Semi – structured interview is usually used in qualitative research where the interviewer collects information about the attitudes, values and behavior which are not measurable. (http://www.studylecturenotes.com)

Semi-structured interview is an open conversation interview between an interviewer and an interviewee, allowing new ideas to be brought up by the interviewees answers. The questions asked should not be too detailed or strict. (http://www.fsd.uta.fi) majority of the questions are created during the interview allowing both the interviewer and interviewee to flexibly go into details when necessary. (http://www.sswm.info) It is important to still have pre-planned questions to answer so the interview stays in topic.

A semi-structured interview requires profound knowledge of the topic and of respondent situation. The theme of the interview is chosen based on the researched topic. Apart from choosing the questions and topic it is also important to choose the right respondents, not just randomly chosen respondents. The respondents should be chosen by the quality of the answers they could will give.

The semi-structured interview can be analyzed in two ways. One way is to stick strictly to the material and analyze only the things that are in the material. The other way is to keep the material more as a guideline or as assistance. The analysis is based more on the researchers own conclusions. (https://www.stat.fi)

A questionnaire was created (annex 1) for the Salon Owners interview. There weren't too many questions and they were quite clear. The interviews were carried out with open conversations. The purpose of the interview was to research the salon owners understanding of the

importance of collecting data about the customers and about customer relationship between the salon staff and a customer.

The respondents were chosen from Phorests customers because the Phorest grow team has knowledge of their customers situations and thanks to that it was easier to keep a good conversation with them. The interviews were carried out during the summer of 2017 and mostly on the phone individually with the salon owner. To compare the answers, respondents were chosen from both successful and unsuccessful salons. The main questions were the same with all respondents but during the interview there were added more detailed questions.

The interviews were included to Phorest customer follow up calls to make the situation more open and calm for both parties which created a more relaxed atmosphere for the respondents. Most salon owners didn't really understand the importance of customer relationship management and what it can really bring for the salon. It is easy for Phorest to move on with the data collected from these interviews and give their customers even more productive support and training.

The conclusion from this interview is that most salon owners don't know how important customer relationship management is. Most salon owners are afraid of collecting customer data and claimed they don't deal with customer relationship management due to lack of time.

6.2   Salon Owner's view of customer relationship management

Overall there were 4 interviewees, all of them were Finnish salon owners. One of the intervieews was a women with whom I have personally worked with to help her grow her business. The other three were Phorest Finland customers. The first interviewee was a one person salon owner from Helsinki. She is struggling a lot with her business and mentioned that the competition in beauty and hair field in and around Helsinki is huge. The second interviewee was a Hair and Beauty salon Owner from Helsinki. She owns a salon where she rents out chairs for entrepreneurs in beauty and hair industry. According to her, they are doing quite well and she is a very business minded person. The third interviewee was Salon owner from Oulu, she is the owner of a salon of two people. The fourth interviewee was a beauty care professional renting a room in a Hair salon. All of the Salon Owners have had their business up for couple of years.

The interviewees were not really aware of the effectiveness of customer relationship management and what it can bring to the salon. The salon owners did not see the importance of collecting data about their customers. The only data they were collecting on their customers was their contact information and details necessary for booking treatments. The salon owners sometimes ask the customers how or where they have found the salon but often forgot to

write the answers down. When we discussed why they are not collecting data, we found that the main reason is thinking the customers wouldn't prefer to give information about themselves. By the end of the interview the salon owners now understood the importance of collecting data.

Data collection for hair and beauty industry marketing is very important for understanding customer needs and wishes. Most salon owners don't understand the importance of their customers data and because of that they do not see the value to collect data. Salon owners who are using cash register system, it automatically collects data about their customers purchases. Most salon owners do not know that their system collects that data and does not know how to read this data. It is important to learn how to read data from reports. Through the numbers from different reports, salons can understand what is selling best and which services or products aren't selling or attracting customers.

During the interview we discussed the salon owners` opinion on campaigns. The opinions were divided into two. Two of the interviewees run campaigns monthly and the other two interviewees run campaigns only during celebrations, for example Christmas, mothers` day and fathers` day. According to the interviewees, salons use mostly Facebook for advertising. These interviewees have tried paid and free advertisement with both having quite the same efficiency. During the interview all of the interviewees agreed that giving discounts is not always profitable.

