



# Customer Relationship Management for Long Wei Plastics & Metal Manufacturing CO. LTD Hefei, China

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<p>Abstract</p> <p>Long Wei Plastics and Metal Manufacturing Co., LTD is a company located in Hefei, Anhui province. The company was established in the year 2002, so it has been running more than ten years. Though the registered capital has doubled since the last ten years, the development of the company has stepped on the right track as well, there are still challenges and risks.</p> <p>In this thesis report, the customer relationship management plan was designed for the company and some constructive comments are given to the company`s future development. In the report, it is mainly focused on how to maintain a good relationship with the main customers and find out how to enlarge the business between them, in order to make the company develop in a good cycle and make more profits.</p> <p>The research was mainly done by interviewing the employer, employees, customers and partners. And the outcome of the research in the end was used to analyse the situation of customers and competitors. By using the resources coming from the relevant professional books as a guideline, the realistic interviews, the personal point of view and the previous experiences from different channels. The report comes up with the strategies for the company to reach the research objectives.</p> <p>The thesis results indicate the importance of implementing CRM for Long Wei Company in making long term profits and chasing larger profits margin by maintaining a good relationship with the customers. The influence of the implementation of CRM proved to be significant for the Long Wei Company's future development.</p>			
<p>Keywords</p> <p>Hefei Long Wei Plastics &amp; Metal Manufacturing CO. LTD, Customer relationship management, Development plan</p>			

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## 1 INTRODUCTION

Long Wei Plastics & Metal Manufacturing CO. LTD is located in High Technology Zone in Hefei municipality in Anhui province, established in the year of 2002. Altogether there are ten people working in the company. The business scopes of the company are design and manufacture of mold and die; plastics, machinery, metal stamping parts, welding parts process; maintenance of mechanical equipment and accessories and sales of plastics raw materials and mold materials. The company has passed ten years, adhering to the "Quality First, Customer Supreme, Forge Ahead, " business philosophy, and adhering to the principle of "customer supreme" in order to provide best quality products for all the customers. The company did a great job in the recent years which can be found from the purchase of the production machines, the stable increase of the business value year by year and the registered capital doubled compared with the amount when company established. (Interview Mr Pan 24 July 2012.)

Last year, Long Wei Company purchased a new computerized numerical control machine which makes the company able to produce their production with higher accuracy, faster speed and less costs. What is more, the more difficult productions can be produced now with the computerized numerical control machine. At present, the company has more than fifteen all kinds of manufacturing machines and with the experienced workers the company is able to satisfy most of customers' needs. (Interview Mr Pan 24 July 2012.)

### 1.1 Objectives of the Research

The objectives of the research are mainly came from analyzing how customer relationship management strategies applied in the realistic business cases of Long Wei Company, to show the importance of managing a good customer relationship in the right way. And combining with the realistic situation to find out how could Long Wei Company use customer relationship management strategies meet the customers' expectations and maintain a good relationship with the customers in order to get more profits and expend the scope of the company in the future.

What is more, the amount of small and medium sized enterprises in daily China is huge. How could a small size company with vitality and competitiveness like Long Wei develop and implement customer relationship management in helping them to gain long-term profits is an interesting topic in business area. Through the information collected and analyzed from Long Wei Company, the research brings a better understanding to the readers of how to build a good relationship with the customers, for a company based on Chinese realistic business background.

## 1.2 Implementation of the Research

The research was mainly conducted by interviewing the employer, employees, customers and partners. Because Long Wei Company is a small size company, considering not all of the relevant information is collected in the company's database and in order to get a comprehensive view of the company, it is better to use interview as the main research method. What is more, an interview is a purposeful discussion between or more people (Kahn and Cannell, 1947). The use of interviews can help you to gather valid and reliable data that are relevant to your research questions and objectives. Where you have not yet formulated such a research question and objectives, an interview may help you to achieve this. In reality, the research interview is a general term for several types of interview. This fact is significant since the nature of any interview should be consistent with your research questions and objectives, the purpose of your research and the research strategy that you have adopted (Saunders et al. 2000, 242).

Interviews may be highly formalized and structured, using standardized questions for each respondent, or they may be informal and unstructured conversations in the between there are intermediate positions. One typology that is commonly used is thus related to the level of formality and structure, whereby interviews may be categorized as one of:

- Structured interviews;
- Semi-structured interviews;
- Unstructured interviews.

*Structured interviews* use questionnaires based on a predetermined and standardised or identical set of questions. You read out each question and then record the response on a standardised schedule, usually with pre-coded answers. (Saunders et al. 2000, 243)

By comparison, semi-structured and unstructured interviews are non-standardised. In *semi-structured interviews*, the researcher will have a list of themes and questions to be covered although these may vary from interviews to interview. This means that you may omit some questions in particular interviews, given the specific organizational context which is encountered in relation to the research topic. The order of questions may also be varied depending on the flow of the conversation. On the other hand, additional questions may be required to explore your research question and objectives given the nature of events within particular organisations. The nature of the questions and the ensuing discussion mean that data will be recorded by note taking, or perhaps by tape recording the conversation. (Saunders et al. 2000, 244)

*Unstructured interviews* are informal. You would use these to explore in depth a general area in which you are interested. There is no predetermined list of questions to work through in this situation, although you need to have a clear idea about the aspects you want to explore. The interviewee is given the opportunity to talk freely about events, behavior and beliefs in relation to the topic area, so that this type of interaction is sometimes called non-directive. (Saunders et al. 2000, 244)

There were several interviews during the research process and each of the interviews was conducted in different ways. The interviews with the director are done by several times, combining with three different types of interview and trying to collect the information more comprehensively. And the interviews with the company's employees and partners were mainly done by semi-structured interviews, because the questions asked them were targeted to some specific areas in order to get the useful answers.

If the research questions and objectives are concerned with what people do, an obvious way in which to discover this is to watch them to it. This is essentially what observation involves: the systematic observation, recording, description, analysis and interpretation of people's behavior. The observation is good at explaining 'what is going on' in particular social situations, it heightens the researcher's awareness of significant social processes, and particularly useful for researchers working within

their own organisation (Saunders et al. 2000, 218). Considering with these points of view, the observation was also used as a research method.

After collected the information from interviews and observation, the qualitative research method was used as the main analysis methodology to analyse the information collected during the interviews while the quantitative analysis method used as an accessorial method when concerning the numbers, such as the business volume changes during a period of time.



## 2 MARKET SITUATION AND THE MAIN CUSTOMERS OF LONG WEI COMPANY

Anhui Young-Hearty Medical Equipment CO. LTD, ECU Eletronics Industrial CO. LTD and Anhui Anda Digital Control CO. LTD are three main customers of Long Wei Company. These three companies took more than 70 % of the total sales in last year, so it is important for Long Wei to maintain a good long-term relationship with them.

### 2.1 Introduction of the Market and SWOT Analysis

Before analysing the main customers' situations of the Long Wei Company, a brief introduction is given about the external environment of processing and manufacturing industry in Hefei municipality and the internal analysis of the company with SWOT analysis method.

#### *Manufacturing Industry in Hefei Municipality*

Hefei municipality is the capital city of Anhui province. It's a political and economic center. According to the Hefei Yellow Pages from the internet (2012), there are about eight hundred to one thousand registered mechanical processing or relative enterprises in the whole Hefei area. The forms of them are from small private-owned to huge state-owned enterprises. And most of these enterprises are owned by private owners. Among them, Long Wei Company is just a small or medium size company. Every year many new companies are established alone with some of the companies bankrupted. As everybody can image, the competition in this area is quite fierce, and the pressure of each company is quite big. From the interview done with several owners, it was found out that unstable business value, lack of liquidity capital, lack of long-term workers, and the increase of raw material prices are the main reasons limiting the development of their companies. But on the other side, it can be figured out from the big amount of existing companies, telling everyone the truth that there are quite many opportunities in machinery processing industry that if the company has enough competitiveness, and has the right development direction and strategies, with

the right stable business relationships with the customers that will make the company securing long-term growth and profitability.

### *SWOT Analysis*

“A SWOT analysis gives a summary of the strengths and weaknesses of the company together with the opportunities and threats it faces.” According to Kotler, SWOT analysis is an enterprise strategy analysis method on the basis of the internal situations of the enterprise, in order to find out the strengths, weaknesses, and the core competitiveness. (Kotler et al. 2001, 76)

#### 2.1.1 Strengths

Strengths are things a business good at that giving a business an important capability and clear advantage over rivals to help the business achieves its objectives. (Riley 2012) The strengths Long Wei Company has are as follows:

- Company has more than 10 years manufacturing experience, guaranteeing the quality and quantity of the products. (Interview Mr Pan 24 July 2012.)
- Hierarchy is low in the company. The communication between employer and employees is easy. Comments and suggestions are easy to deliver to the employer. (Observation Pan June-August 2012.)
- A full range of computerized numerical control equipment owns by the company makes the company able to meet most of the customers' order requirements. (Observation Pan June-August 2012.)
- The owner is very experienced in how to manage the *guanxi* in Chinese business area which will help with increasing the business orders and building up a relationship network. (Observation Pan June-August 2012.)

