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Benefits of having a CRM system in addition to an ERP system

Case study: Company X

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<p>This bachelor's thesis' purpose is to investigate what benefits can a wholesale company gain from using a customer relationship management (CRM) system. The investigation aims specifically to identify the advantages that come when implementing a CRM – system into a wholesaling company that already utilizes an enterprise resource planning (ERP) system. By this research the client, a Swedish IT - software company Lundalogik Ab wished to expand their knowledge on customers in the industry.</p> <p>A deeper theoretical insight to CRM and ERP underlines the main functions of both of the approaches and systems. In order to find precise conclusions a qualitative case study researched what needs and benefits did a case company identify when implementing a CRM – system.</p> <p>The most important needs considering the CRM implementation revealed four major benefits gained by the case company. What the CRM – system enabled for them was an expanded database, targeted marketing, sales trend observation and customer potential.</p> <p>The case study findings provide the base for the conclusion that wholesale is a segment where customer relationship management improves operations conducted in the customer interface. The investigation resulted in finding many benefits that a wholesale company can gain by having a CRM – system in addition to an ERP – system.</p>	
Keywords	ERP, CRM,

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1 Introduction

The concept of customer relationship management (CRM) has become important for organizations as in the modern day the supply of products and goods in many industries is extensive. Today ever more companies compete from the same customers with a similar offering due to which once specialized products and services have become commodities (Kostojohn et al 2011, 1-10). As a result to the changed market environment, the supplier companies often have to change their business processes and systems in order to adapt to the new competition. Optimizing the adding of value with enhanced customer service and other customer benefits has therefore gained focus among suppliers.

The evolved customer-driven focus has created the need for supporting managerial practises and tools. As a result software systems such as enterprise resource planning (EPR) systems and CRM systems have received much attention, and the markets in question have grown (Gartner, 2016). Along the development some companies have opted for using an ERP system, others use a CRM system and the rest either have them both or do not have a system at all. The functionalities of these systems however differ and it can be questioned whether using one system is enough to fulfil users' needs on both operational and customer interface levels. The objective of this thesis is to research the surfacing question of what are the benefits of having a CRM system in addition to an ERP system. The research is done for a client company Lundalogik Ab, a supplier of industry specific CRM systems.

The research takes the perspective of implementing a CRM system in addition to an ERP system as that is more often the order of implementing these systems. According to Gartner predictions (2013), 2017 may be the first year in history when the market revenue of CRM exceeds that of ERP (see Appendix 1). Enterprise resource planning has been in the focus and acknowledged by companies before the new customer-driven focus attached to customer relationship management.

In order to investigate the subject matter of the thesis a case study of Company X will be provided. The scope of the researched benefits is specifically in the wholesale industry as that is the industry in which the client company wishes to expand their

knowledge. Company X has a year ago implemented a CRM system in addition to their ERP system and thus can give insight to the research question of the thesis. The theoretical background will provide the foundation of the empirical part of the research, which again forms the base for the conclusions.

1.1 Structure of the thesis

The introduction introduces the background of the thesis and the key concepts that are discussed in the work. In more detail the reader will be given a clear description of the research objective, and the associated research question. Also, the scope of the work is set and justified. Additionally a description of the client company Lundalogik Ab will be provided, and the research limitations will be discussed.

The theoretical part of the thesis serves in setting the guidelines for the research. The main concepts that are ERP and CRM will be further elaborated starting from their backgrounds and evolution, and continuing to their modern day use. After understanding the concepts, the importance of customer relationship management is discussed. Concepts that can be utilised in enhancing customer value are furthermore elaborated.

Following the theoretical part, the structure of the thesis continues to framework and methodology. In these sections the framework that is set based on the relevant theory and the methodology that defines the selected research methods are explained.

In the end of the thesis, the last two chapters conclude the research work in accordance with the prior explained theories. The conducted case study of Company X will be presented with its findings, and conclusions and suggestions are given based on these findings.

1.2 Research questions and objective of the study

The current market situation of high rivalry and an extensive supply of products and services has made customer relationship management a key topic of discussion. With ever more people paying attention to more customer-oriented management, the scope of relevant literature has as a result increased. The objective of strengthening the emphasis on managing customer relationships is at the heart of the relevant literature.

In this thesis the research follows the objective of the relevant literature by similarly emphasizing the importance of customer relationship management. As it is important to have well managed customer relations the relevant and supporting systems of ERP and CRM are analysed. Based on the analysis and the case study of Company X this research is intended to answer the following question:

Why it is beneficial to have a CRM system in addition to an ERP system when competing in the wholesale markets?

The scope of this study is to reveal the main functions of both ERP and CRM systems, and to reveal the importance of customer relationship management. When seeing the different uses of the systems, the research continues to answer the above stated research question.

For the client company Lundalogik Ab the interest for the research is in gaining insight to what benefits their customer company Company X has received from its implementation of CRM. The value in gaining this insight is better understanding of how other similar companies in wholesale could benefit from implementing a CRM system. Why the client company is specifically interested in the segment of wholesale is because wholesale is its most profitable and promising segment of business. The final conclusions and suggestions arising are given in light of the case study and the researched theories.

1.3 Lunbdalogik Ab

The client company Lundalogik Ab (Lundalogik) is an IT-software company established in 1990 in Lund, Sweden. In the beginning, the main function of the business was to provide freelance software development for companies but as market demand shifted the core business of Lundalogik followed. During the first few years market demand made customer relationship management systems the sole focus of the business (Lundalogik, 2016).

Within the new focus, Lundalogik has the whole chain including development, sales, implementation and support of their three CRM systems. Namely, the products that the company has are Lime CRM, Lime Go and Lime Easy. Lime Easy is a simple CRM system to manage customers, contacts, business opportunities and tasks. Lime Go is a

prospecting tool for creating calling lists, finding new business opportunities and managing a simple pipeline. Out of the three products, Lime CRM is the company's driving CRM system that has over 30,000 active users. With seven different industry specific solutions, Lime CRM can be tailored according to specific customer needs. The segment specific solutions include basic sales and marketing, customer service and support, membership, machinery, wholesale, construction and utility industries (Lundalogik, 2016). Applicable to all the segments, the industry expert solutions function as a starting platform from where Lime CRM is tailored. Lime CRM can be scaled into a company-wide system serving all departments or it can be a system for a few internal processes or departments (Lundalogik, 2016).

As a provider Lundalogik employs the one-stop-shop concept as its main competitive advantage. When considering a CRM system implementation Lundalogik carries out the whole process throughout. Unlike its competitors, the company has itself developed and continues to develop all three CRM systems. In addition there are no resellers, outside consultants or third party support services working with any of the company's products.

Behind the operations Lundalogik employs a personnel of 200 employees located in the Nordic region. How the employee base is divided is basically according to the line of operations Lundalogik has in house. As we can see from Figure 1, all employees (excluding the senior management) can be divided into developers, product and marketing, sales, consultants and customer support.

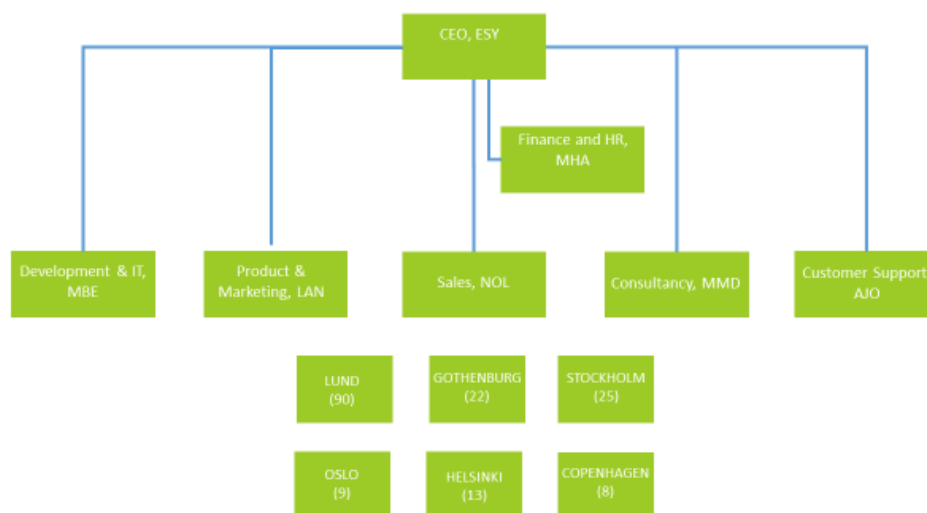


Figure 1. Organization structure of Lundalogik Ab, 2016.

