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Developing the Concept for New Customer Acquisition for an R&D Organization

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PREFACE

I have had the pleasure to work my whole career in hi-tech business where the only constant is the change. New technologies and services evolve generation after generation, and this continuous change calls for the continuous update of old knowledge. Personally, learning new things has always fascinated me.

Applying and attending the Master's Program in Industrial Management is a continuum in a series of training opportunities that have taken place throughout my professional career. Now, when writing these words, I'm able to say it's been a happy journey.

Firstly, I'd like to express my warm thanks to the Finnish Government that has developed a world-class education system that provides continuous lifelong education opportunities free-of-charge.

Secondly, I would also like to express my warm thanks to the staff of Metropolia's Industrial Management, a Master's Program in Engineering. I really enjoyed the classes held by such experienced professionals as Dr Thomas Rohweder and Dr. Marjatta Huhta who steered me to the right direction with this thesis. Zinaida Grabovskaia, PhL, guided my acquisition of writing skills and "neutral academic style". Zinaida, your attitude and the support you give to the students is absolutely fabulous! I know my fellow students agree with me! Way to go!

I also want to thank my dear friend Marja-Riitta Mattila-Nurmi of the Council of Tampere Region for many fruitful discussions during the studies. Finally, I'd like to express my warmest thanks to my beloved wife Tiina for her understanding and patience along my journey of lifelong learning. Honey, I love you.

This is in memory of Riley B. King, better known by his stage name of B.B. King. The sad news of his passing reached me while writing the final words of this Thesis. Thanks for sharing the Blues with us.

Timo Hartikainen
Lohja, 20 May 2015

ABSTRACT

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<p>This Master's Thesis focuses on developing a holistic, new customer acquisition concept for a research and development organization. The developed concept considers and contains all key aspects of the customer acquisition. It starts from attracting prospective companies via value offering and brand development, suggested by the Customer Equity Framework (CEF), and includes managing the customer base via Key Account Management (KAM) program in order to find and segregate the customers with the most potential for nurturing a profitable collaboration. The proposed concept for new customer acquisition also highlights the importance of personal sales in a business-to-business context. Personal sales are powerful tools in the creation of personalized relationships between companies, and provide a swift channel for information exchange. Customer Relationship Management (CRM) provides a strategic approach to managing customer relationships and the planning of marketing activities.</p> <p>The feedback received to the proposed new customer acquisition concept, both from external customers and internal stakeholders, highlights the importance of a holistic approach to customer acquisition. The harmonic utilization of all the proposed tools of the concept should help the case organization develop a strong brand. This culminates in a brand desired by both prospective and existing customers who will eventually become profitable, long-term business partners.</p>	
Keywords	New customer acquisition, customer relationship management, personal sales

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Acronyms

AR	Action Research
B-to-B	Business-to-Business
BE	Brand Equity
CE	Customer Equity
CEF	Customer Equity Framework
CF	Conceptual Framework
CO	Case Organization
CRM	Customer Relationship Management
EF	Electronics Factory (of the Case Organization)
IT	Information Technology
KAM	Key Account Management / Key Account Manager
NCA	New Customer Acquisition
PCB	Printed Circuit Board
RE	Retention Equity
RFQ	Request for Quotation
R&D	Research and Development
R&D&I	Research, Development and Innovation
SME	Small and Medium Size Enterprises
TEKES	Finnish Funding Agency for Technology and Innovation
UAS	University of Applied Sciences
VE	Value Equity
VTT	VTT Technical Research Centre of Finland Ltd

1 Introduction

“There is only one valid definition of business purpose: to create a customer, <....>, therefore, any business enterprise has two - and only two - basic functions: marketing and innovation.”

(Drucker 1954)

The foundations of customer-centered marketing were laid in the 1950s and 1960s by scholars and business practitioners such as Drucker and Levitt. (Mohr and Sarin 2008: 85, Heinonen et al. 2010: 532). Since then the customers' role in marketing has grown from the passive target of a firm's marketing activities towards the active value creator in long-term business relationships. (Heinonen et al. 2010). Therefore, the firm's aim is to create and develop close, long-term co-operation with customers, as recent studies indicate higher profits for those companies that have customers deeply embedded in the core of the firm's strategy. (Martin 2010: 63-64). Selling to the existing satisfied and loyal customers has several benefits: they buy more, they repurchase and pay a higher price, they need less care and are willing to share their knowledge and expertise about the company's development activities. (Vesterinen 2014: 12). Consequently, a firm is to decide how to use the scarce resources of the company: whether to keep the existing customers and stay satisfied with the current revenues and profits, or to allocate resources for a risky and stressful, multi-staged, time- and cost-consuming new customer acquisition process. (D'Haen et al. 2012: 2). In this seemingly uneasy choice the companies should remember that, without new customer acquisition, firms have no customer base.

Therefore, the purpose of this thesis is to tackle the challenge of new customer acquisition and to propose a concept to broaden the customer base of the case organization as part of its management of customer relationships.

1.1 Case Company and Business Context

The case company of this thesis is a research and development (R&D) organization within a large University of Applied Sciences (UAS) in Finland. This UAS operates on multidisciplinary basis offering Bachelors and Master's degree programs in the fields of culture and arts, business, health care and social services, and technology. In addition,

the UAS offers versatile lifelong learning opportunities for maintaining and developing professional skills required in working life. As part of its offering, the UAS also provides tailor-made training and consulting services targeted at private and public organizations. These development and innovation activities support the implementation of new ideas and solutions into practice, benefiting the regional economic growth around the UAS. These activities, however, have certain boundaries. For example, due to Finnish legislation, government supported UASs and their R&D units are not allowed to allocate and use government finances to compete directly against commercial companies. Furthermore, the quoted and invoiced development, design and consultation work is expected to reflect the true costs of the project. Figure 1 depicts the case organization within the University of Applied Sciences.

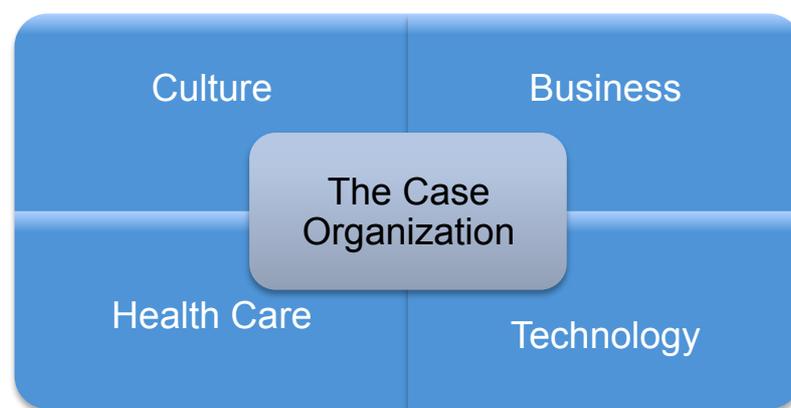


Figure 1. Case organization within the University of Applied Sciences.

The case organization, as depicted in Figure 1, is an R&D unit which includes a small-scale electronics factory that focuses on adding intelligence to new and existing products, services, processes and procedures for business customers as well as for consumers of applications and appliances. The electronics factory supports R&D projects as well as operates individually by offering small-scale manufacturing, prototyping and testing services to the electronics industry. The R&D unit collaborates closely with the staff of the UAS's educational programs in order to combine multidisciplinary knowledge and expertise across various fields.

The case organization consists of permanent, professional, experienced staff who run the R&D project operations and the electronics factory. University students are also hired for ongoing projects from various educational programs. Project managers lead and supervise all development, design and manufacturing work, and are responsible

for projects from their very beginning to their final accomplishment. Figure 2 depicts the basic operational model of the case organization.

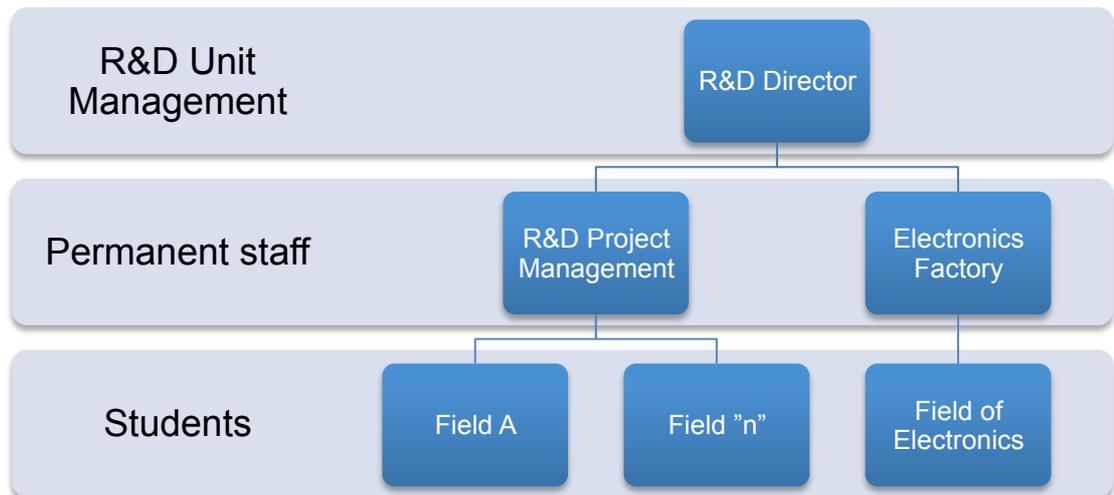


Figure 2. Basic operational model of the case organization.

Figure 2 illustrates the organization and the basic operational model of the case organization. The unit director manages the R&D unit activity, a nominated project manager manages an individual project, and the technology manager is responsible for the electronics factory's operations. Each project utilizes student labour from an appropriate field of studies, for design and development tasks. The permanent organization is small and lean, and project managers only hire student resources in cases of real need within the project.

The prevailing business model of the case organization is strongly project oriented. The organisation seeks new innovations, either incubated internally, or development project's common innovations with external parties. Successful co-operation with external parties typically leads to application for public innovation project funding, most commonly to the Finnish Funding Agency for Technology and Innovation (TEKES). Public funding forms the majority of the project funding, whereas customer's and case organizations' own funding play minor roles. Figure 3 illustrates a project oriented business model of a company and relationships between external parties from a project funding perspective.

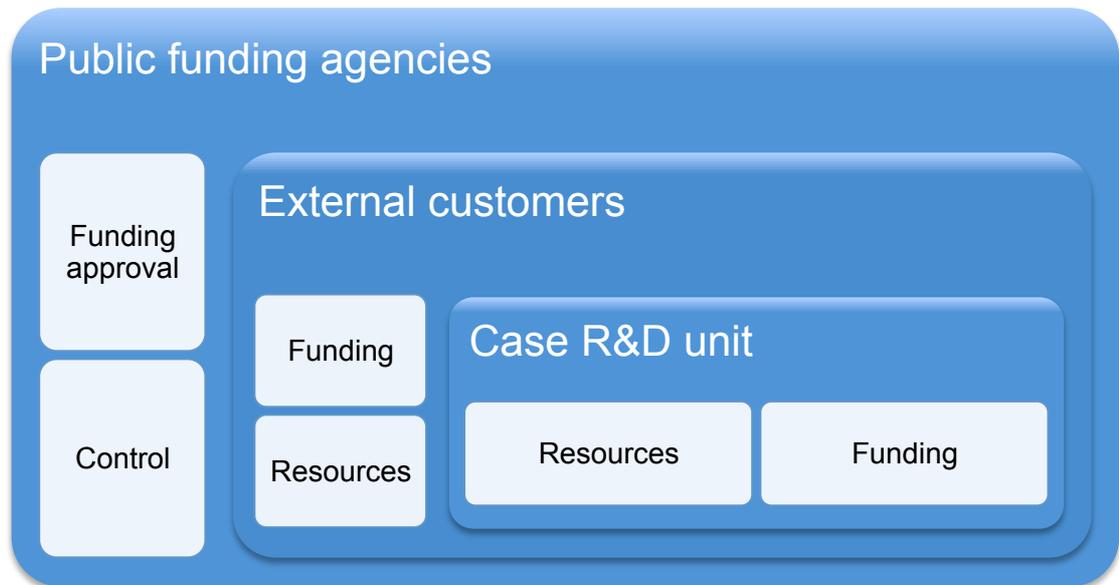


Figure 3. The business model of the case organization and the related project funding.

Figure 3 illustrates the relationship of the case organization with external customers in the case that a common project is under development and public funding is approved. Public funding companies, such as TEKES, approve funding applications separately and individually from commercial companies. However, the UAS's R&D units need external parties, like commercial enterprises, for co-operation in order to file a mutual application. Funding agencies pre-screen applications through a tight funnel and, after funding approval, agencies apply tight controls and require regular reports as to the progress of the development.

1.2 Business Challenge

Presently, the case organization operates in two distinctive models. The major part of the activity focuses on finding and realizing new innovation based R&D projects. The minor activity is the operation of the electronics factory for small-scale manufacturing, and for prototyping and testing services for the electronics industry. The electronics factory supports internal ongoing R&D projects internally but also operates independently with its own customers.

The business challenge of the case organization arises from the current narrow customer base and from the lack of systematic customer acquisition activity. Today, starting an R&D&I project and finding suitable external parties requires an abundance of

manual searches. Personnel have long working histories before their current jobs in the case organization, and several years in the case organization, but vast information about potential collaborators and customers is located in their own memories, files, business card folders, or even in Post-it type notes on employees' desks, etc. In the case of the acquirement of new contacts, one has to find the right source and location of information, and then search through the information to verify whether the content is really available and if the data is still valid. Many of the ideas and innovations are out of one's own direct competence area and the knowledge and availability of colleagues' contact networks is limited or do not exist.

Another business challenge of R&D activity relates to the nature of the business. Usually, a completed project will remain as a sole customer project without continuation. Often, both generic customer after sales care and marketing activities are not followed up and these oversights cause the death of the customer relationship. The case organization prepares a new concept of entry-level services that would broadly fit industrial companies, and likely bring dozens of new or potential customers. As a result, the case organization seeks a solution for a systematic new customer acquisition, and for storing customer information and sales leads, as well as maintaining close contact with existing customers after the completion of projects.

Additionally, the business challenge of the electronics factory relates to the low utilization of the factory's capacity. The factory offers modern services for electronics prototyping, small-scale manufacturing and testing but the usage level of the factory varies weekly between 30-100%. The pricing of the services is attractive, as the factory does not charge specific starting fees or customer specific equipment programming fees or set-up fees. Some customers buy services on a regular basis but the customer base is too narrow for a higher load rate. New EF's, direct customers and support requests from the R&D team would bring more orders and would increase the capacity utilization of the factory.

1.3 Objective, Outcome, Scope and Structure of the Study

The objective of the Thesis is to develop a new customer acquisition concept for the case organization, and in the future, to apply this concept to the practices of the case organization for managing customer relationships. It aims to help the case organization that considers launching a new service to reach a large number of industrial com-

panies since the case organization faces challenges contacting the right companies and commissions for new customer acquisition.

The intended outcome of this Thesis is a holistic New Customer Acquisition Concept that would help the case organization to manage customer relationships from the initial attraction of prospect customers to the management of profitable lifelong customer relationships. The concept intends to include a comprehensive set of tools to help acquire existing customers again-and-again for new projects.

While customer acquisition is a fundamental operation to enlarge and maintain a customer base sufficient for the present and future needs and plans of the firm, another vital process, customer retention, aims to bring value to the firm's customer and shareholders by extending the customer relationship. Close relationships and co-creation of value with customer bind customers to stick to the brand of the firm. Therefore, this study considers both customer acquisition and customer retention programs, vital in project-oriented business environments where customers have to be found and acquired again-and-again for new projects. This approach supports a systematic and persistent brand development that aims at long-term customer relationships.

This study is written in seven sections. The first introductory section provides basic information about the case organization and the business challenges the organization currently encounters. Section 2 introduces the research design structure, defines data collection points and data analysis methods, as well as lays foundations of the selected research approach. In addition, the second section explores validity and reliability concerns in order to lay foundations for solid and worthy academic research. Section 3 presents and summarizes the results of the first data collection phase. The outcome of the data collection forms the current state analysis with current strengths and weaknesses in customer acquisition. Section 4 explores marketing literature in order to find best practice targeted to overcome the deficiencies of the current state analysis findings. Additionally, this section addresses the challenges in the current practices of the case organization from the literature and formulates a conceptual framework meeting the context of the case organization. Section 5 conducts the second data collection, and proposes a new customer acquisition concept. This concept suggests basic elements for new customer acquisition for trials with potential customers. Section 6 collects and evaluates the feedback from the case organization and the customer trials of the new concept, and builds the final model of the new customer acquisition concept. Finally, Section 7 summarizes the study. The summary brings together and evaluates

the starting point, the intended outcome and the challenges of this Thesis, the data collection phases and the formulation of the final concept. The closing section also examines the outcome versus the original research objective and discusses validity and reliability of the study.

The following section describes the research methodology used in this Thesis, explicates the research design, data collection points and data analysis method, and provides the reliability and validity plan.

2 Method and Material

This section describes the research method applied in this study by describing the research design (Section 2.1), data collection points and data analysis methods (Section 2.2), and presents the reliability and validity plan (Section 2.2).