- Good reputation gained from over ten years manufacturing experience, helping the company attracts more customers which will bring some new business. (Interview Mr Pan 24 July 2012.)
- Location advantage. The company is located in Hefei High-tech Zone which is to near the company's main customers. The time of delivery and communication could be faster. And inside the zone, many companies could become the potential customers of Long Wei Company. (Observation Pan June-August 2012.)

### 2.1.2 Weaknesses

Weaknesses are the internal qualities of the business that render it less able to meet its aims. (Li 2012) From the interviews and the observations, the weaknesses of Long Wei Company are:

- Lack of liquidity, the company cannot expand its scope very quickly. Accumulation of capital is slow. (Interview Mr Pan 24 July 2012.)
- Lack of experienced production workers, to some extent, the new workers need to be trained and they need time to get familiar with everything in the working fields which influences the daily production assignments. Because of the less experienced workers will make more rejects when they manufacture products and slow down the speed of making one piece of the products. And in order to retain the employees, the company has to increase their salary which is also a big part of costs. (Interview Mr Pan 24 July 2012.)
- The information technology systems or advanced methods are not used in the daily management or manufacturing process. So the manager needs to manage everything by the manpower that will bring some chaos in some situations, for example, the usage of the manufacturing tools. (Observation Pan June-August 2012.)

### 2.1.3 Opportunities

Opportunities are qualities that make fulfilling the aim desirable for the business, most chances to earn profit, such as untapped market or state's policy. (Li 2012) Long Wei Company has its opportunity because of its location advantage.

- The transfer process of manufacturing industry has been speeded up in recent years in China. Since the beginning of the 21<sup>st</sup> century, in order to mitigate the gap of regional economic development, China has successively implemented the Western Development Strategy and the Northeast Old Industrial Base Revitalization Plan. In 2006, the Development of Central China Strategies launched. Anhui has a good geographical advantage as well as resources, industrial base and the continued improvement of the infrastructure. And Hefei has been identified as the one of country's major cities to undertake the gradient transfer of manufacturing trade. In recent years, the trend of eastern coastal industrial transfer to Anhui province is significantly speeding up. (Zhou 2010, 1-5) The secondary industries that come from foreign countries are gradually moving their investments to inland China from the coast parts that bring more opportunities in cooperating with those companies. Long Wei Company could capture these opportunities to start the corporation with the foreign companies.

### 2.1.4 Threats

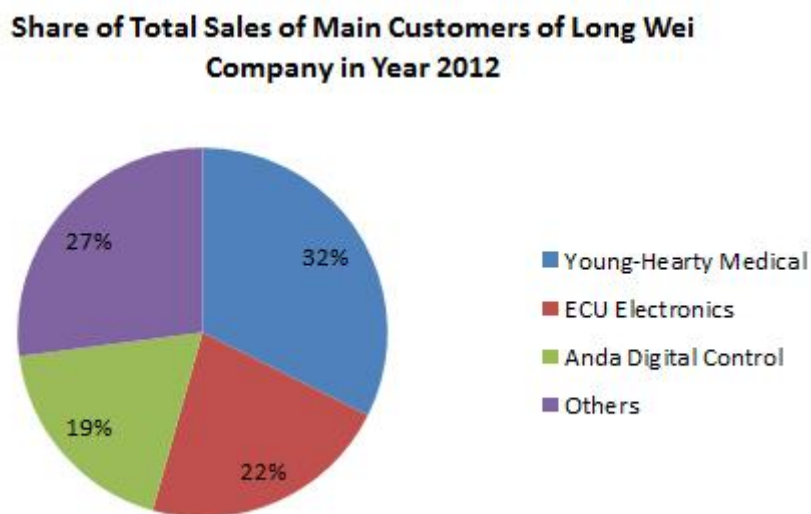
Threats are qualities that render the aim less desirable, things such as strong and entrenched competition already present in a possible market. (Li 2012) Here are two of the threats that Long Wei Company facing:

- The more and more competitors are trying to enter this manufacturing industry, making the competition more intensive. (Interview Mr Pan 24 July 2012.)
- The increasing price of the raw materials make the company spend more costs in their manufacturing process but the same price offered by the customers making Long Wei Company earn less. (Interview Mr Pan 24 July 2012.)

*Guanxi is, essentially, a philosophy for conducting business and other interpersonal relationships in the Chinese, and broader Asian, context. Therefore, its effects have a significant impact on how Asian societies and economies work. And has become a necessary aspect of Chinese and, indeed, Asian business due to the lack of codified, enforceable contracts such as those found in western markets. Guanxi determines who can conduct business with whom and under what circumstances. Business is conducted within networks, and rules based on status are invoked. Network members can only extend invitations to others to become part of their network if the invitee is a peer or a subordinate. (Buttle 2009, 54)*

## 2.2 Introduction of the Main Customers

During the past ten years, Long Wei Company did business with many customers, and as time goes on, nowadays the business of the company is mainly focused on three customers. They are Anhui Young-Hearty Medical Equipment CO. LTD, ECU Eletronics Industrial CO. LTD and Anhui Anda Digital Control CO. LTD. The bar chart below (Figure 1) shows the percentage of the each customer's business value of last year.



**FIGURE 1.** Share of Total Sales of Main Customers of Long Wei Company in Year 2012. (Business annual report of Long Wei Company)

In this chapter, based on share of total sales it will be given an analysis of each customer in order to pave the way for the next section.

### 2.2.1 Anhui Young-Hearty Medical Equipment CO. LTD

Anhui Young-Hearty Medical Equipment CO. LTD is a company founded in the year 2002, and officially put into operation in 2003. The company is located in Economic Development Zone in Tongcheng municipality in Anhui province, specializing in the research and development of high-tech medical equipment. The company occupies an important position and has a good reputation in the field of breath machine test in the domestic market which one of the leading enterprises in the domestic market. (Young-Hearty Official Website 2011)

As we can see from the bar chart above, Young-Hearty is the biggest customer of Long Wei Company. The two companies have started the corporation in 2008, the orders were manufacture of different parts of and components of high-tech medical equipment at the beginning and as the corporation went further, Long Wei Company started to make the whole medical equipment for them. Because of the high profits of the manufacturing of medical equipment, there are always competitors who want to join the business with a lower manufacturing price offered to Young-Hearty Company. It influenced the increase of the business value of Long Wei in a period of time. So the business value is quite unstable in recent years but things are developing in a good direction. And this year, according to the information collected from Long Wei Company, they forecast that the business between Young-Hearty Company will double.

### 2.2.2 ECU Electronics Industrial CO. LTD

ECU Electronics Industrial CO. LTD is the subsidiary of China Electronic Technology Group NO.38 Research Institute which was established in the year 1992, and the corporation received total investment of 27.5 million RMB from NO.38 Research Institute. ECU has been ranked the leading manufacturer of its initial product-Model R

transformer and it improves its brand image as a professional power supply manufacturer by following the advanced power supply technology and concept around the world. In constantly implementing the future development blueprints, good corporate culture, talented people and financial support, the company flourishes in the power supply industry as a well-known national brand and makes contributions to the national power supply industry. (ECU Electronics Industrial official website 2012)

ECU Electronics Company is one of the companies who started the corporation at the very beginning when Long Wei Company was established. And the businesses among the two companies are becoming more and more frequent because of the high quality products provided by Long Wei Company. Along with the steady growth of the volume of the business every year, the director of Long Wei Company is also attaching importance to the interaction and communication between two companies, paying attention to the relationship management which promotes the relationship between the two company becoming better and better.

### 2.2.3 Anhui Anda Digital Control CO. LTD

Anda Digital Control CO. LTD is located in Baohe Industrial Zone in Hefei municipality, established in the year 1998. It is National New and High Technology Enterprise and Innovative Enterprise of Hefei municipality. The company is committed to the research, manufacture and sales of the testing equipment and the development and research of production assembly line of auto electric parts, auto accessories, and automobile chassis pieces. Because of the cooperation between the company and Hefei University of Technology, the company is able to get enough guarantees of technology research and innovation. And after years of market expanding, the business of the company presents a good rising trend. (Anhui Anda Digital Control official website 2009)

And Anda Digital Control CO. LTD is also one of the companies which started doing business with Long Wei Company quite early. It used to be the biggest customer of Long Wei Company years before. In recent years, Anda Company has developed quite fast. However, the management systems of the company cannot catch up with the speed of its development. The lagging management methods and the chaotic

staff organization structure make the company face some problems, and the company needs to make some changes. In this situation, it influenced the cooperation between Long Wei Company, so the business value did not have a good trend, and it decreased year by year. Anyway, it is still one of the biggest customers of Long Wei Company. (Interview Mr Pan 24 July 2012)

### 2.3 Business Values of the Main Customers

Here is the data collected from Long Wei Company's monthly report of business value, and in order to make the change more clear, a line chart has been made (Figure 2).

