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# **CUSTOMER RELATIONSHIP MANAGEMENT**

**Case Urakointiasennus M. Rautio Oy**

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## ABSTRACT

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<p>The objective of the thesis was to provide an overall understanding of Customer Relationship Management (CRM), its' implementation and advantages. Nowadays companies that value customer experience are the ones to achieve competitive advantage. Successful customer experiences enhance customers' trust and loyalty towards the company. Managed customer relationships save costs and time, increase customer satisfaction and lead to higher return on investment.</p> <p>The main findings were that CRM is not only about technology: people and processes play an important role on whether the implementation succeeds or fails. Key words for successful implementation are commitment, careful planning and training.</p> <p>The case company, Urakointiasennus M. Rautio Oy was interviewed on how they do customer relationship management. The research showed, that the company is customer-oriented and values customer experience. The company learns from feedback and customizes products and services for the customer.</p>		

### Key words

Advantages of CRM, CRM implementation, customer relationship management, IDIC model

## **ABSTRACT**

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## 1 INTRODUCTION

In today's business environment, the role of customers has grown. Information technology and networks have developed, and the customers have become more demanding in terms of service quality and speed. To succeed, companies need to achieve competitive advantage to serve customers in a way the competitors cannot. To serve customers better, it is vital to learn about customer's needs and understand them. When the company knows and understands their customer's needs, it is easier to provide successful customer experiences and keep the customer. In fact, getting new customers is more expensive than keeping current ones and without customers, companies wouldn't have any sales. Therefore, it is necessary to focus on managing the relationship between company and the customer. The key to manage customer relationships is customer relationship management.

By now, various supporting solutions, models and tools have been developed for successful customer relationship management. The aim of this thesis is to provide an overall understanding of customer relationship management as a concept, its implementation and advantages. Information of the thesis is based on books about the topic and online sources that I find reliable and useful. In the qualitative research part of the thesis, I introduce how the case company, Urakointiasennus M. Rautio Oy manages their customer relationships.

I desired to study more about customer relationship management, because it was the topic of my favourite course in Centria University of Applied Sciences. I have a lot of experience of giving and getting successful customer service, due to eight years of working as a shop assistant in K-Citymarket, which is part of the leading Finnish trading company, Kesko. The fact that customer service and customer experience are just a part of a bigger whole, customer relationship management, got my interest and I truly think that the customer should be at the centre of whatever the company does.

## **2 CUSTOMER RELATIONSHIP MANAGEMENT**

Customer relationship management is a learning experience about customer behaviour. With customer relationship management, enterprises aim to get, keep and grow their customer base. According to Oksanen (2010, 21) the history of customer relationship management is new, as the term has only been in use since the beginning of 1990s. The term customer relationship management (CRM) can be viewed from four major perspectives which will be presented in this chapter. The aim of this chapter is to find and recognize the definitions and functions that CRM holds in. As customers are the main asset to any enterprise, it is important to find out about customer loyalty and value as well as customer acquisition, retention and profitability.

### **2.1 Definitions and types of customer relationship management**

Customer relationship management does not only have one definition because the concept is wide, and it holds in various practices, strategies and technologies. Briefly, customer relationship management is a core business strategy that integrates internal processes and functions, and external networks, to create and deliver value to targeted customer at a profit. CRM is based on high quality customer related data and enabled by information technology. (Buttle 2009, 15.) It's worth mentioning Edmund Thompson's words that customer relationship management program is depended on right kind of executive leadership, project management and technology. CRM is often misunderstood to be only about databases, call centres, websites, loyalty programs, customer acquisition or win-back program. CRM is an important part of strategy for any business because it's about customers, the relationships an enterprise builds with them and how the entrepreneur manages their business to make sure that customers remain in centre of everything that the enterprise does. (ISM 2013.)

CRM is an information industry term for methodologies, software and internet capabilities which help enterprises manage their customer relationships in organized ways. CRM is the process of managing all interaction between the company and customers. It includes insights of prospecting, sales and service communication. Sales representatives nearly always communicate with potential customers. Today's cashier systems track a customer based on their purchases,

especially if the payment method has been a personal credit/debit card or a membership card. CRM is an integrated approach for acquiring and retaining customers. It helps in maximizing customer value, drives for superior performance and enables the company to coordinate and manage customer interaction across multiple channels and areas of business. CRM is also an integrated information system which helps in planning, scheduling and controlling of pre- and post-sales of an organization. CRM deals with prospects and customers throughout call centre, sales-force, marketing, technical support and field service. The primary goal of CRM is to acknowledge and understand customer behaviour, improve continuous growth and profitability. Customer relationship management aims to provide data and feedback more effectively and improve integration to gain more return on investment (ROI). As a strategy, customer relationship management maximizes company's profitability, revenue and customer satisfaction by organizing around customer segments, fostering behaviour that satisfies customers and implementing customer-centric processes. (Buttle 2009, 4.)

The four major perspectives of customer relationship management are strategic, operational, analytical and collaborative type. Strategic CRM aims to win and keep profitable customers with customer-centric strategy. Product-, production- and selling- oriented strategies compete with customer-oriented strategies. Operational CRM focuses on selling, marketing and customer service through automated customer-facing software processes. Operational CRM requires automation technology and various management styles to manage business functions such as communication, price quotations, contact and after-sale support and forecasting. Analytical CRM focuses on increasing customer data for strategic or tactical purposes. Information about customers is continuously gathered, used and reported. The more the company knows about their customer, the better they are in creating value for targeted customers and the company. Collaborative CRM aims to optimize company, partner and customer value through technology. With collaborative CRM practises, companies from the whole supply chain share all valuable information about the customer. (Buttle 2009, 5-11.)

Every customer relationship is unique. A relationship forms from mutuality that both parties know about the existence of the relationship. Important for all customer relationships is iterative interaction. Information needs to be exchanged to enhance a profitable relationship. A customer relationship benefits both, the enterprise gets profit and data about the market, the cus-

tomer gets to purchase desired products or services. All current and future actions should reflect and change the behaviour of both parties to the wanted direction. (Peppers & Rogers 2004.)

There are four types of customer relationships. An intimate relationship is characteristically personal and friendly. For example, a doctor-patient or a hairdresser-customer relationship are intimate. Face-to-face relationship, in a grocery store for example, customer meets the employees but there is no necessity of telling names. Distant relationships are for example, contact-centre services, often handled via phone or internet. In no-contact relationship a customer may walk in to a shop and buy a can of soda without any contact with the soda company's representatives. A customer relationship, like any relationship, requires and produces trust. (Peppers & Rogers 2004.)

## **2.2 Customer loyalty and value**

All customer relationships require loyalty and have some value. Briefly, customer loyalty determines the willingness and efforts to continue the relationship. Value can be viewed from the customer's and the company's perspective, as it is about importance and appreciation of both. The aim of this chapter is to explain customer loyalty and value.

### **2.2.1 Loyalty through managed experience**

The more customer trusts the enterprise, the more likely the customer is to become loyal and continue relationship with the enterprise or product, which increases the scope of relationship. Seller's reputation is a distinguishing asset which is constantly available on online review sites. Therefore, to be trustworthy, it is important to do the right thing and do things right, while keeping in mind, that whatever the company does, it immediately and permanently spreads in internet to everywhere. (Peppers & Rogers 2004.) Customer loyalty is an attitudinal state, reflecting value, trust and commitment within relationships. (Buttle & Burton 2006.) Loyalty forms from the beneficial actions that an enterprise does for the customer. Loyalty could be defined to be customer's intention to continue doing business with a company. Customer shows this intention

by increasing their spending or by spreading good things about the company. Disloyal customer then does is the opposite. Surprisingly, customer loyalty has little to do with customer satisfaction although satisfaction may often undermine loyalty. (Dixon, Freeman & Toman 2011, 3-5.)

Keeping current customers is five times cheaper than acquiring new ones. Therefore, it is important to focus on the customer loyalty through well managed customer experience both online and offline. Customer experiences on customer point of view, strive from customer service. In other words, the better service customer gets, the better the experience is. Communication with customers should be relevant and effective on all channels used. (Salmat 2013.) The customer experience from a company is an equation of each touchpoint of between the customer and company. Previously, managing customer experiences was easy because the number of touchpoints was small. These days, the internet, online shopping, social media and smartphones are challenging companies to manage all possible interactions from both known and unknown touchpoints. (Löytänä & Korkiakoski 2014, 98.)

Information about customer experiences should be shared openly within the company. For example, company's internal communication could be focused on stories about managed customer experiences, how they succeeded or not. If any new systems are taken into use, informing about them and their results is important. For example, the scores of customer satisfaction surveys could be visible at all dining areas of the company. Especially the employees that take care of meeting customers, need to understand how their actions may affect the customer experience and behaviour. (Löytänä & Korkiakoski 2014, 176.)

When measuring customer experience, it is important to ask the right questions from the right people at the right time. Customer experience and loyalty can be measured with Forrester's customer experience index, CXi (FIGURE 1). The Forrester's CXi score is based on survey data where customers have been asked if their needs were met effectively, how easy and enjoyable it was. The CXi measures the quality of the experience in the means of task completion, hold time and service friendliness. (Forrester 2018.)