Figure 1 also identifies the six offices that the company has within the four Nordic countries. After opening three offices in Sweden the first foreign offices of Lundalogik were opened in 2010 in Oslo, Norway (11 employees) and Helsinki, Finland (13 employees). The latest market expansion was in 2014 when Lundalogik opened an office of eight employees in Copenhagen, Denmark. Although since there have been no new market expansions, the year 2015 was also exceptional for the company. During that year Lundalogik became Sweden's market leader in systems for sales support and CRM, as measured by the number of users (Publicator, 2015). This calculation method was used due to the fact that Lundalogik's competitors additionally have many other business operations so their revenue is not solely from CRM and thus cannot be compared.

Becoming Sweden's market leader has meant that the company's revenue was approximately €17 million in 2016. Of this revenue about €1 million came from Finland, and from the efforts of eight employees during the first six months and 13 during the second half year (Lundalogik internal, 2016). The vision to raise the company as the market-leading provider of CRM systems also in Finland, Norway and Denmark is now one of the main objectives of the business.

The mission and vision of Lundalogik emphasise what the company is set on achieving and want all employees to contribute to. The mission of the company is to create customer magnets, and the vision to be the number one provider of CRM in the Nordics by making the users' working day easier and more fun (Lundalogik, 2016). How Lundalogik aims to reach this vision is by developing expertise in their industry expert segments. Out of the seven industry expert solutions wholesale has become the driving industry.

Due to the significance of wholesale for Lundalogik's vision, the case company was selected from within this industry. In detail, wholesalers commonly buy large quantities of goods, which they distribute to a network of retailers or resellers (Business Dictionary, 2017). The intent in wholesale is to purchase the goods in large bulks and sell in smaller quantities with a profit. As the purchased and distributed goods can be anything from beauty products to engine components wholesale is not only lucrative but large segment for Lundalogik to target.

1.4 Limitations of the research

In order to avoid generalizations it is important to point out two of the most obvious limitations of this research.

Firstly, as the research is carried out by investigating the benefits found in the specific case company the results are limited in a broader perspective. Given that the markets of software systems are wide and saturated by many suppliers there is a large variety of possible systems. Although the purpose of a CRM or an ERP system remains the same, differences can be found when looking at individual system functionalities. As a result, the revealed benefits of this research are relatively bound to their specific environment. Gaining the same results by researching other ERP or CRM systems cannot hence be validated or guaranteed.

Secondly as the research is conducted in the wholesale business sector the scope of generalizations is further limited. The factors that increase competitive advantage differ between different industries. Therefore the benefits identified within the wholesale case company are not straightforwardly applicable to other sectors. An example of a competitive advantage can for instance be exceptional logistics, which in some industries is crucial and in others play no part in increasing competitive advantage. However, by focusing on one segment of business the variety of different systems is not as vast as it would be otherwise. This allows greater comparability across cases.

As can be concluded from above, the case study is not designed to be a customer satisfaction survey. As a result, no quantitative satisfaction surveys were conducted. Instead the focus was on the benefits that were identified in reality by the researcher and by the case company.

2 ERP – Enterprise Resource Planning

This section will focus on the theory of enterprise resource planning, and the key concepts around the topic. First, the definition of ERP is explained in accordance with relevant studies. Secondly, when having a basic understanding of the concept, the origins and evolution of ERP systems are explained. Additionally a connection to the development of material resource planning is given. Finally, the section moves on to what are ERP systems today and what are the strengths and limitations attached to the systems.

2.1 Definition

Enterprise resource planning (ERP) is a term used to describe the integrated management of all departments and functions across a company. The departments can include manufacturing, purchasing, sales, inventory, accounting and such. Integrated management promotes cooperation, reconciling cross-functional challenges between the departments (Bergeron B. 2004). By its definition, the attempt of an ERP is to have companies manage their information system requirements with one single centralized software solution (Parthasarthy S. 2007, 1-2).

In ERP, each department or a function forms the different parts of enterprise resource planning. The departments include everything from finance to human resource management and warehousing making the needs for ERP widespread. By acknowledging and including all departments, ERP allows multiple operations to be managed centrally, while maintaining the ability to operate independently. Typically each of the departments have their own information system optimized for the distinct ways in which the department does their work (Parthasarthy S. 2007, 1-2).

The objective of ERP is specifically to combine the foresaid departments and functions together. As a result the various departments can more easily share important information and communicate with one another. If done correctly ERP can generate tremendous payback for companies that take the defined approach. ERP covers the techniques and concepts employed for the integrated management of a business as a whole, from the viewpoint of effective use of management resources (Parthasarthy S. 2007, 1-2). This viewpoint is taken to improve the efficiency of a business.

2.2 Origins and evolution

ERP systems have evolved to facilitate a more effective use of business processes.

The development originates in the the 1970s and 1980s when the need for material requirements planning (MRP) and manufacturing resource planning (MRP II) arose (Beheshti H. 2006, 186) . In its first forms MRP systems were used by manufacturers to organize information flows in the manufacturing processes. In the following MRP II systems where material requirements were combined with manufacturing resources, capacity resource planning was included in the processes.

In 1990s as technology developed further, MRP II systems were replaced with the new concept of ERP. During this decade integrating all internal processes in the same system, and integrating some intercompany processes such as supplier relationships became current (Beheshti H. 2006, 184-190). The development as such created the modern idea of an ERP system.

2.3 ERP systems

When using the acronym ERP it usually refers to the business-management systems that are in place. Historically the central feature of all ERP systems has been to integrate back office functions including distribution, manufacturing, research and development. Before this integration, the functions were independent operational silos that companies attempted to link together. By providing a shared database ERP systems were one of the first developments to integrate back office functions. Enabling the flow of information by implementing an ERP system, organizations aim to facilitate data driven decisions.

From the initial goals ERP systems have evolved to become even broader entities as more functions have been added. Today the systems collect and organize data from various departments and levels, which as a result gives insight to key performance indicators and figures. From the central database that is the ERP system, management can access and follow important information in real time.

Additional to the management applications, ERP systems link stakeholders, employees, suppliers and customers into the same database. For stakeholders and management there are reporting applications, and towards employees human resource man-

agement applications. As Figure 2 below illustrates, horizontally ERP systems link suppliers and customers into a complete supply chain. All taken into consideration ERP systems contain high levels of cross-functional integration between sales, marketing, manufacturing, operations, logistics, purchasing, finance, new product development and human resources (Wallace T.F. and Kremzar M.H., 2001).

The different parts of an ERP system are called modules of which companies can implement the ones necessary for their business to run. Including different modules in different phases of an implementation is common practise in many deployments (Jansson & Karvonen & Mattila & Nurmilaakso & Ollius & Salkari & Ali-Yrkkö & Salkari 2001, 25.) The number of modules is also one of the most influencing factors when it comes to the cost of an ERP system deployment.

ANATOMY OF AN ENTERPRISE SYSTEM

At the heart of an enterprise system is a central database that draws data from and feeds data into a series of applications supporting diverse company functions. Using a single database dramatically streamlines the flow of information throughout a business.