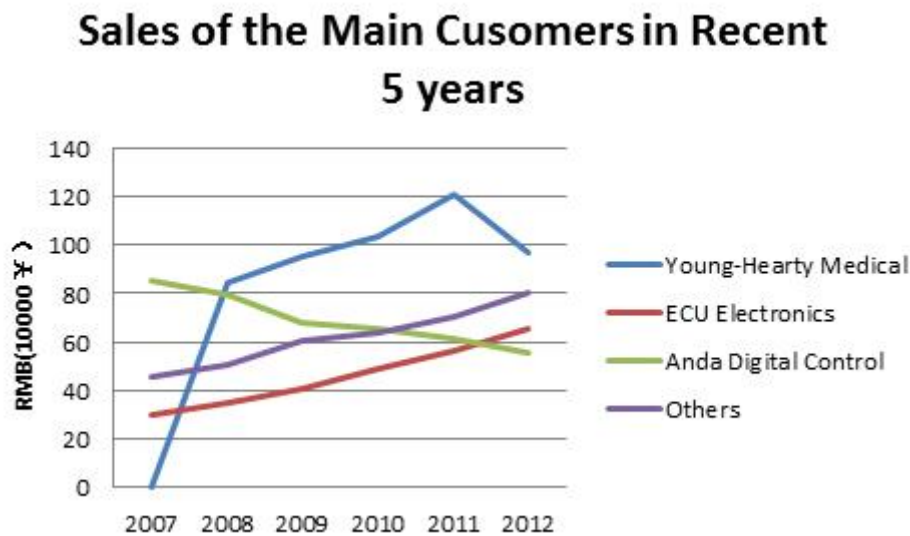


FIGURE 2. Sales of the Main Customers in Recent Five Years. (Annual Business Report of Long Wei Company)

From Figure 2 can be recognized, Long Wei Company has been doing quite well in previous few years, except the trend of two companies. One is Anda Digital Control, the reason has been mentioned in the previous section and another is Young-Hearty Medical. Because of the fierce competition, the sales decreased, which brought a big loss more than it shows on the charts. For example, the purchasing of the raw materials, the preparations of the raw materials, the salaries paid to the workers and so on.



In the following chapters it will be discussed about the marketing plan for Long Wei Company and mainly focus on how to keep a good relationship with the main customers based on the professional knowledge from the book and the previous realistic experiences of the employer.

### 3 CUSTOMER RELATIONSHIP MANAGEMENT AND CUSTOMER ANALYSIS

Customer relationship management (CRM) is 'core business strategy' that aims to 'create and deliver value to targeted customers at a profit'. Although most people would understand that CRM means customer relationship management, others have used the acronym to mean customer relationship marketing. (Buttle 2009, 3.)

A narrow perspective of customer relationship management is database marketing emphasizing the promotional aspects of marketing linked to database efforts. (Avasarika 2012, 81)

While Customer Relationship Marketing is an integrated effort to identify, maintain, and build up a network with individual customers and to continuously strengthen the network for mutual benefits of both the sides, through inter active, individualized and value added contacts over a long period of time. Customer Relationship Marketing is described as a comprehensive approach for creating, maintaining and expanding customer relationships. (Avasarika 2012, 81.)

What is more, taking time to understand customers' needs and requirements has formed the basis of good business practice for hundreds of years. In this way businesses were able to identify most lucrative customers and devise the best way of serving them in order to retain them. (Godson 2009, 139)

#### 3.1 Definitions and Objectives of CRM

Most of definitions of CRM are based on the collection and use of customer data for specific customer-focused activities (e.g. Xu and Walton 2005, 105). Peppers and Rogers (2004, 104) broadly describe CRM as 'increasing the value of the company through specific customer strategies'. They suggest CRM is a set of business practices designed to bring an organization closer to its customers so that it can understand each customer better and thus deliver greater and greater value to each one. In this way each customer becomes more valuable to the firm. More precisely they describe CRM as 'an enterprise wide business strategy for achieving customer specific

objectives by taking customer specific actions'. In other words, CRM is not just confined to the marketing department—it entails the whole organization being customer centric. (Godson 2009, 141)

In a study of financial services companies, Rodrigues and Stone (2002, 231) summarize a number of statements that have been put forward to define CRM. These break down into two basic areas:

- Enhancing the customers' overall experience of the organization;
- Getting closer to those customers who represent the greatest profit potential.

Rodrigues and Stone's own definition comes from one of the retail banks which formed part of their study: 'The business strategy and mode of operation deployed to maintain and develop relationships with profitable customers, and manage the cost of doing business with less profitable customers.' (Godson 2009, 141)

The notion of an organization choosing which customers to get close to is one of the basic concepts of relationship marketing. It is based on the principle that relationships can apply leverage to the customer's long-term profit potential, but at the same time acknowledging that there are costs associated in developing and maintaining a relationship. (Godson 2009, 141)

### *Objectives of CRM*

As it was mentioned in the previous chapter, risks and opportunities coexist in the manufacturing and processing industry. Combining the theoretical knowledge of CRM with the practical case analysis, the report will mainly focus on how to maintain a good relationship with the main customers and come up with some constructive suggestions for Long Wei Company to help the company in having a better development in the future and making more profits in the fierce competitive environment.

### 3.2 IDIC Model

The IDIC model was developed by Peppers and Rogers, the consultancy firm, and it has been featured in a number of their books. The IDIC model suggests that companies should take four actions in order to build closer one-to-one relationships with customers:

- Identify who your customers are and build a deep understanding of them
- Differentiate your customers to identify which customers have most value now and which offer most for the future
- Interact with customers to ensure that you understand customer expectations and their relationships with other suppliers or brands
- Customize the offer and communications to ensure that the expectations of customers are met. (Buttle 2009, 19)

Following the instruction of IDIC model and the basic information of the main customers introduced in the previous chapter that the readers could have already get a general impression of each customer. Not only because of the situations shown in the figures above, combining with the realistic businesses, the manufacturing of medical equipment has big profits compared with other product. In that case, Young-Hearty is the most valuable customer to Long Wei and is hoped to offer more value in the future.

Also there are quite many interactions and communications towards ECU Electronics Industrial Company and Anhui Anda Digital Control Company because ECU Electronics Industrial Company is the most stable and the biggest local customer to Long Wei Company and Anda Digital Control Company is the second biggest and the earliest local customer. In order to maintain these relationships, every time, the feedback from the customers is paid special attention, and corrections are made immediately, trying to meet their expectations and make them satisfied.

### 3.3 Strategic CRM

Strategic CRM is focused upon the development of a customer-centric business culture. This culture is dedicated to winning and keeping customers by creating and delivering value better than competitors. The culture is reflected in leadership behaviours, the design of formal systems of the company, and the myths and stories that are created within the firm. In a customer-centric culture you would expect resources to be allocated where they would best enhance customer value, reward systems to promote employee behaviour that enhance customer satisfaction and retention, and customer information to be collected, shared and applied across the business. You would also expect to find the heroes of the business to be those who deliver outstanding value or service to customers. Many businesses claim to be customer-centric, customer-led, customer-focused or customer-oriented, but few are. Indeed, there can be very few companies of any size that do not claim that they are on a mission to satisfy customer requirements profitably. (Buttle 2009, 5)

Customer-centricity competes with other business logics. Philip Kotler identifies three other major business orientations: product, production, and sales. (Buttle 2009, 5)

Product-oriented businesses believe that customers choose products with the best quality, performance, design or features. These are often highly innovative and entrepreneurial firms. In these firms it is common for the customer's voice to be missing when important marketing, selling or service decisions are made. (Buttle 2009, 5)

Price-oriented businesses believe that customers choose low-price products. Consequently, these businesses strive to keep operating costs low, and develop low-cost routes to market. This may well be appropriate in developing economies, but the majority of customers have other requirements. (Buttle 2009, 5)

Sales-oriented businesses make the assumption that if they invest enough in advertising, selling, public relations and sales promotion, customers will be persuaded to buy. Very often, a sales orientation follows a production orientation. The company produces low-cost products and then has to promote them heavily to shift inventory. (Buttle 2009, 5)

Here it will be dealt with the story between Long Wei Company with one of its main customers Young-Hearty Medical Equipment Company. As mentioned in the previous chapter, from figure 2 it can be figured out, there is an obvious decrease of the business value between the two companies in the year 2012. Comparing with the momentum of raising year by year, the decrease in 2012 is not good thing. Because of the involvement of another company, they took a quarter of the business volume from Long Wei Company. The businesses-logic of this company is price and sales-oriented. They offered Young-Hearty Company with the price of 18 % lower than Long Wei Company, and did a lot of public relationship activities inside the company. (Interview Mr Pan 24 July 2012) The results of public relationship activities make this company build a good guanxi with Young-Hearty Company management. Combine with the Chinese businesses life, CRM is more like the development of guanxi among your company and the customers. Plus the low price strategy, this company brought Long Wei Company a certain loss in the year 2012.