Forrester's CX Index score measures how successfully a company delivers customer experiences that create and sustain loyalty.



FIGURE 1. Customer Experience Index (Forrester 2018).

Company culture affects the formation of customer experience. The whole organization should be aware of the importance of customers and the reasons why things are done the way they are. Behind everything should be every employee's need of respecting customers and exceeding their expectations. To achieve a truly customer-centric company culture, the top management plays an important role. Top management should name one person in charge of managing and developing customer experience. Then the top management needs to educate all other levels of management to realize and understand the customer-centric company culture in practice. This takes a lot of time, because the studies show, that the process of gaining understanding and skills must be done in small, determined steps. (Löytänä & Korkiakoski 2014, 164-169.)

Loyalty programs and brands are everywhere as they are proven to be efficient in building customer loyalty. Loyalty program is a company-initiated program to encourage customers make more frequent purchases from the business. Several companies offer either actual or mobile customer membership card which recognizes customer's purchases and allows the customer get member discounts. Often with each purchase, the customer collects points that

can be used for special offers or perhaps they are returned as money to the customer. Membership cards are personal as they require personal information about the customer, at least a name and phone number, address for delivery or e-mail address to receive additional information about the company or their latest offers. If the membership card is on mobile, it usually comes with an app of the company. The apps can include many other functions than the regular card, for example pre-ordering, payment in store, recipes and so on. Other option for membership card is annual or monthly memberships. For customers, annual or monthly memberships often have higher benefits than the costs are. (Investopedia 2017.)

In Finland, the most visible loyalty program type is membership card, for example K-Plussa by Kesko, which offers its customers benefits from 3000 shopping places and 40 associates. K-Plussa members collect points from each purchase and receive money from those frequently. The members also get personalized offers, ideas, recipes and such to their email and K-Plussa app. K-Plussa membership is free for everyone. Spotify offers monthly membership for its customers. The paid monthly membership provides advertisement-free listening, downloading and offline use of the music available.

### **2.2.2 Customer value**

As Buttle (2009) puts it: “value is the customer’s perception of the balance between benefits received from a product or service and the sacrifices made to experience those benefits”. Money, search costs and psychic costs are the three sacrifices of a customer. Money, at any form, simply is the cost of the product or service. Search costs account the time used on finding the right product or producer among all possibilities, or maybe the customer has travel expenses to the location of the shop. Psychic costs are all the emotions the customer experiences when purchasing. Those emotions are what customer feels when traveling to the shop, facing other customers, meeting staff, carrying the product home, weather and anything that could happen during the process. Sometimes the psychic costs postpone the purchasing, especially if the customer sees risk rather than opportunity. There are five types of risks that a customer might consider: performance, physical, financial, social and psychological. Risk in performance refers to the product and how it fulfils expectations, physical risk could be idea of the product causing any type of injury to the customer. Financial risk refers to paying too high price on a product, so that customer experiences economic loss. Social risk is how the purchase would

affect customer's social status and psychological risk refers to danger of customer's dropping self-esteem. (Buttle 2009, 188.) These are the experiences a customer may feel and therefore it is important that the companies take them into account and focus on creating positive image for the company and on products and services.

Customer-strategy aims to increase the value of customer base. Customers give short-term revenue and long-term value creation. Companies create value to their products in four forms. Those values are economic value, emotional value, functional value and symbolic value. Economic value focuses on customer-friendly pricing, discounts and offers and the idea is to differentiate from competitors with better pricing. Functional value consists of quality and operational reliability of the product. Symbolic value comes from brand and mental images about customers' personalities. The strength of symbolic value is giving the feeling of social cohesion among customers. When the product or service is personalized to give customers certain feelings, it has emotional value. In today's business world, the customer gives the products and services their actual value and therefore the importance of emotional value is the strongest form of these four values. (Löytänä & Korkiakoski 2014, 18-20.)

Typical companies that put effort on customers' economic value are categorised as production-oriented businesses that put weight on operational excellence. Those companies focus on keeping their operating costs low and finding ways to enter markets through low-cost routes. Their supply chains are efficient, manufacturing is lean, cooperation with suppliers functioning, quality and costs are in control, processes are measured and improved, and customer's expectations are met. Companies that put effort on product quality, features, performance and design are categorized to be product-oriented. These companies tend to be innovative and entrepreneurial with their product leadership value delivery strategy, but they lack understanding for customers' desires when making any decisions considering marketing, selling and service. Their customer research is poor, prices are high and customer segment is often small. Companies that exploit symbolic value creation are often sales-oriented. They invest heavily in marketing to customers and therefore sales increase production. Emotional value, or customer intimacy, is reached by companies that put the customer first and who really are customer or market-oriented. A customer-oriented company actively learns, collects, expands and uses information about the customer and competition. Based on the gathered information, the company improves the products and develops better value propositions for the customers. (Buttle 2009, 192.)

There are also other categories for customer value. Customer lifetime value (LTV) is the customer's actual value, current net value of the stream of expected future financial contributions from the customer. Most valuable customers (MVCs) hold the highest actual value by buying a lot and therefore they decrease company costs. Most growable customers (MGCs) have little current, actual value to the enterprise, but their growth potential is high. LMCs are the low-maintenance customers who have both, little current value and little growth potential but they still are worthy. Super growth customers have substantial actual value and significant amount of untapped potential. Below zeros are customers with low or negative actual and potential values which are not dependent on company's effort so there is less revenue than costs. Below zeros are not showing any positive net value and they probably don't pay their bills. (Peppers & Rogers 2004, 116, 122-124.)

Although customer value includes many intangible variables, it is possible to measure with some models created. Peppers & Rogers (2004) introduced a model with six indexes. First of them is average revenue score, where enterprise measures customer's value by their actual revenue of current year and the revenue prospects for the following year, on average. Then there is revenue change score which measures year-to-year change in customer's actual spending. Current relationship index accounts length of signed contract and total years as customer. Technology engagement is a company measurement about their system integration, reporting, tele-web and email. Outsource potential measures the share of client at the company. Lastly, partnership index measures the level of contract, referencing value of the customer and their future value for the company. (Peppers & Rogers 2004, 130-131.)

## **2.3 Customer acquisition, retention and profitability**

Customer relationship management is, most of all, a learning experience about customer behaviour. For enterprises it is essential to understand and influence customer behaviour through meaningful analysis, so that customer acquisition, retention and profitability can be improved. In other words, enterprises aim to get, keep and grow customers. This three-step process helps the companies to build great products, get, keep and grow customers and finally make profit either directly or indirectly from the customers acquired. The get-keep-grow process can be

examined from grow funnel as seen in figure 2. When the steps of the funnel are done right, they create a viral loop to the funnel.

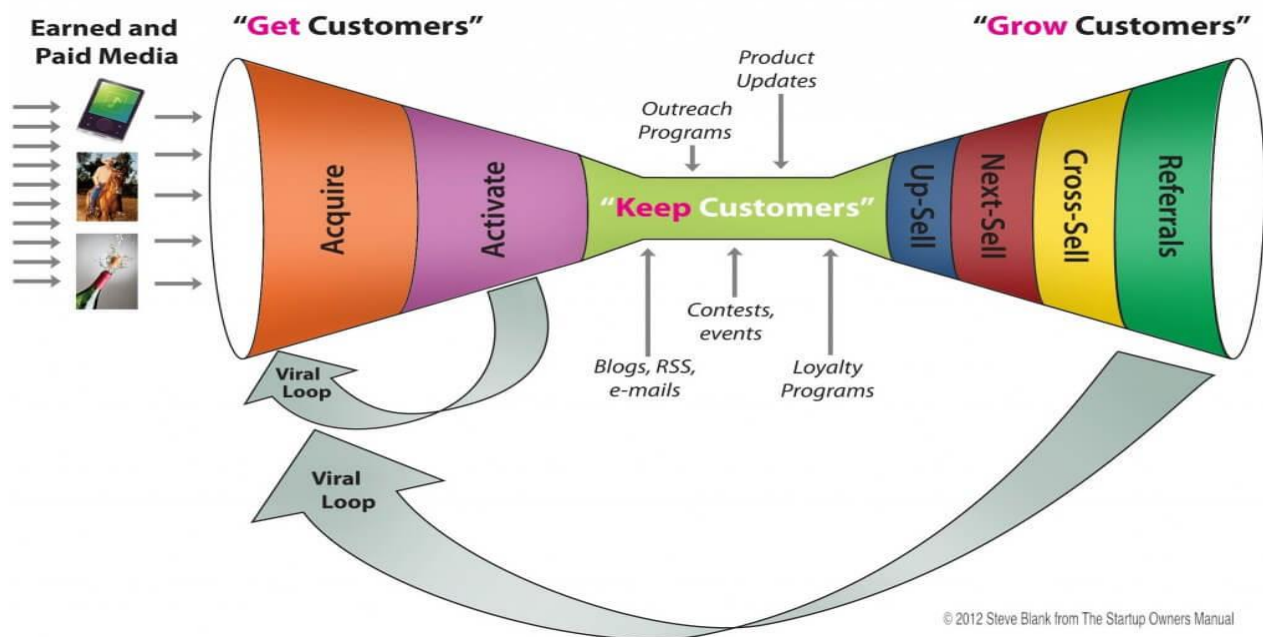


FIGURE 2. Get, Keep, Grow funnel (Blank 2012.)