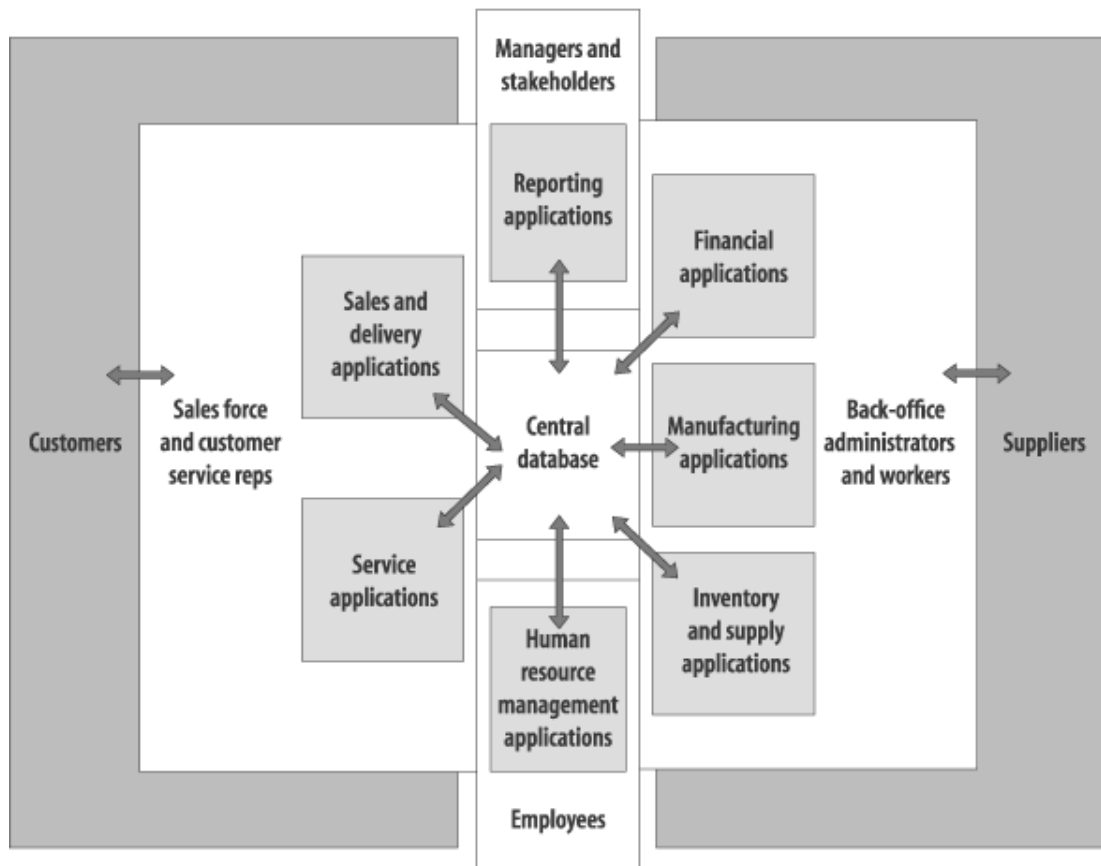


Figure 2. Anatomy of an enterprise system (Davenport T., 1998)

Today ERP systems have become a necessity for global organizations (Monk & Wagner 2009, 33-34). Due to operating on many continents, global organizations require a central information database and streamlined operations in order to maintain a uniform business. With the intention of high levels of customer relationship quality and productivity together with lower costs and inventories, the central database that is the ERP system aims to provide the foundation for effective business (Samara T. 2015).

2.4 Strengths and limitations

In the following two sub chapters the strengths and limitations of ERP systems are analysed. What will function as the basis of these analysis is the relevant theory section discussing ERP, its origins and evolution, and the ERP systems. The found strengths take the perspective of not using an ERP system compared to using one, whereas the found limitations consider the possible deficiencies when using an ERP system.

2.4.1 Strengths

As stated before, the implementation of an ERP system derives from seeking solutions for business' economic deficiencies. By developing solutions to these deficiencies, ERP systems have become common systems among businesses as they carry many strengths. The most valued strengths of an ERP system can be stated as having information in real time, integrating different departments and operations, and removing problems caused by far distances (Finney S. et al, 2007).

In real time ERP systems allow the users to access key performance indicators and figures, which contributes to the dynamism of a company. By having the access to these figures companies can both react to changes in real time, and carry out more data driven decisions in a timely manner (Parthasarthy 2007, 2-5). With the help of an ERP system, a company should for instance be able to keep their inventory in accordance with their order volumes.

When integrating different departments and operations ERP systems can additionally combine the before mentioned independent operational silos together. The strength of being able to integrate the silos is having automatic data update and uniform information (Parthasarthy 2007, 2-5). In the ERP systems, the data of related business de-

partments is automatically updated at the time an action occurs. What this allows is each department to have uniform information, which decreases the time spent on acquiring information. Both integration of departments and uniform information improve a company's efficiency (Parthasarthy 2007, 2-5). Moreover, while doing so companies may also improve their image towards customers, and to remove the necessity for other external interfaces used to communicate between the independent silos.

The third mentioned strength of an ERP system is the ability to remove problems caused by far distances, which can also be the reason for independent and scattered operations. Especially in larger companies that operate in many countries or even continents it is challenging to share and access all collected information, or to have the same timing of operations (Parthasarthy 2007, 1-5). By implementing an ERP system companies can minimize these challenges with a shared database. As the ERP system collects information from all different locations and makes it accessible at any given time, companies can minimize the disconnection between different offices. Obstacles such as time differences or working outside the office can for instance be removed.

Conclusively when having the above-mentioned strengths within one information system, ERP systems allow companies to be more dynamic, and maximize the effective use of resources and processes (Parthasarthy 2007, 1-5). As ERP systems are designed to have all business processes and best practices, the systems help in achieving a uniform and efficient steering and tracking of business operations. When operations are supported with an information system, companies can enjoy the benefit of being able to focus on their core competences and business functions.

2.4.2 Limitations

Although ERP systems are often regarded as the central software systems of an organization, the deployment of one does not itself ensure gaining the above mentioned strengths. As the systems comprise a variety of different modules and are meant to support many department specific needs and challenges, the development and effective use of an ERP system can be challenging. The holistic and sustained exploitation of the strengths require continual development and the ability for the system to adjust according to changing business procedures and activities. After a deployed ERP system has been in use new opinions on how the system could be utilized more effectively

often arise (Kettunen & Simons 2001, 22-25). Parthasarthy (2007, 5-7) lists the limitations of ERP – systems as follows:

- The systems record what has already happened but do not support planning future courses of operations or strategy
- The systems are far too rigid to allow reshaping workflows and operations as new business challenges and opportunities arise
- The usability of the system is not considered, leading to mistakes and lack of use
- The users do not update all required information into the system
- Integration or up keeping done integrations with other systems is not sufficient
- System provider does not update or develop the system continuously
- Only some modules of the system are utilized which does not further the gaining of stated benefits

The above limitations and pitfalls are some of the most common ones when considering ERP systems. The bigger an organization is the more complex their ERP systems tend to become. Due to handling multiple operations and being the central tool for many user groups ERP systems are demanding systems to manage and maintain. Many companies see the systems as too rigid and stiff to adapt to their specific workflows and processes. Some companies also state that the systems can be too expensive to install (Parthasarthy 2007, 5-7). When all the limitations are considered Jarrar et al. (2000, 122-127) argue that even the best ERP systems can cover only 70% of a company's needs and processes.

3 CRM – Customer Relationship Management

In this section of the research, customer relationship management (CRM) and the relevant concepts around the topic will be explained. First, the definition of CRM and the insights of its origins and evolution are given. Second, an identification of the differences between CRM and customer experience management (CEM) is made in order to avoid misinterpretations. Third, when the differences between the concepts are understood, CRM systems are explained.

At the end of the section, the research focuses on the relevant concepts around CRM. Definitions are given to customer relationship value and customer lifetime value. Additionally and in conclusion this section will describe how to select the most important customers through the identification of key accounts, and how to manage these.

3.1 Definition

Strategic definitions describe CRM as a process to implement customer centricity in the market, and a strategy to build customer value (Kumar 2012, 1-6). Accordingly, the strategic definitions state that knowledge about customers and their preferences has implications for the entire organization. In this thesis, the foresaid strategic definitions function as a base for defining the concept of CRM.

As a concept, CRM can be stated as the strategy of improving business relationships by the analysis and collection of customer data. The strategy includes the processes of shaping interactions between a company and its customers, and selecting the customers the company can most profitably serve. (Kumar 2012, 3-6). CRM's purpose is to extract value from customers, and in the exchange also optimally deliver value for the customers. What the approach aims is to gain a long-term competitive advantage, specifically focusing on customer retention and ultimately driving sales growth. In order to accomplish its purpose CRM requires process changes and current technology to be applied.

The effective implementation of CRM can improve the loyalty and satisfaction of customers. Through CRM companies learn more on their target customers and how to

best cater to the customer's needs. Where the importance and origins of CRM derive from will form the focus of this chapter's next section.

