

PREPARATORY STAGE OF CRM IMPLEMENTATION IN THE COMPANY

Case: Company X

Abstract

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	Number of pages 34, 2 pages of Appendices	
Title of publication Preparatory stage of CRM implementation in the company Case: Company X		
Name of Degree Bachelor of Business Administration		
Abstract <p>Nowadays the business world is facing the transfer from product to customer orientation. Customer Relationship Management (CRM) is one of the concepts that appeared due to the transfer. It comprises strategy and IT tools for an efficient data management and analysis. CRM is a crucial need when a company's operations grow, and individual customer relationship cannot be sustained on the same level as in small enterprises.</p> <p>CRM lacks clear definition. Thus, companies can have the wrong perception of the tool. The wrong approach to Customer Relationship Management leads to difficulties or failures of implementation. For this reason, it is important to prepare the company for the CRM adoption. The aim of the thesis is to formulate critical preparatory steps of the successful CRM implementation based on the experience of the Case Company.</p> <p>The theoretical part of the thesis studies the overall concept of Customer Relationship Management. It includes CRM origin, components, value, and common reasons of unsuccessful implementation. The data for the thesis is retrieved from primary and secondary sources. The author interviews employees of Company X to collect the primary data. The interviews provide insight into the preparatory process and drivers of it. Moreover, the author includes personal observations as a former intern of the company. Secondary data comprises written and electronic sources: books, journals, and web articles. Data analysis method of the thesis is qualitative, and the approach is inductive.</p> <p>Research outcomes show the importance of preparatory steps for the success of implementation. The thesis provides an evaluation of the process undergoing in the Case Company and suggestions for improvement. Research findings lead to the development of a framework of preparation for CRM implementation. The framework can serve as a role model to any business which is planning to adopt CRM.</p>		
Keywords CRM, Relationship Marketing, CRM implementation, S-D logic, Customer Orientation		

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1 INTRODUCTION

The following chapter explains the topic of the thesis and consists of five subchapters. The opening subchapter is the research background, defining the idea and importance of the topic. The following subchapter consists of thesis objectives, research questions, and limitations. The theoretical framework subchapter covers the description of data utilized for the thesis and is followed by the research methodology and data collection subchapter. The final part of the introduction is the thesis structure.

1.1 Research Background

The importance of customer relationship is changing business strategies these days. Companies aim at building long-term relationships and customer retention. In this era of digitalization, we face the fast growth of data. Most of the companies cannot sustain business activities without an efficient way of data storage and analysis. The two trends resulted in the appearance of Customer Relationship Management (CRM). CRM is a *business strategy combined with technology to effectively manage the complete customer life-cycle*. It is aimed at increasing the acquisition of profitable customers by improving relationships with them. (Payne 2008.)

The case company, Company X, is a B2B producer of pharmaceutical packaging. The industry is known by an attentive approach to customer relationship when the value proposition should be tailored to individual needs. Operations of Company X grow internationally through acquisitions, and by providing new products and solutions. Due to the growth of the number of customer data increases. The current amount of data became difficult to analyze without an efficient tool. For this reason, the CRM implementation was a logical step in the company's strategy.

The interest of the author is to analyze the process of how the company is preparing to introduce CRM. Company X meets difficulties due to the complexity of the process while some initiatives are successful. The author analyzes the preparatory activities and makes suggestions for improvement. The suggestion is based on the theoretical framework and empirical research. After defining the critical aspects of the process, the author develops a framework of successful preparation for CRM implementation. The framework works as a role model for any company.

1.2 Thesis Objectives, Research Questions, and Limitations

Thesis Objectives are clear and specific statements that define what the author wants to accomplish by doing the research. (Saunders, Lewis & Thornhill 2009, 34-44.) Objectives give the reader an understanding of how extensive the following research is. In addition, the success of the research can be measured by evaluating if the thesis objectives were fulfilled. (Ghuri & Gronhaug 2010, 44.)

The purpose of the thesis is to research and understand the concept of CRM and the preparatory process which lies between the appearance of the idea of implementing CRM and the actual implementation. The author is analyzing the approach utilized by Company X in preparation for the CRM adoption. Based on the theoretical framework and Case Company's experience, the author is making suggestions for improvement for the company. She further develops a framework that prepares any company for the CRM implementation.

Determination of a research question is an important part of starting the research. Not only it gives the reader an understanding of the core purpose of the research but also helps the author not to deviate from the objectives of the research. In addition, the question is supposed to generate new insights. (Saunders et al. 2009, 36-44.)

The research question in the thesis is:

What are critical preparatory steps companies should take to successfully implement CRM based on Case Company's experience?

The author formulates sub-research questions which contribute to answering the main research question. They are smaller questions focused on specific issues through which the author can retrieve necessary information. (Mligo 2016, 45-46.) Sub-research questions supporting the current research are:

- What are CRM and its value?
- Why companies struggle to implement CRM?
- What companies want to achieve by setting up CRM?

Almost any phenomenon might require a big amount of investigation due to its broadness, complexity or availability of information. Setting limitations is the demarcation of the scope of the study which allows the author to concentrate on answering the research question as well as give the reader understanding what the dimensions of the research are.

(Krishnaswami & Satyaprasad 2010, 32.) Some limitations are applied to the following research as well. The research is conducted based on the information provided by the

case company, which cannot disclose everything connected to the topic. Due to the specialization in Marketing, the writer is not taking responsibility to describe the technical preparations and developments that require deep IT knowledge of the process. The research is focused on the preparatory process for the CRM implementation. Thus, it does not include the implementation process of CRM and its outcomes as the process is still going on in the case company.

1.3 Theoretical Framework

The theoretical framework of the thesis displays the theory crucial to an understanding of the concept of CRM. The theoretical chapter, Chapter 2, explains Customer Relationship Management itself, its origin and value. The theory covers the preparatory and implementation processes of CRM, defines problems associated with the processes. Concepts on which CRM bases, such as Relationship Marketing and Service-Dominated Logic are explained as well. The theoretical part of the thesis prepares the reader for the empirical research to allow a better understanding of the thesis.

1.4 Research Methods and Data Collection

Researches utilize one of the following or combine two research approaches: deductive and inductive. The deductive method concept is based on using data to test the existing theory and is usually a part of the quantitative research, yet it does not eliminate the use of qualitative data. Deductive approach characteristic is that concepts of the research need to be operationalized in a way which enables facts to be measured quantitatively or statistically generalized. The inductive method is controversial and based on creating a new theory from analysis of existing data. Moreover, researchers utilizing this approach are likely to be concentrated on the context of events and take different views of phenomena. This research method is characterized by primarily utilizing qualitative data. (Saunders et al. 2009, 124-128.)

The research is conducted with the inductive approach as the author is building a new framework and bases on an attempt to understand the drivers of certain events.

There are two main research methods which are qualitative and quantitative. The research method is usually identified by the type of data collection applied. The data for the writing can be qualitative, quantitative or a mix of both. The quantitative method is based on the collection of numerical data which can be quantified with the use of charts, graphs, and statistical or mathematical techniques. On the contrary, the qualitative method contemplates the collection of data that has no standard and is analyzed by

conceptualization and comparisons. The method allows the writer to build up his own theory. (Saunders et al. 2009, 151-154.) As it might be necessary to incorporate several data collection techniques which refer to different research methods, business researchers often use both methods (Saunders et al. 2009, 151-154) The author uses qualitative data in the research.

Data on which the research bases can be primary and secondary. Secondary data is the data used for the research which was originally collected for another purpose while primary data is the data collected specifically for the research. (Saunders et al. 2009, 598, 600.)