Customer acquisition is about raising awareness of the company through earned and paid media. Earned and paid media includes advertising, marketing, sales and all the other efforts that the enterprise gives to get customers. Getting customers could also be called demand creation, because as awareness rises, interest rises and with small push it leads to consideration and eventually, to purchases. Once a customer makes a purchase, they become a customer of the company. (Osborne 2012.)

Customer retention is in the centre of the get, keep, grow -funnel and the key word is keeping customers. An enterprise must retain profitable customers longer, win back profitable customers and eliminate all unprofitable customers. There are several benefits if an enterprise keeps their customers, one is increased purchases, where customers grow larger and need bigger quantities of a product. Company's operating costs reduce if the customer demands are met by the product or service bought, and mistakes have been cut off. Osborne (2012) notes, that also other customer-facing aspects, service support, feedback handling, delivery, billing and such, need to work to meet the demand. If a satisfied customer makes referrals to other customers, it decreases company's marketing costs. New customers may benefit from promotional

discounts, but the company wins from long-term customer's who pay regular prices. Other benefits are increased customer loyalty and saving of costs because maintaining profitable customers is simply cheaper than getting new customers. (Peppers & Rogers 2004, 26-32.)

Keeping customers includes loyalty programs in which customers may collect points, get rewards and discounts or the company and customer may agree on multiple-year contract. As acknowledged in chapter 2.2 in this thesis, most important is to treat customers well to retain loyalty. Emails and phone calls can be used frequently to thank customers and to get feedback. If the feedback is bad, the company must find out the things that can be improved to satisfy those customers. Enterprises use retention programs to monitor and understand customer behaviour by constantly observing and measuring where customers go, what they look at and buy. Other opportunities to keep the customers are to implement desired updates on product, outreach programs, contests and events where the company may meet the customers one-to-one. (Osborne 2012.)

Growing customers includes upselling additional products in a solution, cross-selling other products to customers, referrals and word-of-mouth benefits. All those functions help reduce in service and operational costs. (Peppers & Rogers 2004, 5.) The growing of customers applies the importance of customer LTV. Up-selling is promotion of higher-end products to customers. This promotion can be done by offering additional features with tiering price, for instance a car can be sold with better sound system if the customer is willing to invest more. Next-selling concentrates on selling more products from the company, and to ensure this, long-term contracts can be made aiming to be customers primary seller. Cross-selling could be described as 'people who bought this product, also bought these'. Cross-selling encourages customers to buy not only the one intended product but also some other products alike the first one. (Osborne 2012.)

### **3 IMPLEMENTING CUSTOMER RELATIONSHIP MANAGEMENT**

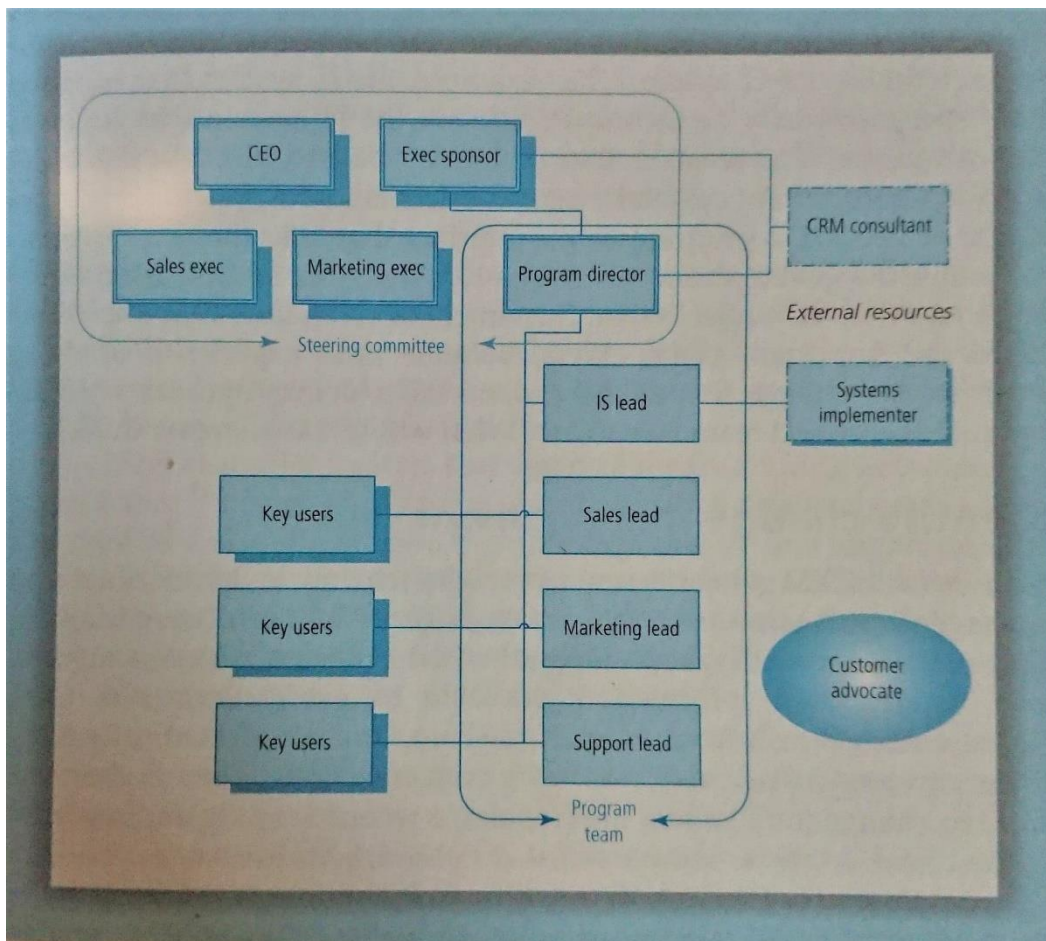
As acknowledged by now, customer relationship management is important because the customers are every enterprise's most valuable resources and assets. This makes CRM one of the core functions to all companies. CRM helps to focus on customer and therefore it enhances better sales, marketing and other business functions that finally lead to revenue. CRM enhances value creation on the company brand, product or service and customer relationships. CRM system collects and stores data about customers so that the enterprise knows what to offer at what time, better than the competitors can. CRM helps companies to cut down costs and save time. This chapter focuses on implementation of CRM, different CRM systems and the IDIC process.

#### **3.1 Implementation, segmentation**

Customer relationship management projects involve not only technology but also people and processes. Those three components should always be considered when implementing CRM. Implementation of CRM has five phases: developing CRM strategy, building CRM project foundations, specifying needs and selecting partners, implementing the project and evaluating performance. Development of CRM strategy starts with analysing the current customer strategy. First, the company should find out every piece of information about their current customers, segments, market offerings and channels used. Then the company should give education or at least the definition of CRM to all employees to prevent any misunderstandings about the topic. Company should create their CRM vision to shape and direct the CRM strategy throughout the way and then set priorities for action. Vision and priorities give ground for the new goals and objectives of the company. To achieve the goals and objectives, all people, process and technology requirements need to be identified in general level. Then the company can build a business case around the costs and benefits of implementing CRM. (Buttle 2009, 65-70.)

Once the CRM strategy is created, it is time to build the CRM project foundations. First the company needs to identify stakeholders, all the parties that the change impacts. This is because their participation might be needed later, and studies show that CRM implementation is

more successful when the stakeholders are involved early. Then governance structure (PICTURE 1) must be made to ensure properly defined and allocated project roles and responsibilities. It is good to name a programme director responsible for controlling costs and achieving project deliverables. The programme director should be part of both the steering committee and programme team. Steering committee should have an executive sponsor who commits time to the project and makes resources available. The steering committee makes policy decisions about buying new technology or hiring consultants. Often it is good to hire an experienced consultant to help the steering committee overcome possible problems along the way. The steering committee ensures that implementation goes as planned within the budget and that it stays business-related and does not turn into IT-dominated project. (Buttle 2009, 73-74.)



PICTURE 1. Governance structure (Buttle 2009, 73.)