3.2 Origins and evolution

Although it is in the 2000s when CRM has increasingly gained attention from groups such as executives, academics and the media, some researchers say that even the earliest business men acknowledged that establishing a relationship with the customers contributes to running a successful business (Jobber D. 2004, 514-515).

The first form of customer relationship management was known as contact management, which emerged in the 1980s. The purpose of contact management was to help companies in collecting and segmenting information that was shared between the company and a customer (Zhang Q. 2009). By 1985 managing contacts evolved into managing the whole relationship. The change from contact management into relationship management added researches from marketing to the prior collecting and sorting of information. These marketing researches carried the purpose of establishing, developing and maintaining successful relationship exchanges (Hunt & Lambe 2000, 17-46).

In the 1990's the emergence of call centres shifted the evolution to customer care (Zhang Q. 2009). Finally what is now known as "customer relationship management" was conceptualized around 1997 (Bergeron 2004, 2).

Behind the origin and evolution of CRM there are three main reasons that caused and furthered the development. These reasons can be stated as pull of demand, push of technology and update of management concepts, as can be seen from figure 3 below.



Figure 3. Reasons, which caused the emergence of CRM (Shao and Yu 2004, 2)

3.2.1 Pull of demand

During this time when the importance of information was already widespread, the influence from pull of demand emerged due to two separate reasons. Firstly, the focus of demand was to collect and secondly to share information.

In collecting, pull of demand launched the demand to collect customer interaction information. Unlike before multiple customer facing functions served as a source of information. Why the information was important to be collected was in order for the sales, marketing and service sectors to be able to implement and exploit it. What the collected information formed was also the second pull of demand, which is to share. As departments such as sales, marketing, manufacturing, inventory and customer service independently collected information that was beneficial in the other departments too, sharing became a demand. In order to be an effective business all the different departments could not face the customer as separate entities (Shao & Yu 2004, 2-4).

Ultimately the whole pull of demand thus stemmed from the need of a full understanding of the customer and contact situation. Having insufficient information or having information scattered between departments hinders its exploitation and implementation. In order to avoid this problem most companies began to seek more efficient methods by which to collect customer information and activities data. Pull of demand was the cause of this step towards more customer-centric organizations.

3.2.2 Push of technology

What even further accelerated the development of CRM was the push of technology. Technology in this context refers to computer and telecommunication technology, and network applications. These technology-based improvements consist of the following functions:

- Business and customer contact via telephone, fax and other technology
- Access to full customer information enabling suitable customer specific trading, and storing the information from the sales activities
- Planning and doing marketing activities based on all activities information
- Having the ability to analyse both sales and marketing activities

The development of technology enabled the application of information, which above all focused on customers. Data warehousing, business intelligence, knowledge discovery and other technologies helped in the collection, collation, processing and utilization of information that resulted in significant improvement (Shao and Yu 2004, 6). The enabling development in technology was the cause of the push from the technology side.

3.2.3 Update of management concepts

When facing the above-mentioned change and innovation caused by pull of demand and push of technology, new management updates became necessary. The update in management concepts proceeded in five different periods that included product-, sales, profit-, marketing- and customer-oriented periods (Zhang Q. 2009). Considering the customer-oriented period more and more companies began to focus on establishing mutual win-win relationships rather than attempting merely to gain high profits. With the update of management came new management processes that focused on customers. Occurred changes included synchronizing business operations with the demands of the customers, applying different operations for different customers, and achieving the true needs of each customer (Zhang Q. 2009).

In this era where pull of demand, push of technology and update of management drove the occurring changes, competing for customers was current. When customers have more variety in offering and more similar products and services, even the smallest improvements compared to competitors can mean success. Consequently, CRM developed with this demand.

3.3 Difference with customer experience management

This section focuses on identifying the differences between CRM and customer experience management (CEM) in order to avoid misinterpretations and to understand their relation. The first aspect to understand is the definition of CEM, and secondly how does it relate to the central research question that is investigated.

CEM is defined as the process of strategically managing a customer's entire journey with a product or a company (Schmitt 2003, 17-18). The aim in CEM is the efficient creation of value for both customer and organization (Brigman 2013, 43). As a concept,

CEM is considerably younger than CRM and when it surfaced it was presented as a new approach and a radical break from the existing marketing and management approaches (Schmitt 2003, 22).

Whereas CRM is stated as acquiring, managing, serving and extracting value from customers CEM points out how much an organizations brand promise, product offering and customer experience are differentiated, and how much they deliver customer value (Schmitt 2003, 22-25). Although CEM is concerned with increasing sales and brand preference, it does not see it as the whole picture. The approach includes compelling experience into the customer related aspects that are managed.

When relating CEM to CRM and the central research question of this thesis, it is beneficial to consider both approaches in practice. In CRM and in my research work the focus is much on efficiency, consisting of effective sharing and exploitation of information. In comparison when considering CEM, the approach takes prevailing employee and customer motivations into account. For instance with the approach of CEM customers' imagination needs to be sparked in order to sell a product, and employee experiences need to be positive as they influence the experiences of customers. Looking back to the relation of CRM and this research, these aspects are not in the focus of the research. In other words, in a business-to-business context, CEM is unlikely to be an appropriate way of managing the relationship.

3.4 CRM systems

CRM systems are the systems adopted to enable the maximizing of value of an organizations customer base (Kostojohn et al. 2011, 3-47). By adopting technologies applied in CRM systems organizations streamline business processes and leverage every customer interaction. Streamlining business processes automates front-end routine tasks and standardizes best practices whereas leveraging customer information refers to tracking and saving data. By enabling both of these, correctly implemented and utilized CRM systems maximize revenue opportunities and customer loyalty as they enhance operations attached to the customer interface, which is crucial in the supply of today's markets.

According to Kostojohn (2011) a strong CRM system is a system that improves operational efficiency – examining the customer perspective when making decisions, devel-

oping business processes and adjusting organizational structures. CRM systems exploit the customer facing functions of a business by centralizing customer information, automating marketing, providing business intelligence, tracking sales opportunities, analysing data and enabling responsive customer service. A CRM system can be referred to as a platform where all the foresaid important information to develop, improve and retain customer relations is stored (Microsoft, 2017).

Why collecting, saving and sharing information of customers with the help of a CRM system has gained ground is not solely due to the supply of today's markets. Establishing new relationships in the business-to-business sector is costly and requires considerably more resources than developing current relationships. By increasing the value and satisfaction of existing customers, the existing customer base can help in establishing new relationships with positive word-of-mouth (Arantola 2003, 18). When implementing a CRM system customer relationship costs are minimized and customer satisfaction and future potential are maximized. (Xu et al. 2002, 443)

3.5 Customer relationship value

To be able to extract maximum value from the existing customer base a company must understand the concept of customer relationship value. In a business-to-business environment, it is important to identify that measuring customer relationship value has multiple variable factors of which economic return is only one factor. Other variable factors to identify are business potential, reference value and strategic value (Storbacka et al. 1999, 14).

When considering the economic returns of a customer relationship the consideration is on the current and near cash flows. By taking an economic returns perspective, a company's objectives can be considered rather short-term as future potential customers do not necessarily generate immediate returns (Storbacka et al. 1999, 14).

Customer reference value is a notable factor when considering attracting new customers with the help of the existing customer base. When having high reference value a customer is generally utilised when telling a story of successful delivery of products or services that can be shared (Auston N. 2016). By presenting an impressive customer base, a company can create market and selling impact (Storbacka et al. 1999, 14).

The factor of strategic value can have an impact when considering the strategic moves of a business. By having customers with strategic value a company can for instance improve its access to new markets or simply improve its position in the current markets (Storbacka et al. 1999, 14).

How companies often calculate their customer relationship value is through the value of the transactions between them: the supplier and the customer. However the objective of customer relationship management is not to maximize the profit of current transactions but to create lasting relationships with the customers (Storbacka & Lehtinen 2001, 19-20). Customer lifetime value is therefore more interesting for this research to discuss and evaluate.

3.6 Customer lifetime value

Customer lifetime value considers the value of the potential transactions that could occur during the lifetime of the customer relationship. As the prediction defines the projected future cash flows from a specific customer, customer lifetime value contributes to shifting the focus from short-term profits into the long-term health of customer relationships. The prediction can be calculated both for individual customers and for separate customer groups or segments. This enables companies to evaluate in which segments or with which specific offering customer lifetime value can be improved. The lifetime value of a customer can also be stated as the relationship value (Faulkner 2003, 63-68).