2.1 Research Approach

This Thesis uses qualitative research strategy and applies action research approach. Action research (AR) in operations management is an approach to research the action and generate knowledge about the action. Action research focuses on research *in* action, rather than *about* action; it is participative, and is concurrent with the ongoing action. AR also represents a sequence of events comprising iterative data gathering cycles and an approach for problem solving. (Coughlan and Coughlan 2002: 220-223). Basic four steps model of the AR is presented in Figure 4.

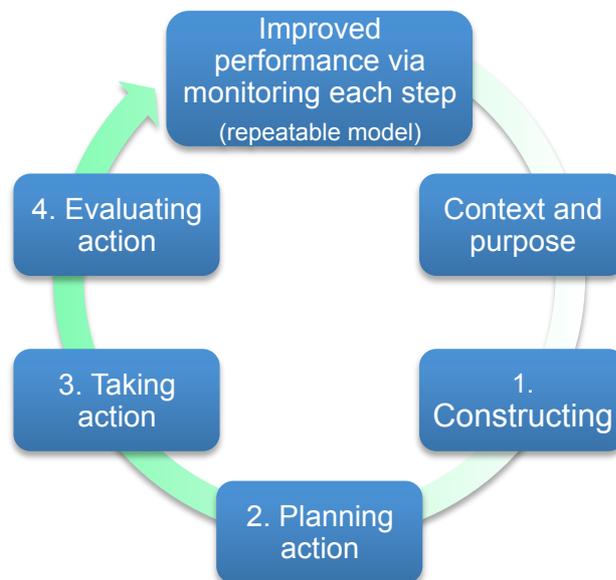


Figure 4. Four steps of the repeatable action research model (Coughlan 2014).

Figure 4 illustrates the basic AR model with four main steps including the pre-step to understand and define the context and the purpose of the research, and the meta-step of monitoring each step of the research. (Coughlan and Coughlan 2002, Coughlan 2014). The pre-step is driven by two questions, (1) what is the rationale for action, and (2) what is the rationale for research. Practical AR pre-step raises the questions (1) why is this project needed, and (2) what are the economic and technical forces driving the need for action. (Coughlan and Coughlan 2002).

The advantage of the AR and the pre-step is that the researcher is part of the development team. Being part of the organization, the researcher has access to the necessary data, to legitimate and taboo subjects, and the researcher knows how the informal organization works. Additionally, as the researcher participates in the everyday life of the organization, the rest of the team do not isolate the researcher from the action and are also involved into bringing change. However, limitations of AR consist of having a bottom-up view of the action, the difficulties of avoiding preconceived ideas, and political difficulties when writing the truth due to the closeness of colleagues. In AR, the researcher's challenge is to build closeness with team members and at the same time to foster a certain distance. (Coughlan 2014).

As shown in Figure 4, the construction phase (Step 1) consists of data gathering and data analysis. Data gathering includes collecting e.g. operational statistics data, and data obtained from observations, discussions, interviews and interventions. Data analysis is collaborative work between the researcher and others in the team. The collaborative approach assumes that the team knows the organizations best. (Coughlan and Coughlan 2002, Coughlan 2014).

Following on from the data gathering and analysis further action is planned. Similarly to the previous step, action-planning step (Step 2) is a joint activity. This step stresses and collects answers to critical questions: what needs to change and where is the organization, what type of change is needed, who are the required supporters, how is the commitment build, and how to manage the response. Implementation step (Step 3) follows the plan from the previous step to make the desired changes. Evaluation step (Step 4) is vital in order to understand the outcomes of the action, both intended and unintended. The review of the results helps understanding and defines the need for a further planning cycle. Monitoring (Meta-step) takes place through all steps and cycles ensuring proper conduction at every phase. (Coughlan and Coughlan 2002). A logic similar to Action research approach described above is also applied in this study.

2.2 Research Design

The research design of this study, illustrated in Figure 5, contains six phases, of which four phases contain practical actions and an outcome. Research utilizes separate three data collections in order to develop the first NCA concept and to create the final tested NCA concept.

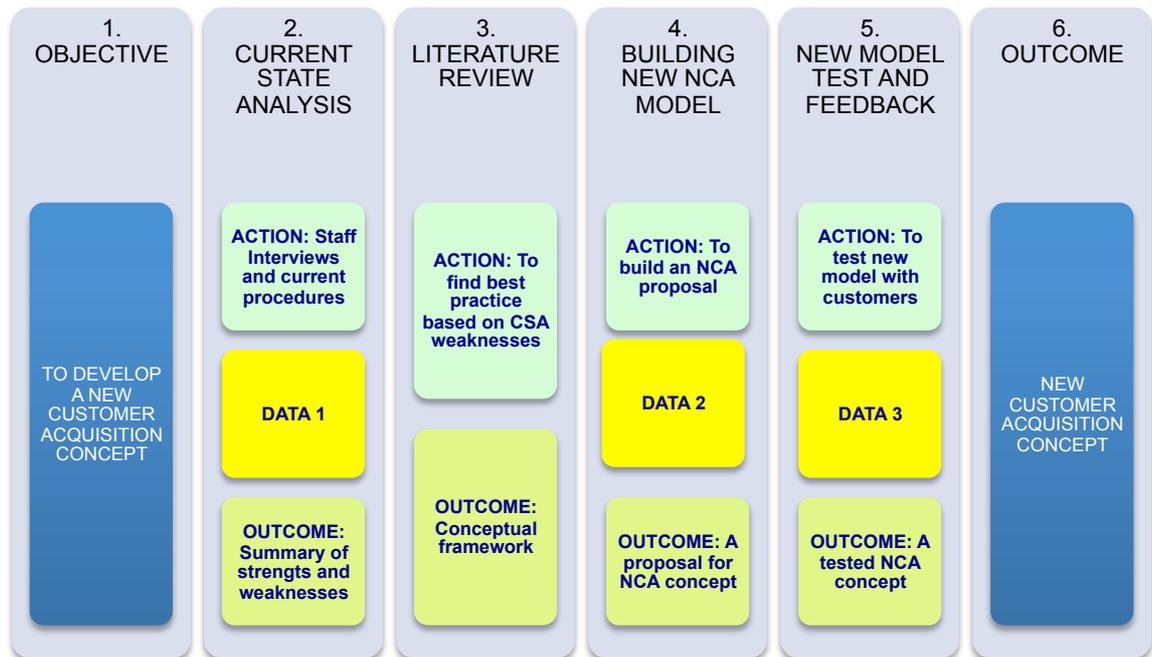


Figure 5. Research design of the Thesis.

Figure 5 illustrates the research design of the thesis. The first phase formulates the objective for the research, i.e. defines what the research intends to execute. Phase 2 analyzes the current state of the case organization in customer acquisition. In this phase, the researcher interviews key stakeholders in the organization, studies the current internal operating procedures and instructions, and registers the researcher's personal observations. As an outcome, this phase produces a list of strengths and weaknesses in the current way of working. Phase 3 establishes a conceptual framework (CF) by highlighting the improvement ideas from the literature to overcome the weaknesses of phase 2. Phase 4 utilizes the ideas of the CF and existing areas of strength and forms the first proposal for a new NCA concept. Phase 5 tests the new NCA concept with external customers and analyzes the obtained feedback in order to upgrade the initial NCA model into a reliable customer acquisition model as the final outcome of the study. The outcome will be further refined in other Action research cycles, aimed at further improving the proposed outcome.

Action research is an approach that addresses the theme of research in action. Furthermore, AR is a powerful conceptual tool by practitioners in order to improve performance of organizations or processes. (Goughlan and Goughlan 2002: 238). Action research also implies collaboration between the researcher and the client (Coughlan

and Goghlan 2002: 232). In this study, due to the small size of the case organization, the collaborative approach also assumes the collaborative research process, data generation, collection and interpretation, and also assumes that collaborators, as experts, know how to make the change, and how it will work in the organization. Therefore, the collaborators acting together as a team were the ones to plan, execute and evaluate the desired actions. Data and actors involved in this study are discussed next.

2.3 Data Collection and Data Analysis Methods

In this study, the action research widely involved the key stakeholders from the case organization in data collection and data analysis. Contributors have rationalized the need for improvement and participated in the construction stage of the action. The data interpretation and proposal building involved the same collaborators, who will finally also execute and evaluate the change in the proposal, as the best experts to understand and utilize the outcome.

In this study, data collection was conducted in three consecutive phases so that to help producing (1) the current state analysis, (2) the first prototyping NCA concept, (3) and the final NCA concept. For all three phases, the main data collection method was personal face-to-face interviews in the case organization. The secondary source of data was the researcher's personal observations about daily operations, which were based on informal discussions in the weekly staff and project management meetings. Since the case organization operates in a lean mode, without formal or rigid operational instructions, a standardized quality system, or established process descriptions, these existing routines were utilized for the research purposes.

In Data 1 phase the researcher presented open questions and asked informants to describe (1) the prevailing concept, i.e. the method and the process, how new customers are acquired, (2) how the organization supports the systematic customer acquiring process or concept, (3) how the existing business model and way-of-working supports the after-sales activities in order to ensure continuation of the customer relationship, the recurrence of the projects, and finding the same customer as a potential customer in forthcoming projects, (4) how the person himself acquires new customers, (5) how much time the person uses to acquire new customers, and (6) the perception of a potential customer when contacted by the representative of the case organization. Data 1 collection was conducted via personal face-to-face interviews analysis and also relied

on the researcher's observations. Based on face-to-face interviews with the members of the action team, this analysis phase produced a summary highlighting the strengths (S) of the current customer acquisition concept, and identified the deficiencies for further improvements (I). The final summary of the findings was created together with the key stakeholders, and it served at the later phases of the research process for building the conceptual framework and new customer acquisition concept.

Data 2 phase involved input from the key stakeholders in order to build the model of the NCA concept, and employed the team itself for suggesting the process features as adds-on on top of the existing process strengths (revealed from Data 1). The researcher presented an open question and asked informants to describe which are the key features of the effective process or concept to acquire new customers.

Finally, the concept was tested in practice with potential customers (with *Data 3* collected as feedback from this trial). Members of the team commonly agreed and pre-screened companies in order to promote the new "Industrial Step-in Project" services. The teamwork in Data 3 implied that each member brought in the relevant customer information and the data was analyzed together in order to shape and evaluate the final NCA model. Table 1 shows details about the informants as the primary sources of data in all three data collection phases.

Informant's position	Data Collection (D1, D2, D3) & Interview mode			
Unit director	D1	D2	D3	F-to-F, recorded, field notes
Project manager A	D1	D2	D3	F-to-F, recorded, field notes
Project manager B	D1	D2		F-to-F, recorded, field notes
Project manager C	D1	D2		F-to-F, recorded, field notes
Technology manager	D1	D2		F-to-F, recorded, field notes
Specialist A	D1	D2	D3	F-to-F, recorded, field notes
Specialist B	D1	D2		F-to-F, recorded, field notes
Production technician	D1	D2		F-to-F, recorded, field notes
Customer A			D3	Phone, recorded, field notes
Customer B			D3	Phone, recorded, field notes

Table 1. The informants of the Case Organization and of customers participating into data collections of the research. (F-to-F refers to personal face-to-face interviews)

As Table 1 indicates, all informants of the case organization participated in Data 1 and Data 2 collection phases conducted via personal face-to-face interviews. Data 3 was gathered to evaluate and correct the proposal developed for the case organization.

2.4 Validity and Reliability Plan

Validity and reliability of the research refers to two distinct aspects: (1) validity and reliability of the research method, and to (2) validity and reliability of the obtained results. The common observation on the quality of research suggests that the lower the validity, the lower the reliability of the research is. However, reliable results do not necessarily correlate with the high validity of the research either. If that is the case, then the research does not address the right phenomenon. (Hiltunen 2009: 2,12). Thus, it needs to be discussed how to plan and meet both criteria for quality research in this study.

Validity indicates how accurately the research addresses the right phenomenon, or the desired characteristics of a phenomenon. In other words, validity determines whether the research truly measures what it was intended to measure. During the early phase of developing the research design, the researcher defines which research strategy would provide higher validity in his particular context. For example, one strategy to ensure validity is when the researcher interviews the right people with a right set of questions. (Hiltunen 2009: 3, Golafshani 2003: 599). Since this study aims to define the current status of the present customer acquisition of the case organization, the strategy is to conduct literature review and knowledge search in such a way that would rely only on peer reviewed scientific research reports, and articles and books released by well-known and respected authors and publishers. Thus equipped, the next goal is to develop a new concept to replace and improve customer acquisition activity in the case organization. For this purpose, the study relies of a wide input form the case unit, which is planned to be carefully documented and conducted with taking special steps to avoid the researcher bias.

Reliability indicates how accurately research methods examines and measures the phenomenon, and if obtained results are stable and consistent. The reliability of the research is good if the results of the study can be reproduced by other researchers under a similar methodology. (Hiltunen 2009: 9, Golafshani 2003: 598). In this study, all data collection phases plan to utilize the stakeholders of the case organization as the primary source of information. The stakeholders are also the initiators of this research, in addition to being the practitioners, experts and final consumers of the outcomes of this study. For this reason, it is assumed that the information given for the research is reliable. From these perspectives all phases of the study are planned to support the concept of reliable and valid academic research.

The next section discusses the results of the current state of the case organization and its customer acquisition process and activity. Section 3 also identifies the existing strengths and highlights the points for further improvement.

3 Current State Analysis

This section describes the results of the current state, explores the challenges of the current customer acquisition concept, and summarizes the strengths and the weaknesses of the current NCA process for further development.

3.1 Background of the Case Organization and Data Collection 1

Case organization (CO) is a small, lean and agile R&D unit with only two organizational levels. The unit director manages the team operations as the responsible person towards the UAS, attends to new project acquisition in the early phase by generating internal discussions with project managers, and acts for funding the operations. The project managers' main tasks include searching and incubating new ideas for further development, seeking potential collaborative companies and partners, and managing individual projects from the start to the completion of the project.

The current business model is strongly R&D project oriented, targeting commercial innovation developed together with external commercial partners. The minor part of the business comes from the internal small-scale electronics factory offering manufacturing and testing services for internal R&D projects and to the Finnish electronics industry. Presently, the case organization does not utilize any international standardized quality system, such as an ISO9000 based quality system. Thus, operational processes have not been formally mapped, and formal process descriptions do not exist. Thus, the investigation of the current NCA concept model required conducting an extensive data collection which relied on the interviews and discussions with the stakeholders, also supported by observations from the researcher.

The purpose of the data collection at this phase (Data 1) was to gather information as to how the new customer acquisition works with the existing business model. Data collection consisted of interviews with all key persons in the case organization, i.e. the unit director, and all the project managers, specialists and the staff of the electronics factory. All interviews and discussions were conducted face-to-face and addressed the same questions. However, the interview with the unit director also included questions regarding the strategy, vision and targets of the organization. The open qualitative questions asked respondents to describe (1) the prevailing concept, i.e. the method and the process, how new customers are acquired, (2) how the organization supports

the systematic customer acquiring process or concept, (3) how the existing business model and way-of-working supports the after-sales activities in order to ensure continuation of the customer relationship, the recurrence of the projects, and finding the same customer as a potential customer in forthcoming projects, (4) how the person himself acquires new customers, (5) how much time the person uses to acquire new customers, and (6) the perception of a potential customer when contacted by the representative of the case organization.

All interviewees were tape-recorded and field notes were made right after interviews in order to facilitate the latter analysis. The interviewer aimed to express all questions in a similar manner to all respondents, albeit when necessary raised the clarifying questions until the response formed a solid and understandable answer to the question. In addition to field notes, the researcher synthesized all interview results into one database order to identify the key elements of challenges and suggestions. These key elements served for forming the model of the current NCA concept, and for highlighting the strengths and weaknesses of the concept. Based on the results of Data collection 1, the following subsection discusses a model of the existing new customer acquisition concept.

3.2 Current Customer Acquisition (NCA) Concept

Currently, the main business model of the case organization focuses on finding and developing new innovative ideas into new commercial products or services. Figure 6 illustrates the basic model of generating an R&D project starting from the innovative idea to the commercial collaboration with external enterprises, to the filing of a public funding application, to the actual design work, to mutually defining the further continuation of the innovation, and up to the closure of the project.