Fortunately, the industrial product is not similar with the consumer product. The industrial product is a measure of output of the industrial sector of the economy. The industrial sector includes manufacturing, mining, and utilities. While the consumer product is generally any tangible personal property for sale and that is used for personal, family, or household for non-business purposes. There are many differences between industrial product and consumer product, one of which is that the purchase of the industrial product usually has a standard of quality and quantity but there are little clear ones towards the purchase of consumer product. (Zhang 2009, 162) And the quality of products made by the competitor company cannot reach the standard of Young-Hearty, on the other side, Long Wei Company holds the product-oriented business logic as mentioned in their business philosophy "Quality First" that the products made by them can always meet the customers' requirements. And of course, Long Wei Company needs to do some strategic CRM related to the price and sales oriented methods as well at the same time to get the customer back. Firstly, Long Wei Company also reduced the price to the same amount as the competitor, and the owner use the guanxi he has inside the company, trying to persuaded the chief manager of Young-Hearty Company offer the order to Long Wei again. What is more, the quality of the products increased because of the purchase of the new computerized numerical control machine which able to ensure that the accuracy of the products become higher. At last the practical use of strategic CRM by Long Wei Company making it possible that the business value of them between Young-Hearty is fore-

casted to be doubled in 2013 and successfully get rid of the competitor temporarily. (Interview Mr Pan 24 July 2012)

### 3.4 Analytical CRM

Analytical CRM is concerned with capturing, storing, extracting, integrating, processing, interpreting, distributing, using and reporting customer-related data to enhance both customer and company value. (Buttle 2009, 9)

Analytical CRM is built on the foundation of customer-related information. Customer-related data may be found in enterprise-wide repositories: sales data (purchase history), financial data (payment history, credit score), marketing data (campaign response, loyalty scheme data) and service data. To these internal data can be added from external sources: geo demographic, and lifestyle data from business intelligence organizations, for example. With the application of data mining tools, a company can then interrogate this data. Intelligent interrogation provides answers to questions such as: Who are our most valuable customers? Which customers have the highest propensity to switch to competitors? Which customers would be most likely to respond to a particular offer? (Buttle 2009, 9)

Inside the Long Wei Company, the company has customer-related data of purchase history, delivery receipts and payment history. All the data cannot be presented here, but according to the data and the interview of the director, integrated with the theoretical information, Young-Hearty Medical Equipment Company is the most valuable company because of the profits from the business orders, and the punctual payment time. These two facts make Young-Hearty as the most reliable customer as well, as mentioned in the SWOT analysis of Long Wei Company. Lack of liquidity is one of the weaknesses that the company is facing, so the punctual payment time is an important measurement of a good customer. According to this, Long Wei Company pays more efforts in maintaining the good relationship with them. The products are manufactured in the only computerized numerical control machine to assure the accuracy of each single products; every time when deliver the product, each of the products is well packaged to make sure that there are will not be any damage during the delivery period. (Interview Mr Pan 24 July 2012)

And talking about ECU Electronics Industrial Company, it is like the most stable customer to the Long Wei Company. The business orders from them come monthly and the total business value is increasing year by year. Also the payments from them are punctual. Normally they pay one month after the products have been delivered. But different from Young-Hearty Company, the business orders are not the same all the time, so every time when Long Wei Company offer the manufacturing price after receiving the drawings, the man of ECU Electronics Industrial Company who is in charge of this always want to get some rebate from it so that the quoted price offered by Long Wei Company will decrease to some extent that the profit is not as high with Young-Hearty Company. But still all of the expectations and requirements from them will be satisfied: quality, delivery time, detailed modification and so on. (Interview Mr Pan 24 July 2012)

Anda Digital Control Company is one of the main customers also, but the business volumes have been decreasing during the recent years. As mentioned the reason in the previous chapter, the management chaos inside Anda Company made the company sink into mud that so many main technical members have left. And the payment from them is quite unpunctual that some payment may be delayed by months. According to this kind of situation, Long Wei Company did not only manufacture the products for Anda Digital Control, sometimes the technical director will provide suggestions to solve the inappropriate point in the products drawings and requirements, and make the product in the best condition. Long Wei Company will not cancel the cooperation with the customer when the customers are not in a good status, but the company will do anything possible to help the customers, trying to retain the customer. (Interview Mr Pan 24 July 2012)

As it proved in Frederick Reichheld's Harvard Business School academic Rarl Sasser team's research, the research was published in 1990, they showed that just a 5 % increase in customer retention could generate a massive net present value profit increase. (Godson 2009, 72)

And in the next chapter, the management of customer retention and customer lifecycle will be discussed in details to show the customer management strategies for Long Wei Company.



## 4 CUSTOMER MANAGEMENT STRATEGIES

In developing a customer strategy for the Lexus, the Lexus marketing team starts with current customers. They conduct in-depth interviews with current customers, many in the homes of the customers, to determine their likes and dislikes as well as their lifestyles. From this customer input and comparisons with competing luxury cars, the Lexus team identifies product improvements that range from more leg room to better fuel economy to a longer coat hook (customers complained that the conventional coat hook was not long enough to carry dry cleaning). They believe that product improvements that enhance product benefits are critical to delivering a superior customer value. (Best 2004, 82)

To discover customer benefits and create value for them, one needs to understand the total customer environment, not simply the product features customers like or do not like. What we really need to find out is what the customers want but cannot get from the products they purchase. (Best 2004, 82)

### 4.1 Customer Value Chain

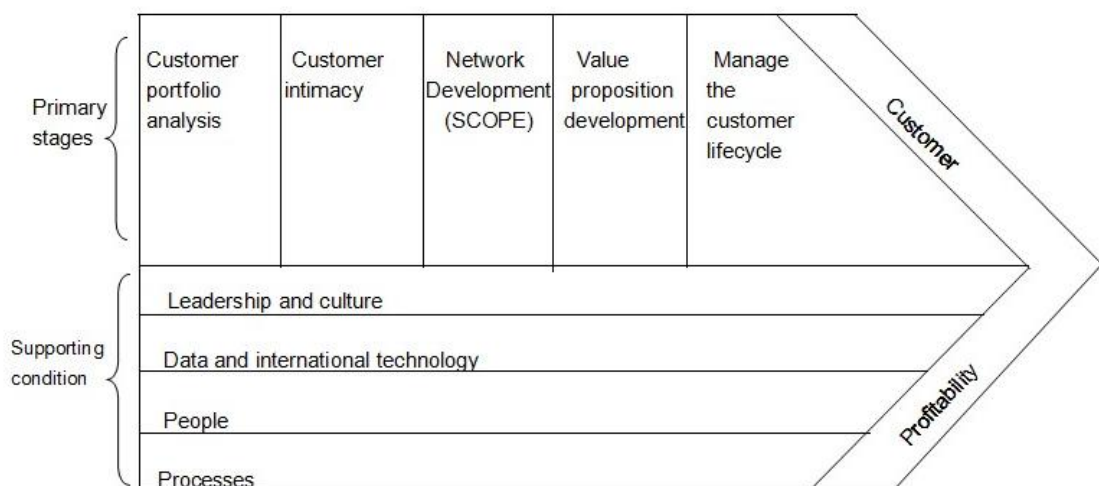


FIGURE 3. The CRM value chain (Buttle 2009, 20)

Francis Buttle's model was the subject of his recent book (2009, 20). The model, as shown in Figure 3, consists of five primary stages and four supporting conditions leading towards the end goal of enhanced customer profitability. The primary stages of customer portfolio analysis, customer intimacy, network development, value proposition development and managing the customer lifecycle are sequenced to ensure that a company, with support of its network of suppliers, partners and employees, creates and delivers value propositions that acquire and retain profitable customers. The supporting conditions of leadership and culture, data and IT, people and processes enable the CRM strategy effectively and efficiently. (Buttle 2009, 20)

#### 4.2 Creating Value for Customers

Value is the customer's perception of the balance between benefits received from a product or service and the sacrifices made to experience those benefits. (Buttle 2009, 187)