The primary data in the current research is collected by interviewing employees of the case company. There are different types of interviews that can be utilized in the research based on its purpose. Structured interviews are based on predetermined set of questions and do not let deviation from this set. Usually, such interviews offer a predefined choice of answers; thus, such interviews are common for quantitative research as they provide data that can be quantified. Common interviewing for qualitative research is usually semi-structured or unstructured. The semi-structured interview has a list of topics and questions to be covered but the order can vary with the flow of conversation. Additional questions can be asked to find the nature of certain events. Unstructured interviews are commonly informal. They are used to gain in-depth knowledge. The respondent is not guided by the interviewer but has a possibility to talk freely. These two types are suitable when the interviewer wants to understand the reasons for decisions and events or to build a theory based on the research. (Saunders et al. 2009, 320-323.) The interviewing process of the research is semi-structured as the author is carrying the inductive research and needs qualitative data for the analysis.

Questions of the interview can be open-ended, probing, specific, and closed. Open-ended questions encourage the interviewee to answer extensively, mentioning topics that he considers relevant. Such questions provide better insight on interviewee's point of view. Probing questions may be open-ended by their word ordering, but they request focus on the certain issue. They may be asked in order to explain a given answer which is unclear to the interviewer. Probing questions can also be asked to deeper focus on some aspect mentioned in previous answers. Specific and closed questions are closer to those used in structured interviewing. They can be used to confirm a fact or to collect specific information which is delivered in short form and does not require interviewee's analysis. (Saunders et al. 2009, 337-339.)

All forms of questions are used in current research, some of them are planned while others appear with the flow of the interview. Figure 1 presents the form of the interviewing used by the author.

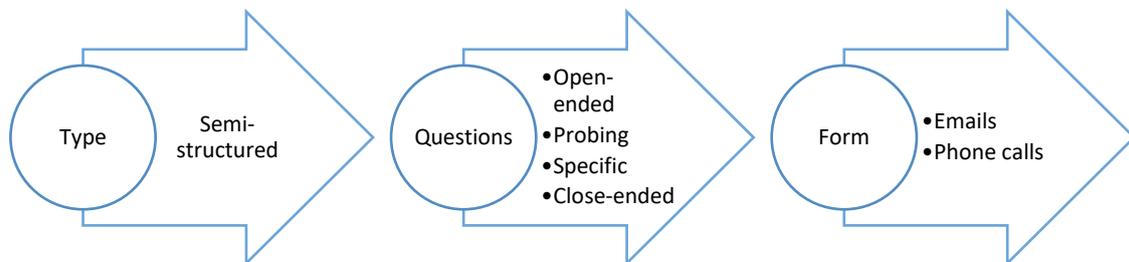


Figure 1 The interviewing strategy

As seen in Figure 1, semi-structured interviews consist of opened, probing, specific, and closed questions are asked by emails and phone calls.

Printed literature and Internet-based sources represent secondary data sources used by the author.

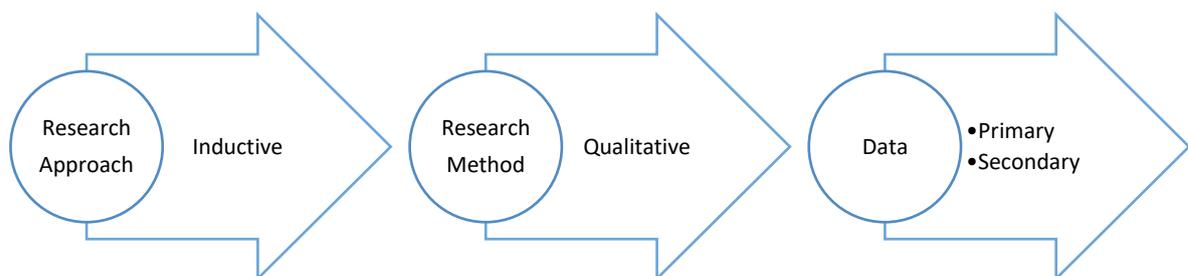


Figure 2 Research methodology and data collection

Figure 2 summarizes the subchapter, illustrating that the research is conducted with an inductive approach, using qualitative data collection methods and is based on primary and secondary data.

1.5 Thesis Structure

The thesis consists of six chapters, illustrated in Figure 3.

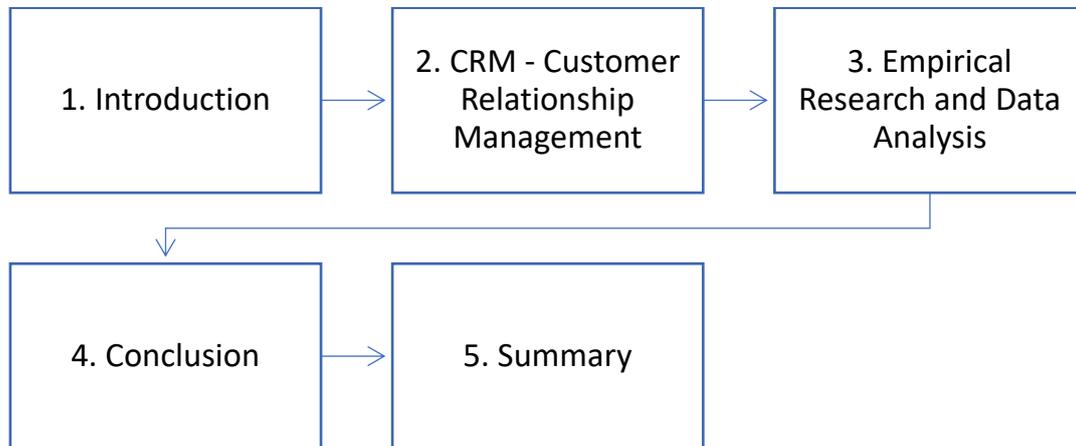


Figure 3 Thesis structure

The introductory chapter, Chapter 1, presents to the reader thesis objectives and research questions. Chapter 2 is a theoretical part where the description of CRM is provided. It is based on secondary information sources and explains the concept of CRM its origin, value and covers problems of the implementation process. The following Chapter 3 introduces Company X and the case. Retrieving and analyzing data from conducted interviews with employees and personal observations the author gives suggestions for the case company and further develops a framework of preparation for CRM implementation. Chapter 4 provides answers to research questions, validity and reliability part finalized by suggestions for further research. The whole thesis is summarized in Chapter 5.

2 CRM – CUSTOMER RELATIONSHIP MANAGEMENT

The following chapter explains the concept of CRM its contents, origin, and value. The chapter covers reasons for CRM implementation and common problems associated with the process. The collected data lets the author conclude that problems can be solved by defining and correctly approaching the structured preparatory process for CRM.

2.1 Definition of CRM

A term of Customer Relationship Management is complicated as the customer relationship itself, for this reason, there is a big variety of CRM definitions. Payne (2008) collects several definitions of CRM. One of them is presented in the research background – *business strategy combined with technology to effectively manage the complete customer life-cycle*. Apart from that, he names CRM a unity of relationship marketing strategies and potential of IT which delivers profitable, long-term customer relationships. Peel states that CRM is about understanding the nature of the exchange between customer and supplier and managing it appropriately, where the exchange contains monetary consideration and communication (Peel 2003.) There have been arguments on whether IT or human ability to correctly use the obtained data play a bigger part in CRM. Nowadays, specialists conclude that each part is essential and cannot exist without the other. (Godson 2009, 160-161.)

The whole concept of CRM consists of three components which are presented in Figure 4.

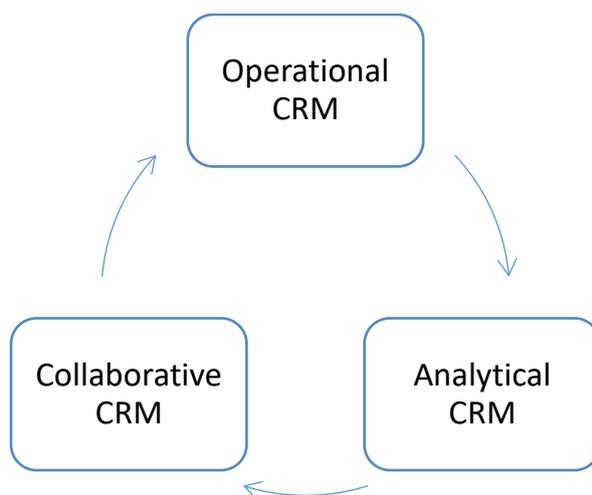


Figure 4 Components of CRM

Operational CRM is a concentration on automation of business involving front-office customer contact points such as sales, marketing, customer service. (Payne 2008.)