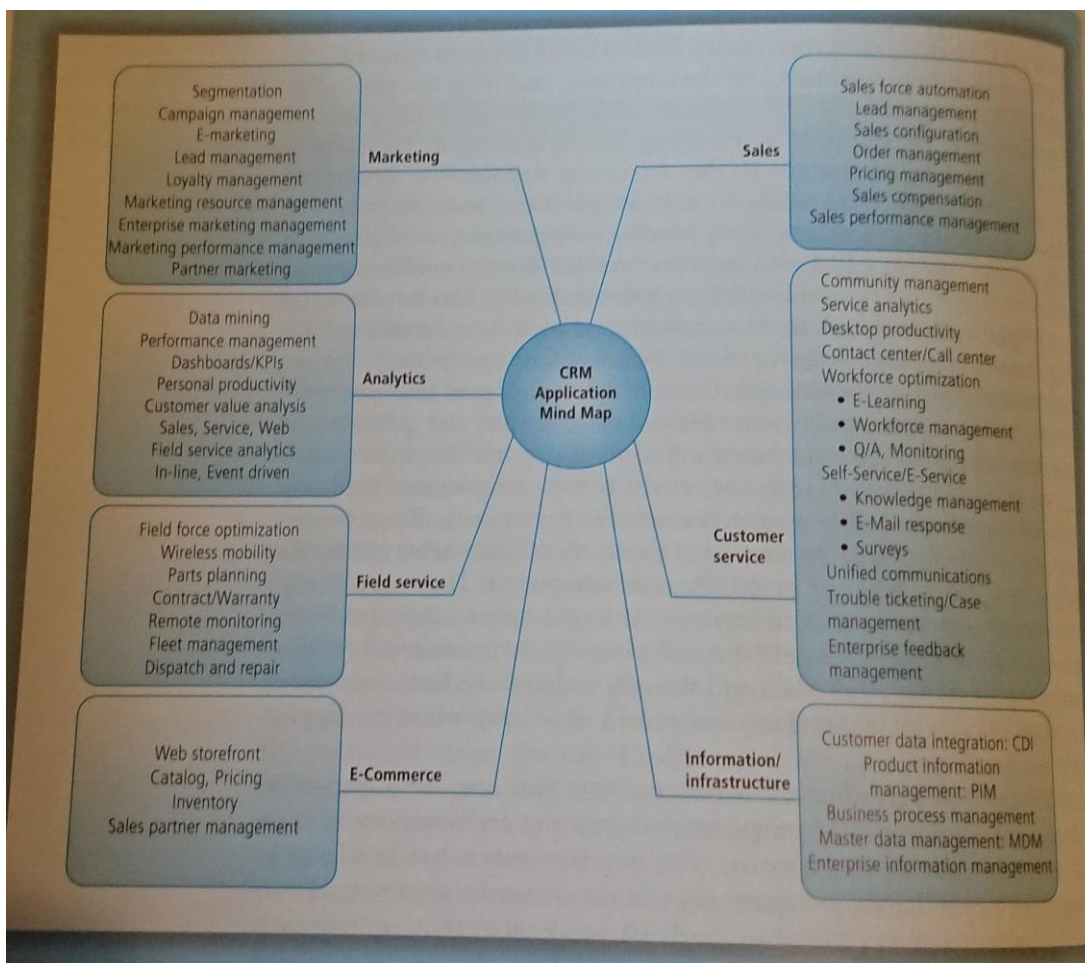
The programme team consists of major stakeholders' representatives and their responsibility is implementing the project successfully. The leads ensure bringing in the right people for specific activities. Lead developer is needed for the customization of CRM system to ensure it fulfilling the needs of the users. Also, a database developer is needed to ensure that customer-related data is made available for end-users in the right form to the CRM application. Front-end developers are needed to make sure that the user interface is easy to understand and use. A system implementer is an employee of the CRM vendor who gives technological help ensures that the CRM system is properly implemented. To support the whole project objectives, to create interface that links the people, processes, technology and data, there can be a systems integrator. It is important to remember the customer and their needs at every step of the process. (Buttle 2009, 74.)

Change management helps in implementing CRM. Sales-force automation project is good to be carried out to centralize and share data from individual sales representatives to whole sales team. Management is needed to help sales representatives change their selling, record keeping and reporting habits. Sense of urgency to do something has to be given for the employees, guidance teams can help driving the change effort, vision needs to be clear with support strategies and communication for both emotional and rational buy-in is important. Action may be empowered with removal of organizational barriers to change and short-term wins play important role on avoiding user's possible cynicism, pessimism and scepticism. Change must be driven constantly, and vision needs to be promoted while reshaping organizational culture towards common understanding of the new company values, beliefs and norms. The right kind of management is critical for any CRM implementation to succeed; a risk management plan is important in preventing failure. (Buttle 2009, 74-76.)

Now that CRM strategy and CRM project foundations are built, next step is to specify the company's needs and select partners. First, the company's business processes need to be investigated in the means of how to automate them or make them more effective or efficient. Customers and the company may categorize the business processes differently by their importance. Primary processes often include major customer experience, cost and revenue implications, when in secondary processes, those implications are minor. Data review and gap analysis depend on the CRM, whether it is strategic, operational, collaborative or analytical type of CRM. Strategic CRM uses customer-related data to identify and target customers, operational CRM needs the data for billing and campaigning, collaborative CRM uses data to

target more precise communications and analytical CRM uses data to find out the different categories of customers. Each person of the programme team should be able to specify what information is needed in order to create a coherent inventory data about the customers. (Buttle 2009, 80-84.)

Because the CRM vendors provide several software applications as seen in picture 4, it is important to first learn about the applications. Then it comes to decision-making about the options of building, buying or renting the most important, chosen CRM applications. Costs, such as application implementation, support, maintenance, training, customization, integration and IT infrastructure often determine which option the company chooses. CRM solutions will be discussed under the next heading of this thesis. Once the company has evaluated possible CRM vendors, they need to write detailed request for proposals, abbreviated RFP. The RFP is a document which summarizes all thinking behind choosing the right CRM programme and invites interested parties to respond in a structured way. (Buttle 2009, 85-87.)



PICTURE 2. CRM Applications (Buttle 2009, 84.)

An RFP includes instructions for respondents, company background, vision and strategy for CRM and the requirements of strategic, operational, analytical and collaborative CRM. The RFP also includes the process issues of mapping customer interaction and re-engineering processes. Technology issues such as the delivery model, functionalities, management reporting, hardware requirements, performance measures, architectural and systems integration issues, requirements for customization, upgrades and service should be written down to RFP as well. People issues must be included to note which project and change management services are needed and if management and staff are in the need of training. Costing and contractual issues should be specified as well as implementation issues. It is necessary to add the criteria for assessing proposals and the responding to proposals timeline to the RFP. When the RFP is ready, the enterprise may invite three to six potential CRM vendors to answer to the RFP. When the company receives answers, they are assessed with RFP and a scoring system and one or more partners are selected. (Buttle 2009, 88-89.)

The fourth phase of implementing CRM is project implementation. This phase requires cooperation with the partners selected in refining the project plan. Any customization needs for technology must be identified, for example, with using gap analysis by the lead developer, database developer and front-end developer. All business processes need to be examined, assessed and priorities are created for customization. Then prototype design, testing, modifying and roll-outing starts to customize the CRM suitable for end-users. After this, companies move to phase five, which is performance evaluation. Project outcome is evaluated in the means of time and budgeted delivery. Evaluation requires going back few phases to compare the actual outcomes to the original objectives. Business outcomes can be evaluated multiple times as where users learn to use the new system properly. Training employees is an important factor in enhancing business outcomes. (Buttle 2009, 89-91.)

### **3.2 CRM solutions**

Customer relationship management can support specific business goals, strategic, operational, analytical and collaborative CRM as acknowledged in chapter 2.1. A simple search about CRM software showed more than five hundred systems and solutions to choose from.

When it comes to CRM software, they have four categories: outsourced, off-the-shelf, customized and managed solutions. Outsourced CRM solutions are web-based and often include cloud CRM software. Outsourced CRM solutions are quick to implement, and usage doesn't require much skills, but they only serve best if the enterprise is going towards e-commerce and cloud computing. Off-the-shelf CRM solutions are the cheapest CRM packages that integrate with existing packages. Those solutions are standard software components, which may not always deliver what's needed for the company in the means of functionality, but as cut-down versions they suit to smaller businesses. Custom CRM solutions are customized to correspond the needs of the company with help of consultants and software engineers. Customized solutions are often expensive and time consuming and it is important to know what exactly is needed for the custom CRM software. Managed CRM solutions involve renting customized suite of CRM applications as a tailored package. Managed solutions tend to be cheaper but not as functional as the custom solutions. (NIBusinessInfo 2018.)

CRM solutions can be hosted or on-premise CRM packages. On-premise CRM, also called offline or installed CRM, is popular choice amongst large-scale enterprises, as it can be installed on company's own servers. Hosted CRM, also called online CRM, is popular choice for mid-size and smaller enterprises as it can be accessed via Internet from the vendor's servers. Hosted CRM solutions can be also called application service provider (ASP) model or software-as-a-service (SaaS) model. Several studies have been conducted about hosted and on-premise CRM cost-structures. The studies show that on-premise CRM is often more expensive to implement than the hosted CRM with its per user monthly fees, but in the long run, on-premise CRM tends to become cheaper. If one CRM solution is not enough to fulfil the company's needs, it is possible to opt online CRM solutions for particular tactical or departmental issues or even use a hybrid mix of hosted and on-premise solution, given that the solutions have same underlying data models. (Buttle 2009, 85.)

The ten best CRM Software in 2018 are: Salesforce CRM, Hubspot CRM, Zoho CRM, Microsoft Dynamics CRM, SugarCRM, SAP CRM, Infor CRM, Oracle CRM, Sage CRM and Siebel CRM. (InfoClutch 2018.) General information and key features of each are presented in figure 3 from the world's first to tenth.