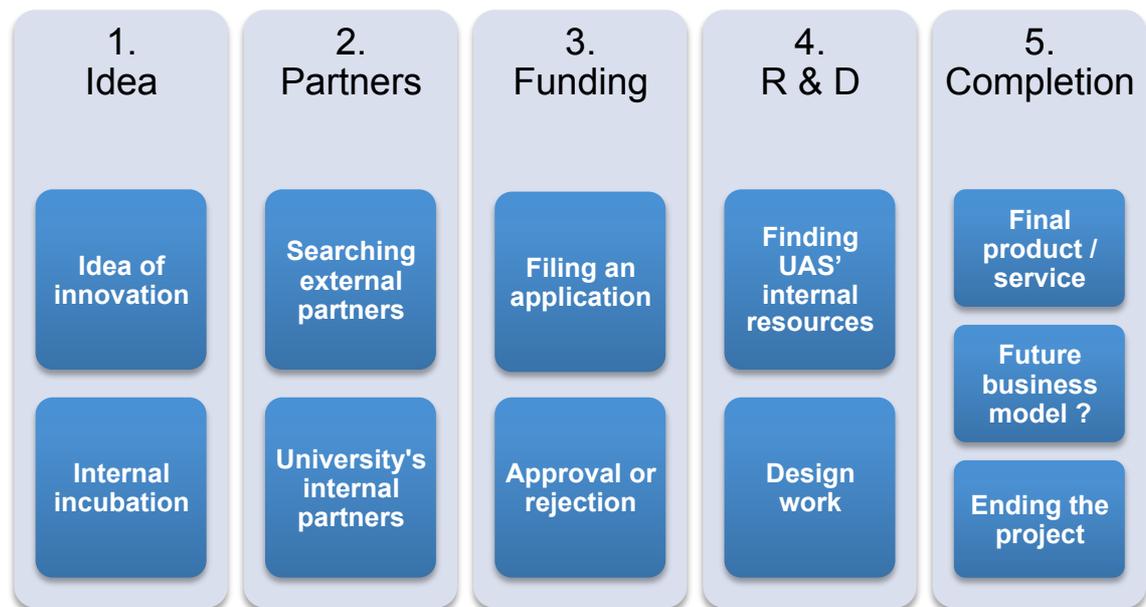


Figure 6. The main business model of the case organization.

Figure 6 illustrates how the case organization currently functions. The main activity of the University's R&D units lies in following and monitoring the needs in society and in the regional area, and searching for the collaboration with regional enterprises in order to apply the results of scientific research for the benefit of communities.

Phase 1 includes the way the independent research in the UAS is currently conducted, the results to which the organization has access to, in addition to the cumulative knowledge of the case organization. UASs' role is to benefit the surrounding region with its knowledge. Therefore, searching for potential partners from business communities (Phase 2) is obligatory in order to receive public funding for R&D&I projects. Although public funding (Phase 3) is open to all enterprises individually, without collaboration with research institutes, public funding solely supporting the UAS' own research is applicable only in special cases, offered, granted and guided by the funding agency. After a favorable funding decision, a need for design resources arises, and the actual design work starts (Phase 4). In order to meet the target schedules of the project, students from appropriate fields of studies are hired. The Project Managers' role is to ensure that there is competent staffing throughout the project. In most instances the principal lecturers of educational programs most often recommend senior students. After completing the development project (Phase 5), a decision on its continuation is made. In the case of success, the project may continue under the responsibility of the

collaborating company, or under a new start-up company, which then utilizes the results of the project.

From the new customer acquisition perspective, the main phase is Phase 2. In this phase, the idea of the new innovation is clear enough, and commercialization of the idea will be presented, discussed and evaluated together with potential collaborators. Potential commercial enterprises to be contacted may already have direct or similar ongoing research, or research, development and innovation (R&D&I) activity in the area of the proposed idea. Finding such enterprises, preferably several potential companies, is the key to successful collaboration. This is the challenge of the case organization when considering the launch of the new "Industrial Step-in Project" (IPS) service. Along with the new service, the case organization approaches a vast group of potential companies and seeks customers for direct cooperation without public funding. For such projects, billing would be then directly done from the CO to the customer and would be based on the actual costs of the project.

The knowledge of the potential collaborators and customers that are approached when searching for partners is accumulated and kept in various manners. Figure 7 summarizes the sources of gathering the knowledge of potential customers.



Figure 7. Generation of knowledge of potential customers in the case organization.

Figure 7 illustrate the sources of information in order to gather information about the potential customers. Employees of the case organization participate in exhibitions and

seminars in their own competence area but also utilize their own competence area. Additionally, the UAS and the CO combine forces by organizing seminars about interesting topics in society. Meetings, appointments, and encounters in exhibitions and seminars with potential customers help to collect information about interesting companies and their applications, and of the key persons. Recent scientific research results, breakthroughs, patents and publications provide a channel for the CO's own internal idea incubation, and generate ideas about potential applications, and thus also of potential collaborators and customers. It is possible since the employees of the CO are experienced professionals with a long working history, either before the time of joining the CO, or working in the CO. The long working history of the employee forms a broad view to one's own competence area with the knowledge of the key companies of the field.

Next, internal information sharing occurs in formal meetings, such as in weekly staff and project managers' meetings, as well as in informal meetings around the coffee table, or in daily encounters along the office corridors. In addition, search engines on the Internet provide visibility and a channel to practically all enterprises in Finland. Studying the content of companies' home pages is also helpful for imagining potential customers and their businesses. Learning the basics of the target company's business helps the CO employee to contact the target company, reach the right key persons of the company, and to wrap up the message or business proposition in an interesting and attractive manner.

Even after successfully found, ideas require quite a lot time for maturing before they are turned into relevant and implementable decisions. As in any organization, the maturity of the innovative ideas is of great importance when seeking potential customers and benefiting commercially from the ideas. The case organization may have an idea of the innovation, and the idea passes the internal pre-screening funnel, and further evaluation takes place. Then, the idea is presented to the target companies, and the idea generates interest and response in target companies. However, from the target company's perspective, the timing of commercialization or utilization might be too early, or the precise features cannot be defined accurately as the market looks blurry and not clear enough yet. From the CO's point of view, such an approach requires further studies, re-thinking, and ability to maintain the relationship over an undefined

period of time, and proficiency to bring up the idea with enhanced features and with correct timing. Thus, many interesting findings never form into implementable projects.

As in many research organizations, currently the employees of the case organization seek new potential customers on a case-by-case basis. The time allocated for new customer acquisition depends on the actual workload of ongoing projects. When ongoing projects are on critical path, or require extended attention, then time for new customer acquisition is limited. In other words, the work started to search new customers is frequently interrupted, and the focus of the task becomes inefficient. Returning back to the unfinished task requires a time-consuming review of the attained results. Thus, currently, the CO operates mainly on project basis manually seeking potential customers for collaboration. However, the new Industrial Step-in Project (IPS) service approach is targeted to a wide industrial audience and requires quick access to the customer information.

Presently, the repository of the existing customer information is decentralized. Employees of the case organization collect customer related information when meeting counterparts of the ongoing projects, in exhibitions and seminars, when reading articles about new innovations, patents, technologies and applications. All employees are experienced and have collected a vast amount of potential customer related information during their career. They possess a lot of customer information, such as dozens or hundreds of business cards, but the main share of the information is located in personal computers and communication tools, and in employees' minds, not written down or stored into any media or tool. However, sharing or accessing such information, or the access to the colleague's repository, is random and incidental.

Additionally, the own offer and visibility of services also lacks efficiency in the current set-up. Presently, the approach of the staff is to improve visibility of the services in UAS' or in the case organization through its web pages. Especially, the staff of the electronics factory sees the present visibility of their services insufficient. Access to the web pages of the EF requires several intermediate steps without clear guidance of the available services.

If analyzed beyond the immediate customer acquisition process, some other activities also influence the customers' decision to partner with the case organization. Such deci-

sion include the quality of provided services and labor force, among others. The case organization, being part of UAS, utilizes students from appropriate fields of studies are hired. The Project Managers' role is to ensure that there is competent staffing throughout the project. In most instances, the principal lecturers of educational programs most often recommend senior students. This presents challenges as student resources may not always guarantee full availability and stability of the student labor. Students may interrupt or finish their studies earlier than planned; and today, project managers do not have a proper tool to allocate and follow up student contracts. This also adds to the difficulties of customer acquisition and retention.

If summarized, the new customer acquisition process of the present business model relies strongly on executing R&D projects. Figure 8 illustrates the logic of the current NCA of the case organization.

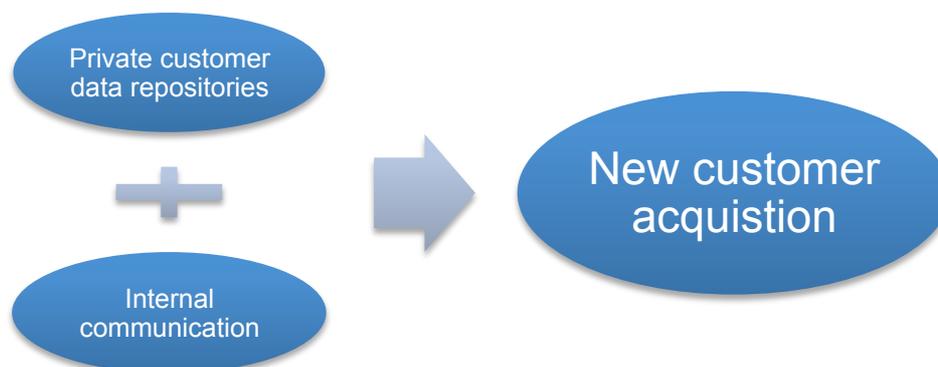


Figure 8. The current new customer acquisition concept of the case company.

Figure 8 illustrates the present new customer acquisition logic in a simplified manner. Its key elements rely on personal data collection and manual data storing, and search from the employees' personal data repositories. Internal communication with colleagues adds the number of potential companies to one's own customer list. These elements induce an action, such as contacting potential customers via telephone calls and face-to-meetings leading to new customer acquisition.

Moreover, the current logic affects also the customer retention rates. From the customer acquisition perspective, a successful project with the external customer ensures the recurrence of the customer in forthcoming projects. The repurchasing customer is a valuable customer since it shows loyalty towards the service provider or supplier.

Such customers also allow and prefer long-term and close relationships. Therefore, from the service provider's perspective, it should become a special objective to form a large customer base and facilitate the creation of new services as well as attend more to the existing customers, as a measure to improve customer retention.

From a wide business perspective, in order to summarize the current wider situation in the case organization, a common method can be applied which measures business execution as a comparison between the planned or budgeted value against the actual value of the business. The common first level indicators are sales revenues vs. budgeted revenues, gross margin of the sales revenues vs. budgeted margin, and the gross margin % of the sales revenues. These quick indicators guide the sales persons' daily activities and short-term planning, as the ultimate target is to at least reach the budgeted monthly and annual targets. The case company currently lacks the approach to manage and guide the sales or project execution from the monetary perspective. For example, the capacity utilization of the electronics factory varies between 30-100%, some interviewees estimate the fluctuation more precisely at around 50%. This means that the factory runs half empty most of the time. The ideal business model for electronics manufacturing and testing entails continuous non-interrupted production. In order to obtain high production yields, the settings of the equipment should remain the same for as long as possible without tuning. Maintaining the same settings requires high volume production. Since high volume production is not the target of EF, the capacity utilization can still be increased either with higher volumes from the existing customers, or by finding new customers. Therefore, the new customer acquisition concept can really help the case organization to survive in the existing set-up, without challenging its internal logic, operations or organization, and thus should be utilized as a good way-out for the R&D organization in a UAS. The launch of the new ISP service will bring new development projects and more load the EF. The present professional staff is needed to run operations, while the possible new permanent staff and student resources will be harnessed for business and resource planning.

Sales follow-up, together with proper resource planning would ensure the CO would have a systematic approach to serving customers better and thus help the business execution. By allocating and monitoring the availability of long-term resources for successful project completion and by stressing the customer acquisition activity, from a

business perspective, the CO would get a valuable support to meet its targets and strengthen its market position.

The following two sub-sections highlight the strengths and weaknesses of the current NCA process, those which should be either retained, as achievements of the current NCA logic, or improved to help the case organization to operate successfully.

3.3 Analysis of the Strengths of the Current NCA Concept

The strengths of the current customer acquisition process include: (1) a strong engineering community, (2) a clear strategy concentrated on achieving high competence in three selected key areas, (3) an open and regular forum for internal communication and discussion, (4) the cumulative expertise and knowledge of the organization, (5) a good internal culture of the case organization that facilitates knowledge acquisition, sharing and utilization.

First, the present new customer acquisition process of the case organization is built around a strong engineering community. The CO consists of strong and experienced individuals working in an independent manner. All project managers are strong in identifying new trends and ideating new products and services, starting a project, finding external collaborators. They proved their solid competence in leading projects to the phase of filing a funding application, and managing the design work until successful completion of the project. They possess multiple competences in project management tasks, and expertise to stop, grasp and apply the latest technologies, which make clear strengths of the engineering community in the case organization.

Second, the strategy of the case organization is clearly defined. According to the director of the unit, the CO has three main strategic focus areas, (1) healthy construction and healthy buildings (2) healthcare, well-being and comfortable human aging, and (3) industrial competitiveness. Each strategic area has a nominated project manager as one's own key competence area. The division of competence areas aids project managers to delineate the potential customer base of each area. The majority of the employees tend to agree and adopt the management's view of the strategy, whereas some of the employees tend to see daily operations and the new idea generation as contradictory to the strategy. However, all employees agreed with the vision of the CO:

to add intelligence to products, processes, procedures and services. By following the defined strategy, each employee addresses one's own resources to the common direction. The purpose of the internal communication is to diffuse and deploy the strategy and targets, to all levels in the organization.

Third, the current formal internal communication takes place during regular weekly meetings. The first session of the weekly meeting focuses on information sharing about daily operations and short term plans, and is open for all employees. The latter parts, the project managers' meeting, then focuses more on details of the ongoing projects and serves as a forum for bringing up and evaluating new ideas. From a customer acquisition perspective these forums play an important role. In the common forum customer information sharing and analysis is spontaneous and instantaneous between employees.

Fourth, all employees are motivated in their tasks and actively collect information about customer and potential innovations. The three strategic areas of the case organization are clearly defined and the related information collection is addressed to the dedicated project manager. Thus, information accumulates and is then shared in weekly meetings.

Fifth, the case organization is a good example of the learning organization. Management style of the case organization supports personal development by encouraging the personnel to participate in the events of their own field and gather related information. The atmosphere in the case organization is open, enthusiastic and friendly.

As a summary of the strengths, many of the informants indicate that the performance of the case organization has significantly improved during the last 12-18 months. The CO has a proven track of innovations as many of the recent R&D projects are commercializing and gaining public attention. The following subsection discusses how the deficiencies of the current customers acquisition process can be improved to meet the requirements of the Industrial Step-in Project service.

3.4 Analysis of the Weaknesses of the Current NCA Concept

The weaknesses of the current new customer acquisition process, which were revealed in the current state analysis, include the following challenges: (1) the current new customer acquisition process does not support high-volume acquisition of new customers, (2) the short-term strategy deployment in daily planning leaves room for improvement, (3) handling of customer information is manual, (4) resource planning is not sufficient due to the lack of a proper tool, (5) no sales follow-up system is in place to follow monetary results and to drive short term activity, and (6) the R&D unit does not yet comply with international quality systems. These challenges are described in more detail below. Being different in scope, not all of them will be addressed in this thesis.

First, the current IPS service, which launches upcoming marketing activities, requires a new approach for more high-volume acquisition of new customers. This is especially important since the case organization currently develops and prepares for the launch of a new service approach to industrial enterprises. The new industrial service, with a working name Industrial Step-in Project, aims to enter industrial companies with the proposition of entry-level cooperation. The proposition includes a small-scale study or design work, or prototyping and testing services. Therefore, the entry-level service forms a stepping stone for long-time co-operation which would later include student practice periods in the target company, innovation projects by students, and finally larger R&D&I projects aiming to comply with public funding requirements. Thus, from a new customer acquisition perspective, the current IPS service, which launches upcoming marketing activities, requires a new approach.

Second, although the existing strategy of the case organization is clear and firm, and is adopted by the majority of the employees, the deployment of the strategy remains incomplete and inconsistent in short-term planning. It became clear from the interviews as some employees see the actual daily operations contradicting with the selected strategy. Even the strategy should drive daily operations, some employees see clear jumps out-of-strategy into new areas without a visible connection to the strategy. It is important for any company or organization that the strategy is properly deployed by cascading the strategy to all levels of the organizations and to individual employees at each level. Cascading the strategy down to all level ensures that all units, teams and individuals act according to the strategy. Additionally, such cascading formulates a two-way channel conveying feedback information of the actualization back to the management. Presently, according to some of the employees, practical daily and short-term

actions are not in-line with the selected strategy. This indicates whether the strategy is not properly cascaded and communicated to all employees, or actually the strategy deployment is deficient in daily operations.

Third, presently the case organization operates in a project oriented business mode with its customers, but the present new customer acquisition concept does not support handling of large amounts of customer information. It somewhat lags behind the modern conception of marketing that places customers at the core of a firm's strategy, and all the firm's activities targeted to serve customers in a superior manner. Since the modern firms' aim is to gain a competitive edge, to collaborate closely with its customer, and to surpass rivals' offerings and services, the understanding of the customers' business, behavior and needs should provide a steady platform to collaborate and exercise partnerships. However, currently the prevailing customer acquisition concept in the case organization is based on purely manual work done by the employees of the CO, and the customer information locates solely in the employees' personal repositories. Storing and fetching the information is slow, random and inaccurate. Furthermore, the content of the information may be invalid, and the information mainly benefits the owner of the information. A new approach for collecting and handling customer information is elementary when offering the new service model, like the Industrial Step-in Project service.

Fourth, development and customer operations also require proper resource planning to meet the milestones of the ongoing projects and to ensure sufficient staffing of projects. Presently, some employees highlight the lack of resource planning in the organization. An improved resource planning would facilitate project planning and project staffing in order to lead the project to a successful closure. A completed successful project makes a strong promise of recurrence of the new project with the same customer.