Operational Customer Relationship Management provides support to the company in the

form of a customer's history of interactions with business and customer data. (Gummesson 2008, 52). Nowadays, there is a big load of contacts to deal with. Moreover, people have an enormous number of communication channels. Companies need an access to customer data in a short period of time not depending on the current channel. The operational CRM provides such access.

Analytical CRM involves the interpretation of data created. It uses data collected from the operational database. Common analytical tools provided by data interpretation are:

- Market segmentation analysis which can base on demographical, behavioral or attitudinal data. (Peppers & Rogers 2017, 135.)
- Affinity grouping, sometimes called market basket analysis. It identifies data items that tend to be associated with one another in the customer choices.
- Churn management, which measures existing churn and correlates churn rates with trouble spots e.g. geographical areas, dealers, a certain type of customers.
- Customer profiling – using predictive analysis to tailor value proposition to the customer's needs in the future.
- Profitability analysis – definition of profitability of individual customer for identification of which requests are profitable and what valuable customer segments should be especially protected from competitors.

Collaborative CRM involves the use of collaborative services to enable interaction between customers, the company and employees.

Successful CRM requires integration of all three parts that would support each other, which is illustrated as a closed loop on Figure 4. (Payne 2008.)

2.2 Origin of CRM

Principles on which CRM bases are not new, they are customer management principles viewed, however, from a renewed perspective of managing. This management applies technological innovation to marketing principles. There are several aspects that urged the appearance of CRM:

- the growth and diversity of competition, which causes the market fragmenting into smaller and smaller segmentation, reaching individual customers making mass customization replace mass market
- the development and availability of new technology
- dilution of conventional timeframes in this electronic-enabled era

- the transition from traditional to relationship marketing and from goods-dominant to service-dominant logic. (Payne 2008.)

2.2.1 Relationship Marketing

Relationship marketing or RM is a marketing approach which is based upon *networks, interactions, and relationships* (Godson 2009, 5). It is focused on sustaining connections in a mutually beneficial way when quality is a concern of every staff member of the company. The core principle is that customer contact is not ending after the purchase but is continuous and long-term. (Egan 2011, 38-39.) Relationships in the concept are not only those between supplier and the customer but the full variety of connections including inner connections in the company. RM does not deny the fact that revenue is a goal of every business, but it turns focus to the profitability of the customers instead of solely profitability of the product. (Malhotra, Uslay & Bayraktar 2016, 13-16.)

RM can be achieved by paying attention to every of 5 E's of Customer Relationships that are customer:

- environment
- expectations
- emotions
- experience
- engagement.

Customer environment makes the company turn attention to the environment in which the customers exists. It includes all surroundings as they define the customer needs. The next point is customer expectations. It is obvious that the company should at least meet the expectations of the customer to stay profitable. However, only exceeding expectations lead to building a trustful and long-term relationship with a customer. By understanding customer expectations, the company can create a value proposition that will exceed them. The result is customer retention. The following 'C' – customer emotions is based on that relationships are essentially emotional constructs. For this reason, the company should pay attention to reducing negative emotions of the customer and increasing positive ones. Positive emotions lead to subconscious affection to the enterprise. Customer experience is creating a positive and valuable experience by being easy to do business with. Finally, customer engagement is implementing Service-dominant logic or involving customers in production. By becoming a co-creator, a customer puts something of himself into the process and feels a stronger relationship with the company. In this case, the company gets knowledge of what the customer needs. (Peppers & Rogers 2017, 54-60.)

The world is seeing a wake of relationship marketing which is timeless. A relationship takes different forms but always remain a core part of any culture and, logically of any type of business. Thus, it was a matter of time when marketing specialists would finally conceptualize the object and prove that relationship is the core basement of marketing. The born concept made practitioners create efficient ways of complying with principles of RM, and CRM is one of those.

Supporting the theory of that relationship marketing forced the appearance of CRM, Gummesson gives CRM the following definition: *CRM is the values and strategies of RM – with special emphasis on the relationship between a customer and a supplier – turned into practical application and dependent on both human action and information technology* (Gummesson 2008, 7). Godson agrees on latter, at the same time treating CRM more as a software, identifying it as an *implementation of the principles of relationship marketing through the management of customer data and use of technology* (Godson 2009, 139).

Establishing a connection between RM and CRM leads to the conclusion that the management should understand what relationship the company has or would like to have with the customer. The understanding is very important as each type of relationship needs a specific approach. CRM planning should be based on the chosen relationship the company wants to focus on.

It is a common knowledge that relationship varies greatly. However, RM practitioners are usually utilizing a concept of thirty relationships that embrace the mix of relationships between parties and marketing properties. The concept helps not only to identify the type of relationships but to apply it into the marketing and CRM planning. Due to this model, relationships are grouped into four categories. The first category is Classic Market Relationships – relationships which vary but exist in any organization and form a basis of marketing. The second category - Special Marketing Relationships embraces specific relations not applicable to any case and feature some relationships common for services and industrial marketing. Mega Relationships forming the third category are related to external or influence markets. The final category is Nano Relationships which can be called internal relationships. (Godson 2009, 24-28.) It is likely that each company has different classifications that apply to the specific case. Moreover, businesses may incorporate only one or all thirty relationships. The important issue is to analyze relationships in any way to define the CRM strategy.

2.2.2 Service-Dominant Logic

In previous years, traditional marketing was focused on production and distribution of goods or Goods-Dominant logic shortly referred as G-D L. Services were viewed as special goods as well – e.g. intangible products or value additions to tangible products such as post-sale service. With the transition of traditional marketing to RM, Service-Dominant logic has grown from the assumption that customer does not buy a product because of product, but rather because of a service it provides. (Lindberg-Repo & Dube 2015, 122.) Nowadays, the boundary between the product and the service is completely broken down due to the appearance of the Internet of Things. (Peppers & Rogers 2017, 138.)

Service-Dominant logic or S-D L is a concept, in which service is viewed as a process of applying skills and knowledge for the benefit of another party. Four core principles of S-D L can be highlighted. They are:

- Service is a foundation of any social or economic exchange.
- Value-in-exchange should be substituted by value co-creation. In this case, the customer is a co-creator of the value.
- All social and economic parties are resource integrators.
- Value is contextual and always uniquely determined by a beneficiary.

S-D L goes as far as offering to substitute traditional terms of 'B2B' and 'B2C' with more generic 'A2A'. This term stands for 'actor-to-actor'. A2A suggests that relations nowadays go two ways. Both producer and consumer act by giving service one to the other, in other words, co-creating value. In Service-Dominant logic, the customer was promoted from the passive operand to an active operand of the exchange process. (Fisk, Russell-Bennett & Harris 2013, 221-222.)

A general conclusion can be made from the S-D L and RM that customer holds an active role in marketing nowadays. According to S-D logic, the product is not the core value. Skills and knowledge are what make a value proposition. In this case, CRM is a tool for obtaining this knowledge. (Gummesson 2008, 10-14.)

2.3 IT Perspective

From the IT perspective, CRM consists of two main elements: a data repository and a set of applications. The repository enables the company to collect information. Usually, it is enhanced with analytical tools. The applications enable value-adding interactions between the company and the customer. Data collection is a more standardized process in every

case. However, applications greatly vary from business to business, depending on their core customer relationship aim. The applications that can be utilized are databases, call centers, e-commerce, sales systems integration, web marketing, customer loyalty programs, predictive and analytical planning, social networks management etc. (Payne 2008.)