The world's leading CRM solution, Salesforce, offers a hosted CRM software. Salesforce is an on-demand CRM application suitable for small, midsize and enterprise organizations. The

Salesforce app offers capabilities to sales management, marketing automation, partner relationship and customer service to help organizations manage customer accounts, track sales leads, conduct and monitor marketing campaigns and provide post sale. Salesforce for Outlook provides possibility to synchronize contacts, calendars, emails and tasks in both applications. Salesforce for smaller businesses allows users to manage contacts, track sales deals, manage different tasks and events, harvest leads and track performance. The Salesforce enterprise edition includes call scripts, team-selling functionality, business workflow, setup approval and automation, custom applications and so on. Salesforce is also available as software as a service (SaaS) model. Salesforce's customer success platform includes an artificial intelligence tool, Einstein, that helps the CRM grow smarter in the means of giving advices to the users. (Salesforce 2018.) On softwareadvice.com customers of Salesforce have given positive feedback about the system's analytics and other functions, possibility of customization and the fact that it can be used on multiple devices. Some customers say the system is easy to use since beginning, when others have needed a lot of training to be able to use it. Salesforce provides tutorials to ease the need of training.



CRM Software	About	Key Features
	<ul style="list-style-type: none"> <li>• Known to be the world's best CRM platform.</li> <li>• Tracks all customer data and helps to get more leads.</li> <li>• Cloud-based.</li> <li>• Free set up.</li> <li>• Works also offline on any device.</li> </ul>	<ul style="list-style-type: none"> <li>• Fast path from idea to app.</li> <li>• Easy.</li> <li>• Quick.</li> <li>• Effective.</li> </ul>
	<ul style="list-style-type: none"> <li>• Free CRM app.</li> <li>• Smart and easy.</li> <li>• Functions for details of customer's communication.</li> <li>• Dashboard for company's activities.</li> <li>• Integrates with Microsoft Dynamics, Salesforce and others.</li> <li>• Flexible and robust.</li> </ul>	<ul style="list-style-type: none"> <li>• Manages interaction between company, prospects and customers.</li> <li>• Enables revenue forecasting.</li> <li>• Measures sales team productivity and reports revenue scores.</li> </ul>
	<ul style="list-style-type: none"> <li>• Web-based on-demand solution.</li> <li>• Helps streamline sales, customer support, marketing and inventory management.</li> </ul>	<ul style="list-style-type: none"> <li>• Available in multiple languages.</li> </ul>

FIGURE 3  
(continues)

<p>FIGURE 3 (continues)</p> 	<ul style="list-style-type: none"> <li>• Designed to attract, satisfy, retain and grow business.</li> <li>• Lead and contact management, sales pipeline management and purchase control.</li> <li>• Offers real-time service for customers via phone, live email chat and social media.</li> </ul>	<ul style="list-style-type: none"> <li>• Automates business activities by tracking sales and engaging customers on different platforms.</li> </ul>
	<ul style="list-style-type: none"> <li>• Includes modules of sales, marketing and customer care.</li> <li>• Helps reduce time to market, improve brand consistency and deepen customer insights.</li> <li>• Effective planning, flawless execution.</li> <li>• Engages customers with marketing acceleration.</li> <li>• Easy to use.</li> <li>• All-in-1 solution connecting finances, service, sales and operations to streamline business process, enable growth and improve customer interactions.</li> </ul>	<ul style="list-style-type: none"> <li>• Modern approach to business applications.</li> <li>• Helps unify data and relationships.</li> <li>• Build intelligence into decision making and achieving better results.</li> </ul>
	<ul style="list-style-type: none"> <li>• Commercially licensed open source software.</li> <li>• Greater control, lower lifetime and ultimate flexibility.</li> <li>• Variety of editions and add-on tools.</li> <li>• Includes supporting teams based on user groups per department or function.</li> <li>• Runs reports and charts.</li> <li>• Web-based versions for iPhone and Android smartphones with plug-ins for Microsoft office.</li> </ul>	<ul style="list-style-type: none"> <li>• Editions for different needs: Sugar Professional, Sugar Enterprise and Sugar Ultimate.</li> <li>• Reports and charts can be added to home screen.</li> </ul>
	<ul style="list-style-type: none"> <li>• Integrated CRM software provided by SAP.</li> <li>• Supports end to end customer related processes.</li> <li>• Helps with customer acquisition and retention.</li> <li>• Performs activities related to marketing, sales, service delivery and other customer-facing front-end activities.</li> </ul>	<ul style="list-style-type: none"> <li>• Tool of SAP ERP functionality.</li> <li>• Enables knowing customers, maximizing profit and revenue expansion.</li> </ul> <p>FIGURE 3 (continues)</p>

FIGURE 3  
(continues)



- Accelerates customer engagement, drives profitability and enriches the customer experience.
- Capabilities for managing sales, marketing and customer service.
- Mobile CRM capabilities for managing contacts, accounts and opportunities.
- Multiple options: cloud, on-premise and hybrid environments with named, concurrent, flex and subscription licences.

- Built for business with less than 1000 users.
- Deep integration.
- Industry specific capabilities and unparalleled flexibility.



- Broad, profound capabilities to drive sales, loyalty, marketing and sales effectiveness.
- Streamlines business processes and improves quality.
- Allows all departments use same data.
- Hosted, on-demand SaaS application.
- Provides analytics with customer service, marketing and contact management.

- Enables companies get smarter, more productive and get the best value period.



- Easy to use.
- Quick to deploy in cloud or on-premise.
- Deliver rapid return of investment (ROI).
- Highly scalable and customizable.
- Low-cost ownership.
- Optimizes business, improves customer service, reduces spending, empowers employees, helps in problem identification and provides leverage.

- Works with Sage's business management solutions.
- Helps achieving single customer-centric view across the organization.

FIGURE 3  
(continues)




<p>FIGURE 3 (continues)</p> 	<ul style="list-style-type: none"> <li>• Complete solution by Oracle.</li> <li>• Helps achieve growth and deliver excellent customer experiences across all channels.</li> <li>• Essential role in providing Oracle Customer Experience in store, mobile and wide range of Oracle foundation tools.</li> <li>• On-premise and on-demand CRM solutions tailored per company's needs.</li> <li>• Role-based customer intelligence and pre-built integrations.</li> </ul>	<ul style="list-style-type: none"> <li>• Server framework to support Oracle applications.</li> <li>• Solutions for deployment, development, diagnostic, productivity, integration and mobile services.</li> </ul>
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FIGURE 3. Ten best CRM software for business in 2018 and their key features. (InfoClutch 2018.)

Choosing the right CRM supplier must be done with care to avoid too high or unexpected extra expenses. Many suppliers offer free evaluation software that the company may try the system before buying, so it's possible to test if the software is the best choice for the company needs. It is necessary to know the exact costs i.e. one-off purchase, annual renewable license, a charge for each user, cost of technical support, consultancy, training and so on. Another important point is the scale of the system, if it can cope with growing customer base. Also, it is good to see what the current users of the potential CRM system think of it and how satisfied they are. (Info Entrepreneurs 2009.)

### 3.3 IDIC model

IDIC is an abbreviation for a model which includes four tasks of implementing customer relationship management. The IDIC model (FIGURE 6) was developed by Don Peppers and Martha Rogers in 2004. The tasks are identifying customers, differentiating them, interacting with them and customizing some aspects of the company behaviour. The IDIC process aims to generate trust and successful learning relationships. The process requires same aspects as customer relationships in general: mutuality, interactive behaviour, development over time, benefit for both parties and unique relationships. Also, plenty of customer information is needed because customers are considered as assets to any company. For the data collection and



other functions, it is important for the company to have some IT-capabilities as well. (Peppers & Rogers 2004.)