Three factors should be taken into consideration when attempting to enhance relationship value. In order to maximize the profitability of a relationship the returns received from it should be as high, and costs as low, as possible. Thirdly and simultaneously with the former, the length of the relationship should also be extended. When costs are decreased with more simple and effective processes, and the length of the relationship is extended with a stronger customer relation, a company can benefit from new available resources.

From a customer's perspective, the profitability of a relationship considers different factors. When evaluating the value of a relationship, customers consider the costs stemming from the relationship in comparison with the complete benefit gained from the relationship (Kotler 1997, 38). A combining factor for both to the supplier and the

customer is the value. If the customer does not consider the delivered value satisfactory, they will likely seek another supplier. Consequently, a new customer relationship is initiated elsewhere if the added value there is perceived to be higher (Blomqvist et al. 1993, 117).

Finally, it is important not to confuse customer value with customer satisfaction. Customer satisfaction states the ability of a supplier to meet the needs of a customer with their selected offering. Customer value however concerns the trust, reliability, continuity, etc. that influences customers' loyalty and lifetime.

3.7 Selecting most important customers

As we have now discussed the theory of customer relationship management and the main concepts around it, it is interesting to continue analysing the approach in practice. Some essential requirements and concrete actions that come with customer relationship management and maintaining a customer-focused approach are discussed in this section.

From the supplier's point of view, a focal starting point for analysing customer relationships is the profitability of the relationship. In order for the supplier to be a customer-oriented company, it is necessary to detect the most important customers, and the offering that corresponds to their needs. Accordingly, a selected strategy can be implemented to each customer relationship (Storbacka et al 1999, 41). The first and fundamental starting point of the analysis is to have collected and maintained accurate information on the entire customer base. Information not only on the monetary aspects such as current sales but also non-monetary factors such as lifetime value should be discussed (Storbacka et al 1999, 41). Lifetime value includes reference value that is impressiveness of a customer or customer base, and strategic value that is the importance of a customer when considering strategic moves. Both of the concepts were given a more thorough explanation in the previous section describing customer value.

In order to identify the most important customer's companies need in addition to analysing their customer base, analyse the markets they are operating in. When identifying the outside market factors and key market segments suppliers improve their ability to maintain a differentiated offering from the competition (McDonald & Rogers 1998, 52).

An understanding of the dynamics of the markets together with a differentiated offering are highly appreciated by customers.

Customers can also be divided according to their level of activity. According to this division customers can be either active, former, prospect, or suspect customers (Curry & Curry 2000, 8). Outside of these customer groups remains the rest of the world that clearly has no need or intention to purchase. A more thorough explanation of the base that can be referred to as customers is actively buying customers, formerly bought customers, prospects that have shown interest but have not yet purchased, and suspects that are possible purchasers but with whom a relationship has still not been established. According to Curry & Curry (2000, 9) the most interesting group to observe in a business-to-business environment is the actively buying customers who can be even further divided into subgroups. The criteria according to which divisions can be made should be prominent measures such as sales revenue. Generally the more revenue a customer generates the smaller the customer group it belongs to. As illustrated in Figure 4 below top revenue customers are only 1% of a company's customer base, large revenue customers are 4% and medium revenue customers 15%. Biggest of the active customer groups is the small revenue customers that commonly make up 80% of the customer base.

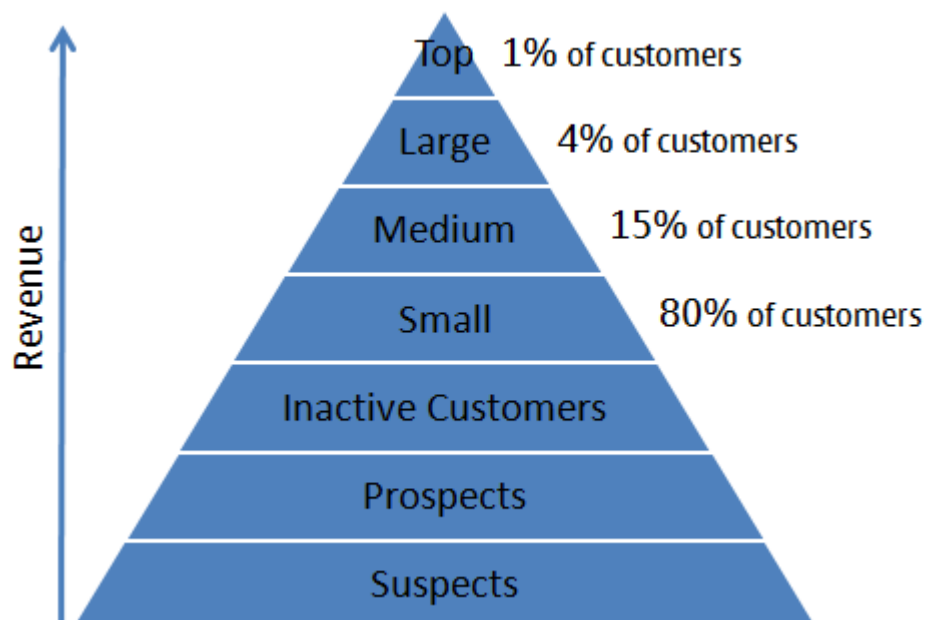


Figure 4. Customer pyramid 2 (Curry & Curry 2000, 9)

When analysing the customer base and selecting the most important customers Pareto's rule of 80 percent of effects coming from 20 percent of the causes is an applicable principle. As a common practise in business and what can be seen when looking at Figure 4 above is that roughly 80 percent of revenue come from the top 20 percent of top, large and medium customers. This group of customers is extremely important when considering economic returns, and therefore the related customer relationships must be managed with extreme care and resources. To distinguish the selected most important customers from the rest companies have developed what we call key accounts.

3.7.1 Key Accounts

As stated above key accounts form the group of customers that bring in the most revenue for a company. Due to this profit concentration, awareness of account management has increased significantly (Gosselin & Bauwen 2006, 377). To keep up with the constantly evolving customer base key accounts need to be evaluated in order to gain insight on the current state of the relationships. As some researches state that companies lose about 20 percent of their customer base every year it is important that key account relationships are taken care of since the loss of such accounts can have a significant impact on the success of a company. For instance, company processes and infrastructure have to be aligned with the needs of these accounts. Therefore key accounts require significant investments in the form of money and other resources, and they must be managed with special measures.

3.7.2 Key Account Management

The concept of key account management is utilised when referring to a customer-oriented coordination of activities. What led to the development of the concept is the increased flow of revenue and profit from fewer bigger customer accounts (Zupanic 2008, 323). In key account management the focal point is the systematic selection, analysis and management of activities aimed at a company's most important customers (Zupanic 2008, 323). These customers form the most vital relationships as they often bring most value for the company. In order to secure the continuance of these relationships key accounts require special management.

Behind key account management the objective is to gain a thorough understanding of the key customers in order to align business strategies accordingly (McDonald & Rogers 1998, 8). For the supplier's side the objective means maximising customer retention and customer value. Through key account management the supplier is able to gather information on vital customers' individual needs, and develop a long-term strategy to have a continuous offering tailored and corresponding to those needs (Zupanic 2008, 323). It is much the responsibility of the key account managers to integrate the company's business strategy and internal processes with the key customers' needs. From a holistic perspective, key account management aims to achieve the full potential of the relationship for both of the parties involved. As the strategy is to end up in a win-win situation it is crucial to create mutual value and achieve mutual goals in order to maintain a portfolio of high profit and loyalty customers (McDonald & Rogers 1998, 8).

The process of transforming a customer relationship into a mutually valuable key account requires multiple resources and can take several years. To initiate and maintain key account management companies need to implement and focus on long-term strategies. When such account is achieved, precise plans are made to ensure optimal offering. These key account processes are commonly planned for no less than 3-5 years (McDonald & Rogers 1998, 8).