The type of CRM implemented in the company may be either SaaS or On-Premises. On-Premises is an option when the company licenses the software from the vendor, installs it on-site and have control over all administration. The company is responsible for data storage and can customize the software according to its specific needs. On-Premises option suits companies that:

- have an IT department and data warehousing is already used in the company
- are not able to fit into boundaries of SaaS offerings
- can predict the load to the system in terms of customer activity, user counts
- hold sensitive by law or corporate policy data and do not trust SaaS security protocols
- are ready to spend time and money on software development.

Figure 5 illustrates the On-Premises integrated CRM

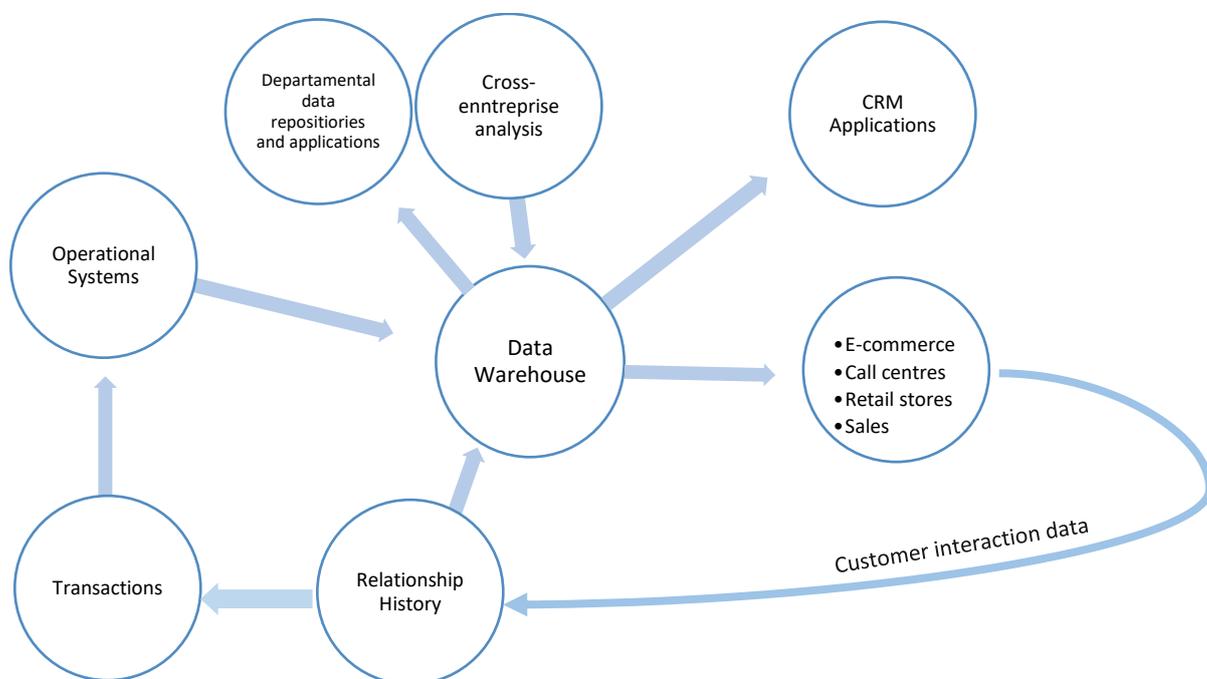


Figure 5 On-Premises Integrated CRM

CRM integrated into the heart of the company better corresponds to the customer orientation strategy than isolated systems that are accessed only by marketing and sales

personnel. The value of full integration is that all interactions across the organization are seen to every employee (Sunday Business Post 2017).

SaaS stands for 'software as a service' and is a pre-designed software which is bought for a price of subscription based on a number of users. SaaS suits companies that:

- do not want to focus on IT and outsource all IT related maintenance
- are satisfied with the offer and see that it can be integrated into the company's operations easily
- comfortable with sharing data and rely on the security level of SaaS provider
- need costs to be predictable
- cannot predict the load of the system. (Greenberg 2010, 452-453.)

SaaS delivery model is based on cloud data storage which is one of the biggest advantages over On-Premises installation. Cloud computing is a model of services in which an end-user can access via web all service capacities integrated into a single network called cloud. (Balco 2017.)

2.3.1 The influence of IoT

There are five drivers of CRM software development defined nowadays. They are Social, Mobile, Big Data, Cloud and IoT. Internet of Things or IoT encompasses every object that can interact with a person or another object with the use of the Internet. IoT can bring enormous savings on the research of individual experiences as everything is instantly shared with the supplier allowing more than ever customized and predictive value proposition. (Del Rowe 2017.) The information becoming available provides deep insights into true contextual, operational and predictive data. (Rizvi 2017.)

IoT can contribute a big amount of data to a CRM. For this reason, it is questionable if the company is ready to store it inside the company. Choosing between CRM providers, a company can consider solutions with cloud-based operations to make sure there is enough space for data storage. (Rushforth 2016.)

2.4 Reasons for setting up CRM

First reason in favor of CRM is that relationship itself is intangible while CRM offers a visible and tangible system to manage it by adding an IT part. Furthermore, when companies start their businesses without an efficient database, new customers are often solicited among perspective and old customers in a chaos. In some cases, there are several databases which are not interlinked between each other. They come from different departments of the company which means there might be repeating or outdated contacts.

In case of duplicated contacts, they are likely to be disturbed unnecessarily several times. To eliminate such problems, the technical side of CRM is an inevitable support in the form of upgraded data warehousing. CRM can connect and unify several departments located on different levels within an organization as well as on different continents. The principle behind the CRM is that all customer contacts and relationships with the company can be put together. (Thomas & Housden 2017, 15.) CRM collects information scattered across the company, previously available only for a certain department or person. Process integration and cross-functional collaboration are defining strengths of CRM.

Another advantage is the use of data mining, *a systematic process which may use advanced models and techniques*, by which CRM software can analyze data pools on customer behavior and suggest strategies based on those (Gummesson 2008, 53). Basic data-mining allows to cross-tabulate between different dimensions of data of each customer like location or industry. At the same time, advanced technologies allow to observe behavior and react to it with a set marketing response. (Godson 2009, 147-148.) The more data is stored in the CRM databases, the more effective the tool becomes as it is a dynamic learning system. (Malhotra et al. 2016, 105.)

CRM is a tool for the creation of an efficient infrastructure working on a daily basis that enables companies to effectively segment their customers, estimate customer lifetime for each customer, calculate overall customer equity and identify leads. (Fader 2012, 96-97.) This efficiency allows companies to customize their value proposition and increase customer retention. Moreover, it eliminates unnecessary prepositions to the customers of the wrong segment. The stored data is always kept in an order and at arm's length allowing fast interaction with the customer. The waiting time for the response is of high importance as any customer wants an instant reaction. Mentioned benefits unload employees as their job is partly automated, verified and kept up-to-date with the aid of CRM. (Gummesson 2008, 51-56.)

Profitability is the first aspect to which the company pays attention before implementing a certain strategy. It is a fact that CRM can increase the profit. The increase is possible due to customer retention. There are discoveries that the longer the customer stays with the company, the more profitable he becomes. There are several underlying factors contributing to the growths of profit. The first aspect is that the customer grows over time and purchases product in greater quantities. Profit also comes from reduced operating costs, as the customer becomes experienced and makes fewer mistakes if involved in the operational process. Moreover, he makes precise demands of delivery which contributes to greater productivity and cost reduction. Word-of-mouth is a known powerful promotion

that saves on advertising; thus, the more the customer experiences a good relationship with the supplier, the bigger the chance of him recommending it to other customers. Finally, customers are often attracted by introductory discounts, but over some time they pay regular prices. (Peppers & Rogers 2017, 32.)

2.5 Complete CRM Implementation

The author is focusing only on the preparatory process in the current research. However, it is important to mention what other parts are included in the process for the full understanding of the topic.