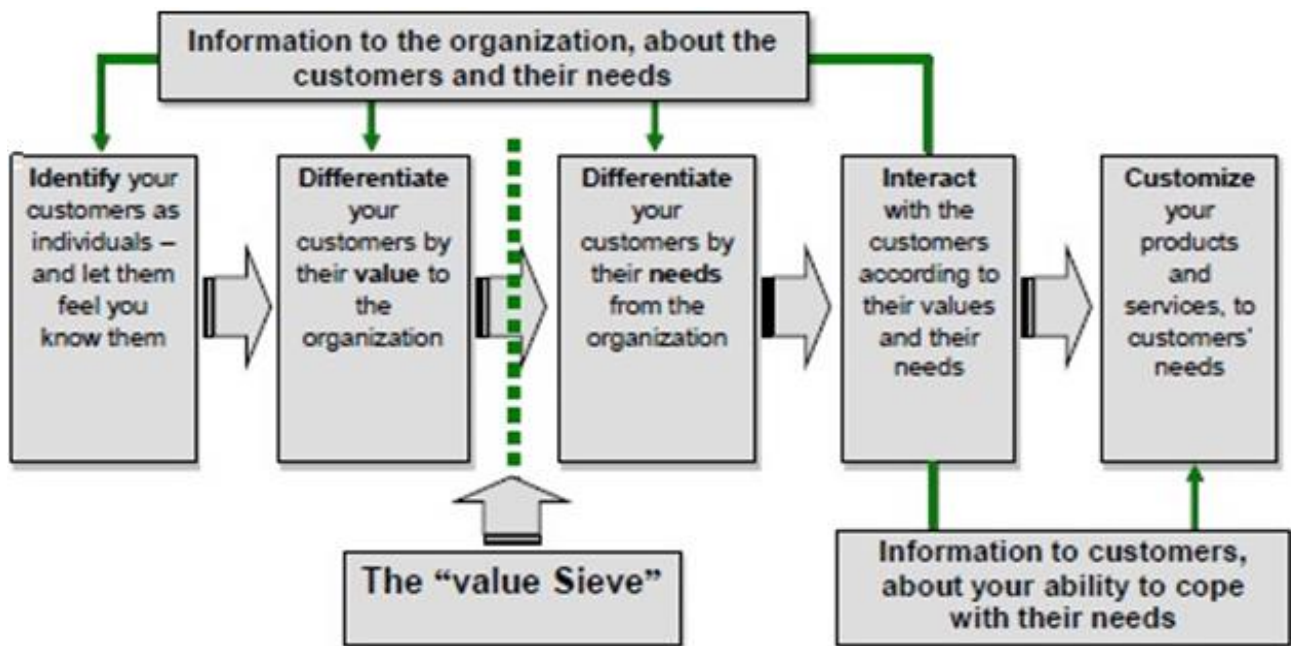


FIGURE 4. IDIC Model. (Peppers & Rogers 2004.)

### 3.3.1 Identifying customers

The first task is to identify customers. An enterprise needs to know details about who the customer really is, so that they can build a deep understanding of the customer's needs and behaviour. The identifying process starts with company asking themselves, what are the things they already know and what more is necessary to find out about the customer. Once valuable customer information is defined, find it, collect it and then link it to customer-specific transactions. In other words, company should make an inventory of all previous knowledge and then the information should get integrated into company's electronic systems. Customer must be recognized at every access to the organization, meaning websites, stores and call-centres. Data must be stored, maintained and continuously updated. This leads to analysing the gathered customer information and making it available, at the same time making sure to protect and secure the data from unauthorized use. (Peppers & Rogers 2004, 87-94.)

Because the idea is to build a relationship, this process also needs customers to identify themselves. For example, at a sales contest or at sponsored events, it is possible to ask customers' names and other basic information such as email, home address and phone number. For some purposes, customers' demographics, like age, gender, income could be useful. It is also a great opportunity to gather data about customers' attitudes to the product or service being sold. Worthy information could also be the lifestyle of a customer. Companies often want to know about the communication channels which the customer uses, so that marketing can be done through right channels. From purchase and buying habits of a customer it is possible to ask about price-sensitivity and frequency of purchases. The knowledge about customer's identity always must be linked to their actual transactions. (Peppers & Rogers 2004, 92-93.)

Customers are not always individual people, they can also be businesses. In business-to-business setting, abbreviated B2B, it is often difficult to identify the end users of the product. This is because the B2B enterprises need to recognize several people at the other side of the relationship. Everyone who is involved in ordering, receiving and using the product within the business customer, must be recognized and most of all, the B2B enterprise needs to find out about the product's end users. However, the end users could be easier to identify if the B2B company would provide some additional help, manuals, trainings and such for easier usage of the product. Also, if the product requires any additional supplies, the B2B company should provide those straight to the end user and, if the product sold is something that requires maintenance, calibration or other services, provide them too. Finally, because relationships can't be one sided, the customers themselves must reveal their identity by using the services of the B2B company. (Peppers & Rogers 2004, 95.)

### **3.3.2 Differentiating customers**

Every customer brings different value for the enterprise depending on frequency of purchases, reviews and such. According to Don Peppers and Martha Rogers, "it makes no sense to spend the same resources on all customers, as if they were all worth the same". The idea of differentiating customers is understanding how the customers differ from one another based on their needs, behaviour and value. With differentiating customers, the enterprises aim to provide better relationship approaches, products, services for the future. It is important that the company understands the difference in customers on creating value and that the company knows their

most valuable customers. Competitive efforts must be prioritized so that more time, effort and resources is allocated for customers who enhance higher returns for the business. When differentiating customers, it is critical to group customers based on specific variables. Once customers are differentiated, the company can create customer-specific strategies to satisfy customers' individual needs. Differentiating customers helps the company to find ways to reduce cost of serving the customer while maintaining customer satisfaction. (Peppers & Rogers 2004, 113-115.)

Customers can be differentiated to their potential and actual value. Potential value tells how much more of customers' business could be captured if the company modifies their customer treatment. An enterprise must be aware of their competitor situation on same market. Then it's necessary to think if the company could pry away the competitor's customer with right kind of approach. Also, companies should try to prevent customer defection, capture customers' additional value and find out if there is any purchase interest in other production lines, services and products. A company should aim to provide their potential customers what they need at a right time. Another interesting quality of differentiating customers is the customer's willingness to refer their experiences about the company. Worth-to-mouth has always been powerful tool to spread knowledge about company, nowadays the social media sharing and ratings are part of positive impact given by the customer. Actual value tells about the customer's value as an asset for the company, given the current information about the customer now and in future. (Peppers & Rogers 2004, 116.)

Differentiating really is about understanding that different needs require different approaches. Understanding different customers' needs helps the company to create more effective marketing campaigns. For example, the company needs one approach for the customers who buy luxury products and another approach for those who prefer reliable cost-effective products. On sales perspective, different customers should get different sales-speeches about the same product. On advertising point of view, the company should think about different channels of advertising for different people, for example radio for older people and Facebook for the younger. Customer service should also be adjusted considering each customer's needs. For example, at an electronic shop, some older customers need more time to understand technological terms than young customers. (McQuerrey 2018.)

### 3.3.3 Interacting with customers

Identifying and differentiating customers are essentially analytical, core efforts for enterprises in the scene of CRM. The next step is interacting with customers one-to-one to achieve better understanding and increase amount of data, such as needs and potential value, about them. Briefly, interacting aims to build a learning relationship with customer. Interaction and communication are fundamental for any relationship to work and the studies have shown, that enterprise-customer communication is beneficial for both. Interaction is visible for the customer and every time a customer contacts a company, they get an impression about the company interest on feedback. If a customer contacts the company, interaction is considered customer-initiated. Most commonly those interactions include some of following matters: orders and payments for products and services, product or service specifications, inquiries, requests, complaints, disputes or fan letters. Company-initiated interaction can be about order fulfilment, product delivery, invoicing, billing, selling, persuading, promoting, informing, educating or benefiting. (Peppers & Rogers 2004, 179-182.)

Interaction should be done with careful consideration about who the company interacts with. The information about customer should be equal at each point where the customer interacts with the company. With the top customers, no selling is needed because they are likely to buy from the company anyway, but instead it is important to ask if they are happy. If the company has lost valuable customers, it is important to give them reasons to return by call or email. E-mail addresses also give opportunity to follow up customers. Personalized messages have proven to give customers better experience of interaction than traditional mass-marketing messages. To test the level of interaction in the enterprise or competition, the company should give several mystery-shopper visits or calls to the company itself and then evaluate if the service functions well or not. The enterprise can, for example, evaluate the friendliness and helpfulness of the service and the time spent at the system, waiting times and so on. Testing helps to find out what needs to be fixed and modified. Whenever a customer contacts the company, it is also an opportunity to get them buy more with special offers and such. (Peppers, Rogers & Dorf 1999, 154.)

Internet of customer means that behind every device there's a person, a customer. Smartphones have given a great number of opportunities for customers to make purchases at

anytime, anywhere, day and night. Social media is the most visible part of internet of customers. For enterprises, this development has brought new opportunities to interact with customers and statistically customers ask 100% more questions on Facebook every year. For instance, companies have started advertising on Facebook and spreading the word of the company in Twitter. Customers have certain expectations from social media interaction, from which most important three are speed, personality and listening. Studies have shown that 32% of customers expect to wait for answers in social media for 30 minutes and 42% can wait for an hour. Customers expect personally tailored, direct and clear answers from companies. Enterprises are expected to listen and actively follow common thoughts about the company. It also has been studied that if customer's questions and requests are answered in a way that satisfies them, they are more likely to spend more on company's services and products. Customers are more likely to speak about bad service to another person than good service, and that's why bad service should never happen. (Löytänä & Korkiakoski 2014, 112-114.)

To understand customers better, the company needs to maintain intelligent interaction with the customers. Intelligently interactive enterprise uses every interaction to learn more about the customer. Whenever customer contacts the company, the receiving person should be able to view customer's history and the next question they should ask to improve customer service. To minimize customer effort, product- or service-focused questions should be avoided unless the matter is about specifying product or service. Questions that strive from organizational goal and customers' underlying needs or motivations are called golden questions. Golden questions are good, simple questions that require little effort from customer to answer. (Peppers & Rogers 2004, 180-181.)