3.8 CRM in comparison with ERP

Though similar in effect, CRM and ERP systems use different approaches to increase the overall profitability of a business. CRM is more focused on the front-end whereas ERP focuses on the back-end functions and departments of a company (Beal V. 2017). Front-end functions are commonly the ones that can be seen by customers such as relationship management and marketing. Back-end functions usually cannot be seen as the focus is on materials, inventory, accounting and such.

Increasing profitability with the use of an ERP system focuses on reducing overhead and cutting costs (CRM Switch, 2013). As the systems make business processes more effective and efficient, the amount of capital spent on the processes is minimized. With an effective implementation of processes companies can focus on the important aspect of data. If there is a problem the ERP system captures the issue and makes it available for all areas affected such as the warehouse (Baran R. 2012).

CRM systems however increase profits by generating higher sales volume. The software focuses on fulfilling the customer side of a business, capturing every interaction a company has with its customers. With a comprehensive repository of customer information, customer relations can be improved. The improved customer relationships transfer into better brand loyalty and profits (Baran R. 2012).

One of the reasons why front-end CRM functions cannot entirely be managed with ERP systems is because the functions are not fully built into ERP systems. The reason why both front- and back-end functions are not covered by one system comes from the purpose of the use. Full CRM functionalities are not found from ERP systems as ERP systems aim to support standard approaches to processes. In practise, having a standard process for manufacturing for instance is of benefit but managing each customer with a standard process is not beneficial. By leveraging the functionalities of both CRM and ERP, a company can conduct the most effective sales (Baran R. 2012). In the CRM system, the company can find information crucial on the specific customer's sale. Without an ERP, however the sale will not be communicated to accounting, production and other relevant departments that ensure the customer expectations (Baran R. 2012).

3.9 Compatibility of CRM and ERP systems

CRM and ERP systems are as stated separate stand-alone systems that aim to support different functions (Beal V. 2017). Depending on the strategy, a company can therefore select whether to increase its profitability by increasing sales or optimizing business processes. Additionally to selecting either or, a company can implement both an ERP and a CRM system.

The implementation of an ERP and a CRM system requires the systems to be compatible with each other or to be ran side-by-side. Having a compatible CRM and an ERP system enables a company to integrate the two systems together (Baran R. 2012). An integration allows information to be automatically transferred between the two systems.

If not integrated with each other, running two systems side-by-side may disrupt the uniformity of information, and to cause double work. As the information saved within ERP and CRM systems overlap in some extent, it is important that the information re-

mains same in both the systems. In order to upkeep uniform information without an integration, same information has to be manually logged into both of the systems.

The benefits of integrating ERP and CRM systems are many, including ensuring an optimal return on the investments. Without ERP and CRM system integration, a company stands at risk of being lost in communication (Baran R. 2012).

4 Framework

In the theory of this research, the development and fundamentals of customer relationship management and enterprise research planning have been explained. The key concepts around these topics have also been discussed and related to the relevant theories. In order to answer the central research question, what are the benefits of having a CRM system in addition to an ERP system, the theory has to be reflected in a practical framework.

The case study should give insight to the research question as it investigates the research situation in real life. In the study, the case company has implemented a CRM system in addition to their ERP system and thus can function as a source of qualitative data for the research. To be able to analyse the data and to draw generalisations applicable to other similar companies, the company and its industry are introduced.

Based on the findings uncovered by the case study the research draws conclusions regarding the benefits of having a CRM system in addition to an ERP system. These conclusions are given keeping in mind the set scope of the research. Additionally the scope of generalizations becomes apparent and is not left without consideration.

Once finishing the conclusion, the report should have provided answers to its main question. Following the conclusion, the report will also give suggestions for further studies in the future.

5 Research methodology

Research can be defined as an investigative work conducted to increase knowledge and understanding of a certain topic (Myers 2009, 6). In an educational context, investigative work can be utilised in order to enhance a student's research prowess, and his or her ability to perform in future professional or research tasks. The aim of research is to find truths to questions that have not yet been answered through the application of scientific procedures. Each research work has its own purpose, which can for instance be validating a theory, testing a hypothesis or gaining knowledge of a phenomenon.

This following section explains what is research methodology, and what is the basis for the selection of this thesis's research methods. Following, the justifications behind the selection of the research method are given.

5.1 Research methodology

Research methodology can be defined as designing and selecting the strategy that will be utilised in order to carry out a research project. The aim in the selection of strategy is to underline the particular process through which a research can attain its objective. Additional to designing and selecting the process, research methodology can also lead to the development of procedures that will attain the objective (Jonker et al. 2009, 17-34).

Although often misinterpreted, research methodology does not aim to give solutions to the research question or objective. Instead, the purpose of research methodology is to give theoretical support in discovering which research methods or practices should be applied in order to find the solution. Any means that is aimed to give a result should be stated as a method not methodology. Thus, it is important to beware of using method and methodology as synonyms (Jonker et al. 2009, 17-34).

5.2 Selecting the research method

The type of needed information is generally what defines the selected research methods or best practices. Commonly researches either have a quantitative or qualitative research approach.

A quantitative research method is a method that utilises quantifiable data. Quantifiable data can be numerical or in a form that can be transferred into statistics. By analysing the collected data with statistics, quantitative research results aim to give insight to larger sample populations. In order to allow generalizations, quantifiable data collection methods are systematic and structured (Jonker et al. 2009, 17-34). The objective of quantifiable data is to validate theories and/or test hypotheses that are suggested in a research (Jonker et al. 2009, 17-34). Quantifiable data is especially useful when researching how common a particular phenomenon is within a larger population. Examples of such phenomena can for instance be how common is smoking within high school students or what is the most common education behind C level executives.

A qualitative research method is instead a method that utilises unstructured and exploratory research approach. Qualitative research method investigates data from a smaller sample group, providing deeper understanding of the investigated topic. The most common way in which qualitative data is collected is via interviews that can be conducted face-to-face or online, and in a formal or informal way. As qualitative research investigates questions such as “why” and “how” the answers may be discussed to reveal why the respondent has such attitudes. The topics and questions are discussed in their natural context making the received information personal or organizational knowledge and knowledge from previous experiences. In order to analyse qualitative data it is important to specify meanings as the data are collected through words. The objective and advantage of the foresaid is to provide understandable and natural conclusions to research questions. These conclusions are made based on the smaller sample, and with the assumption that the conclusions can be rather standardized (Jonker et al. 2009, 17-34).

The suitability of the approach is what defines the type of data that will be utilised. Based on the above descriptions the more suitable approach for this research is qualitative data. In this thesis, the case study forms the qualitative research part of the thesis. What the case study aims is to identify what are in the case company the benefits of having a CRM system in addition to an ERP system. By definition, a case study is an empirical examination that investigates a contemporary matter in its real life context (Jonker et al. 2009, 17-34). The scope can be either narrowed down to a single case or it can cover several case studies. A case study allows that the data are collected using multiple methods as is done in this study, which is a single-case study of the case

company Company X. Considering information systems a case study is the most commonly used qualitative study method (Mayers, 2010).

The purpose of a case study can vary depending on the objective of the research. If the objective is solely to understand the specifics of the particular case the study can be stated as intrinsic. In comparison if the objective is to understand something in a more broad perspective involving other similar cases as well, the case study is an instrumental study. According to these definitions this research work is an instrumental study as it aims through a single case to identify benefits that can be applied to other similar businesses that operate on the same industry and in the same way. In order to reach the objective of this research the case study plays a secondary supportive role with the intent to further our understanding of the benefits of having a CRM system in addition to an ERP system.

5.3 Data collection

At its simplest data collection can be defined as the technique utilised to collect the empirical data of a research. Data can be either primary data or secondary data. Primary data means that the data was purposely collected and designed for the research in question. Secondary data in comparison is the data that has been collected previously or by other parties.

For the purpose of the case study both primary and secondary data were collected from different sources. The source of this research's primary data is inside the case company Company X. Inside the case company data was collected from the project group that Company X had decided for the CRM implementation. Out of the sixteen employees, six were included in the project group from whom the data was collected. The project group employees share various different titles that namely consist of sales, marketing, CEO, billing and member of board. The purpose of having project group members from all different departments was to ensure that the whole personnel's perspectives and specific user needs are taken into consideration.