It is possible to represent this definition in the form of an equation:

$$Value = \frac{Benefits}{Sacrifices}$$

The equation shows that you can increase the customer's perceived value in two main ways: increasing the benefits they experience, or decreasing the sacrifices they make. (Buttle 2009, 188)

In this chapter it will be mainly discussed how to create the value for Long Wei Company's main customers and customers' retention for the company from other parts besides price. As an old saying in business says that no matter how good your prices are, someone somewhere will be charging less. (Godson 2009, 76)

#### 4.2.1 Value from Products

Binding practical cases to the three main customers, in the manufacturing industrial, the value of the products mainly focus on the quality and the warranty of the products. For example, at the beginning of the cooperation, because not familiar with the products, quite many products cannot reach the expectation of Young-Hearty that repair rate is quite high. What is more, the two companies are not in the same city that it takes more than three hours for transportation. Normally, if there any big problems with the products that affected the production of Young-Hearty the owner will go there in person, found out the problem and solved it, mostly, the products needed to be brought back to repair. In those processes, the charges are all free and the actions took by Long Wei Company towards Young-Hearty's feedback was also very fast. In addition, to decrease the damage during transportation, the products are well packaged as I mentioned before. And if the same situations happened to the others customers, the company will manage them in the same way. (Interview Mr Pan 24 July 2012)

Another benefit from the products comes from the product innovations. Here comes another example dealing with the orders from ECU Electronics Industrial Company. The business field of them is mainly in power supply that sometimes there will be special requirements towards the products' outer skin. After finishing manufacturing, the products need to be electroplated. According to the requirements of the drawing, the products need to be plated with chrome and chrome is the kind of material that has the characteristics of excellent anti-corrosion performance, hard and long lasting, easy to clean and low coefficient of friction (Alibaba 2011). Considering the use the products and according to the long-time experience that Long Wei Company found out nickel-plated is the best solution to meet the customers' expectations and will defected the quality of the products, what is more, nickel-plated is much cheaper than chrome-plated. And Long Wei Company reflected the suggestions of using nickel-planting instead of chrome-plating to ECU Electronics Industrial Company. Finally, as the results showed, this innovative change of the products not only ensures the quality of the products but also saves costs. The improvement obtained both companies a win-win result. (Interview Mr Pan 24 July 2012)

These examples show that how Long Wei Company managed to offer better solutions to deal with the products and create the value to the customers. The sincere attitudes towards the cooperation and wealthy experience in the manufacturing field are the key factors to increase the benefits and decrease the sacrifices. Here are some pictures of the Long Wei Company's products. In the image 1, is the product of ECU Electronics transformer and the image 2 is the product of Young-Hearty Company's medical equipment.



*IMAGE 1. Product of ECU Electronics transformer. Photograph Liang Pan July 2012*



*IMAGE 2. Product of Young-Hearty Company's medical equipment. Photograph Liang Pan July 2012*

#### 4.2.2 Value from Services

A service, as noted earlier, is a performance or act performed for a customer. Service is an important part of many companies' value propositions. Typical services include stockholding, design, measurement, cutting to order, delivery and fitting. Companies should find out what service elements are important to customers and where performance needs to be improved. (Buttle 2009, 201)

#### *Service quality*

Quality is fitness for purpose. As Joseph M. Juran (Juran 1964, 83) advanced the point of view that quality means creating products that are well suited to customer requirements and which therefore meet their expectations. In a services environment, fitness for purpose might mean:

- Allowing the customer to select a preferred communication channel (phone, e-mail or postal service)
- Recruiting customer contact staff who are highly empathic and responsive
- Customizing service delivery for customers.

These perspectives on quality can happily coexist. Specifications for service performance can be based on customer expectations. If customers determine the standards, there need be no conflict between these two approaches. (Buttle 2009, 202)

### *SERVQUAL model for service quality*

The SERVQUAL model, developed by A. 'Parsu' Parasuraman and colleagues in North America (Parasuraman et al. 1991, 12-40) identifies five core components of service quality: reliability, assurance, tangibles, empathy and responsiveness, as defined below:

- Reliability: Ability to perform the promised service dependably and accurately
- Assurance: Knowledge and courtesy of employees and their ability to convey trust and confidence
- Tangibles: Appearance of physical facilities, equipment, personnel and communication materials
- Empathy: Provision of caring, individualized attention to customers
- Responsiveness: Willingness to help customers and to provide prompt service

These can be remembered as RATER. (Buttle 2009, 203)

The graph in Figure 4 shows the SERVQUAL gaps model.

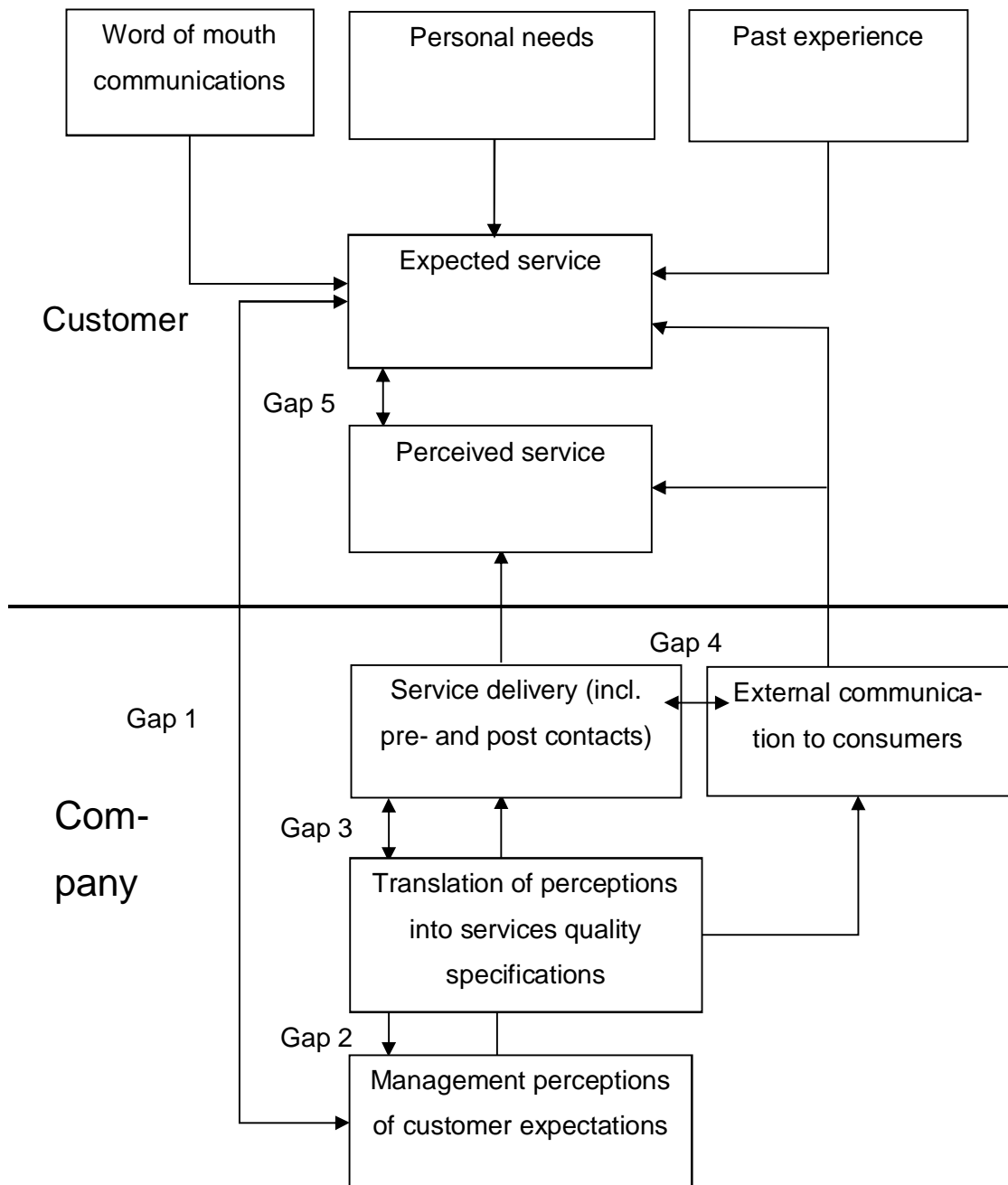


FIGURE 4. The SERVQUAL gaps model (Buttle 2009, 203)

In the graph, the meanings of each gap are as follows:

- Gap 1 is the gap between what the customer expects and what the company's management thinks customers expect.