The interviewees were asked whether they segment their clients. None of the interviewees divide their customers into groups. When discussing the reason for not dividing them into groups and whether they understand why it is important, all of the interviewees said they don't have time to create different segments for their customers. During this interview I explained to the interviewees why creating customer groups is important for personalized advertisement.

Hair and beauty industry target group is quite wide. Most salons have services and products for different age groups and gender. In hair and beauty industry customer groups can be divided not only by age and gender but also into the amount of purchases, how long customer relationship has been between the company, loyal customers, new clients and top clients who recommend the company the most.

When potential customer group has been found it is easier to communicate with customers. Segmentation is important for making marketing emails more personalized. Salon owners in hair and beauty industry should try to share their customers into even smaller groups when

writing a marketing emails or make advertises. These segments can be divided into catego-
ries, for example: profession, students or retired people

In the interview we went through different loyalty programs and only two of the interviewees
salons were using a loyalty program. One of the interviewees was using a method of giving a
50 percent discount every tenth time from the service chosen by the customer. The other was
using the Phorest loyalty program. The Phorest loyalty program works by collecting points and
getting treats when certain amounts of points have been collected. According to the inter-
viewees, clients love to get surprise treats. The other two interviewees are not using any loy-
alty programs and claimed they were scared of using them. They were afraid that they are
giving away too much with these old school fifth or tenth time discounts.

7   Conclusions

This thesis theory suits for both small and bigger companies but in that thesis research, the
focus was on hair and beauty industry customer relationship management and customer rela-
tionship marketing.

This thesis was done as qualitative research and with semi-structured interview where salon
owners had a possibility to answer the questions openly. In the end there were four intervi-
eews. The questionnaire required time and effort on thinking from the intervieews. The inter-
view showed that Hair and Beauty industry salon owners don't collect data about their cus-
tomers and they don't understand the importance of collecting data and how important it is
for marketing. Most salons use mass marketing, which is not the most profitable way of trying
to obtain customers.

Hair and beauty professionals often fail in the industry because of the lack of knowledge on
how to run the business. Customer relationship management and customer relationship mar-
keting are the basis for a successful hair or beauty salon.

Phorest will get good knowledge of what is the main problem why salon owners are struggling
with their business and what are their thoughts about customer relationship management and
customer relationship marketing. Based on salon owners answers Phorest can understand
what they need in marketing trainings and give trough that more productive trainings.

Nowadays marketing is based on customer data and companies are leaving slowly mass mar-
keting behind. According the thesis theory, to proceed good customer oriented marketing for
the companies' customers, they have to put effort on collecting data and share their custom-
ers into segments. Competition in hair and beauty industry is growing continually and through

that it is getting harder salons to keep their customers. To stay on the market in hair and beauty industry, salon owners must start offering more personalized marketing.

Customer relationship marketing process is quite simple. Salon Owners have to first collect data about their customers through customer analysis. Salons' staff can update their customers data daily when they are in contact with their customers. Interview showed that salons customers like to talk about their life during the treatments. Salon's staff has to write everything down so it can be used in customer segmentations or making customer groups.

After sharing customers into groups salons must choose every customer group suitable strategies what the salon is going to use to give them personalized marketing and to grow their customers purchases.

Loyalty program in hair and beauty industry is very good as non-productized program, because relationship between the customer and the hair therapist or beauty therapist is much more personal than example a relationship between a grocery store and their customer. Phorest Finland is offering salons whole loyalty program which purpose is that salons' customers are collecting points and with these points they can collect their surprise present. The benefit is staying as a surprise until the end.

By talking with the intervieews about customer relationship management and about personalized marketing through customer groups, they realized it is important and got excited of the idea. These interviews brought up the importance of informing Phorest customers about the customer relationship marketing and how they can use Phorest for that.

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Attachments

Attachment 1: Survey questions

1) What kind of data are you collecting about your customers?

2) How often do you give discounts?

3) How often do you ask customers about what are their wishes or needs for treatments?

4) During discounts what is the number of people who will continue using your services after discount?

5) Have you ever contacted your lost clients to ask what's wrong?

6) Do you ask customers where they found you?

7) Do you share your customers to groups?

8) Do you use loyalty program?