Fifth, no sales follow-up system is currently established to create a clear picture of monetary results and to drive short-term activity. This challenge is somewhat related to the logic typical of engineering communities, placing the development and engineering work in the center of the attention, and the commercial side of the collaboration remaining on the sidelines. The commercial view of the collaboration ensures that invoices are sent to customers after agreed milestones of the project, and collaboration between two parties expressed as those of the seller and the buyer, with money acting as a strong measure describing their collaboration. This business logic also compares the execution to the targeted level. In sales operations, targets also act as effective drivers

to short-term activity. By using the sales follow-up, a company can quickly plan activities to meet the targets. Interviews reveal that the case organization does not use a sales follow-up to measure the execution and compare actual results to the defined targets.

Finally, the R&D unit does not yet comply with any international quality systems. International quality standards, such as ISO 9000 or ISO 14001 standards, ensure that company's operations are managed professionally through a holistic quality management system. A quality certificate indicates to customers and other stakeholders that management is committed to serve customers and run the operations in professional and ethical manner. According to the unit director, the case organization does not yet comply with any official quality system.

The following section summarizes the findings of the current state analysis. These findings point to the direction for the following steps in this thesis.

3.5 Summary of the Strengths and Weaknesses

This section summarizes the findings of the current state analysis and refers to the previous subsections in which the findings were explored. The summary is presented in two tables containing the main findings of Subsections 3.3 and 3.4.

Subsection 3.3 highlights the strengths of the current new customer acquisition concept. Table 2 presents the strengths in a condensed manner.

Strengths of the Current New Customer Acquisition process	
1	Clear strategy that enables placing customers at the core of operations
2	Customer acquisition is done by experienced project managers who understand the customers' business
3	Division of competence areas facilitates the establishment of data bases of potential customers
4	Each project manager is knowledgeable about key enterprises in his own competence area
5	Employees actively follow the latest results of scientific research, patents and articles in magazines
6	Employees actively participate and arrange seminars and exhibitions

- | | |
|---|--|
| 7 | Internal innovation incubation, combined with internal knowledge of enterprises highlights potential companies for collaboration |
| 8 | The Internet is widely used for finding potential customers |

Table 2. Strengths of the current new customer acquisition concept.

Table 2 illustrates the strengths of the current new customer acquisition concept. In the following sections new NCA model include these embedded strengths.

Subsection 3.4 highlights weaknesses of the current new customer acquisition process, with Table 3 presenting the weaknesses in a condensed manner.

Weaknesses of the current New Customer Acquisition process	
1	The strategy of the case organization is not properly cascaded to all individuals or the operations and plans of the case organization are not in line with the selected strategy. Confusion in deploying the strategy-lead customer acquisition astray
2	The current business mode is project-oriented only
3	No systematic new customer acquisition process in place
4	No account management type of approach with key customers. Such activity would create an approach for long-term collaboration and an opportunity to continuously win new projects
5	No dedicated sales activity in place for industrial SME customers, the so called "crude but effective" sales model generates quick revenues offering standardized services
6	Resource planning activity does not exist but would facilitate to reserve proper staffing for the whole lifespan of the project. A successfully completed project spawns new opportunities with the same customer.
7	The operations do not follow ISO 9000 or 14001 standards which may preclude collaboration with quality-conscious companies
8	Sales follow up does not exist to drive and support short-term business planning by seeking new customers

Table 3. Weaknesses of the current new customer acquisition concept.

Table 3 illustrates the weaknesses of the current new customer acquisition concept. Items 2, 3, 4, 5 and 8 form the skeleton from which the following sections will be built. These items together also form a solid structure for customer acquisition. This ap-

proach takes into consideration both methods of new customer acquisition, (1) acquiring new business from new customers, and (2) acquiring new business via new projects from the existing customers.

Corrective actions for other items can be covered by improved internal communication or re-shaping daily and short-term activities to be in line with the selected strategy (Item 1). Resource planning (Item 5) can be improved via introducing an appropriate tool. Management of the UAS and the R&D unit may consider the adoption of ISO 9000 and 14001 standards in the case organization or in the UAS. Weighting the strengths and weaknesses will lead the case organization to the level of commercial R&D companies. However, preparing an organization to meet the requirements of these standards is a lengthy, demanding and time-consuming task.

The following section explores the literature in order to find solutions for overcoming the main obstacles in the current new customer acquisition logic indicated in Table 3.

4 Existing Knowledge of New Customer Acquisition

This section explores best practice related to new customer acquisition process. This section introduces the concepts of customer relationship management (Section 4.1), sales orientation (Section 4.2), customer equity framework (Section 4.3), and key account management (Section 4.4). Section 4.5 formulates a conceptual framework.

4.1 Customer Relationship Management

Customer relationship management (CRM) is a cross-functional business approach that seeks to create, develop, enhance and maintain customer relationships. CRM is a major element of the corporate strategy and its target is to improve customer value and corporate profitability and thereby to maximize the shareholder value. CRM facilitates companies to target chosen segments, or micro-segments. New customer relationship based marketing thinking overcomes the limitations of traditional marketing, and recognizes the potential of customer-focused and process-based strategies. (Payne 2006: 5, Anderson and Kerr 2002: 2-3)

CRM definition can be viewed from several perspectives. Figure 9 portrays the CRM approach as a continuum.

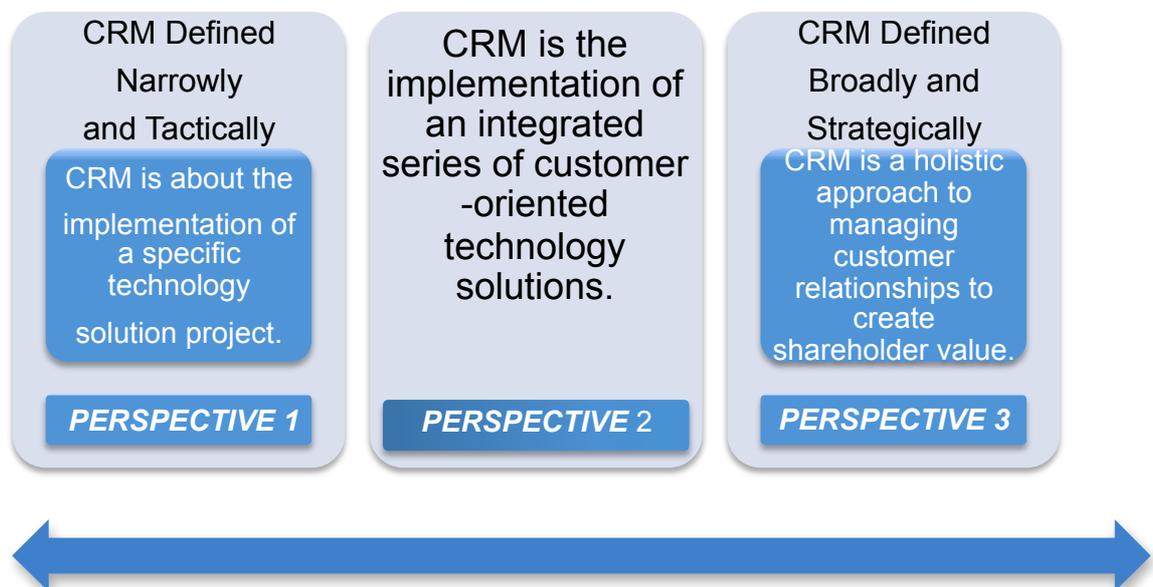


Figure 9. The CRM continuum (Payne & Frow 2005: 168)

Figure 9 examines the CRM definition and its association with the technology. In its narrow and tactical definition CRM is a particular technology solution (Perspective 1), wide-ranging technology solution (Perspective 2), or a customer centric approach (Perspective 3). CRM is often considered only as a technology initiative but in its broadest strategic form CRM is a holistic approach to acquire and grow customer base, and to manage customer relationships and it brings value to shareholders and customers. A modern way implementing CRM approach is via perspective 3. (Payne and Frow 2005: 168).

In competitive and mature markets customer retention is the most important target of any company. However, customer acquisition is of great importance and demands attention as the first phase of customer life cycle. Customers are assets that have to be acquired before they turn to be profitable. (Ang and Buttle 2006: 296).

CRM approach supports a company's customer acquisition and retention processes as a correctly implemented CRM approach puts customers at the core of the company. Along with the CRM approach comes better in-house knowledge of customer acquisition related factors. Figure 10 shows the key elements of successful customer acquisition.

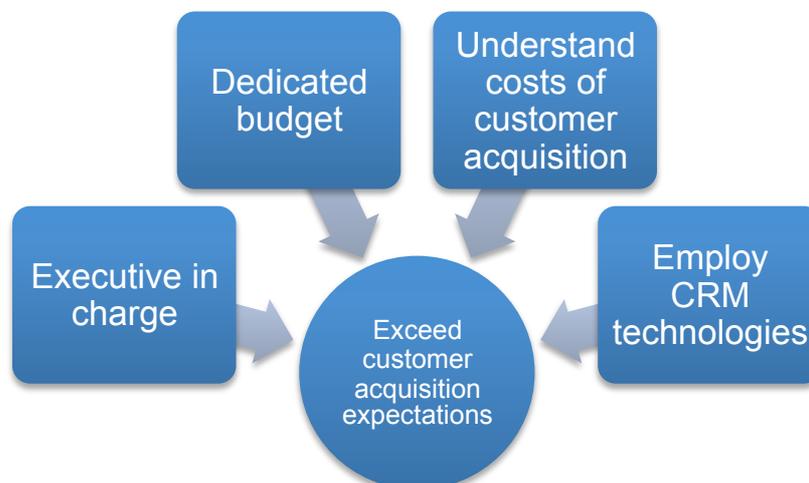


Figure 10. Key elements of successful customer acquisition within the CRM approach. (Ang & Buttle 2006: 301).

CRM approach provides four customer-oriented elements in order to execute customer acquisition (Figure 10), (1) company have a nominated executive in charge of customer acquisition, (2) company allocate a dedicated budget for customer acquisition,

(3) understands real costs of customer acquisition, and (4) utilizes computerized technologies to support the CRM approach. (Ang and Buttle 2006: 301).

The next subsection explores the literature of sales orientation in organization and personal sales activity in a business-to-business context in order to support customer acquisition.

4.2 Sales Orientation

In the 1970s, the ideology of mass marketing gradually changed towards target marketing. The tasks of sales organizations increased to identify the needs of customers via personal dialogs with customers. Information sharing and benefit selling techniques became general. In the 1980s the customer became the King and sales forces were harnessed to implement newly developed customer strategies. Large Anglo-American companies start to elevate experienced sales persons to top management in order to ensure customer-focus in decision-making. In the 1990s trends in marketing lead to new sales concepts like partnership selling, value-added selling, and solution-centric selling. (Parviainen 2013: 31-32)

Personal relationships between selling and buying companies are a valuable asset to the selling company. Good personal relations and contacts promote business between the companies. Academic studies indicate that personal contacts have an impact on e.g. the creation of new business relationships, to the profitability of businesses, the development of new innovations, and to customer satisfaction and loyalty. In a business-to-business context personal relations have six main tasks, (1) exchange of information, (2) evaluation of business partner, (3) business negotiations, (4) crisis management, (5) social exchange, and (6) strengthening one's own ego. (Halinen and Salmi 2000: 209).

In a business-to-business environment, sales orientation plays an important role when offering products or services to potential customers. Personal selling is the personal contact with one or several buyers, and the role of selling is to create value for a firm at the point of contact with a customer. The value creation, typically expressed as profits or revenues, may be a result from a single sales transaction, or from a lifetime of customer purchases. A modern personal sale is a seller-initiated effort that may combine

face-to-face selling, technical consulting, personal sales on the telephone and personalised customer service. (Donaldson 2007: 3-4).

Successful personal selling process strengthens the relationship between the selling and buying companies. The positive sales spiral, as illustrated in Figure 11, leads to improved customer satisfaction, tightens the binds between companies and deepens the customer loyalty. (Rubanovitsch and Aalto 2012: 11).

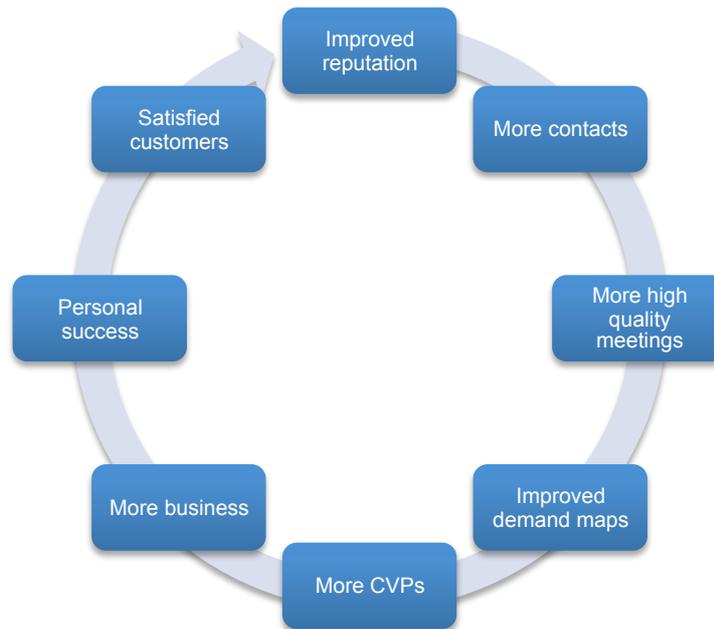


Figure 11. Positive spiral of successful personal sales. (Rubanovitch & Aalto 2012)

Figure 11 illustrates the impact of successful personal selling. An active customer-oriented salesperson tends to open more doors to customers than an average salesperson. By listening carefully to customers the salesperson improves the quality of the meeting and is able map the customer needs thoroughly. By having a good grasp of customer's needs the salesperson is able to formulate more detailed value propositions and to win more business than an average salesperson. The personal success of the salesperson is exalted by the firm and by the customer. The salesperson's motivation increases and he/she finds his/her job meaningful. Eventually the positivity of the salesperson reflects on to customers and creates customer satisfaction and to the improved reputation of the firm and the salesperson. (Rubanovitsch and Aalto 2012: 11).

The basic sales process consists of sequential actions by the salesperson during the sales transaction. The salesperson aims to lead the customer towards the desired goal. Figure 12 illustrates the 10-step sales process from the prospecting phase to the closure of the sale, and to the follow-up phase. (Futrell 2009: 226).



Figure 12. The 10-step sales process (Futrell 2009: 226).

The 10-steps sales process in Figure 12 forms a comprehensive, logical and sequential approach for any sales situation. Steps 1-3 include the preparations by the salesperson in order to find a prospective customer and plan preliminary actions before contacting the customer. In Step 3 the salesperson agrees the meeting date and time with the customer. Steps 4-9 include the sequential phases of the sales meeting including the sales presentation in the meeting (Step 4), setting the objectives along the progress of the meeting (Step 6), handling and overcoming possible objections ((Step 7), and intermediate approvals by the customer as trial closures along the meeting (Steps 5 and 8). After a successful sale event a proper sales follow-up phase starts in order to satisfy customer needs with in-time deliveries, correct invoicing, etc. (Futrell 2009: 227).

In the project-based selling preparation, the phases demand remarkably more time than in the basic sales process. On top of the prospecting phase the project-selling companies pre-tailor their CVPs with preliminary definitions and specifications to meet the requirements of potential customers. Finding a cost-effective way to acquire, store and analyze customer related information is a competitive advantage for project-based companies. The preparation phase demands a vast amount of resources before the quoting phase, i.e. before the promise or indication of the agreement and the positive cash flow. Figure 13 illustrates a project-oriented sales process.

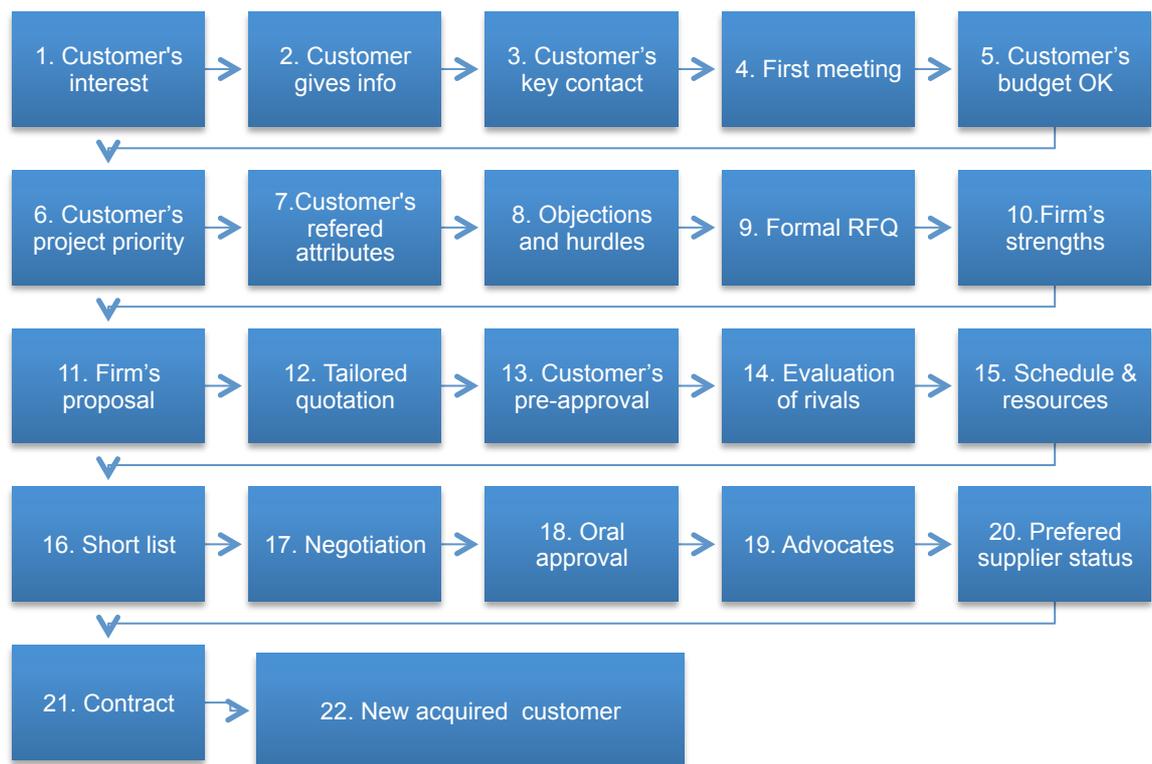


Figure13. Project-oriented sales process (Tikkanen & Aspara 2008: 97-99).