- Gap 2 occurs when management fails to design service standards that meet customer expectations.
- Gap 3 occurs when the company's service delivery systems – people, processes and the technologies – fail to deliver to specified standard.
- Gap 4 occurs when the company's communications with customers promise a level of service performance that the service delivery system cannot provide.
- Gap 5 is the product of gap 1, 2, 3 and 4. If these four gaps are closed, then gap 5 will close. (Buttle 2009, 204)

Combining with Long Wei Company's real situations, in order to close gap 1, while the company receives the new product drawings, the research will be conducted by the technical director to find out the best solution for the customers to meet their expectations. To close gap 2, after considering about the drawing, the company makes the standards of the products, finds out the feasibility of making the products, chooses the manufacturing machine, designs the manufacture process and develops the quality goal for the products. The third gap closing is about implement of the manufacturing; the technical director gives the manufacturing assignment to the production worker in the specified machine and communicates with the worker, giving out the instructions and the requirements of the products. Last one, to close gap 4, the communication between the production workers and the customers' needs to respect the fact. Because sometimes the customers will come to visit the company and communicate with the production workers incidentally, asking about the situations of manufacture. If the workers overpromise about the quality while the products cannot satisfy the customer which will be the loss of company's reputation. The workers need to give the right answers to the customers' doubt.

The use of the SERVQUAL gaps model has been put into use in Long Wei Company for daily manufacture process in order to meet the customer expectations towards the products. Because of the exact requirements in the manufacture industrial, this model works well inside the Long Wei Company and may continue to be used in the future.



### *Service recovery programmes*

As everyone could image, the qualified rate cannot reach 100 % in the manufacturing area and the expectations cannot be totally reached all the time when dealing with different kinds of customers. And services fail may be caused by different reasons. So the company not only needs to try their best to satisfy the customers' expectations, if the expectations cannot be met, the service recovery programmes are also needed.

Research shows that when companies resolve problems quickly and effectively there are positive consequences for customer satisfaction, customer retention and word-of-mouth. Getting service right first time demonstrates reliability, but recovering well after service failure shows empathy and responsiveness. Reliability can be programmed into a company's service production and delivery processes. Empathy and responsiveness demonstrate the human attributes of concern for others and flexibility. (Buttle 2009, 208)

For the Long Wei Company, when the company gets the complains from the customer, the information will be put into a database, which records the errors of the products and responsible worker and the company will reflect as soon as possible in order to resolve the problem and recovering from the failure. And the use of the database will remind the workers not to make the same mistakes again in order to help with the future manufacture. (Interview Mr Pan 24 July 2012)

#### 4.2.3 Value from People

People are one of the most important issues in Long Wei Company and a major source of fact to provide value for the customers. Because that a skilled manufacturing worker is able to make a better quality product in a short time compared with the new workers. It was found from the interview with the director that they had made a research before, studying about the differences between core worker and the new worker of the working efficiency and the products' quality of manufacturing a same product in a month. The results showed that an experienced worker could make 58 products while the new worker can make only 36 during the period. And the qualified

rate between them was 98 % and 89 %. As we can image, what could a core worker bring to the company: a faster manufacturing speed, a higher quality of the product and of course a better value for the customer. (Interview Mr Pan 24 July 2012).

After a long time, the core worker will be known by the customers who will bring the trust to the customers, and furthermore, the trust brought by the core worker will help with the business orders to some extent. When customer every time visit the company, the workers are all new faces, which will not bring them a reliable image towards the company they even may doubt about the experience of the workers and the possibility of the company whether they can meet their expectations towards their products. The core worker is the treasure to the company that needed to be took good care. (Interview Mr Hou 14 August 2012).

#### 4.3 Customer Retention and Development

Tom Peters (Peters 1998, 65-68) claim that: 'it takes on average 5 times as much time, money and effort to gain new customers as it does to retain an existing one'. And a 5 % increase in customer retention could generate a massive net present value profit increase. (Godson 2009, 72) For Long Wei Company, the previous contents are how the company bring present value for the customers, and in order to better maintain the long-term relationship, the company need to consider about the importance of the customer retention and development.

Research into the link between retaining customer and profitability has been spearheaded by Frederick Reichheld has long argued that 'The real enemy of profits is churn' (Reichheld 1994, 0-21). 'Churn' is the frequent turnover of customers requiring organizations to constantly seek new customers to replace those that they have lost. For many organizations churn is the driving force behind their customer acquisition-based marketing strategies. However, from studying hundreds of companies in all sectors, Reichheld found that the most successful were those that reduced churn by caring about and cultivation customer loyalty. What is more, this is important because in many industries the initial cost of acquiring the customer means that the company will not make any profit until the second or third year. If the company leaves after the first year, the company will make a loss. (Godson 2009, 72)

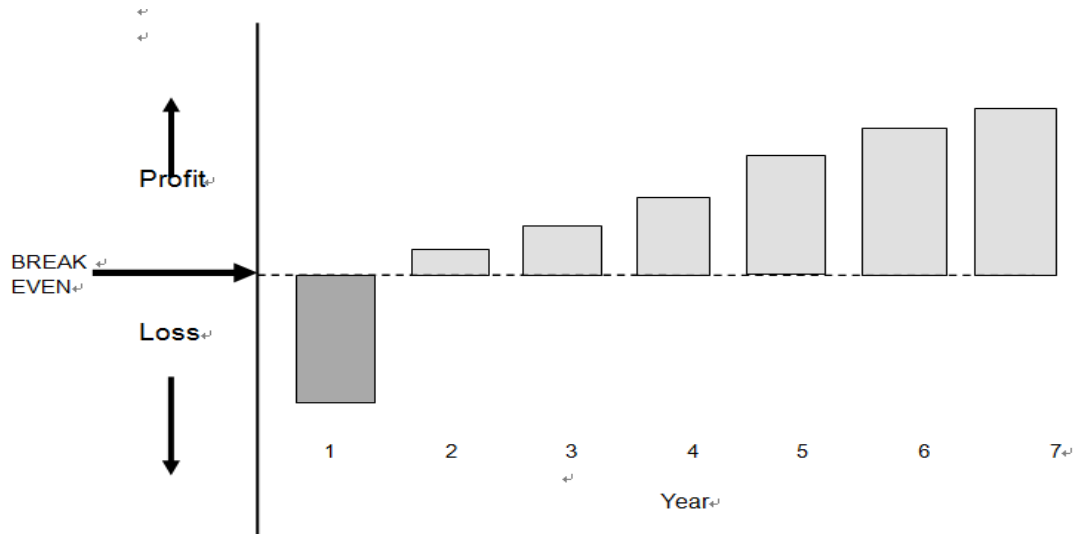


FIGURE 5. *The Loyalty Effect* (1996), (Godson 2009, 73)

A customer retention strategy aims to keep a high proportion of valuable customers by reducing customer defections (churn), and a customer development strategy aims to increase the value of those retained customers to the company. Retention and development focus on particular customers. Focus is necessary because not all customers are worth retaining and not all customers have potential for development. (Buttle 2009, 257)

#### 4.3.1 Customer Retention

Customer retention is the number of customers doing business with a firm at the end of financial year expressed as percentage of those who were active customers at the beginning of the year. (Buttle 2009, 257) For Long Wei Company, these three companies' retention rate are different, the repurchase rate of Young-Hearty Medical Equipment Company and ECU Electronics Industries Company are quite regular, normally the cycle is once a month. But Anda Digital Control is not in a good status, as described in the previous contents that the company is not developing in a good situation which affect the tendency to grow each month. (Interview Mr Pan 24 July 2012)

As we all know, in order to have a long-term relationship with the customer and retain the most valuable one, Long Wei Company needs to know what are customers'

needs and tries to meet their expectations. If the company cannot manage them, the customers may be better served by the competitor. In the next section, how to keep customer delight and what loyalty schemes have been implemented by Long Wei Company in recent years are discussed based on the Chinese business background.