How the data were collected was through a process of explaining the objective of the research to the whole project group, and having the project group respond to two separate areas of investigation. Firstly, the project group gave more insight to the reasons and needs due to which they acquired a CRM system. Secondly, responses were given

to what were the benefits the project group identified when using two software systems. The responses were delivered electronically as a word document.

The client company Lundalogik's own CRM system functioned as an important source of secondary data as documentation of Company X's CRM implementation is stored there. The documentation that is saved during Lundalogik's CRM implementations includes documents considering the project progress, specific system requirements by the customer and final project acceptance and evaluation. The data collected earlier by Lundalogik functioned as a reminder and a starting point for the project group to start reflecting the gained benefits of having both a CRM and an ERP system.

5.4 Reliability and validity

All the data were collected between the period of February 1st and April 31st 2017. In order to collect valid data, responses and documentation were made in English and in Finnish. The purpose of utilizing both of the two languages was to avoid language barriers by ensuring the correct understanding of the topics and enabling the participants to utilize their native tongue when giving descriptions to the benefits. The results of the case study will provide the current observed benefits within the case company.

6 Case study: Company X

In this section the thesis focuses on the case study of Company X. The customer relationship management situation, and the reasons for implementing a CRM system on the side of their ERP are studied. Based on the guidelines set by the theory section, and the following observations of this particular section, final conclusions are made.

6.1 Background

Company X is a Finnish sports related wholesale and importing company established in 1994. Products that the company mainly stocks can be categorised as bicycling products or other bicycling related products. In their product offering there are additionally some products that are suitable for other sports and leisure activities. Company X operates in all Finnish markets by serving both small and large reseller stores and chains. As customers the company currently has the majority of Finland's bicycle stores, sporting chains, and other large chains.

On the side of bicycling products Company X has two bicycle brands that they design and manufacture themselves. The rest of the bicycle brands they have are international. For bicycling equipment Company X is a full service wholesaler, from whom the resellers can get all related products.

During the past 15 years Company X has grown substantially. In 2016 the turnover of the company increased by 19% to €12.9m. The profit during the same year increased by 98% to €670,000 (Asiakastieto, 2017). 70% of sales come from pre-orders and the remaining 30% from supplementary orders. The employee number of Company X has been 16 employees for many years now (Company X, 2016).

In Company X's own words the company has despite the growth managed to remain as a fast and flexible provider. In order to maintain the former unique selling point the company puts much focus on market changes and acts accordingly. Specific to Company X and to the wholesale industry is that the process of managing customers is more about managing and extracting value from the existing customer base rather than optimising the processes of carrying a new business opportunity through the sales pipe.

6.2 Basis of Company X's CRM project

Before Company X's CRM implementation the basis for the project was defined. For the purpose of this case study the company identified its purpose, objective, and strategic possibilities considering the CRM implementation. Additionally the different user groups were identified.

The purpose of the implementation was mainly to support the execution of Company X's business strategy. The strategic strongpoints of Company X were stated as excellent customer service and flexibility, fast and flawless service, fast deliveries, Finnish supplier and service, and trustworthy partner. In order for the company to support these strategies it became necessary to have the relevant supporting systems.

Company X stated its objective of implementing a CRM system in addition to ERP was to increase the customer value and ensure the loyalty of customers. Accordingly it was important to improve the transparency of customer information, and to direct the sales in house and in the field. With the implementation of a CRM system the objective was to gather a maximal understanding of the market and customers. Especially Company X wanted to increase its share of offering for existing customers, and additionally to have new customers.

At Company X the users of the CRM system are the 16 employees of the company. These users were divided according to five sub categories, which namely include corporate management, sales representatives, guarantee and product help desk, logistics, and finance, billing and credit supervisory.

6.3 Identified CRM – system requirements

As Company X already operated with the support of an ERP system it was informative for the case study to investigate what were the needs the company listed for their CRM system. By investigating these needs, the case study gives practical insight to the research question examining the benefits of having a CRM system in addition to an ERP system.

6.3.1 Extended database

Despite Company X having an ERP system that is commonly known as the company's central database, the company identified the need for better customer and contact information. With the implementation of a CRM system the project group of Company X states that it can maintain more accurate and extensive customer information. By collecting information and updating it with the help of all personnel in different customer interfaces, the updating of information is shared. As different interfaces receive different information, the customer data can also be enriched. What enables this is the reason that the CRM system can include information that should or could not be in the company's ERP system.

Information that in Company X's case formed the need included important details in order to upkeep their strategic strongpoints. Having excellent and flawless customer service, and being a trustworthy partner require being up to date on what has been said and promised to a customer. With the help of a CRM system Company X stated that it enabled the saving and sharing of prospect and customer information, and customer categorization. As explained in the theory section prospects are customers that have the potential of buying, have a relationship with the supplier but have not yet purchased. Due to the last specification, information on prospects is not stored in the company's ERP system, which only includes active or former customers. However, maintaining and sharing accurate prospect information assists in furthering the company's new business opportunities, and therefore is beneficial.

In comparison, the buying customers can be found from the ERP system. What however formed the need regarding them was the need to categorize and segment. How Company X wanted to categorize their customers was for instance according to customer type and product brands. In the CRM system customer type indicates whether it is an A, B or C type customer considering sales divided by turnover. A - customers are the key accounts having the highest percentage of sales. B – customers have the second highest sales, and C the lowest percentage of sales compared to turnover. When having these customer types Company X tracks and steers towards which customer's activities are made.

The information on products and brands informs which offerings the customer is already purchasing. Why this was stated to have importance is when considering the

tactics of cross selling, where complimentary or other products are offered or sold to an existing customer (Business Dictionary, 2017). Additionally, if there are products or brands that a customer does not buy, information that the products have been offered will be available. Having the segmenting and relevant customer information on what Company X has offered to each customer the company can ensure that it works towards its goal of increasing its share of offering for each customer.

6.3.2 Targeted marketing

The second need, which the project group identified for their CRM system was targeted marketing. The company needed to send customer specific marketing postings due to which more extended information than mere customer contact information was necessary. Additionally considering marketing history Company X needed to have a trail on each marketing activity done for their customers, be it prospect or active.

The intention of having marketing history is to see what type of postings have they done and to whom, and to evaluate the results of each marketing activity. By the implementation of a CRM system on the side of its ERP, Company X can now see both the sales development and marketing history of each customer, and to evaluate whether marketing has had an impact on the customer's purchasing behaviour.

Identified benefits for having a CRM system to targeted customer specific marketing came directly from the former mentioned categorization and customer segmenting. By enabling the detection of different customer types and product brands Company X improves the targeting of send outs considering offers, catalogues, marketing material and price lists.

6.3.3 Sales trend

Although one ERP system functions is to include all the current and previous sales orders of each customer, Company X needed to improve their knowledge of sales development or in other words sales trend. What sales trend in this case study's context means is whether a company has positive sales development, negative sales development or a sales development that is down by only a minor allowed variation frame.

The purpose of the sales trend is to provide real time information on what is the state of each customer relationship, and how is the relationship developing.

The implementation of a CRM system alongside of its ERP was stated as the enabling factor when it comes to following the sales trend. Before the information on each customer's sales development could be found from reports on the ERP system, but today the information is available for all and as easily as basic customer information. Why two systems were necessary to resolve this need is due to the reason that the ERP system has the sales figures and orders of each customer whereas the CRM system has the ability to compare and display the sales trend on each customer. In order for the CRM system to be able to do actualized sales figures are automatically transferred from the ERP system into the CRM system every night. Following the update of sales figures the CRM system compares the figures with a pre-determined similar time period occurred in the past. If the current period has generated more sales, the trend is positive and vice versa.

For Company X the benefit in having the sales trend visible for each customer is to target sales activities in the right direction. As the company sells through resellers and bigger chains it is important to continually follow the development of customer relations. For example when witnessing a negative sales trend on a key A-customer the company knows to be more active and pay more attention to the specific customer. In this way the response becomes proactive rather than reactive, where actions are made only after something crucial has already happened.

6.3.4 Customer potential

Additionally to the sales development, developing customer potential was one of the needs for the CRM system. As a recap Company X and this case study considers customer potential as the level of purchasing volume of the customer compared to its size. If a large company orders with small volume there can be seen much potential in the customer relationship. In comparison if the volume is already high and in accordance with the size of the company the customer relationship can be seen as valuable but not potential when considering increasing sales. As Company X wanted to increase its market share via sales with existing and prospects, knowing the customer potential was stated as a benefit.