Project selling consists of a larger amount of steps than the basic sales process. Figure 13 lists the typical steps of project sales. The main differences between goods-selling and project-selling lie in the time schedule of the process. In its simplest form goods selling occurs as daily events while project selling requires a vast amount of preparation before receiving a formal Request for Quotation (RFQ) for the potential customer, and the sales negotiation may occur rarely. (Tikkanen and Aspara 2008: 97-99).

Steps 1-8 contain the preparation phases in order to receive the formal Request for Quotation. These steps include finding a prospective customer, showing interest in a

firm's project offering and preliminary information received from the company. The seller's interest is to find the key contacts of the buying company and to set up the first meeting with the key contacts. The salesperson's main tasks are to identify the buyer's real interest for buying the project offering and that the buyer reserves the needed budget for the project. Also, the seller senses the priority and importance of the project for the buying company. The seller seeks key attributes of the project appreciated by the buying company, and delves into objections and hurdles that may prevent the purchase. (Tikkanen and Aspara 2008: 97-98)

Receiving the customer's RFQ launches the quotation and negotiation phases, steps 9-22. Thoroughly discussed preparation phases help the firm to formulate a tailored offering and to start the formal negotiations. Like in the goods selling process, seller seeks pre-approvals during the negotiation. Sellers aim to eliminate rival competition and to obtain a place on the customer's short list. Large product offering engages a large number of people to the buying process and the seller's wish is to turn all attendees to advocates of the selling firm. Completing and finalizing the sales process require smooth and persistent negotiations. Successful negotiations lead to project contact between companies and to a new acquired customer for the seller. (Tikkanen and Aspara 2008: 98-99)

The following subsection introduces customer equity as a concept to support new customer acquisition in a project-oriented business environment.

4.3 Customer Equity Framework

A project-oriented business environment requires the ability to rediscover customers over again and interest them in new projects which may have a new project content. A close customer relationship between projects enables a quick start with companies in new projects.

Customer Equity Framework (CEF) is a strategic framework that maximizes the firm's most important asset, the total lifetime value of firm's customer base. CEF addresses two key questions: (1) what leads a customer to purchase from the firm, and (2) what leads the customer to do business with the firm again and again. Figure 14 depicts the initial situation between the firm and the customer, and the gradual development of customer equity.

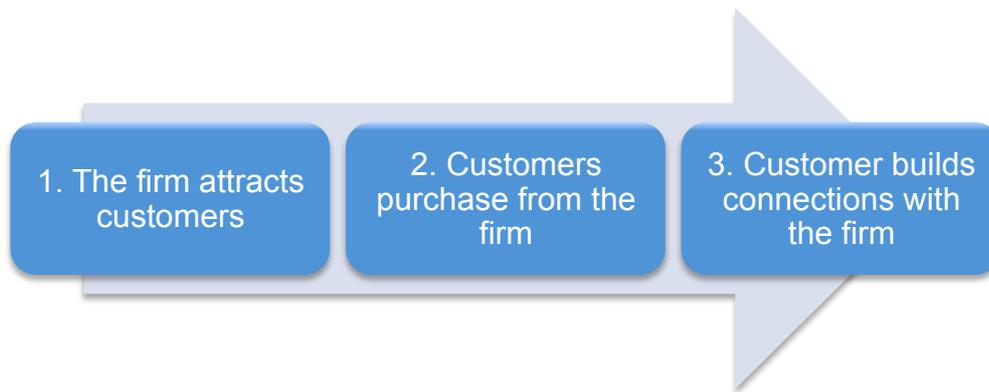


Figure 14. The development of customer equity (Rust et al 2000: 56).

Figure 14 illustrates the development of customer equity from the starting phase when the firm's aim is to acquire new customers. For the first purchase, the potential customer evaluates the value perception and brand perception before the purchasing decision. As the customer continues to buy from the firm, binds are established between the firm and the customer. These perceptions form the basis for Value Equity and Brand Equity. (Rust et al 2000: 54)

The customer's relationship with the firm begins and the firm sponsors customer relationship and customer retention via formal programs or via personal interactions between companies. These relationships and interactions form the basis of the Retention Equity. Figure 15 defines the Customer Equity (CE) as sum Value Equity (VE), Brand Equity (BE) and Retention Equity (RE). (Rust et al 2000: 55)

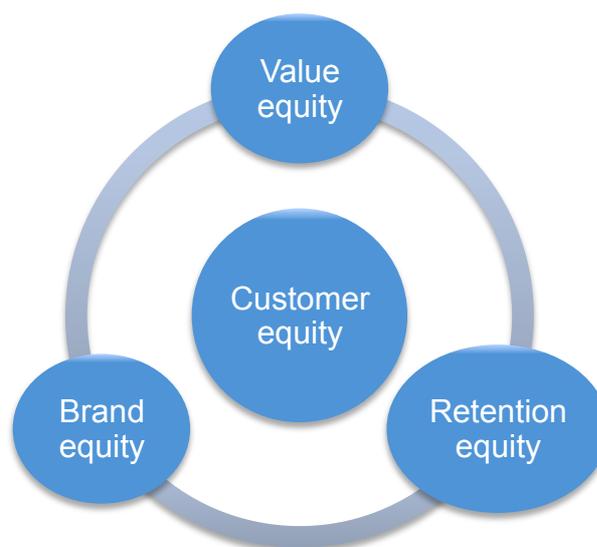


Figure 15. Definition of customer equity (Rust et al 2000: 57).

Figure 15 illustrates the components of Customer Equity. Value Equity (VE) highlights the customer's rational and objective aspects of the firm's services, products and total offering. VE ponders questions such as how does the customer evaluate the quality of firm's offering, and is it convenient to do business with the firm? Brand Equity (BE) is customer's subjective evaluation of the brand, beyond and above its perceived value. This evaluation is based on customer's experiences and associations with the brand, and is impacted by the marketing strategy of the firm. BE ponders questions such as what does the firm's communication evoke in the customer, does the customer associate emotions, experiences, or lifestyles with the brand, and if the customer considers the brand in personal manner. Retention Equity (RE) is the tendency of the customer to maintain the relationship with the brand, beyond and above the customer's subjective and objective evaluation of the brand. RE has a strong mutual focus to establish, build, and maintain the relationship. RE ponders questions such as what did the customer purchase last time, do both parties benefit from the relationship, and does the customer suffer if the relationship is discontinued? (Rust et al 2000: 57-58)

The next sub-section introduces key account management as an approach to deepen customer relationships in order to ensure brisk customer acquisition in a project-oriented business environment.

4.4 Key Account Management

Key account management (KAM) system is an organized way of managing key accounts. (Nätti and Palo 2011: 1). Also, KAM is a natural and inherent continuum of customer focus and relationship marketing in business-to-business (b-to-B) markets. The KAM approach offers benefits and opportunities for increased profits to both buyers and sellers. Furthermore, KAM aims at building and offering a tailored product/services package to seller's loyal key accounts. Key accounts are the B-to-B customers of strategic importance to the selling company. The selling company's challenge is to define which customers are of great strategic importance, and how to integrate the KAM approach in complex organizations. Also, strategic importance is also crucial to the customer, and the success of the collaboration depends on the selling company's product/services offering as well as on seller's skills to understand and meet customer's needs. (McDonald and Rogers 1998: 1)

Selling companies applying the KAM approach consciously plan to develop their customer relationships from prospects to higher relationship levels. The model depicted in Figure 16 illustrates the relational development of account relationships.

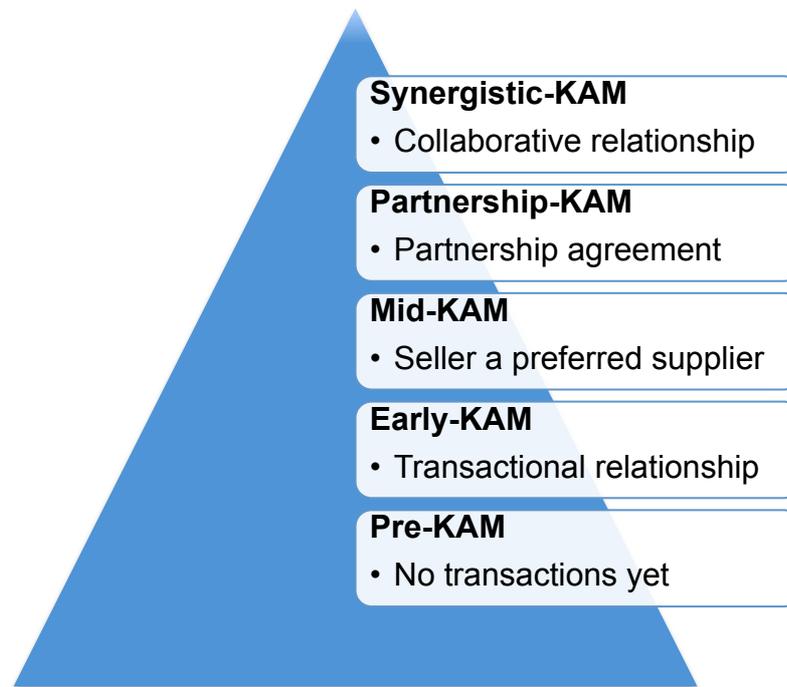


Figure 16. Key account management (KAM) relational development model (McDonald & Rogers 1998: 9).

Figure 16 illustrates the relational development of key accounts. Selling companies aim to develop accounts from prospects to the higher levels. Achieving the status of a preferred supplier, or entering into partnership mode with the customer, or to the Synergistic-KAM level would help to increase revenues and profits. (McDonald and Rogers 1998: 9)

In the Pre-KAM phase the selling company does not have business transactions with the target company. However, the target company, the prospect, is of great interest to the selling company, and it makes plans to enter the prospect. The second step is named as the early-KAM. At this stage the selling company is one of the many suppliers. Interactions between the companies are straightforward and the relationship is only at one level. In the Mid-KAM step the seller has reached the preferred supplier status. Interactions between companies have become more complex and occur at several levels. At the Partnership-KAM stage the selling company has a remarkable share

of the total available business. The complexity and frequency of interactions requires the establishment of Partnership Agreement between companies. Continuous mutual efforts improve processes enabling both companies to reduce costs and to achieve better quality. Synergistic-KAM is the ultimate stage in the KAM hierarchy. It is quasi-integration, i.e. both companies create value together in the marketplace. Joint activities for research and development and business planning take place and companies interface at every level, and transaction costs reduces. (McDonald and Rogers 1998: 10-17)

Figure 17 summarizes the key elements of new customer acquisition identified from best practice and literature.



Figure 17. Summary of cornerstones of new customer acquisition identified from best practice and literature.

Figure 17 presents and summarizes the key concepts found from marketing literature in order to overcome deficiencies of the current new customer acquisition concept. The Customer Relationship Management strategy helps to form a holistic and customer centric business approach that supports the acquisition of new customers with marketing activities. CRM also offers a platform to collect and store all-important customer information, and serves as a tool for practical marketing campaigns. Developing the sales activity helps to reach the desired companies in personal manner. The Customer Equity Framework approach builds a foundation for long-term customer relationships

and brand development, and thus helps find customers for new projects. The key account management approach helps to segment the customer base and strengthen existing relationships. An existing well-served customer tends to come back with new business opportunities.

The following sub-section aggregates all previous theoretic conceptions in order to formulate a conceptual framework for the research. The conceptual framework aims to overcome the deficiencies of the current customer acquisition concept.

4.5 Conceptual Framework of the Thesis

The conceptual framework seeks to identify and address the challenges from the current state analysis with the suitable best practice found from the literature regarding new customer acquisition. Figure 18 illustrates the conceptual framework of the thesis.

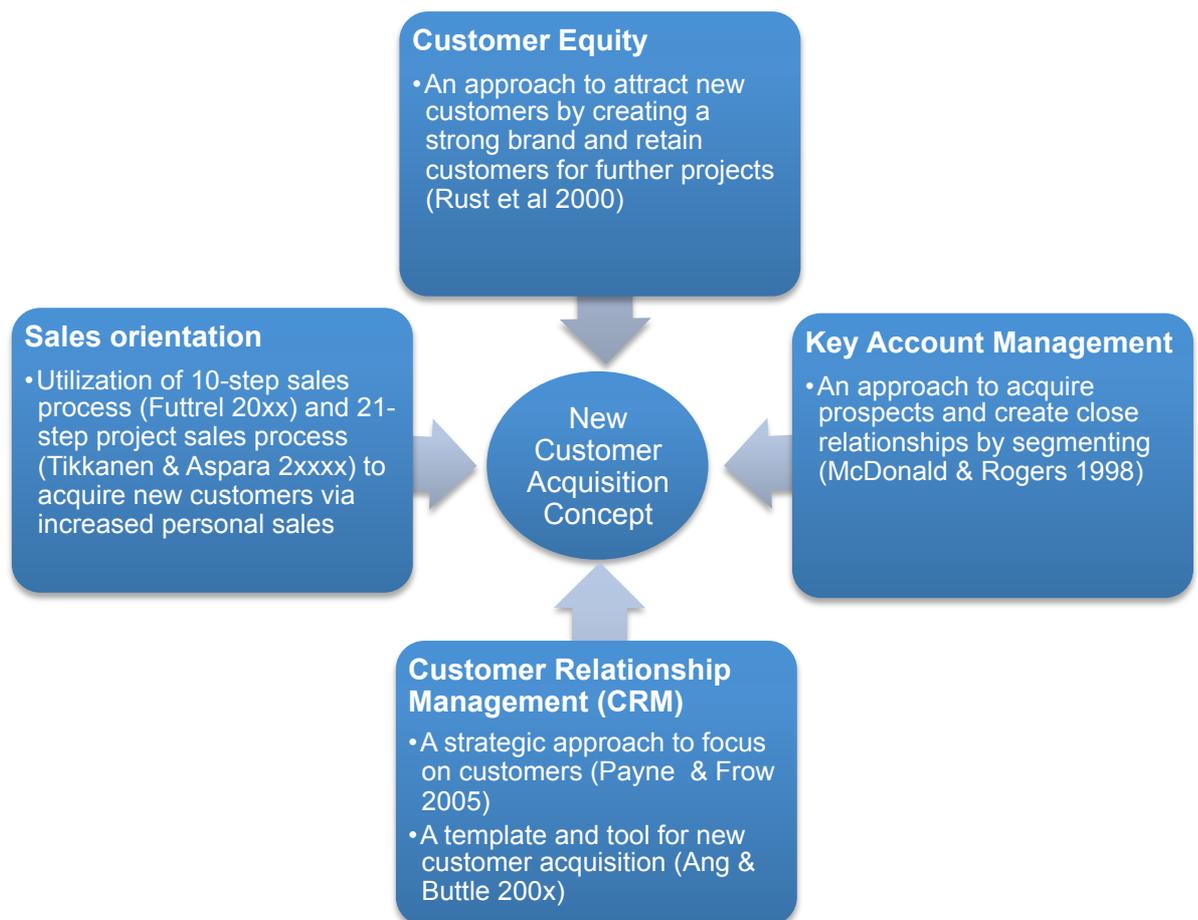


Figure 18. Conceptual framework for new customer acquisition.

The conceptual framework of the thesis, shown in Figure 18, is a construct that tries to address the challenges of the current state analysis by pointing to the best practice found in available knowledge and literature. Next, these suggestions which form the conceptual framework are briefly outlined in the context of the case company.

First, *the current business mode is project-oriented*, only with public funding. The existing business model of the case organization relies solely on publicly funded R&D&I projects. Customer acquisition takes place on a case-by-case basis, as the public funding requires commercial companies to participate in UAS' R&D&I projects. The assumption is that the increase in the sales orientation in the marketing mix would help to broaden the customer base. Emphasizing personal sales activity would support the plans of the case organization to launch the Industrial Step-in Project- service (ISP), which is a new entry-level service for industrial companies. Personal sales activity increases the number of contacts with potential companies, allows the personal pre-screening of companies for target customers and for non-target customers, brings valuable customer information and sets up important personal relationships between parties. Finally, business mode would turn more to enterprise-based business allowing direct collaboration between the CO and its customers. The dependency and interventions of public funding agencies would decline.