After the preparatory step goes the actual implementation and performance assessment. The assessment can become a daunting task due to lack of internationally recognized contents of CRM and standards of its success. However, some assessment tools can be applied such as Customer Management Assessment Tool (CMAT). It comprises over two hundred questions taken to answering by people from the company. Questions start from operational level up to senior directors to picture the real situation. Another way of measurement is Customer Operations Performance Centre (COPC) Standard. COPC Standard is awarded to companies successfully completing an audit of internal customer-facing operations. However, it is originally applied to operations of call centers. (Greenberg 2010.) Customer value improvements can be analyzed through LTV – Customer lifetime value which increases if the CRM is successful (Williams 2014, 75-78.), customer satisfaction and customer attrition. Revenue growth can be evaluated by analysis of campaign response rising amounts, increased size of orders. Cost saving can be measured by comparing campaign expenses with prior-CRM expenses, duration of transactions, and problem resolutions. (Stevens 2018)

2.6 Causes of unsuccessful CRM implementation

An American management guru Peter Drucker said that *the problem with good ideas is that they quickly degenerate into hard work*, which is applicable to the biggest problem of CRM implementation. The problem is a gap between idea and action. The gap can be caused by a wide variety of factors which are: lack of implementation skills, stamina, lack of data, inability to put data together to facilitate decision making and actions towards implementation. (Gummesson 2008, 18-20.) The preparatory step is a step that closes the gap and enables effective CRM implementation.

CRM has been implemented by a wide range of companies due to a variety of its forms that can suit any type of business. Yet, a great part of these companies wasted their investments and did not get at least half of the success they were expecting.

Wrong perception is probably the most common cause of unsuccessful implementation. There is a widespread misconception of CRM as a panacea which brings revenues and raises customer loyalty by technology, not requiring any additional actions from the employees. (Godson 2009, 160-161.) CRM is a combination of relationship marketing strategy and a software. For this reason, it is important to analyze both aspects while preparing for the implementation. Missing one part will not let the other work. Computer software is an enabler and an inevitable part of the modern business but dynamic and complex marketing based on a relationship cannot work by itself through an automated machine. The balance between human touch and IT should be always kept. (Gummesson 2008, 51-52.) Having a perception of CRM as a solely IT platforms lead to companies' dissatisfaction with CRM as they do not carry proper interpretation of behavioral patterns. On the contrary, successful businesses know not only how to collect data but also how to use it, which is a marketing side of the CRM. (Fader 2012, 104-108.)

While some companies have an unrealistic perception, others simply lack a basic understanding of the full potential of CRM. They hold to the first available or cheapest solution depriving themselves of the opportunity to reach success. (Payne 2008.)

In terms of relationship marketing, the failure of implementation might be caused by the fact that the company is utilizing a production orientation. According to production orientation, the customer should buy what is available or not buy at all. In other words, an orientation in which the supplier is an expert and the customer is ignorant. A production orientation is not built on a relationship which makes CRM implementation impossible. If the company does not accept relationship values and move towards them there will be no positive effect of CRM installation. Figure 6 illustrates the abilities of CRM in the production orientation enterprise and in the company with customer relationship orientation.

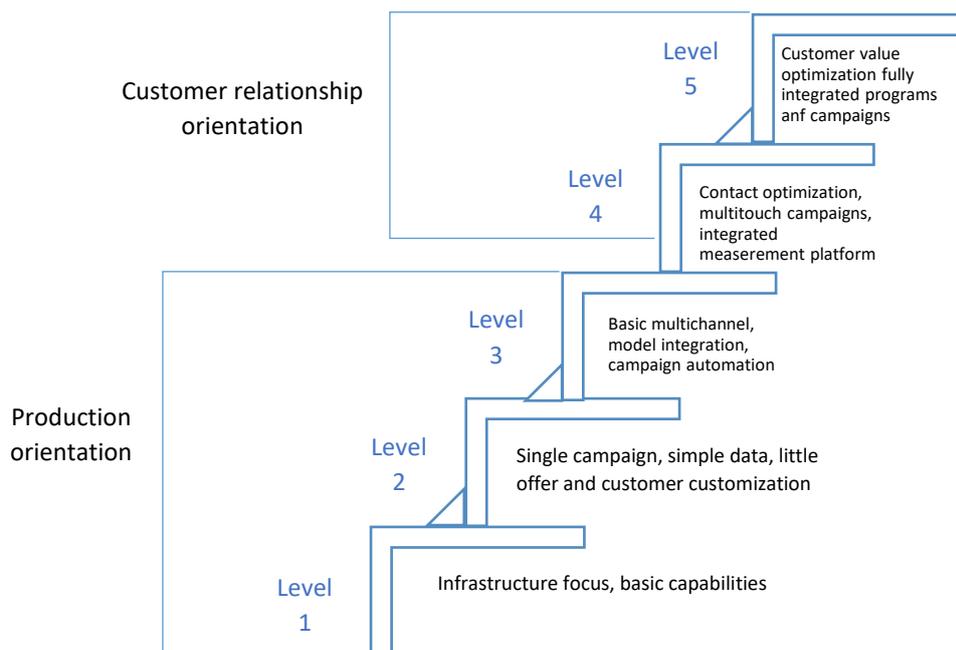


Figure 6 CRM abilities dependent on the strategical orientation

Figure 6 depicts five levels of CRM maturity going from low to high value. The rise of abilities is proportional to transition from product orientation to customer relationship orientation.

One of the arising problems on the way of implementation is involving all parties into the process. Each employee should be aware of the marketing strategy. There should be clear rules and concepts. They provide a meeting of customer expectations in any contact with any department. (Williams 2014, 21-23, 187-190.) All parts of business should have a role in promoting the organization. The hierarchical organization of isolated departments is a difficult model for CRM implementation. (Godson 2009, 85-88.) One of the widespread problems is a conflict between front- and back-offices. When CRM is installed, front-office experiences the of increase customer interactions and the rise of demand. Expectations of the customers increase. In case the back-office was not engaged in CRM preparation, it can't deliver what the front-office promises. This results in a decrease in customer satisfaction. For this reason, it is highly important to integrate back-end operations with front-end. (Peppers & Rogers 2017, 325.)

Another factor jeopardizing successful implementation is viewing customers, suppliers, and others involved in the company's actions as competitors or opposition parties. The company should see them as partners who co-create. Businesses used to be focused on attraction marketing forgetting about customer retention might need to change their

strategy to long-term collaboration and win-win approach, which means the creation of mutual value. (Gummesson 2008, 20-21.)

Not knowing the customer can not let the successful CRM implementation happen. CRM can consist of various channels when each channel raises complexity and cost of the software. Thus, it is important to understand what channels should be utilized to meet the needs of wanted customers. This leads to the fact that the company should decide which customer segments are important to them. (Willerson 2014, 158-163.) Each year the world faces new technologies such as artificial intelligence and other powerful add-ons. The management of too complicated platforms becomes overwhelming. (Estrada 2018.) Identifying the customer can determine needed add-ons and eliminate the use of unnecessary channels. The customer identification depends on the business model. However, the general rule is to understand limitations and make choices by setting priorities to certain types of customers. To achieve this, the existing data should be revised by cleaning outdated information and ambiguities, de-duplicating records for a singular contact, adding missing customer records. The company can do the segmentation of cleaned data after those steps. (Peppers & Rogers 2017, 414-417.)

3 EMPIRICAL RESEARCH AND DATA ANALYSIS

The following chapter introduces the case company to the reader. The data collection subchapter illustrates the data collection timeline. The subchapter includes a description of the collection of qualitative data through interviewing employees of Company X. The process of preparation for CRM implementation is described. Personal knowledge of the author as a former intern of the company is applied as well. Data Analysis subchapter includes suggestions for improvement for the case company. Further, the author creates a framework for successful preparation for CRM implementation based on primary and secondary data obtained.