#### 4.3.2 Customer Delight and Loyalty Schemes

Delighting customers, or exceeding customer expectations, means going beyond what would normally satisfy the customer. This does not necessarily mean being world-class or best-in-class. It does mean being aware of what it usually takes to satisfy the customer and what it might take to delight or pleasantly surprise the customer. You cannot really strategize to delight the customer if you do not understand the customer's fundamental expectations. (Buttle 2009, 264)

A loyalty programme is a scheme that offers delayed or immediate incremental rewards to customers for their cumulative patronage. (Buttle 2009, 267)

In the ten years business life, Long Wei Company is a product-oriented company who regards the quality as the enterprise's life. The company always try their best to meet the customers' needs and expectations of the products. What is more, the Chinese business is more than the qualified products but also the interpersonal relationships among your customers, partners or even the competitors. And this relationship is called Guanxi which has been mentioned in the chapter 1. (Interview Mr Pan 24 July 2012)

Based on the good quality of the products, it will bring the company a trust and commitment character which is the basis of maintaining a good customer relationship. While the addition loyalty schemes is the glue to bond the relationship tightly. (Interview Mr Pan 24 July 2012)

The loyalty programmes used by Long Wei Company are normally offering the presents to the customers during the important festivals. Because having exchanged a business card with someone does not mean that you have a 'relationship' with them. It simply means that you have met. Similarly, having met a lot of people in Asia does

not mean that you are well connected. Good relationships in Asia are something that should endure over the years and that means that they must be built on solid foundations. The company needs to do something that materiality to retain the customers. (Backman and Butler 2004, 68)

What is more, not knowing the names and backgrounds of the people behind the big companies in New York, London or Sydney is, at best, barely necessary and, at worst, ignorance. In Asia, it is unforgivable. Who's who and who is doing what to whom is the lifeblood of conversation in Asian business circles. (Backman and Butler 2004, 65) So it is good to know the likes or the dislikes of the boss in the big company, so that the presents offered to the customers are even needed to meet the customers' expectation towards the presents. For example, as mentioned in the previous paragraph, during a period of time, the business orders of Young-Hearty was taken away by a competitor. And the owner of Long Wei Company happened to hear that coffee is Young-Hearty's boss's favourite drink. So coffee was used as the presents offered to Young-Heart's boss. What is more, the owner of Long Wei Company uses his interpersonal relationships to get useful and healthy presents and offers to the customers who are non-smoker or non-drinkers instead of sending the cigarettes and wines to customers. (Interview Mr Pan 24 July 2012)

Combining with the Hefei local market character, the company also offers the local customers Agricola Tour. This is mainly used the ECU Electronic Industrial Company's customer. The tour is like take the customers to the rural home inns to have one day activities there. And the fees are all paid by Long Wei Company. (Interview Mr Pan 24 July 2012)

These loyalty programmes have worked well in recent years which have become major tools to help Long Wei Company to add additional values to the customers to maintain the main customers' relationships.

## 5 MANAGING PARTNER AND INVESTOR RELATIONSHIPS

It is clear that every company is located in a network with other companies, organizations, groups and individuals, the performance of which significantly determines that company's success or failure. Among two of the important network constituencies are partners and investors who sit at different positions in the value chain. (Buttle 2009, 313)

### *Collaborative CRM*

Collaborative CRM is the term used to describe the strategic and tactical alignment of normally separate enterprises in the supply chain for the more profitable identification, attraction, retention and development of customers. Collaborative CRM enables separate organizations to align their efforts to service customers more effectively. It allows valuable information to be shared along the supply chain. (Buttle 2009, 9)

Typically, Chinese do business only with those they trust and are comfortable with. So the first step to being Big in Asia is to develop good connections; a good local network. A general rule of thumb is that the weaker the local legal system, the more needed are well-founded local personal connections to trade and invest successfully. Having friends matters everywhere. And having a wide network of friends and colleagues also provides the means for collecting information, and as we have said, much of Asia is an information-poor environment. Opportunities come and go but without a good network, you will simply never hear about them. Or if you do, you will often lack the means to access them. (Backman and Butler 2004, 64) And collaborative CRM uses CRM technologies to communicate and transact across organizational boundaries. (Buttle 2009, 9) So this type of collaborative CRM could be used to analysis the Long Wei Company's external relationship with partner and investor.

## 5.1 Partner Relationships

Relationships with business partners also need to be managed so that they can contribute to the achievement of CRM goals. The main function of partners as helping companies create and deliver value to their customers. (Buttle 2009, 327)

We can identify a number of different types of partners in value creation: joint venture or alliance partners, category teams, benchmarking groups, regulators, customer advocacy groups and sponsors. The terms 'joint venture', 'strategic alliance' and 'business partnership' tend to be used interchangeably. Indeed there is no clear consensus on the differences, if any, between these terms. They all feature interfirm cooperation. Partners in joint ventures or alliances maintain their own strategic autonomy while simultaneously establishing activity links, resources ties and actor bonds between the partner organizations for particular purposes. (Buttle 2009, 328)

Research suggests that perhaps 70 per cent of alliances are between competitors. (Morris & Hergert 1987, 15-21) There are, again, three main types of alliances between competitors: shared supply alliances, quasi-concentration alliances and complementary alliances. (Buttle 2009, 330)

Shared supply alliances happens when competitors get together to experience economies of scale on the manufacture of some component or some stage of the manufacturing process. In a quasi-concentration alliance the parties collaborate for the creation of a product that the consortium then offers to the market. In other non-consortium activities the parties compete as usual. And in a complementary alliance, partners bring different competencies to the alliance. Commonly, one partner has developed a new product that is distributed through the other party's distribution network. (Buttle 2009, 330-331)

Hua Qiang Manufacturing and Processing CO. LTD is one of the main partners of Long Wei Company who has a very stable cooperation connection since years before, as it be read from the name of the company, it is the one of competitors of Long Wei Company as well. The two companies' alliance in these situations: During some period of time, if Long Wei Company is not able to accomplish all the assignments on time because of the total working amount is too big to finish, the company will sub-

contract the products to Hua Qiang Company and jointly manufacture the products. Same situation will happen also if Hua Qiang Company cannot manage manufacture their customers' products. The two companies will also collaborate for discussion about the production process. For example, the choices of the manufacture machines, the processing methods and the issues about the best solutions of manufacturing. What is more, as mentioned in the previous paragraphs, the connections between each organisation in the Chinese business background are especially important. As a good *guanxi* has been built for so many years, the two partners will also introduce some business to each other. Such as sometimes, the requirements of the customer are quite high that Hua Qiang Company cannot meet their expectations, so the director will contact Long Wei Company to produce the products for them. (Interview Mr Zhang 4 August 2012)

The relationship between partners is very important for Long Wei Company as it described. It is not only ensure the company accomplish the work on time when the orders are huge but also bring the company business in the slack season which help both firms create value for themselves as well as their customers.

In order to maintain the relationship with the customer, what the director of Long Wei Company usually does is keeping a good communication with the partner, when making those subcontractor deals, everything will well considered inside the contract. And the manufacturing prices between two companies are not as high as the ones offered the other customers, the principle of making the price is based on not losing money, so the companies will not make money from each other. Because the cooperation between Long Wei Company and Hua Qiang Company is not making the profits from each other but to maintain a good relationship and meet the others customers' expectations. (Interview Mr Pan 24 July 2012)

## 5.2 Investments

Owners and investors are significant stakeholders in businesses. They are an important source of capital that allows businesses to be established, to operate and grow, and in return they expect the value of that capital to grow. In other words, they want shareholder value to be created. (Buttle 2009, 345)



Since the director of Long Wei Company wants to expand the scale of production, the purchase of the new machines is necessary, but as mentioned in the SWOT analysis of Long Wei Company, one of the weaknesses of the company is lack of liquidity. So the director decided to find someone to invest in purchasing of a new computerized numerical control machine. And finally including the director himself and other two investors raised altogether thirty thousand RMB to purchase a brand new computerized numerical control machine in the beginning of year 2012. In image 2 is the picture of the machine.



*IMAGE 3. Computerized numerical control machine purchased in 2012. Photograph Liang Pan July 2012*

The purchase of the new machine increased the competitiveness of Long Wei Company which could provide a better quality to meet the expectations of the customers. The company benefits a lot from the involvement of the funds from the investors. In order to maintain the relationship, get rid of the weakness from the limitation of lacking funds and attracts the possible investments in the future, Long Wei Company gives dividends to the investors according to the percentage of the sales of the products that the machine produces every year. The dividends are given once a year according to the receipts collected by Long Wei Company. And the receipts are the main methods to prove the realistic, reliability of the dividends and a good way to

build the trust among the investors and the company thus Long Wei Company will not make any false information in them. (Interview Mr Pan 24 July 2012)

## 6 FUTURE DEVELOPMENT FOR LONG WEI COMPANY

At present, Long Wei Company's way of communicating with the customers is mainly done in an old fashioned way; changes are needed in order to catch up with business development steps in daily China.