Second, *no systematic new customer acquisition process* is currently in place. The current new customer acquisition logic is neither a systematic nor process-like activity. The current customer acquisition is based on manual searches of customer information, e.g. from the Internet, or from personnel's private data repositories. The personnel's private data repositories consist of a variety of storage medias, e.g. data storage on personal computers, on personal mobile communication tools, on personal notepads, or even on adhesive stickers on one's desk.

The assumption here is that the utilization of Customer Relationship Management (CRM) as a strategic approach should help the case organization in effectively managing its customer relationships. Considering CRM in a broad and strategic way the case organization (CO) can align its strategy and processes as more customer-centric. Secondly, the CO can collect all existing decentralized customer information into the centralized system that supports the fast storage of new information. Furthermore, access to information can be performed using versatile search and reporting tools for market-

ing activities. Increased sales orientation together with the CRM creates human-operated process for new customer acquisition.

Third, *no account management type of approach* with key customers. Such activity would create an approach for long-term collaboration and an opportunity to win new projects continuously. The current way of working with customers is short-term based and focuses on collaboration during the ongoing project only. After completing the project, the case organization has no after-project activities with customers.

The assumption here is that the Customer Equity Framework (CEF) approach should help to address and improve long-term customer relationships. The CEF aims to attract potential customers by the creation of a strong brand supplier, and to tie the customer to the brand by offering superior value during the relationship. During the first mutual project the CO is able to evaluate the collaborating company and form a view as to whether the collaborator is a potential partner for further business. The ranking in the Key Account Management (KAM) hierarchy would be based on the evaluation of the company. The higher the ranking in the KAM hierarchy; the more vigorous is the willingness of the CO for further collaboration. The CRM approach would support storage of the customer information.

Fourth, *no dedicated sales activity* in place for industrial SME customers. The so called “crude but effective” sales model generates quick revenues offering standardized services. The assumption here is that by increasing the sales orientation the case organization should be able to raise the utilization of capacity in the Electronics Factory and effectively contact industrial companies in order to offer new entry-level project service (ISP). The CRM approach supports new customer acquisition via a broad database of potential customers. The CEF and KAM approaches support the conception of long-term profitable relationships in forthcoming projects.

Fifth, *sales follow-up* does not exist to drive and support short-term business by seeking new customers. The assumption here is that a successful sales activity requires close and intense sales planning in terms of resources and budgets, and the follow-up of the sales and related figures. Therefore, continuous sales follow-up reviews and reporting are fundamental elements for the CO for increasing the sales orientation. Sales orientation will also increase by more systematic personal sales activities in the case organization.

The next section builds a new customer acquisition concept with the help of the conceptual framework and the existing strengths identified by the current state analysis.

5 Building New Customer Acquisition Proposal

This section builds the proposal for the new customer acquisition concept by aggregating the existing strengths of the current state analysis, findings from the conceptual framework, and Data Collection 2.

5.1 Elements of the New Customer Acquisition Identified from Data Collection 2

Data 2 collection phase was conducted to collect the employees' opinion of the new customer acquisition concept. It became very obvious in the NCA interviews that the case organization has neither the NCA concept, nor the systematic NCA process in place. For this reason, data collection interviews focused mainly on elements needed to develop a holistic and systematic concept for new customer acquisition.

All informants highlighted the need to create a holistic but a flexible approach for collecting and storing information of potential and existing customers. The short-term target of the case organization is to launch new entry-level services for industrial companies. Thus, the desired NCA concept should support mass marketing activities for addressing a wide range of potential customers. Also, the CO wishes to build a strong brand that would attract companies and would help to create competence networks around the CO. As a coordinator of such competence networks the CO would benefit on the competencies of the surrounding companies. The management of the CO wishes to acquire few major customers, which could grow as star customers. Commercial value with such collaborators would benefit the overall activity as the profit makers.

Based on findings from Data collection 2, enriched with the existing strengths of the current state analysis and findings from the conceptual framework, a New Customer Acquisition concept is outlined below. It retains the current effective practices of the case organization and adds new features arising from the conceptual framework and Data 2 suggestions.

A. Collection of Customer Information Supports New Customer Acquisition

All informants highlight the lack of a systematic approach to collecting and storing customer information. Currently, customer information is decentralized in such a way that each employee collects and stores customer information in a personal manner from

various sources, as discussed in Section 3 and presented in Figure 7. Moreover, customer information is stored in several media, e.g. on personal computers and communication tools, on personal notepads and on adhesive pieces of paper on employees' desks. The employees' own access to the customer information is incidental, slow and inaccurate. Customer information may be outdated as colleagues have no access to the common data repository and have no possibility to update their information.

Additionally, the case organization does not currently utilize any Customer Relationship Management tools for managing customer relationships. The UAS utilizes CRM as a commercial tool but the CO does not currently have access to utilize it. Utilizing CRM would aid the CO and its employees in collecting and storing customer information, and in planning and executing marketing activities. Furthermore, using CRM would allow all employees to have access to all customer information. Open access to customer information facilitates employees in updating and modifying the customer information, and in nominating customer responsibilities. Figure 19 illustrates the current customer information methods added with new features enabled by the usage of the customer relationship management approach and a CRM tool.

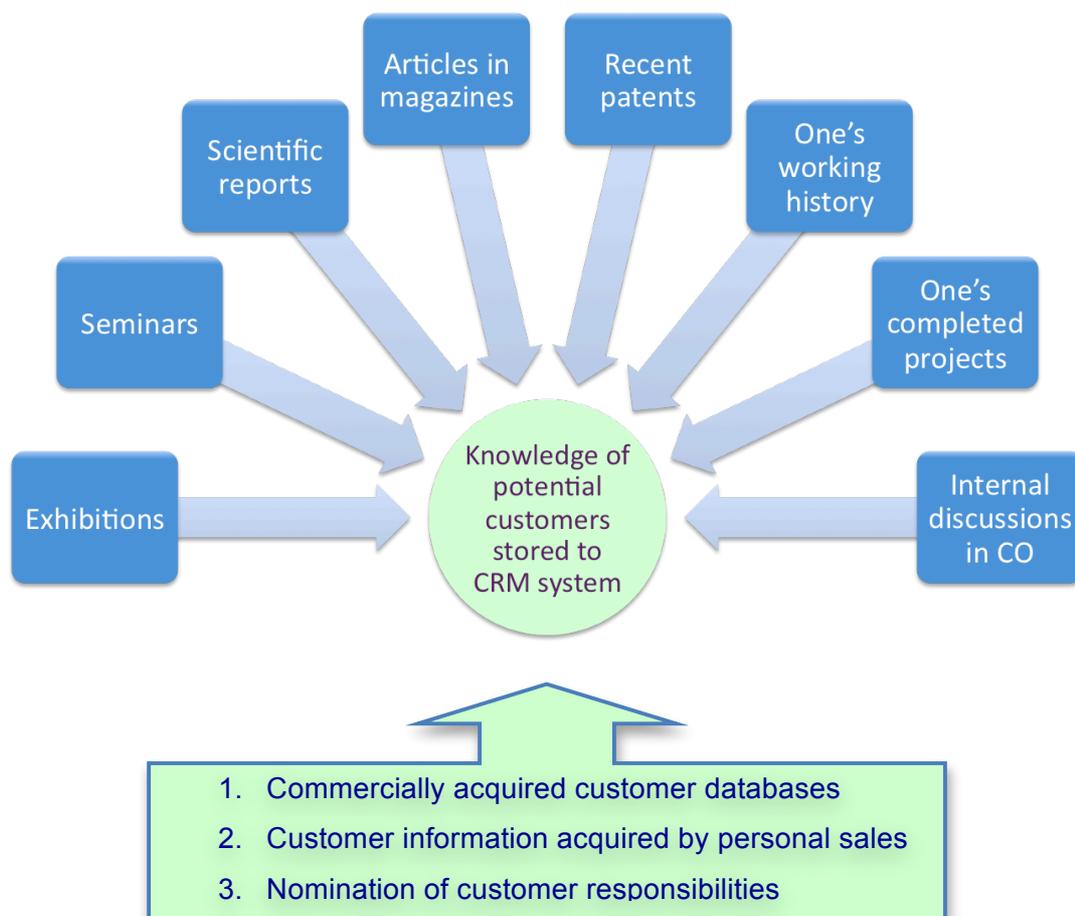


Figure 19. Improved customer information collection for the concept of new customer acquisition.

In Figure 19, new features (in green) are added to the current information methods presented earlier in Figure 7, in Section 3. As discussed earlier, the employees of the case organization are professionals with an extensive career in the CO and before joining the CO. Each employee has a vast amount of historic information in their personal devices and minds. The collection of customer information takes place at work every day from various sources, as depicted in Figure 7. However, the collected information remains in the employees' own private data repositories.

Figure 19 illustrates a new CRM approach to utilizing a CRM tool that would allow all employees to store the collected information to a common tool. A common CRM tool would grant all employees access to all customer related data, updates and modifies the data, and utilizes the raw data or processes the data into the desired format. The CRM approach would make a clear improvement towards a customer-centric approach utilizing the capabilities of a modern CRM tool. The data collected to the CRM system would also aid the CO in planning marketing activities to acquire new customers.

B. Personal Sales Supports New Customer Acquisition

In a business-to-business context, personal sales create an effective way to reach to and acquire new customers. In addition, personal contacts between companies are valuable sources of information exchange, which are of benefit to both parties.

Presently, the case company considers launching a new Industrial Step-in Project (ISP) targeted at a wide base of industrial companies in Southern Finland. This service is an entry-level attempt to offer the CO's services based on a direct business relationship from a billing perspective without external public funding agencies. Additionally, the Finnish government expects the UASs as educational entities to be less independent from public financing, and earn finances from the collaboration with local commercial enterprises. From this perspective, the CO's activity and success with commercial companies is crucial, and could exemplify successful financing for other units within the UAS. Some employees of the CO estimate that private financing expectations are ten times higher than the current portion of private financing. Adding personal sales to the current marketing mix would aid the CO in reaching out to new companies. Personal

sales would also aid in selecting most potential companies as target customers and to identify key contacts in targeting these companies.

As an example for utilizing personal sales, the Electronics Factory of the case organization provides small-scale manufacturing, prototyping and testing services to the electronics industry. According to the employees, the EF is capable of offering quick services with competitive pricing. However, the factory loading varies strongly on a weekly basis between 30% and 100%, typical usage being approximately 50%. The factory has only a few regular customers, and factory personnel focus on serving existing customers and running the factory according to their needs. A clear improvement would be to undertake some dedicated sales activity in order to acquire new customers for the Electronics Factory.

Moreover, the case organization uses student resources mainly for development and design tasks. Students from the field of electronics and automation participate in R&D&I projects under the supervision of experienced project managers. For example, software designers participate either by working for projects directly, or by working for CO's internal tools' development. However, the UAS have a strong hold on business education but the CO does not utilize student resources for commercial and business related tasks. Meanwhile, commercial tasks such as the logging of customer information to the CRM system, the sorting of sales' leads and prospects, and reporting could be addressed to students. Additionally, senior students under the supervision of the permanent staff could undertake some of the sales activities. Contacting potential customers requires a professional approach in order to arouse and attract companies' interest. However, the UAS educates students for a demanding business life, thus a good practical knowledge and experience with customers is achievable during the studies.

Figure 20 illustrates a sales process, which could be applied in the case organization from contacting prospecting companies to submitting a tailored quotation and winning the business through demanding negotiations.

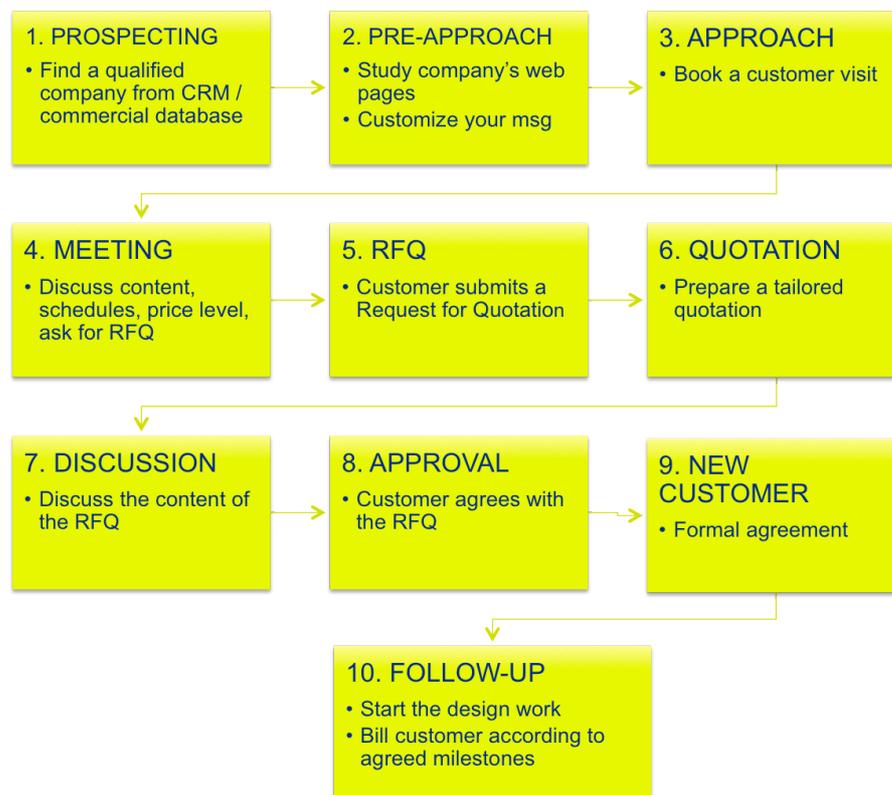


Figure 20. The sales process for the case organization.

The sales process depicted in Figure 20 consists of elements of the traditional sales process and of a more demanding project sales process as discussed in section 4.2 and depicted in Figure 12 and 13. The process of selling goods can be described in a straightforward manner, though it is a demanding task, and time-wise the sales event can be very short. In turn, the project sales process may last for years and contain a vast number of activities, especially before the tailored quotation. The sales process presented in Figure 20 simplifies the project sales process into ten understandable steps. Therefore, the sales process is suitable also for students under the supervision of permanent staff. The staff of the Electronics Factory may be less experienced with active sales to customers, thus the model also serves its purpose for the Electronics Factory.

Steps 1 - 4 are the most critical steps in the process. Step 1 focuses on identifying potential customers, prospects, to be contacted. The hypothesis is that the case organization begins to use the CRM acquired for the usage of the UAS. Then the search for target companies occurs via the CRM, or if the customer database is still limited, by buying such databases from commercial companies in order to broaden their own customer base. In Step 2 the sales person studies the CRM content of the company as

well as the available external information, such as the company's own web pages. Then, the sales person formulates a personal sales message in order to generate attention when contacting the company in Step 3. Winning customer confidence is crucial in order to open the doors for the first meeting with the customer (Step 4).

The salesperson's homework starts right after the meeting with noting down comprehensive minutes of the meeting. The minutes should be recorded on the same day, or on the following day at the latest, as the prospect company's interest is still strong and the topics under discussion still fresh in their memory. The minutes list all persons attending the meeting, attendees' titles and roles in the meeting. Also, the minutes highlight all the topics discussed and mutually agreed actions with the designated responsible persons. Finally, the minutes are sent out by the salesperson to all attendees with a request for comments if any items are missing or misunderstood.

Steps 5-6 include the formal request for a quotation from the prospect company, and the firm's formal and binding quotation. This phase is naturally handled by the permanent staff of the case organization as the competences of the CO culminate in the quotation. Tailoring the quotation requires a careful and deep understanding of the prospect's needs. The sales person's own personal skills are at stake in the discussion or negotiation phase (Step 7). The negotiation phase requires continuous observation as to how the prospect behaves in the meeting. Understanding the prospect's negotiation strategy and goals helps the salesperson to sharpen up and possibly to modify the quotation to make a better match with the prospect's needs. Successful negotiation leads to an approval of the quotation (Step 8), and to a newly acquired customer for the case organization (Step 9). Step 10 postulates a proper follow-up from the case organization. The design or development phase starts and the customer expects to receive all agreed deliverables on time, and in an agreed format. From the case company's perspective, all relevant customer information must be stored in the CRM system, and all invoicing must take place according to the agreed milestones in order to keep a positive incoming cash flow.

C. Customer Equity Framework Supports Customer Acquisition

As identified in its strategy, the case organization has three strategic focus areas, (1) healthy construction and healthy buildings, (2) healthcare, well-being and comfortable human aging, (3) industrial competitiveness. In all these three areas, the case organization aims to create a strong R&D&I brand that lures commercial enterprises to col-

laborate with the CO. Via a strong brand the CO targets to create networks of collaborators that act together to cumulate knowledge and competences. The CO sees its role as the coordinator of such networks. As the coordinator, the CO believes in gaining valuable insights into the newest trends and technologies via collaborators in the network. Playing in the centerfield the CO foresees good business opportunities for Industrial Step-in Projects, and for publicly funded R&D&I projects, and for obtaining more workload for the Electronics Factory.