3.1 Case Company

Company X is a producer of pharmaceutical and cosmetic secondary packaging which includes folding cartons, labels, leaflets and printed aluminum for blisters. The company was established more than seventy years ago as a local typography and developed into an international company with production sites in four countries. The company's concern is the quality which should always be at the high level. The company offers individual solutions and customer oriented service which is common for the pharmaceutical B2B industry. The company tailors the product to the individual customer needs and sustain relations by providing value-added services. Company X follows an actively developing trend of smart packaging by offering innovations compliant to the latest market demands. At the same time, the company adheres to sustainable and socially responsible policies by utilizing recycling on sites and ecological inks. The company holds a stable position on the market and good reputation among the clients. Moreover, most of the relationships with the clients are long-term.

3.2 Data Collection

This sub-chapter is explaining the process and timeline of data collection for the thesis. The process is illustrated in Figure 7.

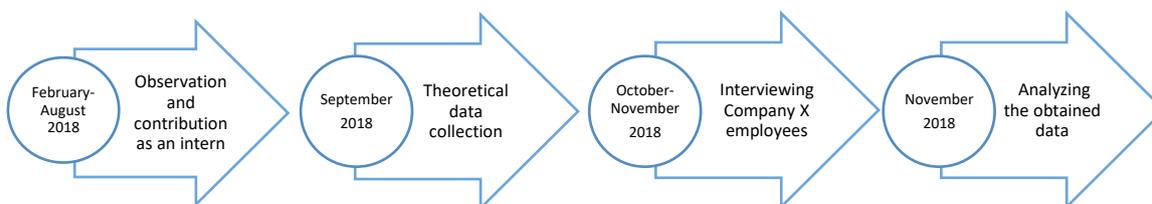


Figure 7 Data collection process

The research process is preceded by the author working at the Company X as a Marketing Intern. During the period of internship from February to August, the author was responsible for data preparation for the CRM implementation. She had the possibility to observe how the preparation was executed. In September 2018, the thesis writing process started with formulating the research questions and the collection of theoretical data relevant to the research subject. In October 2018, the interviewing of Company X employees started. In November 2018, the latter part of interviews was obtained. Analysis of theoretical and empirical data creates the basis for answering the research questions, giving suggestion to the case company, and creating the framework of successful preparation for CRM Implementation.

3.2.1 Interviewing

As described in the Introduction chapter, semi-structured interviewing is conducted through opened, probing, specific, and closed questions. The channels of interviewing are emails and calls as the author and the company are in different countries. Questions of the interviews are created basing on the following factors:

- The author wants to define what actions or non-action crucially influenced the process.
- The author was responsible for organization and revision of existing contact data as an intern in the company; thus, she does not ask questions related to this process.
- Interviewees hold different positions in the company and have different involvement in the process. For this reason, questions are individually tailored to better see the perception of each interviewee.

Interviewee 1. Corporate Marketing Innovation Manager

To have a general picture of the process and better interpretation, answers of the interviewee are narrated as one unit. Questions asked to Interviewee 1 can be found in Appendix 1.

Interviewee 1 says that the decision of implementing CRM in the company is linked to multiple factors revolving around the current clients and prospects. As an add-on, from an Innovation perspective, they wanted to track leads *back and forth* along their entire business network. Being questioned if the CRM is a software or a mindset of the company, the interviewee leans toward a mindset change. He adds that the goal is to enhance their capabilities. Other goals are to know in depth the needs and habits of their leads. This to include also their financial rating. As for previous customer management

approach, it was carried on individual capabilities basis. Channels of communication were a phone, email, and personal meetings. Results of each interaction were not framed on a structured template, which did not allow to set proper KPIs.

According to Interviewee 1, a timeframe of six months was set for preparatory activities. Speaking of CRM choice, the management has evaluated several solutions from the common international offers to local providers. The decision was taken by cross-functional profiles and departments: marketing, sales, administration, control management, and IT. The mindset was to identify a solution that could accomplish all needs or *at least the great majority of those*. The finally chosen software is a custom solution based on an engineered process on a modular/phase basis. It will be fully integrated with no cloud data storage. Currently, the software is being developed and is planned to be a cross-function database.

Speaking of difficulties, Interviewee highlights that the initial constraints were to get all parties around the same table and make them be aware of needs and opportunities. While his suggestion of what could be changed is the *accelerator to the enlarging of discussion beyond the common ground, has been the sharing of different needs*.

Interviewee 2. Operations and Business Development Manager

With the same purposes as in the case of Interviewee 1, questions asked to Interviewee 2 can be found in Appendix 2.

Interviewee 2 says that there are two parts of CRM value: internal and external. The internal value is to elevate the knowledge of clients through an accurate data management. The second one is to be more effective with the business proposal understanding the real needs of the customers and addressing the offer. According to Interviewee, the strategy of the company is to *focus not only on the product but on orienting specific services to the customer and satisfying their needs*. Customer retention is high in most of the cases. However, managing the relationship is strategic for improving the business. As for the process, sales and IT departments were leading the process. They were interviewing other departments to understand their needs. The CRM was chosen from a shortlist of three options, where flexibility and possibility of programming were the priorities. In overall, the process consisted of the following steps:

- set the goals
- IT requirements definition
- scouting and the selection
- customization needs involving all the parties.

Where the final step is going to be implementation and fine-tuning.

From Interviewee's point of view, the process has followed the proper path. However, he suggests that a Company with their dimension and complexity should have had a proper CRM available earlier.

3.2.2 Preparatory process in Company X

According to the Interviewees and the author's observations, the process is driven by marketing, sales, and IT departments. The goals are to organize an efficient data management, track the communication with clients with the possibility of financial rating. One more goal is to understand the real needs and habits of the customers and meet their specific needs.

Revision of existing contacts and customer identification

The decision of mastering contacts' data was made in order to prepare it for the CRM implementation and investigate what information the company has. The data was scattered across the organization in a form of lists of email addresses. The following steps were undertaken to organize a database:

- Contacts were collected from sales departments across four countries of operations and from the marketing department.
- Contacts were united into one excel database, sanitized by de-duplicating items, removing misspellings.
- Updating contact information by verifying existing and adding missing details.

Once the contacts were reviewed, it was decided what information the database should contain and how it should be segmented. Each email was assigned to an organization, type of relationship with that organization was mentioned (customer, prospect, suspect, partner, supplier). Other segmentation options were: customer service contact and account manager responsible for the particular customer, supply sources and destinations, name, location, further contact details, position, type of influence of the contact person, type of products produced by customers and prospects, and type of their organization. The segmentation identified what customer groups the company wants to focus on.

The organization of contacts showed that they should be unified and be accessible for every employee. Moreover, it showed that the amount of emails does not proportionally increase the knowledge of the customer and success in obtaining and retaining the

customer. It is important that contacts are constantly updated, and the database is interactive.

Once the contacts were revised, a customer satisfaction survey was carried out to identify the current relationship with the customer.

3.3 Data Analysis

The following sub-chapter comprises the outcomes of analysis of primary and secondary data. The analysis is presented in a form of suggestion of improvement for Company X. It is followed by the creation of a framework of the preparation for CRM Implementation.

3.3.1 Suggestion for the case company

The company follows a customer-oriented strategy; however, the problem of misunderstanding was arising from sharing different needs. The author suggests reviewing the vision and shared values to make sure they are followed to a full extent. CRM requires customer centricity and there might be several reasons of not sharing common needs. The first reason is the customer orientation not shared equally in the company. The second reason is CRM value was not clear for all parties and should have been explained deeper. Setting a precise plan of actions with the deeper involvement of every party could eliminate a perception of CRM implementation as a responsibility of the solely marketing, IT, and sales departments.