### **3.3.4 Customization**

After doing the first three steps of IDIC process, the enterprise can customize their value proposition to attract potential customers and retain current ones. Customization is an important step to be made, since CRM aims at segment, to create individual relationships that are mutually beneficial for both parties. Customization is about using all information about customers to customize or personalize some business aspects and eventually increase customers' contribution to the business. "The whole point is to know more about a customer than the competitor

does, and then to deliver something in a way the competitor cannot". (Peppers & Rogers 2004, 255.)

Marketing mix is a tool used by companies to develop value propositions. Marketing mix traditionally includes the 4Ps that stand for product, price, promotion and place, but the studies have shown that those four are not enough to describe all special attributes. Later, three more Ps have been added; process, participants and physical evidence, to complete the marketing tasks. For manufacturing, processes like order fulfilment and product development are possible to customize based on customers' requirements. Participants in marketing mix refer that people must get the service they deserve and can afford. Models and samples of any kind are physical evidence that could also be customized to fulfil customers' desires. (Buttle 2009, 192-195.)

Studies show that it has been most efficient to use mass customization, where enterprise mass-produces custom-made, personalized products based on customer needs. In practice, modules are produced and later put together and adjusted to correspond customer's needs. This requires understanding the components of the product or service, how they can be connected to or taken apart from each other. (Peppers & Rogers 2004, 256.)

Companies that mass-customize, use flexible processes and organizational structures to create value propositions that are varied and tailored for individuals. Key questions for customizing are if the customers want customized products and services, how much customization is needed and if the customers are willing to pay more for customized products or services. There are five types of mass-customization: match-to-order, bundle-to-order, assemble-to-order, make-to-order and engineer-to-order. On the first type, company simply offers a selection of products to match customers' requirements, on the second some products are bundled to complete the requirements. On assemble-to-order, existing components are put together to meet the requirements. Make-to-order is manufacturing customized products with components for customers and engineer-to-order takes the customer to the designing process so that the product is customized completely. (Buttle 2009, 196.)

It is important to do customization so that the process does not have higher costs than the expected return. Customization must be visible for customers, therefore informing is important. It should be clear, which benefits the customization brings for the customers. (Schade 2016). For customizing an enterprise may customize their paperwork to save time and personalize

their direct mail and give individualized offers to customers. Asking customers about ways to contact them as well as finding out what the customer wants and finally doing it as they want is customization. Reacting to feedback and based on it making improvements is also an activity of customization. (Peppers et al. 1999, 153.)

## **4 ADVANTAGES OF CUSTOMER RELATIONSHIP MANAGEMENT**

The advantages of CRM extend beyond running the business and its closest relationships. CRM helps companies get, keep and grow their customers, which is important, because customers are the main assets of any business. CRM helps to identify customers, differentiate them, interact with them and customize for them. CRM systems are integrated into software system that facilitates the collection, organization and management of customer's information. Customer's information is something that companies can use to improve some aspects of the product, service and other business. Implementing CRM is a challenging process, which should be done with care to benefit from the use of the system. In this chapter, the advantages and challenges of CRM will be examined.

### **4.1 Advantages of CRM**

Customer relationship management is useful for all departments within companies. CRM helps to focus on customer and it enhances better sales, marketing and other business functions that finally lead to revenue. CRM system collects and stores data about customers and their history so that the enterprise knows what to offer at what time, for how much and where, better than the competitors can. As all relationships are not equally profitable and knowing the ones who matter makes it easier to set targets for marketing and sales. CRM enhances value creation on the company brand, product or service and customer relationships. CRM helps companies cut down costs of customer acquisition and save time. Saved time increases productivity and has a positive effect on company reputation in terms of reactivity. (Info Entrepreneurs 2009.)

All CRM systems help to manage customer contact information, which is often big data depending on the number of customers. When customer information is managed with a CRM system, the data is easier to access across all departments of the company and at best, CRM enhances better collaboration of the departments. CRM has potential for managing sales pipeline or territory results for opportunity developing and progress tracking. CRM system provides useful data for training, leads and prospects handling. Reporting automation helps companies save time and keeps information up-to-date. When the CRM system holds real and current data, the company can make better management decisions. It is simpler to optimize product



mix of the company and sales forecasts are more accurate, when the customers' needs and behaviour are acknowledged by the system. (Dancer 2016.)

CRM helps in improvement of customer service. CRM enhances focus for customers and generates trust and loyalty of customer. Because of CRM system's capability to maintain a repository of each customer's specific needs and transactions, companies can give individual and personalized service. Knowing customer's former purchases ensures that the customer does not get irrelevant promotion, for example of products they bought recently. Also, cross and up-selling of products becomes easier when it is known, what the customer is interested in. Studies show that companies who put effort on customer service and efficient use of customer data are more successful. (Taylor 2014.)

CRM has a positive impact on employees as well. CRM system teaches them to analyse and handle important data. Studies show that CRM system makes employees and management teams more experienced and efficient than they were before the system implementation, without any external training investments. CRM eases the analytical and marketing tasks so that it is possible to cut the number of employees and so save in costs. (Saini 2018.)

## **4.2 Challenges of CRM**

If CRM is poorly planned, it is difficult to manage. Poorly managed CRM process is likely to fail. Challenges of CRM are often due to the wrong implementation, therefore the implementation process must be planned and executed with care. As each CRM implementation is unique process, it should be considered a necessity that requires special approaches. Companies often misunderstand that new way of acting and implementing supporting software is an easy process which happens automatically. (Oksanen 2010, 11.) Other challenges arise from company culture, leadership and company's internal communication. It makes a difference, whether things are given as informing orders or if the matter is discussed and employees are taken along. CRM implementation requires commitment and strong leadership. Leaders should lead by example and push for customer focus. Achieving customer focus requires understanding customers' perspectives and possibly cultural change at the company. (Oksanen 2010.)

Companies may suffer from loss of originality and uniqueness if teams are not committed or the CRM system does not answer their needs. Since CRM systems can be customized to fit the needs of the company, it makes no sense to implement solutions that do not fulfil those needs. If it is difficult to decide which system the company should use, it is better to implement CRM system in small, manageable pieces. CRM systems can also be personalized to better fit the brand image of the company. (Saini 2018.)

Sometimes companies fall for short-termism in their actions. Short-termism is excessive focus on short-term results and it is harmful for long-term interests. CRM aims to create a learning relationship and grow overall value, which both are long-term interests and if they are harmed, the whole system might fail. It is good to follow the frequency of purchases and aim at increasing them. Sustained performance should be the goal instead of short, quick wins. (Davis 2016.)

Communication is important when implementing CRM. If the company's internal communication is poor, the employees won't know what information is needed, how to find it and how to use it. It is crucial to inform the employees about CRM before implementing, and once the system is implemented, train the employees to use and understand it. Employees often need training on using the system and luckily many CRM vendors offer training for the system users. Companies must give enough time for employees to go through CRM system training and its database and analytics. Organizational boundaries with little communication might cause the failure of CRM. If there is a gap between sales and marketing departments of the company, it is likely, that the gap remains when implementing CRM. Customer acquisition influences customer growth and retention and therefore marketing and sales departments should be closely connected within the company. (Davis 2016.)

If the company is international, the distance between offices might be a challenge. In the beginning of implementing CRM, international companies must set up a team to implement the system at each location where company operates. Communication is mandatory and face-to-face meetings are highly recommended via any channels. Implementing fails if the distant offices are not involved to the implementing process since the beginning and if there are not enough resources for traveling to the location for the meeting. International companies also need to pay attention to the resources available at the international offices and language issues. (Oksanen 2010, 44-45.)

Although one of CRM's core ideas is relationship where the customer is treated like an individual, many companies fall for behaviour assumptions towards certain groups. Customer's needs should be observed from what they are looking at, how often they do it and through which channels. These days people have lower tolerance to irrelevance, so it is important to optimize emails so that customers only get messages or advertisements of what they could be interested in. Customer data analysing helps in finding the optimal approaches. For example, customer's purchasing data can be used for predicting their next purchase. (Davis 2016.)

## 5 CASE COMPANY: URAKOINTIASENNUS M. RAUTIO OY

The method used during the thesis research was qualitative approach, a semi structured interview. The interview was set to find out the company's activities related to customer relationship management. The interview (APPENDICES 1&2) was conducted with Tapio Helin, from Urakointiasennus M. Rautio Oy in Kalajoki. The interview conducted via email during November 2018. The respondent was contacted by phone and email. The aim of this chapter is to introduce the case company and present the results of the research.

Urakointiasennus M. Rautio Oy was founded in 1983. The company's office, storage and production spaces are in Kalajoki, Northern Ostrobothnia. The company has 10-15 employees. Their business approach is customer oriented and the company has long experience, they promise effectiveness and fast reaction. The company produces high quality structural steelwork. Their service includes manufacturing, installation and planning when needed. Urakointiasennus M. Rautio Oy is specialized in challenging structural steelwork, noise barriers, heavy lifting, bridge maintenance and repair activities. (Urakointiasennus M. Rautio Oy webpage.)