For improving the brand, the Customer Equity Framework could be applied by the case organization. The Customer Equity Framework relies on lifelong customer relationships. The CEF targets new prospects using an attractive offer, and aims to build a strong brand by creating value for the customer during the collaboration. Value creation and continuously exceeding the customer's expectations ties the customer to the brand. A loyal customer sticks with the brand and is effortlessly available for new projects.

Applying the CEF would also require the case organization to strengthen the sales orientation and actuate the CRM system for managing customer relationships. Both actions increase the customer base. Today, the customer base is too narrow for proper brand development and for luring existing customers or past customers to new projects.

Figure 21 illustrates how the CEF supports new customer acquisition activity for new R&D&I projects.

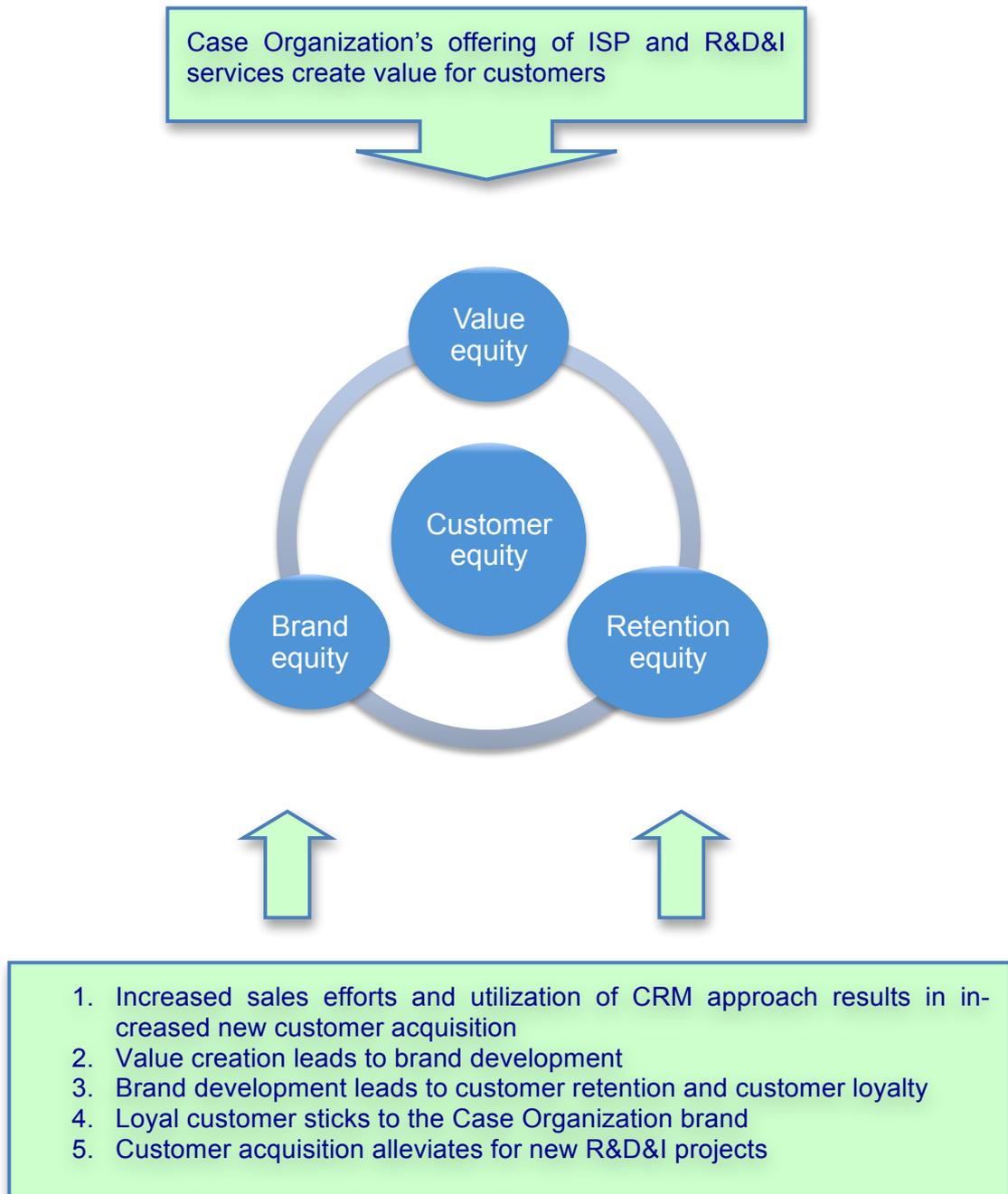


Figure 21. The Customer Equity Framework as a tool to enforce the case organization brand and to improve customer retention.

The following subsection introduces the concept of Key Account Management aiming at the segmentation of the customer base into potential and non-potential customers.

D. Key Account Management

An increase in personal sales activity, together with the utilization of the CRM approach, would provide the case organization with a large number of prospective customers. Handling of such a base of prospects requires a systematic approach to segmenting the prospect base. A proper segmentation process segregates potential customers from non-potential customers. In other words, segmentation aims to find the right prospects for the co-creation of value, and for mutual business growth and profitability. Continuous communication, collaboration and the Customer Equity Framework approach helps the case organization to identify and acquire new customers for new R&D&I projects. By using this approach discussed in Section 4.4, the case organization evaluates the potential of each new prospect. Figure 22 illustrates the basic evaluation process.



Figure 22. Evaluation process of a prospect company. (ISP = Industrial Step-in Project, R&D&I = Publicly funded development project)

In the prospect evaluation process, as depicted in Figure 22, each prospect company goes through the steps of the manual evaluation process. The first evaluation criterion refers to the existing strategy of the case organization. A prospect fitting the strategy is re-evaluated from the perspective of potentiality. The prospect may fit in with the new entry-level ISP service category, or with the larger publicly funded R&D&I project category. Both categories include the key account evaluation, i.e. the prospect may be lo-

cated in the Key Account pipeline, or may stay in the project category with a sole project defined to start with. All customer information is stored on the CRM system with a defined status of the relationship, description of agreed actions and name of the responsible account manager.

5.2 The Proposal for New Customer Acquisition Concept

Figure 23 aggregates the elements of the previous sections and builds the proposal for the new customer acquisition concept.



Figure 23. The proposal for the new customer acquisition concept.

Figure 23 summarizes the proposal for the new customer acquisition concept for the case organization. The proposal introduces a modern concept of new customer acquisition in business-to-business context. The proposal highlights the importance of customer centricity in the case of the organization's operations. The new proposal considers all aspects needed to acquire customers for new projects. First, a must for a customer-centric organization is to establish a brand that generates attraction from the

market towards the organization. Second, the concept proposes a process to refine potential prospects for key accounts, which receive continuous attention from the case organization. Third, the new proposed concept highlights the importance of personal sales in customer acquisition. Good working personal relationships are crucial to understanding customer needs and help the case organization to propose new business opportunities via new projects. Fourth, the concept proposes the immediate utilization of the Customer Relationship Management approach and system. With the help of CRM the case organization can collect all the customer information into a centralized system that allows all employees to store and access customer information, and use the information for marketing and planning purposes.

The next section explores the feedback received from the internal parties of the case organization and from the external customers, and builds an upgraded final concept.

6 Feedback on the New Customer Acquisition Proposal

This section discusses the feedback received from the field trials of the new customer acquisition concept with potential customers. Fields trials were conducted by the researcher and the employees of the case organization.

6.1 Feedback from Internal Stakeholders

The original plan to conduct field trials was combined with a plan for the City of Vantaa to establish an enterprise accelerator for local small and medium size (SME) companies. This City of Vantaa project, called the Turbine project, aims to approach dozens of local SME companies in order to find companies with a growth potential. The case organization is closely involved in the Turbine project and takes responsibility for contacting local SME companies for further evaluation. Unfortunately, the original launch of the Turbine project is delayed from February to late May of 2015. For this reason, the permanent staff of the case organization has not started to actively promote the Turbine project. For the case organization, the launch of the Industrial Step-in Project serves as the platform for the Turbine project. Through the ISP service the CO reaches dozens of SME companies and pre-screens most potential companies to also participate in the Turbine project. In the Turbine project selected companies receive support from external consultants to create business plans for internationalization or for launching new services or products in the domestic market.

However, even without the extensive testing of customers some of the employees have had experience of the ISP related discussions with potential customers. These discussions emphasize the importance of a clearly defined package of services offered to customers. The everyday business life of SME companies is hectic focusing daily on deliveries to customers and collecting the money for payments and salaries. Thus, resources for attending research programs are more limited than in large companies. Collaboration with external parties, such as universities, is expected to be smooth and easy.

Another fact highlighted by the staff of the case organization is the role of the active personal sales operations. The experience with R&D&I projects indicate that the yield of sales visits may be very moderate. Turning prospects to customers requires a large

prospect base. The most effective way to collect a large prospect base requires tens or hundreds of customer calls and visits.

As a result of the delay of the Turbine project, the researcher contacted two companies to test the concept in practice.

6.2 Concept Test with Customers

This section presents the feedback received from an existing customer and from a potential customer, i.e. from a prospect company. For this reason all customers are defined as companies.

The researcher contacted two companies in locating in Vantaa. Company A is a large company and an existing customer of the electronics factory. The contacted person is the key technical contact for the electronics factory. Company B is a prospect company for the case organization, and also locating in Vantaa. The researcher contacted a design manager working in the R&D department of the company.

The researcher asked both informant of companies same open questions: 1) to describe the nature of the current or past collaboration with the CO, 2) to describe informant's opinion of the collaboration with the CO, 3) to indicate informant's knowledge of the current services available from the CO, and 4) to indicate company's willingness to collaborate with the case organization.

A. Feedback from Company A

Company A is a Finnish subsidiary of a multinational company employing more than 800 people in the Greater Helsinki area. Company A designs and manufacturers silicon based sensors for automotive and healthcare applications. Today the company occasionally buys services from the Electronics Factory of the case organization. Informant A of Company A has a business relationship of approximately eight years with the case company. According to the informant, Company A is satisfied with the services received from the Electronics Factory. For the case organization Company A is the largest customer buying services from the Electronics Factory.

Company A buys automated assembly services for printed circuits boards (PCB). Typical quantities for the assembly vary from a few units to 100 units maximum. When they

need the services of the Electronics Factory, the representative of Company A visits the EF, and supplies all necessary materials for the assembly. Communication with the CO staff is smooth, the offered cycle times are short, the pricing is on an acceptable level, and the quality of the work is good. The informant confirmed that EF is the sole source for buying just the external assembly work. Company A buys similar services from other vendors, but it does so as a total package including the assembly and total responsibility for material handling. According to the informant, Company A delivers instructional documents only and the other subcontractor delivers complete PCBs with all needed components assembled on boards. Today, the EF does not offer similar services to its customers. In order to win new business from Company A the EF is expected to offer similar services of complete material handling.

According to the informant, Company A does not collaborate with the case organization in R&D&I-type projects and does not recognize the CO as a provider of such R&D&I services. Neither the informant recognizes the CO's new entry-level service (ISP) offering nor are they in regular communication with the CO. Informant A highlights the large size of Company A, and recommends that the CO also contacts other departments for further collaboration.

B. Feedback from Customer B

Company B employs approximately 100 people in Finland as a subsidiary of a multinational company developing and manufacturing equipment for industrial material handling. Informant B works in the product development department as a design manager.

Informant B recalls a period of collaboration with the UAS in the past but not in the recent years, and not specifically with the case organization. Additionally, the nature of the past collaboration remains unclear. However, Informant B indicated that recently Company B has collaborated with other R&D&I organizations and universities. As examples of collaborators the informant mentioned VTT, Aalto University, Tampere University of Technology, and the University of Oulu. The informant has not indicated why the collaboration with the UAS has been terminated but highlights the specific competencies of the current collaborators. Company B is not capable of training or instructing the R&D&I collaborators but expects the existent in-depth knowledge of applications and solutions. The Informant is not aware of the CO's present offering, neither can he recall the recent personal contacts either with the case organization or with the UAS, nor does the Informant receive marketing material from the CO.

The informant reveals that presently Company B is developing a new generation of industrial material handlers. Furthermore, new ongoing developments require more development for the personnel, specifically the hiring of several mechanics designers that is currently in progress. The informant advises that the CO should contact the local operations director of Company B in order to discuss the possible future collaboration.

It is obvious that the case organization lacks the after-sales care of the Company B. Presently, the informant does not recognize any contact person in the case organization, neither the informant receives any news, updates or personalized messages from the CO. The collaboration with the CO has lapsed and has been replaced by another R&D company and with other universities.

6.3 Final New Customer Acquisition Concept after Feedback

The feedback received from Company A indicates a long-term personal business relationship between the employees of the electronics factory and Informant A. The customer is satisfied with the services obtained, the pricing of the services, and with the quality of the services. However, the customer is not aware of other services offered by the case organization, i.e. the availability of the R&D&I and ISP services. Neither Informant receives personalized messages from the case organization. In addition, the customer could buy more similar services from the CO but the services offered by the Electronics Factory are limited and do not include material handling services. The nature of the current collaboration indicates a lack in personal sales activity to extend the business to include R&D&I and ISP services, and to extend personal contacts to several levels of the customer organization. The current brand of the CO does not lure the customer to seek larger-scale collaboration or partnership with the CO. Furthermore, the customer is not treated as a key account as the informant does not encounter either regular personal contacts or personalized messages and publications from the case organization. The size of Company A and the existing business relationship suggest opportunities for larger-scale collaboration. Therefore, it is of great importance that CO's personal sales activity is addressed to Company A in order to enlarge the current business to include also ISP and R&D&I project collaboration. Moreover, understanding of the functionality of the whole company is crucial in order to identify all business opportunities in each function of the company. A key account evaluation test can be performed based with the obtained information and the KAM ranking accordingly.

The feedback received from Company B demonstrates a lapsed customer relationship. In the past the customer has bought services from the UAS or from the case organization but for some reason ceased the collaboration. Instead of collaborating with the case organization, the customer finds collaboration useful with another R&D organization and with other universities. The customer indicates satisfaction with the current collaborators, as they provide the knowledge and competence the customer is able to utilize without training the collaborator. The current situation shows that the case organization has not managed the customer relationship professionally. As a buying customer, a continuous care should have been addressed to develop the relationship. The weak brand of the case organization does not attract the customer to re-start the relationship. The staff of the case organization has not contacted the customer for a long time. The customer neither receives personalized messages or publications from the case organization.

As obvious from the trial cases above, acquiring new customers is always time-consuming and costly. Using proper approaches for new customer acquisition and for customer retention maximizes the value for both parties. Re-acquiring a lapsed customer is more time-consuming due to extra resources needed for persuading an unhappy customer to return. Feedback from the internal stakeholders and external customers affirms that the developed new customer acquisition concept proposal could form a holistic approach to acquire new customers and could also help to retain customers in order to acquire existing customers for new projects. Therefore, it is crucial that the representatives of the case organization would visit Company B and present the existing offering of the case organization to the right people of Company B. It is also important to understand the reasons for terminating the collaboration with the case organization. Also, the case organization should perform an analysis of potentiality of Company B. If Company B passes the evaluation as a desired new customer, then the ways of collaboration should be agreed with designated contact persons. All contacts persons of the Company B should added to the CRM system as well as all agreed action with mutually agreed schedules and deadlines.

Figure 24 illustrates the final proposal for the new customer acquisition concept.

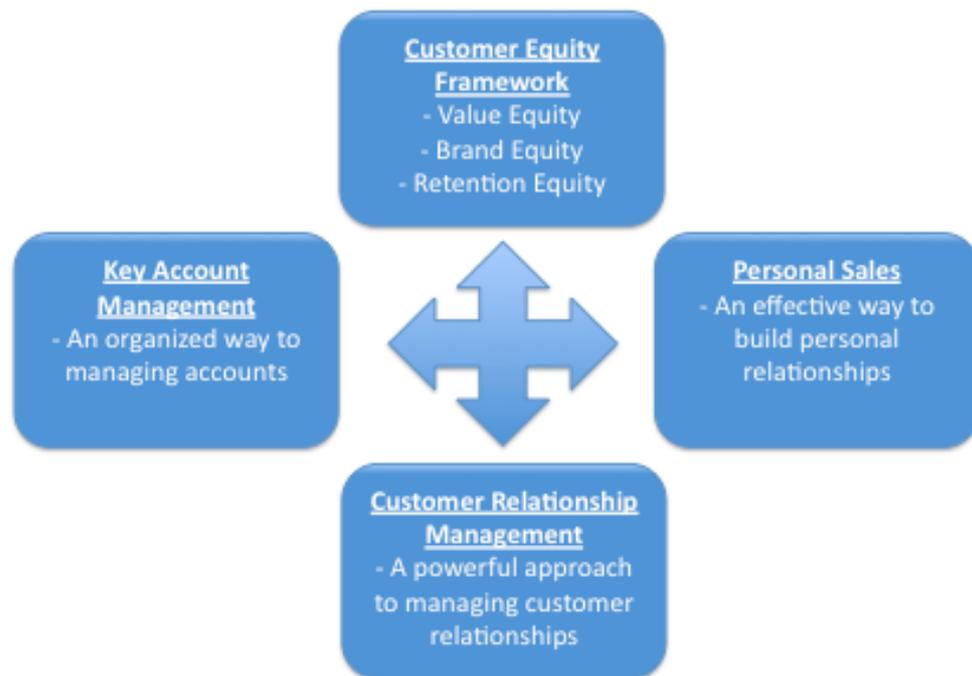


Figure 24. The final proposal for the new customer acquisition concept.

