THE PREPARATION FOR IMPLEMENTATION A CUSTOMER RELATIONSHIP MANAGEMENT (CRM) TOOL in SMEs

HÄMEEN AMMATTIKORKEAKOULU
HÄME UNIVERSITY OF APPLIED SCIENCES

Master´s thesis

Business Management and Entrepreneurship

Spring 2017

Sonja Luhtanen

HAMK
HÄMEEN AMMATTIKORKEAKOULU
HÄME UNIVERSITY OF APPLIED SCIENCES

Business Management and Entrepreneurship
Visamäki

Tekijä Sonja Luhtanen **Vuosi** 2017

Työn nimi Asiakkuuksienhallintaa helpottavan työkalun käyttöönottoon liittyvä taustatyö PK-yrityksissä.

Ohjaaja Kirsi Meriläinen

TIIVISTELMÄ

Tässä tutkimuksessa tutkitaan, mitä taustatyötä yrityksen tulee tehdä ennen kuin se päättää ottaa käyttöön asiakkuuksienhallintaa helpottavan työkalun. Tutkimus tähtää ratkaisuun, jota pienet ja keskisuuret yritykset voivat käyttää ohjenuorana valitessaan tarvittavaa työkalua helpottamaan asiakkuuksiensa hallintaa.

Tutkimus on kvalitatiivinen tapaustutkimus, jossa tutkitaan pieniä ja keskisuuria yrityksiä. Tutkimukseen tarvittava tieto saatiin haastattelemalla pienyritystä, jolla asiakkuuksien hallinnan kehittäminen on ajankohtaista sekä käyttämällä tutkijan omaa kokemusperäistä tietoa. Kerättyjä tietoja käytettiin erityisesti kartoittamaan pienten yritysten tarpeita ja mahdollisuuksia asiakkuuksien hallinnassa.

Teoreettinen viitekehys muodostuu asiakkuuksien hallinnan ymmärtämisestä, millaisia prosesseja se pitää sisällään ja minkälaisia mahdollisuuksia digitalisaatio tarjoaa asiakkuuksien hallintaan. Tämän teoreettisen tiedon pohjalta rakennettiin malli, jota yritys voi käyttää apunaan valitessaan työkalua asiakkuuksiensa hallintaan. Tätä rakennettua mallia sovitettiin pienyrityksen tarpeisiin ja huomattiin, että kirjallisuuden pohjalta rakennettu malli on liian kankea ja sopii paremmin suuriin yrityksiin. Pienyritykset tarvitsevat mallin, joka on suoraviivaisempi ja nopeampi toteuttaa.

Tutkimustulosten pohjalta voidaan päätellä, että asiakkuuksien hallintaan tarkoitetun työkalun käyttöönottaminen vaatii taustatyötä oli kyse sitten pienestä tai suuresta yrityksestä Pienyrityksessä taustatyön tekeminen on kuitenkin nopeampaa ja pienyritys päättää ottaa työkalun käyttöön vasta kun tarve on todellinen, jolloin taustatyön tekemisen pitää olla ketterää. Tärkeimmät selvitettävät asiat ovat yrityksen nykyiset asiakkuuksien hallinnan ongelmat ja niiden ratkaisut sekä asiakkuuksien hallinnan strategia ja siihen liittyvät prosessit.

Avainsanat Asiakkuuksien hallinta, strateginen ajattelu, digitalisaatio

Sivut 64 sivua, joista liitteitä 4 sivua.

HÄMEEN AMMATTIKORKEAKOULU
HÄME UNIVERSITY OF APPLIED SCIENCES

ABSTRACT

Business Management and Entrepreneurship
Visamäki

Author	Sonja Luhtanen	**Year** 2017
Subject	The preparation for implementation a customer relationship management (CRM) tool in SMEs	
Supervisor	Kirsi Meriläinen	

ABSTRACT

This research studies the background work a company has to do before implementing a tool to easier its customer relationship management (CRM) processes. The research aims to find a solution that small and medium size enterprises could take advantage when choosing the correct CRM tool.

The research is a qualitative case study where the target is small and medium size enterprises (SME). The information needed was obtained by interviewing a company, who needed assistance in developing its CRM processes. Another data collecting methods were observation and experience-based information. The collected data was mainly used to realize the needs of small businesses and their opportunities in customer relationship marketing.