Company's vision is to be Finland's leading noise barrier provider and a wanted partner in challenging structural steelwork supply and installation projects. Company value is to be creative and trustworthy partner. Their mission is to be productive operator offering additional value. Urakointiasennus M. Rautio Oy's competitors are other structural steelwork enterprises which operate within the same segment. As their competitive advantages, Helin listed flexible organization, long experience of the field, procurement and fast reaction for the needs of the market and customers. Responsible of Urakointiasennus M. Rautio Oy's CRM is mostly their CEO and other operative management. The company highly values on customer experience in their company culture. Customer experience is regularly measured, customers are listened to and the company continuously develops their activities based on feedback.

According to company's website, their activities have customer-oriented approaches. Helin described that it is typical for the field of business that projects come with surprises no matter how carefully the planning has been made. Customer-orientation comes along when a project needs solution for the problem. With dynamic organization it is possible to react fast on these

problems and help the customer get to the desired result. In project implementations the company aims to constantly improve their performance and procedures for improved scheduling, cost-effectiveness, quality and product. These improvements leave more time to spend to the customer.

The company has not implemented any CRM systems, because their customer segment is relatively small and therefore manageable. They operate only in B2B context. Customer information is mostly gathered from the internet and different service providers, including background information such as the decision-makers, employees and economics of the business customer. Interaction with customers happens through direct and written contact, media, advertising and trade fairs. There is no written policy for interacting with customers, in the public relations the responsibilities are named. Customization of products and services is made according to customer's wishes. Helin explains that almost every project includes features related to the customer.

## 6 CONCLUSIONS AND RECOMMENDATIONS

The aim of this thesis was to provide an overall understanding of customer relationship management as a concept, its' implementation and advantages. To sum up, customer relationship management is a learning experience about customer behaviour to get, keep and grow customer base of an enterprise. It is necessary to understand and influence customer behavior through meaningful analysis for the company to be able to improve customer acquisition, retention and profitability. CRM enhances better sales, marketing and other business functions that finally lead to higher return on investment. CRM enhances also value creation on the company brand, product, customer service and customer relationships.

It is now understood, that CRM system collects and stores data about customers so that the enterprise knows what to offer at what time, better than the competitors can. The study showed, that there are hundreds of CRM solutions available for different purposes for companies of all sizes. CRM project implementation is not easy, it is a time-consuming process, which should be done with commitment and care to get the most benefit from the use of the chosen system. Steps of implementing CRM were introduced and by following them, challenges can be expected and by overcoming them the implementation is likely to succeed. As it turned out, CRM implementation is not only about technology: people and processes play an important role as well. The company's change towards customer-centricity must be driven since the beginning, starting from the top management to all employees at each department.

The IDIC model was about identifying customers, differentiating them, interacting with them and customizing for them. Every company should know who their customers are and how they differ from each other. Interaction with customer depends on individual customer's behaviour and it shouldn't be done too little or too much. Customization is using customer information to personalize some business aspects and eventually increase customers' contribution to the business. IDIC model is a useful tool for generating trust as it aims for a learning relationship.

The interview showed that the chosen case company had not implemented any CRM system due to small, manageable customer segment. However, it was nice to see how Urakointiasennus M. Rautio Oy's culture is customer-oriented and customer experience is highly valued. The

interview results showed that the company is a trustworthy partner who considers customers' needs and is a learning organization in terms of customization. If Urakointiasennus M. Rautio Oy ever needs tools for managing customer relationships, I believe this study gives useful information about the concept.

Information for this research was based on books provided by Centria library and additional information was applied from online sources that I found reliable. For external information on customer relationship management, I particularly recommend the books by Buttle (2009) and Peppers & Rogers (2004). Interesting information in Finnish can be found in the books by Oksanen (2010) and Löytänä & Korkiakoski (2014).

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## APPENDIX 1

Survey: English version

Company introduction: In addition to information found from company websites I would like to know:

1. How many employees are working for the company?
2. Company vision, values and mission?
3. Main competitors of the company? What are your competitive advantages?

Customers are main assets to company, without customers companies can hardly succeed. A customer can be an enterprise or an individual. Company culture affects customer experience and customer experience affects customer loyalty. A Customer is five times cheaper to retain than acquiring new ones.

1. Who is responsible for customer relationship management? Is there a named person?
2. Does your company culture emphasize customer experience?
3. On your websites it is said that company activities are customer oriented. How does it show in practice?

For customer relationship management, there are hundreds of CRM systems available with different functions. CRM system helps with e.g. managing customer relationships, finding new customers and creating sales and marketing strategies. CRM system also offers tools for customer support and analysing. Implementing CRM takes time, because system users (= employees of the company) often need training to know how to use the system.

1. Are you using any CRM system? Which one?
2. Which applications of the system do you exploit?
3. Were there any challenges in implementing the system? Which?
4. Does the system function well? Are you happy with the current system?

In my thesis I am introducing IDIC model, which is a relevant part of customer relationship management. IDIC = Identify, Differentiate, Interact, Customize. IDIC model creates trust and successful customer relationships. Only necessary information of the customer is gathered. Customers are different, they have different needs, behaviour and value, therefore they should be treated as individuals. Interaction between company and customer aims to build better customer relationships and each interaction occasion is a chance for the company to learn more about their customer. Customization is modifying some aspects of company behaviour to meet the customer's needs. For example, components and modules that can be put together based on customers wishes, are customized products.

1. What customer information do you gather?
2. How do you gather customer information?
3. How your customers are segmented?
4. How does your approaches differ between customer segments? (e.g. advertising through different channels to different age groups)
5. What are the ways of interaction at your company?
6. Do you have guidelines for interaction? (e.g. certain way of acting in customer service)
7. How does the company customize products/services?

## APPENDIX 2

Survey: Finnish version

Yrityksen esittely: nettisivuiltanne löytyvien tietojen lisäksi minua kiinnostaa:

1. Montako työntekijää yrityksessä on?
2. Yrityksen visio, arvot, missio?
3. Yrityksen kovimmat kilpailijat? Mitä kilpailuetuja yrityksellänne on?

Asiakkaat ovat yrityksen tärkein voimavara, ilman asiakkaita yritykset eivät voi menestyä. Asiakas voi olla yritys tai yksityishenkilö. Yrityskulttuuri vaikuttaa asiakaskokemukseen ja sitä kautta asiakkaan uskollisuuteen. Asiakas on viisi kertaa halvempi pitää, kuin hankkia uusi asiakas.

1. Kuka vastaa asiakkuudenhallinnasta? Onko nimettyä henkilöä?
2. Painotetaanko yrityskulttuurissanne asiakaskokemusta?
3. Nettisivuillanne sanotaan toiminnan olevan asiakaslähtöistä. Miten tämä näkyy käytännössä?

Asiakkuudenhallintaan on saatavilla satoja CRM-järjestelmiä erilaisilla toiminnoilla. CRM-järjestelmä auttaa mm. hallitsemaan asiakassuhteita, löytämään uusia asiakkaita sekä luomaan myynti- ja markkinointistrategioita. CRM-järjestelmä myös tarjoaa sujuvia ratkaisuja asiakastukeen ja analyysihin. CRM-järjestelmän toimeenpano vie aikaa, sillä ohjelman käyttäjät (= yrityksen työntekijät) usein tarvitsevat koulutusta osatakseen käyttää sitä.

1. Onko käytössänne CRM-järjestelmä? Mikä?
2. Mitä toimintoja järjestelmästä hyödynnetään?
3. Oliko järjestelmän toimeenpanossa haasteita? Mitä?
4. Toimiiko järjestelmä hyvin? Oletteko tyytyväisiä nykyiseen järjestelmään?

Esittelen opinnäytetyössäni IDIC-mallin, joka on olennainen osa asiakkuudenhallintaa. IDIC = Identify, Differentiate, Interact, Customize. IDIC-malli tuottaa luottamusta ja menestyneitä asiakassuhteita. Asiakkaasta kerätään vain tarvittava tieto. Asiakkaat ovat erilaisia, heillä on erilaiset tarpeet, käyttäytyminen ja arvo, siksi heitä pitäisi kohdella yksilöinä. Yrityksen ja asiakkaan välisellä vuorovaikutuksella pyritään rakentamaan parempia asiakassuhteita ja jokainen vuorovaikutustilanne on yritykselle mahdollisuus oppia lisää asiakkaasta. Kustomointi on jonkin yrityksen osa-alueen muokkaamista suuntaan, joka vastaa paremmin asiakkaan toiveita. Esimerkiksi komponentit ja moduulit, jotka voidaan yhdistää asiakkaan toiveiden mukaan, ovat kustomoituja tuotteita.

1. Mitä tietoja asiakkaastanne kerätään?
2. Miten asiakkaan tietoja kerätään?
3. Miten asiakkaanne jaotellaan?
4. Miten lähestymistavat eroavat toisistaan asiakasryhmien välillä? (Esim. mainonta eri kanavissa eri ikäluokille).
5. Minkälaisia vuorovaikutustapoja yrityksessänne käytetään?
6. Onko yrityksellä ohjetta vuorovaikutukseen? (Esim. asiakaspalvelussa tietty tapa toimia)
7. Miten yritys kustomoi tuotteita/palveluita?