The final proposal for the New Customer Acquisition Concept illustrated in Figure 24 is a modern and a holistic concept for acquiring new customers, and for retaining customers in close collaboration for forthcoming projects of the case organization. All elements have equal weight in the concept and are crucial to achieve the maximum advantage from the concept.

First, *the Customer Equity Framework* has its emphasis on creating leading edge services offering value to the customers of the case organization. Customers creating value together with the case organization will bind themselves to the brand of the case organization. Sticking to the brand extends the length of the customer relationship.

Second, *personal sales activity* helps the case organization to reach all industrial companies in the region. Personal judgments about the prospect companies help to segregate potential companies from non-potential companies. The further development of potential companies leads to a successful and profitable long-term collaboration.

Third, *key account management* is an organized approach to managing accounts. Most potential accounts present potential for developing a partnership business mode. A

superior service provided for key accounts helps the case organization to reach the status of a preferred supplier or a partner. In partnership business mode the customer sees the case organization as an external resource and willingly buys and uses the services of the case organization.

Fourth, *customer relationship management* provides an approach and a systematic tool for managing a valuable customer relationship. Using the CRM approach the case organization has a centralized location of all customer related information. This information serves as the source for planning personalized marketing activities.

The following section draws a summary of the thesis and suggests further steps for the practical implementation of this concept. Finally, the section evaluates the outcome of the thesis from the perspective of the initial objective, and from the validity and reliability perspective.

7 Discussion and Conclusions

This section summarizes the study and suggests further steps for implementation of the concept. Finally, this section evaluates the thesis comparing the outcome of the thesis with the initial objective, and evaluates validity and reliability of the thesis.

7.1 Summary

The case organization of this study is an R&D unit within the University of Applied Sciences offering education in the Helsinki Metropolitan area. The University offers educational programs in the fields of culture and arts, business, health care and social services, and technology. The vision of the case organization is to combine the knowledge of the University and develop new innovative services, products, processes and procedures with the latest technologies. The permanent staff of the case organization drives R&D&I projects and seeks external partnering companies to co-develop and refine the ideas into practical offering. Public funding of R&D&I projects require collaboration with commercial companies. Presently, the case organization has been considering launching new entry-level services for industrial companies. The Industrial Step-in Project (ISP) is a working name for the services aiming to approach a large number of new companies for collaboration. The ISP services include short-term projects including innovation, development, manufacturing and testing services.

The aim of the case organization is to utilize student resources for the actual realization of the projects. The permanent staff of the case organization mentors the student for the ongoing projects and supervises all the tasks for the projects. Currently, the case organization utilizes student resources but the aimed level of student resources in ISP realization is higher than in publicly funded R&D&I projects. This thesis focuses on developing a holistic concept for the new customer acquisition for the case organization, in view of the forthcoming "Industrial Step-in Project" (ISP).

This Thesis utilized action research as its research approach and conducted three separate data collection phases, and the data was collected via the personal interviews. The analysis of the first data collection investigated the strengths of the current concept and identifies the deficiencies of the current concept. The best practice found from literature to overcome the current challenges was developed into a conceptual

framework for building the proposal for the new customer acquisition concept for the case organization.

The conceptual framework, the strengths of the current customer acquisition concept, and the second data collection phase formed the initial proposal for new customer acquisition concept. The initial proposal was further evaluated by the case organization and approved for the trials with external customers. The customer feedback and the customer trials demonstrated the importance of all elements in the new concept. Although the customer feedback is based on two customers, the new concept addressed the challenges of the current concept and was approved without needs for major improvements or modifications.

The proposed new customer acquisition concept includes four key elements that are recommended in order to attract prospective companies and to turn the prospects into loyal long-term customers. The first element, customer equity framework, takes into account the need to develop leading products and services attractive to potential customers, and to retain new customer by creating value to the customers. Altogether, customer attraction and retention help to develop a trustworthy foundation that would help to engage customers to the brand. The second element, personal sales, encompasses the creation of personal relationships between the company and the customer. Professional sales persons would create and develop personal contacts on all levels of the customer. Furthermore, personal contacts form a channel for a quick information exchange, ensure listening to the voice-of-customer at the management of the case company, and assure a better overall quality of collaboration. The third element, key account management, is a process to prioritize the customers. By applying KAM, the company would direct resources to the most potential customers, and thus further would develop the collaboration towards a partnership. The fourth element, customer relationship management, is a system to manage customer relationships in a personalized manner. The CRM system makes a powerful IT-based tool that allows planning and realization of individual or mass marketing campaigns for new customer acquisition. This Thesis suggests that, for the case organization, the implementation of the four elements would optimize the effectiveness of new customer acquisition.

7.2 Next Steps and Practical Recommendations

If implemented, the new customer acquisition concept should facilitate the case organization sales process and broaden the current customer base. Due to the nature of the

proposed concept and its elements, the full implementation requires a medium-term implementation timeline. The following short-term actions should be implemented soonest: (1) increasing the personal sales activity in order to promote the new Industrial Step-in Projects services and collect information of prospective customers, (2) the deployment of the CRM system for collecting all available customer information into a centralized data repository. The planning of the following medium-term actions could be recommended to start immediately with: (1) evaluation and segmentation of the existing customer base in order to identify the most potential companies as key accounts, (2) development of the brand using the customer equity framework.

Examples from business practice suggest that the increase of the personal sales activity could take place in a short term. The context of the case organization demonstrates that the permanent staff is experienced and capable of executing personal sales activity. Although the ongoing projects need continuous support and guidance to make progress, but allocating some portion of the time to the sales activity still need to be systematically increased. In addition, by hiring student resources, the case organization can train students to conduct the early phases of the sales process proposed in Section 5.2, and possibly senior students can also be trained for the latter phases. It coincides with the educational purposes of the case organization and thus could be beneficial to try. However, the preferred and proposed way to increase personal sales activity is the hiring of an experienced sales manager with a solid background in business-to-business sales, also as a dedicated leader to the students practicing the sales. Currently, such sales efforts by the students make random efforts, for example, by the Industrial management Bachelor's students done as part of Bachelor's project (for example, ITSM Project for 3rd year students). The tasks of the Sales Manager, or Customer Relations Manager, would be to create an attractive content for the Industrial Step-in Project service, contact the industrial companies in the region, the development of a clear system to segregate potential companies according to the selected strategy, and lead the interested students. This hiring-of-a-professional strategy would pay off in approximately two to three years; it would also help the case organization and the University to decrease its dependency on government financing.

The use of the customer relationship management tool can be implemented in the short term. The CRM as an approach to managing customer relationships requires more time but the start-up of the tool can be done quickly, as the CRM tool exists within the University. The start-up of the tool requires collaboration with the IT department of the University in order to agree to all necessary practicalities, such as the available

features of the tools, special features needed by the case organization, licensing fees, schedules of software installations, the schedules for operator training, and the training of the super user in the case organization. The CRM as an approach to managing customer relationships requires that the employees have a common vision of the usage. As a result of the CRM approach, the case organization significantly improves the visibility of its customer base.

Implementing a key account management system in an expert organization could be challenging. The case organization is a lean organization and finding the right accounts to be nominated as key accounts have to be done carefully. Some accounts may be key accounts elsewhere within the University and the case organization participates in projects upon receiving a request from the key account manager. The role of the Key Account Manager in an R&D organization includes the handling of both technical and commercial tasks with customers. Some experts may prefer only technical tasks and pay less attention to commercial matters, and for finding new projects from the account. The balance between the tasks has to be agreed with the management. If the case organization hires a Sales Manager, at least part of the Key Account Manager's tasks can be transferred to the Sales Manager.

Finally, the customer equity framework requires long-term implementation. All three elements of customer equity should be developed in parallel, to maximize the outcome of the framework. First, the content of ISP and R&D&I services have to be developed in to a simple easy-to-sell format. Delivery times of such services have to be accurate, so the resource planning of student labor also has to be accurate. The pricing of the ISP services has to be straightforward in order to win new projects without the need for extensive pre-work. Customer service has to take care of deliverables in a timely manner in order to develop the image of a trustworthy service provider. Successful long-term collaboration creates a recognizable brand for the case organization. The target of the case organization is to create competence networks but without a strong brand, along with loyal customers, this target could not be easy to reach.

7.3 Evaluation of the Thesis

This section evaluates the thesis comparing the outcome to the initial objective of the thesis as well as evaluating the validity of the research and the reliability of the results.

7.3.1 Outcome vs. Objective

The initial objective of the thesis was the development of a new customer acquisition concept for an R&D organization. In the current state analysis phase, it became very obvious that the case organization does not have a systematic concept for customer acquisition. The staff members of the case organisation are experienced, professional and systematically collect information about customers but the information remains decentralized in the employees' personal data repositories. Utilization of such information is slow for the owner of the information, and impossible for colleagues. The thesis proposes the usage of the CRM tool for customer information storing. The CRM tool is a response designed to improve the current information collection.

Other elements of the new concept do not exist in the current way of working to acquire new customers. The case organisation does not utilize the CRM approach to manage customer relationships. It does not use personal sales to acquire new customers, neither does it have a key account management approach in place, nor a customer equity framework for creating and strengthening the strong brand of the case organization.

The concept was tested with external companies and the feedback obtained immediately confirmed the effectiveness of the new concept. With the proposed concept the case organization is able to overcome the issues found in customer feedback. The proposed model works in real business environment, which is the initial objective of the thesis.

The following subsection explores validity and reliability concerns in order to ensure that the research was conducted in an academic manner.

7.3.2 Validity and Reliability

The aim of an academic research is to measure the desired phenomenon and to obtain stable and consistent results that can be reproduced by other researchers under similar conditions. Validity is an indicator of the degree how the measurements address and measure the desired phenomenon. High validity is a prerequisite for a meaningful research and low validity makes the study and results meaningless. Reliability of the study indicates the quality of the research method and of the obtained results. High validity combined with an accurate research method yields to reliable results.

This research studied the current process how the case organization acquires new customers, and developed a new holistic concept for new customer acquisition. All along the study the focus and target remained solely on developing the concept for new customer acquisition. After introducing the prototype of the new customer acquisition to the client, the concept was approved for field trials with prospective customers. The concept was field tested only with two prospective customers but the obtained feedback indicated the effectiveness of the concept. The feedback demonstrates that both companies can be evaluated by the new concept, and if fitting to the strategy of the case organization, the concept suggests further actions how to develop both companies as loyal and long-term customers.

Considering above-mentioned points this study addresses the desired phenomenon accurately and yields in to reliable results. The new proposed concept is a holistic tool that can be used to evaluate any prospective customer. Using all elements of the concept every prospect company feedback can be interpreted, and further actions can be planned in order to acquire the customer, to develop the relationship, and to retain the relationship. As a summary, from above mentioned perspectives this Thesis is a valid and reliable Thesis.

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Appendix 1.

Data Collection 1, Interview Checklist

Questions for Current State Analysis (DC1):

1. Is new customer acquisition part of your job description or duties?
2. How the case organization acquires new customers and is the activity systematic?
3. Does the case organization have reoccurring projects with same customers, i.e. is the business relationship is continuous with regular billing?
4. How much time you personally use for new customer acquisition? And are your personal resources sufficient for new customer and project acquisition?
5. Is the current product and services offering clear enough for wide range of potential customers?
6. Tell your opinion about contacting new companies, is it easy to book appointments with desired companies?

Informants and the summary of responses

<i>Informant's details (A)</i>
<p>Informant: Specialist A</p> <p>Job Title: Specialist, background in Sales & Marketing</p> <p>Job description: 1. Develops systematic collaboration with commercial enterprises, 2. Develops the utilization of internal competence centers within the university</p> <p>Years at the case organization: Apprx. 1 year</p>
<i>Background information</i>
<ul style="list-style-type: none"> - Today new customer acquisition activity is part of Specialist A's job duties, and he's done such activity but only in small-scale, not in systematic manner yet, but the aim to create systematic concepts for common projects with companies. - Informant's idea is also to develop competence networks with commercial companies in which the case organization would play a centric role coordinating the activity in competence networks, also companies would benefit from the collaboration. - Today the services offering is not clear enough for mass contacting of industrial companies. - Today the case organization considers launching new entry-level services for industrial companies but the content of the services is not defined clearly yet. - Today there is no comprehensive approach of contacting customers and managing customer relationships, e.g. no utilization of CRM tool that is used by

other departments of the university.
<i>Summary of responses (for Data 1)</i>
<ul style="list-style-type: none"> - Today there is no clear responsible contact persons nominated for customers, some other universities (UAS) have nominated both key account managers for customers and also responsible persons (principal lecturer, teachers, etc.) from faculties. - Informant sees that as a whole the university lags behind other universities (UAS) regarding collaboration with commercial enterprises, universities in “provinces” have understood their role better regarding the collaboration with surrounding companies (university focuses too much just for educating engineers). - Today university’s brand is not yet strong enough for attracting companies for collaboration. - Successful collaboration with commercial companies would benefit the case organization as government financing rewards the increasing collaboration with companies .

<i>Informant’s details (B)</i>
<p>Informant: Project Mgr A</p> <p>Job Title: Research manager</p> <p>Job description: Project manager’s duties</p> <p>Years at the case organization: since 2011</p>
<i>Background information</i>
<ul style="list-style-type: none"> - Informant sees his role is very individualistic and his tasks are very much project oriented
<i>Summary of responses (for Data 1)</i>
<ul style="list-style-type: none"> - Customer acquisition can be considered as systematic activity but it is done by individuals for his or her own purpose, and the information stored to one’s own repositories. - Informant seeks new projects regularly and tries to sell subcontracting services, e.g. the services of the electronics factory, and controls and monitors on-going projects. - Collaborates with faculties in order to find resources for projects. - Today the role of the electronics factory is quite small, declined over the years - There is no common platform or tool to store customer information. - Personally the Informant collects customer names to his own LinkedIn network and uses LinkedIn as a tool for information sharing. - Today CRM approach not used by the case organization.

- Informant has good experiences of the CRM usage in his previous company that used extensively CRM

Appendix 2.

Questions and responses for Data Collection 2

Summary of responses

<i>Informant (A)</i>
<p><i>Questions:</i></p> <p>Do you think that new customer acquisition could be more efficient, and what are the features of new good customer acquisition?</p>
<i>Summary of responses (for Data 2)</i>
<ul style="list-style-type: none"> - The case organization have to develop the current brand to lure and attract commercial companies for collaboration. - Most interesting and potential customers/companies have to have nominated contact persons that holistically take care of the customers in order to deepen the relationship. - The case organization must have a system and tools for managing customer relationships. - CRM approach is used by the university but not yet utilized by the case organization, so the usage of CRM should be started ASAP. - Generation of knowledge and new innovations take place mainly in real-life, so the case organization and the university have to be present in companies. - With strong collaboration the case organization and the university could send more students to companies to help making innovation as external consultants. - Development of the case organization should be linked with the development of the university.

<i>Informant (B)</i>
<p><i>Questions:</i></p> <p>Do you think that new customer acquisition could be more efficient, and what are the features of new good customer acquisition?</p>
<i>Summary of responses (for Data 2)</i>
<ul style="list-style-type: none"> - Yes, it can, and it should be improved. - Using CRM would benefit collecting information but it should also have features for commercial follow-up, i.e. for following the business status of ongoing projects in order to estimate the short-term billing and to put sufficient efforts to projects that are close to business decision - CRM would support the collection of customer references and success stories

- CRM should somehow communicate with LinkedIn tool as the informant uses LinkedIn extensively, informant says LinkedIn messages would not end up as spam at the recipients
- The web pages of the case organization should contain also more information about the case organization, like the recent successful projects in order to develop the brand of the case organization
- Today there is no resource management system in use.
- New customer acquisition concept should also support resource management as student resources are available but difficult manage properly.

Appendix 3

Questions and the summary of responses for Data Collection 3

The researcher presented the prototype concept developed based on inputs from current state analysis, literature review and Data collection 2.

<i>Informant (A)</i>
<p><i>Questions:</i></p> <ol style="list-style-type: none"> 1. What is your opinion of the model? 2. What is the feedback from external companies when contacted?
<i>Summary of responses (for Data 2)</i>
<ul style="list-style-type: none"> - Brand development well present in the concept, like account management approach. - Informant drives now CRM start-up for the case organization. - Informant has not yet contacted SME companies in Vantaa. - It was agreed that the researcher will contact two companies in Vantaa in order to test the concept and to get customer feedback.

<i>Informant (B)</i>
<p><i>Questions:</i></p> <ol style="list-style-type: none"> 1. What is your opinion of the model? 2. What is the feedback from external companies when contacted?
<i>Summary of responses (for Data 2)</i>
<ul style="list-style-type: none"> - Informant was happy with the presented model. - Informant see the concept useful and suitable for trials with customers.