The chosen CRM acts as a data storage which is good for collecting the customer information, keeping it up-to-date and accessible. However, the author suggests paying attention to data mining. This means implementing analytical tools that would analyze a large amount of data daily resulting in correlations, response rates, common behaviors analysis. The company provides individual service and contacts personally every customer which can be enough now. However, predicting the growth of operations, the author assumes that manual analytics could become inefficient, replicating the current situation when the customer data storage became outdated resulting in a decision to implement CRM. Analytical tools would also provide the possibility of setting KPIs of customer communication.

3.3.2 Framework of Preparation for CRM Implementation

By collecting theoretical data, the author gains knowledge on common causes of unsuccessful CRM implementation. Further primary data research unveils what influences the preparatory process in the real company and what aspects are the most critical. Having analyzed the data, the author combines successful steps done by the company and suggestions for improvement. She further creates a framework that is aimed at supporting any company on its way to CRM Implementation and preventing possible mistakes. The framework is presented as Figure 8.

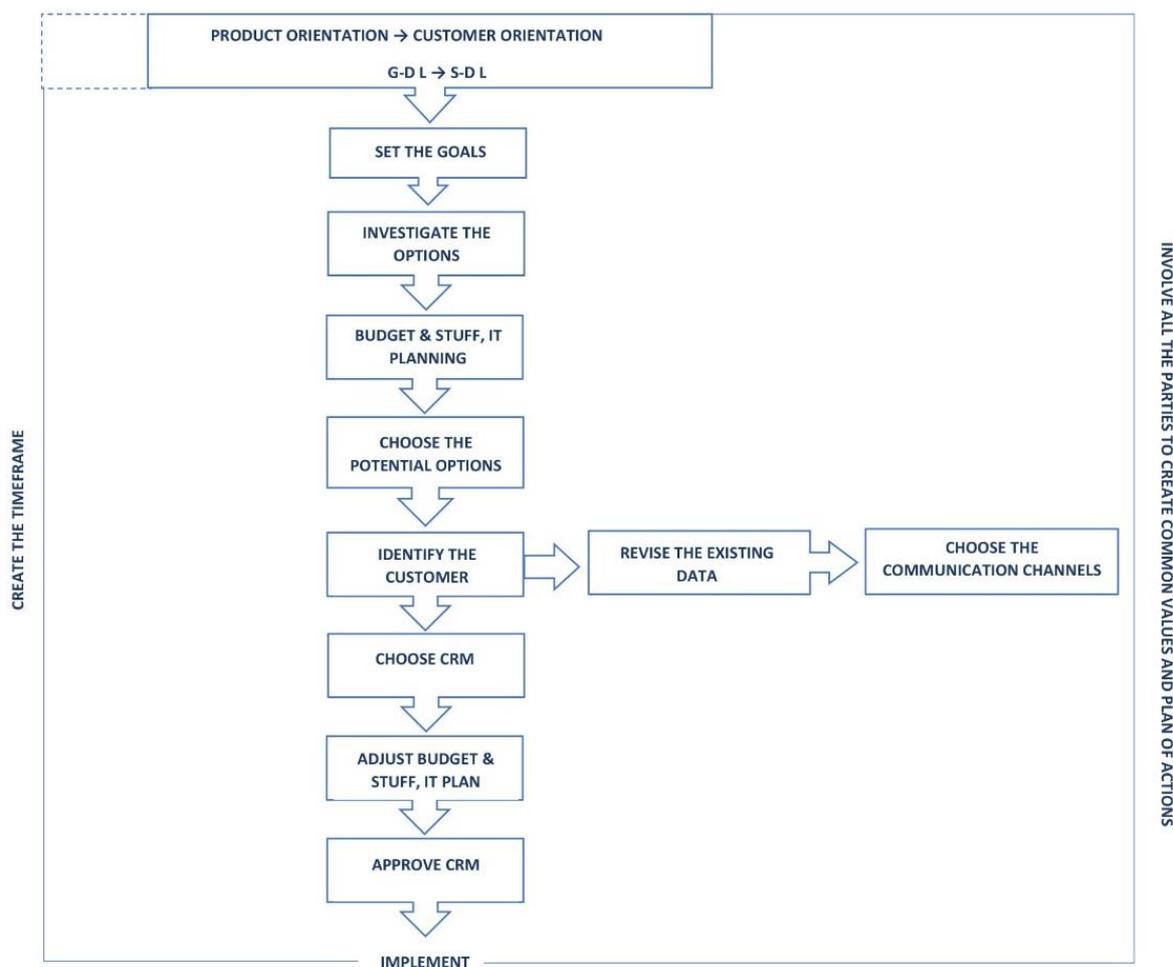


Figure 8. Framework of preparation for CRM implementation

Before following the steps inside the framework, the user should pay attention to two of them that influence the whole process and form a binding frame around the blocks.

Create the timeframe

Creating timeframe means time planning which is a part of every project. The particularity is in the biggest action of the framework and a basis for CRM Implementation. This block is a transfer of the company from product orientation to customer orientation and from Goods-dominant logic to Service-dominant logic. The process influences the whole company and its operations; thus, if the company did not transfer prior to a decision on CRM implementation, the preparation can be split into two parts with independent timescales. However, the timeline can comprise all blocks in case the company has made the transfer and only needs to look over to make sure it is compliant with both approaches.

Involve all the parties to create common values and plan of actions

The second part of the frame is to involve all parties to create common values and a plan of actions. Every step of the framework should comply with this paradigm. Moreover, every party should be sure to have full knowledge of the CRM concept. Some aspects can lead to stagnation, abandoning of the process or implementation of the option that does not suit the company. The aspects are: the decision makers enter negotiations with different values, needs, perceptions of CRM, lack of knowledge. Preliminary, sharing different needs, lack of deep involvement and discussion were named as a weak point of the process by Corporate Marketing Innovation Manager of Company X. This step has to define users of the tool as well.

Transfer from product to customer orientation. Transfer from G-D L to S-D L

The transfer from product to customer orientation is a starting block. The importance of this transfer is illustrated by the dependence of CRM abilities on the orientation of the company by Figure 6. The transfer should be done with the principles of Relationship Management in mind.

The Transfer from G-D L to S-D L means accepting that boundaries between goods and services are broken down in most of the cases nowadays. The company should admit that the customer is an active operant of exchange process and value co-creation. Due to the transfer the company values customer and understands the value of CRM. The transfer eliminates an assumption that CRM is a panacea that brings customers and retains them with no involvement of the human work.

Set the goals

This step should give the process a direction towards an aim. The completion of goals could also be used for performance measurement at the end of the process.

Investigate the options

Keeping in mind the parties' involvement the responsible staff can move ahead with investigating options available on the market. The investigation will unveil how different the offers are. The investigator should look at pricing, technical characteristics, SaaS and On-premises options, staff needed, analysis and communication tools available, how long does it take to implement, data security, level of customization, need of IT knowledge, and a number of users allowed.

Budget & Staff, IT planning

The investigation should then be discussed with the parties involved. IT department, if such exists, should analyze how the CRM can be implemented. This action especially concerns the case of integrated On-Premises software. Staff needed for implementation should be defined and decision on who should be trained made. There might be a need for attracting third-party consulting or technical support. Budget planning should also base on the investigation to have an estimation of final costs.

Choose the potential options

The choice should base on requirements of every party and potentially suit the company.

Identify the customer

Identifying customers is the next step. It starts from revising existing data as was done in the Case Company. This action allows understanding who the lead customer is, what information is important. The customer identity can further give the possibility to identify suitable communication channels. Moreover, it declines those which are not effective for communication with customers the company wants to focus on. Following questions should be asked at the beginning of identifying step and answered at the end:

- Who are our customers and how do we want to segment them?
- What are our current relationships?
- How should we organize information about the customers?
- How should we deliver value to the customers?
- What are the best channels for two-way communication and value delivery?

Choose CRM

Basing on the customer identity and the needed channels, financial, IT and staff abilities the potential options can be skimmed to make the final choice of one or two options.