How the use of two systems enabled customer potential for Company X, was by bringing the sales figures, company size and sales personnel's knowledge all into same place. As explained in the sales trend, the sales figures of each customer comes from the ERP system to the CRM system automatically every night. Company size is provided by the information collected by different customer interfaces and personnel, and stored in the CRM system. When Company X's sales personnel witnesses both the sales figures and the company size, they can assess the potential of the customer to purchase more. The knowledge of the sales person is a notable factor as also the customer's interest and strategy influences what they potentially might or might not buy. Where Company X's sales person gets this information is when he or she is in contact or visiting the customer.

7 Conclusion

In this final section, the thesis combines the set objectives and research question with the findings of the empirical research work. Final conclusions are given to the research question and a suggestion is made for further research on the same topic. Before going into these a summary of the thesis' background, objective and scope is given.

7.1 Summary

The objective of this study was to find out through a case study what are the benefits of having a CRM system in addition to an ERP system. By researching this question, the importance of customer relationship management should be revealed. The scope of the objective was to find out the benefits specifically in the case company's segment of business that is wholesale. Wholesale as an industry is an industry where managing customers is much about managing and extracting value from the existing customer base. Why this specific segment of business was of interest for this research is due to the client company Lundalogik's wishes. The client company states wholesale as their most profitable industry expert segment and thus expanding knowledge in this area is of importance.

With respect to the research conclusions, the intention is to apply the results on other similar wholesale segment companies. By identifying benefits that can be to some extent generalized to other similar companies the client Lundalogik can apply the found knowledge when implementing CRM systems to other wholesale companies. The expanded knowledge in this area can have impacts on the economic returns obtained from the implementations. The following benefits that are included in this conclusion are stated based on the information gained from the efforts of the researcher and the case study.

7.2 Final conclusions

The research of the case study and the relevant theories revealed that there are several benefits to having a CRM system in addition to an ERP system in the wholesale segment of business. Explicitly the case study of Company X identified the following four benefits:

1. Extended database
2. Sales trend
3. Targeted marketing
4. Customer potential

Due to the importance of existing customers compared with new customer acquisition, wholesale is an industry where customer relationship management undeniably deserves attention. By acknowledging the company's most important customers, and applying the idea of key account management, wholesale companies can improve the important relationships with the existing customers. Gathering information on all and especially on vital customers' individual needs helps in building a company's strategy. With the collected information on key customers, long-term strategies can be developed to ensure a continuous optimal offering of products and services. Across many industries key accounts form the most vital relationships as they often bring most value for a company.

When implementing a CRM system in addition to an ERP system the benefit of key account management can be taken even further. As stated by the case company, a CRM system improves the detection of customer potential by collecting sales figures, company size and sales person's knowledge into a common database. When management has information both on which customers form the key accounts and on which customers have the most potential, long-term strategies can be developed to be even more optimal and thus lucrative.

Additionally an identified benefit of having a CRM system in addition to an ERP system in wholesale is the sales trend. A general point arising from the case study above is that sales trend can enable proactive management of customer relationships. With this, correcting and steering measures can be taken in real time. Management or even a sales person themselves can steer preventing activities towards a negative sales trend before a more critical decrease takes place. By proactively managing key accounts, and other customer accounts, management can overall decrease the likelihood of potentially losing a customer entirely.

Going into the activities that can prevent further negative sales development one measure can be the identified benefit of targeted marketing. Why targeted marketing

functions as a benefit of having a CRM system in addition to an ERP system is due to the segmenting abilities of CRM systems. In the wholesale industry where strategies focus on having an optimal offering for the key accounts, it is important to make it apparent for the customers. Having targeted marketing considering for instance offers, catalogues and price lists helps the customer to see the information considering the products and services interesting to them. By sending marketing material that mainly is of interest to the specific customer, the customer can develop an even stronger trust in the capabilities and suitability of the provider.

As a conclusion the result of this research and case study is that there are undeniable benefits of having a CRM system in addition to an ERP system. Considering the wholesale industry and its customer focus, adding a CRM system to the use of an ERP system adds significant benefits. The benefits of having a CRM system in addition to an ERP system derive from the fact that an effective sale requires both comprehensive repository of customer information and an efficient standardized process of delivery.

7.3 Suggestions for further studies

The development of the found benefits of having a CRM system in addition to an ERP system could form the subject of a new case study. By researching the benefits after a year or two, the second case study would test the conclusions stated in this thesis, and/or identify what are the possible other consequences resulting from the use of two systems. The found results from utilizing two software systems could have larger implications. For further studies, it is suggested that these implications are researched as the implementations and investments in software systems often come with large outlays of time and money.

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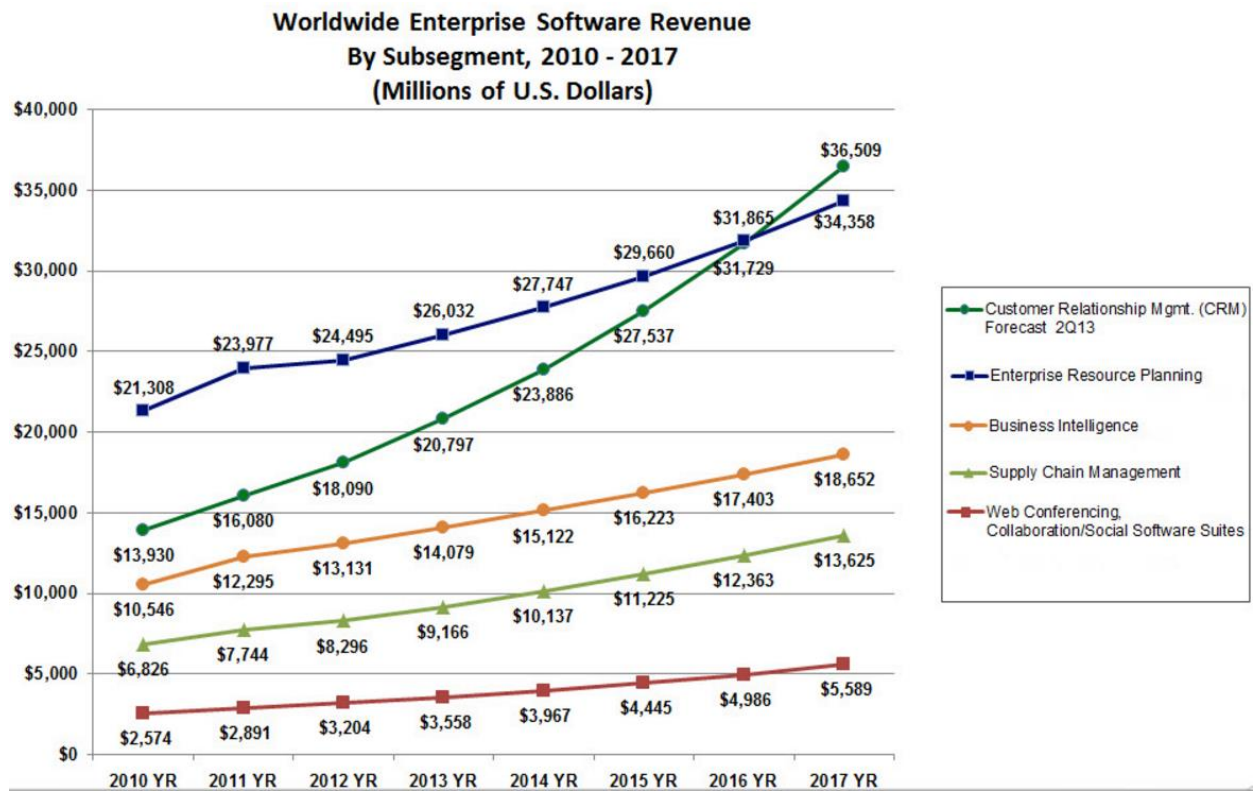
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Appendix 1: Worldwide enterprise software revenue



Appendix 2: Case questions

The case company's project group was asked to give opinions to the following questions:

1. *What were the needs or in other words requirements identified before implementing a CRM – system?*
2. *What benefits have been gained by having a CRM – system in addition to an ERP – system?*