### 6.1 Operational CRM

Operational CRM automates and improves customer-facing and customer-supporting business processes. CRM software applications enable the marketing, selling and service functions to be automated and integrated. (Buttle 2009, 6)

#### 1) Marketing Automation

Marketing automation applies technology to marketing processes. Campaign management modules allow marketers to use customer-related data in order to develop, execute and evaluate targeted communications and offers. Customer targeting for campaigning purposes is, in some cases, possible at the level of the individual customer, enabling unique communications to be designed. (Buttle 2009, 7)

Event-based, or trigger, marketing is the term used to describe messaging and offer presentation to customers at particular points in time. An event triggers the communication and offer. Event-based campaigns can be initiated by customer behaviours or contextual conditions. (Buttle 2009, 7)

#### 2) Sales-force Automation

Sales-force automation (SFA) was the original form of operational CRM. SFA applies technology to the management of a company's selling activities. The selling process

can be decomposed into a number of stages, such as lead generation lead qualification, needs identification, development of specifications, proposal generation proposal presentation, handling objections and closing the sale. SFA software can be configured so that it is modelled on the selling process of any industry or organisation. (Buttle 2009, 7)

Automation of selling activities is often linked to efforts to improve and standardize the selling process. This involves the implementation of a sales methodology. Sales methodologies allow sales team members and management to adopt a standardized view of the sales cycle and a common language for discussion of sales issues. Sales-force automation software enables companies automatically to assign leads and track opportunities as they process through the sales pipeline towards closure. Contact management lets users manage their communications programme with customers. Product configuration applications enable salespeople, or the customers themselves, automatically to design and price customized products, services or solutions to problems. (Buttle 2009, 8.)

### 3) Service Automation

Service automation allows companies to manage their service operations, whether delivered through call centre, contact centre, web or face-to-face. CRM software enables companies to handle and coordinate their service-related inbound and outbound communications across all channels. Software vendors claim that this enables users to become more efficient and effective by reducing service costs, improving service quality, lifting productivity and increasing customer satisfaction. (Buttle 2009, 9)

## 6.2 Future Development Suggestions

In the future, Long Wei Company should make progress in the use of the information technology software in CRM programmes. And in the following aspects the software applications can be implemented:

- The product's quality is the key of Long Wei Company. If there any problems after the delivery, the company should repair the products and find out the producer of the product who needs to take responsibility of the unqualified products. This will related to the rewards and punishment system of the worker in each month.

The management of the manufacturing tools is also important in the product manufacturing processes. When producing different kinds of products different kinds of tools are used. And there is a warehouse to store these tools. But sometimes, after using the tools the careless workers will not return them back to the warehouse which makes the other workers more difficult to find the tools. Also sometimes the procurement cannot keep up with the consumption of the tools. All these confusions will cause delays in the manufacturing processes.

To solve these two problems, there should be a system implemented to track the manufacturing process. The system will track the tools used in each manufacturing step and the persons in charge of the each step. If a system like this could be built it will make manufacturing more efficient and the workers will be encouraged or punished according to their performance in the process, so the workers will take more responsibility. And in the end the usage of the tools could be well managed and the quality of the products could be controlled.

- From the interview of Long Wei Company's director Mr Pan it was found out that the main reason for the outflow of staff is because of the dissatisfaction of the salary. Young workers always want to go to east coast part to chase higher salaries. (Interview Mr Pan 24 July 2012) As it was proved in the previous paragraph an experienced worker is very important to the company. To retain the workers, the most direct way is to increase their salaries which will increase the costs of the company each month. So the money of this part could be made up by increasing the efficiency of the work.

As it was said Long Wei Company's businesses are mainly focused on the three customers which means that there quite many orders are same. In this situation, if an experienced worker makes repeated manufacturing, he will easily get familiar with the whole processes which will stimulate the speed of the manufacturing, so that he can make more products in an hour, thus the total outputs of the

month increase as well. With the efficiency increase, Long Wei Company will have more choices in using the saved money in increasing the employees' salaries, competing with the competitors in pricing or improving customer service even further. The last but not the least, the money saved should be well generated, because if the money was over-used, it will be more harm than good to the company.

- Company rarely hesitates to terminate employee positions that serve no useful purpose. In a similar vein, a review of customer value might identify customers that are candidates for dismissal, including customers who will never be profitable or who serve no other useful strategic purpose. (Buttle 2009, 284)

From the interview of Long Wei Company's director Mr Pan (Interview Mr Pan 24 July 2012) receiving the money from Anda Digital Control takes a quite long time and hard to get as well. For Long Wei Company who is lacking the liquidity to develop it is a big problem. The company also needs to take more efforts in meeting their expectations because of the defects in the design of Anda's products. In the future, Long Wei Company may sack this customer and find some better customers which may make more profits for the company.

- It is also important for Long Wei Company to win new customers. Because existing customers will not be there forever. They will eventually die or move away. If these organizations do not attract new customers, in time their existing customer base will have died away. Word-of-mouth referrals from existing customers are a powerful marketing tool because the message is likely to be taken more seriously than an advertising message sent out by the company itself. (Godson 2009, 72-77)

This word-of-mouth is especially important tool concerning the Chinese business relationship network. For Long Wei Company, providing high quality products to the customers is not only trying to meet the customers' expectations and creating value for them but also gaining a good reputation and building a good relationship to have more opportunities to win more new customers. So the company needs to capture the relevant customers and get new customers for the future.

## 7 CONCLUSIONS

In this thesis report, the practical research was based on the CRM theoretical knowledge and it introduced the basic information about Long Wei Company and its implementation of CRM programmes with the Chinese business background. In general, Long Wei Company is still in the rising phase of the business, so it is an important task for the company to retain the good relationship with the main customers, trying to pursue higher profits with the qualified products that make it possible to meet the customers' expectations and ensure the customers experiences are so good that they are willing to maintain cooperation. So the loyalty could be enhanced through these relationships and that is why the different kinds of CRM programmes were taken to bring the value to the customers.

Long Wei Company also needs to be wary of the competitors by increasing the company's own competitiveness with its products, people, and services so on. Or maybe alliance with those competitors to turn the competitor into partner as it was mentioned the collaboration between Hua Qiang Company and Long Wei Company. Integrating the superiority of each company will benefit each other.

As the contents written in the report, it is believed that the use of CRM in the future will help Long Wei Company to have a better performance in maintaining the customer relationship which will help them make more stable profits and develop in a better way. However, the implementation of the CRM supposed to be built based on the realistic situations. The situations may contain the company's own situation, the acceptance of the employees and the research from the customers' point of view. Understanding what is most suitable for the company is much more effective than using the most expensive CRM information technology system for the future development. Combining theoretical knowledge and the practical background is the key point to finding the best method.

It was also found that the customers in daily Chinese business area are hard to retain, so the companies cannot wait and do nothing until they have to make changes to maintain the relationship, but instead, the company needs to act positively in using the advanced methods before the customers turn to the competitors and find better solutions in meeting the customers expectations.

The rhythm of knowledge updating is speeding up. Using the advanced CRM system in Long Wei Company for the future is just one possible way to catch up with the pace of the time. During the research process, the director showed a positive attitude towards the advanced management methods learned from the bigger companies, he is willing to make changes following the instructions of those new concepts. It is a good thing for the company which could predict that the company will make more progress and more profit by applying the most suitable management system in the future.



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#### Interviews

Mr Pan Chunyu 2012. Company director. Hefei Long Wei Manufacturing & Plastics CO. LTD. Hefei 24 July 2012. Interview

Mr Chen Houyou 2012. Director of quality. Hefei Long Wei Manufacturing & Plastics CO. LTD. Hefei 14 August 2012. Interview

Mr Zhang Shibin 2012. Hua Qiang Company director. Hefei Long Wei Manufacturing & Plastics CO. LTD. Hefei 4 August 2012. Interview

#### Observation

Mr Pan Liang 2012. Student of Savonia University of Applied Science. Hefei Long Wei Manufacturing & Plastics CO. LTD. Hefei June September 2012. Observation.

## Appendix 1 Interview Questions for the Director of Long Wei Company

- 1 Can you give a brief introduction of Long Wei Company?
- 2 How about the development of Long Wei Company in recent years, what are strengths and weaknesses of the company?
- 3 How the company tries to overcome the weaknesses?
- 4 Is there any CRM programs used in the company, how the company implemented them?
- 5 Who are the most valuable customers of the company?
- 6 What are the most important aspects that the customer concerns about?
- 7 How the company provides value for the customers from the products, service and people aspects?
- 8 Can you talk about the competition situation in the market?
- 9 Any competitors influence the company's business?
- 10 How the company gets rid of them?
- 11 Are there any partners of Long Wei Company and what kind of relationship do you have?

Appendix 2 Interview Questions for the Director of Quality of Long Wei Company

- 1 How long you have been working here?
- 2 How long you have been working in manufacturing industry?
- 3 What are the differences between an experienced worker and a new worker?
- 4 Is there any problem in the management system?
- 5 In your mind, what issues limit the development of Long Wei Company?
- 6 Do you have any suggestions for Long Wei Company's future development?

Appendix 3 Interview Questions for the Director of Hua Qiang Company:

- 1 When Hua Qiang Company was established?
- 2 How long have the two companies been cooperating?
- 3 What kind of the relationship the two companies have?
- 4 Do you plan to expand the cooperation between two companies?
- 5 Do you have any suggestions for the future development of Long Wei Company?