Adjust Budget & Staff, IT plan

Rarely the option can ideally fit into all conditions of every party. The parties should discuss the final choice to make sure that needed adjustments are possible.

Approve CRM

Ideally, the approval of CRM follows the previous steps leading to the edge of the preparatory framework – implementation. However, the complicated process of finding the common solution can be challenging. When communication channels were chosen, the potential options might be changed. The discussion between the parties can also change the chosen options. Timing and sharing common values are meant to minimize the amount of moving up and down across the framework and proceed to the final step with as little repetitions as possible.

4 CONCLUSION

This chapter concludes the research by providing answers to sub-questions and the main research question. Answers are followed by an analysis of the validity and reliability of the research. The chapter is finalized by suggestions for further research.

4.1 Answers to Research Questions

The Introduction chapter presented the main question of the research which is: **What are critical preparatory steps companies should take to successfully implement CRM based on Case Company's experience?** The main question is answered later after the author answers sub-research questions.

Sub-research questions formulated in order to support findings for the main question were:

- What are CRM and its value?
- Why companies struggle to implement CRM?
- What companies want to achieve by setting up CRM?

Sub-research questions are answered below leading to an answer to the main research question.

CRM is a combination of business strategy and technology used for successful management of relationships with the customer. The complexity of CRM can be viewed as its value because it combines a wide range of actions aimed at the company's profitability. CRM is an illustration of what is the real value of relationship marketing and service-dominant logic. Customer Relationship Management provides possibilities for customer retention and profit growth. It also helps to analyze and predict the customers' behavior and expectations and co-create mutual value. Customer Relationship Management organizes data warehousing providing process integration and cross-functional collaboration inside the company and easy access to the data which unloads employees.

Problems arising on a way to CRM implementation are widespread and arise because of several reasons. One of the reasons is a wrong perception of CRM as a solely business strategy or IT platform, not a combination of both. It is viewing CRM as a panacea that can bring customers, retain them and rise the profit with no contribution from the human. The next reason is lacking information on a wide range of CRM options available and chose the one that does not suite the company. The following reason is an orientation not suitable for CRM – the product orientation where no attention is drawn to sustaining a

relationship. Viewing everyone involved in the company's operations as competitors or opposite parties is a fourth reason. Another reason is not involving all levels of the company into the process which leads to different quality of customer communication on different company levels and conflict between front-end and back-end operations. Finally, not knowing the customer leads to wrong CRM choice when unnecessary channels are overwhelming and too complicated.

By setting up CRM companies want to improve the relationship with customers by co-creating mutual value. Companies want to track their customer communication and understand customers' behavior. Undoubtedly, this is made in order to cut down costs and receive profit in the future. Moreover, in the era of digitalization companies need tools to manage growing amounts of data efficiently.

Having answered the sub-research question, the author can answer the main question:

What are critical preparatory steps companies should take to successfully implement CRM based on Case Company's experience?

Theoretical research and analysis of the case of Company X give a basis for the formulation of crucial steps to be taken by companies.

The first step is to review the strategy. It means to make sure it is based on customer orientation and Service-Dominant logic. In case the company follows different paradigms, the transfer should be made.

The second step is to set a defined plan and timeframe, where the first step is not necessarily involved in case the company is sure it was completed before.

The third step is to involve every department of the company into the preparatory and implementation process on every stage. Parties should share common values and have one vision of the process. Moreover, they should be sure to have full knowledge of the concept of CRM and available options. They should have the right perception of CRM as a combination of strategy and technology.

The fourth step is a careful investigation of the market and choice of several potential options after consulting with HR, IT and Finance departments.

The fifth step is identifying the customer. This is done by sorting and analyzing existing data, deciding who is the wanted customer, how the company wants to segment the customers, what information on them is needed, what value can be delivered to the customers, what are the best channels for mutual communication and value co-creation.

Customer identity and chosen channels allow making the final choice of CRM which should be a consensus of all parties and lead to successful implementation.

4.2 Validity and Reliability

Reliability is the extent to which the collected data will lead other researches of the topic to the same conclusions. (Saunders et al. 2009, 600.) The validity of the research defines if the data collected is valid for the research topic and if the findings are genuinely about what they are supposed to be. (Saunders et al. 2009, 603.)

The purpose of the research is to find the answer to all research questions. The objectives of the research are met and answers to all questions were found. Secondary sources of data are presented in a form of fundamental printed sources that are addressed by other researches of similar topics. Data obtained from electronic sources comes from CRM, innovation, and technology specializing journals or scientific publications which can be considered as reliable sources. Primary data is obtained by interviewing people who initiated, controlled and executed the preparatory process; thus, they provide valid information. According to the mentioned aspects, the research is valid and reliable.

4.3 Suggestions for Further Research

CRM implementation includes a wide range of aspects and business departments. Further research could be made from IT, HR or financial perspective as all of them participate in the process. Moreover, further research could cover the whole process including the implementation and assessment. The research could be carried after the Case Company completes the process to evaluate its success as a whole. This could be beneficial for the case company as they would receive more support to the process in a form of additional information, suggestions, and new ideas.

5 SUMMARY

The objectives of the thesis were to investigate the concept of CRM and define crucial preparatory steps of CRM implementation based on the experience of the Case Company. The steps would result in the development of the framework of preparation for CRM adoption. The final goal was to answer the main research question.

In the thesis, a theoretical chapter describes the definition of CRM, its components and origin. The theory comprises the value of Customer Relationship Management and common reasons for implementation failures.

After conducting theoretical research, the author proceeds with empirical research and data analysis. The chapter introduces Company X to the reader and covers up the preparatory process. The author carries empirical research by interviewing employees of the company. Observations of the author as of a former intern also contribute to the analysis. Interviews reveal underlying reasons for the process, difficulties and extract positive practices. The suggestions for improvement are an outcome of the research. Further, the author develops a framework of preparation for CRM implementation. The framework is a general model applicable to any business.

The findings of the research define critical steps of successful CRM implementation. First, the perception of Customer Relationship Management should include both perspectives – marketing and IT. Following crucial aspects are the correct approach, a full understanding of the concept, and involvement of all parties. Yet, the steps can work only if the company's strategy is based on customer orientation and follows Service-Dominant Logic. They are the basis of successful implementation and cannot be eliminated.

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Interviewee 1. 2018. Corporate Marketing Innovation Manager. Company X. Interview October 2018.

Interviewee 2. 2018. Operations and Business Development Manager. Company X. Interview November 2018.

APPENDICES

Appendix 1 Questionnaire for Interviewee 1

Set of questions answered by Interviewee 1, Corporate Marketing Innovation Manager
1. What made you decide to implement CRM?
2. By CRM do you mean only software or change of customer management on all levels?
3. Which CRM options were considered?
4. What influenced the decision? (IT, Administration, Language, etc.)
5. What CRM was the final choice, are you fully satisfied with what it offers?
6. Do I get right that it is integrated into inner operations and no data is stored in clouds our out of the company?
7. Through what channels was the customer communication carried before?
8. Could you explain more detailed how the chosen CRM will work?
9. Was there a timetable?
10. Did you have a detailed plan for those six months?
11. Did you fit in the timeframe?
12. How customer relationship was managed before?
13. What difficulties did you meet during the process?
14. Looking back, what would you say was successful and what could be changed in the period between the idea of CRM implementation appeared and nowadays?

Appendix 2 Questionnaire for Interviewee 2

Set of questions answered by Interviewee 2, Operations and Business Development Manager
1. In your opinion what is the value of CRM?

2. CRM is usually a part of Customer oriented company strategy when customer retention is more important than mass production. What is the strategy of the company? Does CRM fit into the current strategy?

3. What departments were responsible for CRM choice?

4. Is the chosen CRM in a form you wanted or the final solution greatly differs from the first perception? If yes, what are the differences?

5. Were all parties aware of what CRM actually is and what options are available on the market?

6. Looking back what do you think should be changed in the whole process? What was done well?