The theoretical framework of this research consists of understanding what CRM is, what kind of processes it contains and what opportunities digitalization offers to the CRM. Based on the theoretical information a framework was built to help companies to do the background work before choosing a tool to manage their customer relationships. The created framework was adapted to the needs of SMEs but it was noticed that the framework based on the literature was too rigid and it fits better to big companies. Small company needs a framework, which is simpler and faster to implement.

The results of the research show that the implementation of the CRM tool needs the background work whether the company is big or small. In a small company the background work should be done quickly and the company should not decide to implement any tool unless the need is real. For this reason doing the background work has to be agile. The most important issues of the background work would be to realize what are the problems of the company's current CRM and how to solve them, as well as the creation of a CRM strategy and its processes.

Keywords Customer relationship management (CRM), Strategic thinking, Digitalization

Pages 64 pages including appendices 4 pages

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1 INTRODUCTION

Customers are the main reason companies survive and keep going. Customer relationship management has always been one of the most crucial parts of business and companies have always been implementing it somehow before the phrase customer relationship management even existed. Digitalization has brought a lot of new opportunities to all aspects in life especially in work life. Nowadays, when digitalization has enabled business processes to become more transparent and different departments to be closer to each other, realizing customers' actual needs is easier than ever before. Since the customer awareness grows and the competition becomes harder, filling those needs has become a key to success for companies.

This thesis studies Customer Relationship Management (CRM) and the important decisions and actions that need to be done before implementing a new CRM tool to small or medium size companies. Markets are full of different CRM solutions and it is not easy to choose the most appropriate solution. Correctly built implementation process helps companies to find the suitable tool and to implement it successfully. CRM implementation is a five-stage process as the figure 1 shows:

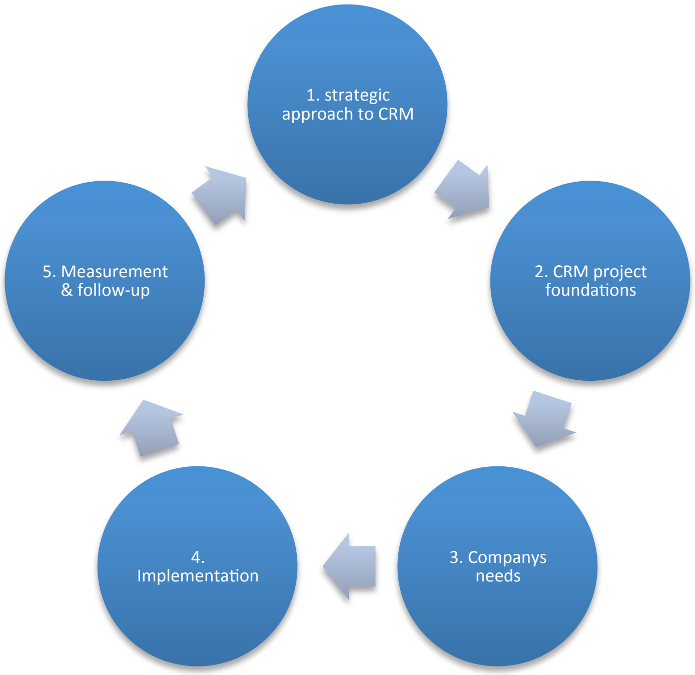

1. strategic approach to CRM
2. CRM project foundations
3. Companys needs
4. Implementation
5. Measurement & follow-up

Figure 1. CRM project design and planning process (Buttle 2009, 64)

The first stage of the process is the most important one and it should be carried out carefully. Most companies choose to go digital with their CRM which has been made easy nowadays. Since the hype around digital CRM tools is quite big unfortunately most companies go directly to the stage 4. These companies purchase the digital system without thinking about the importance of the proper groundwork, which affects the kind of a tool the company should choose and also the efficiency of the performance. This research focuses on the three first stages of the implementation process and the most comprehensive on the first stage.

The theoretical framework of this study is divided in three parts. The first part focuses on the definition of customer relationship management and its importance for companies. Most people would understand it as a digital system what could be used to improve or to build better relationships with customers. Another opinion is to think it as a strategy or a way of working and the digital system is there to make it easier and more streamlined. The definition this research relies is to think CRM as a strategy, which involves certain processes and the digital CRM system is there to make all of those processes easier and automated.

The second part of the theory deals with strategic approach to CRM and tries to find the most important processes what companies should add to their CRM strategies. Digital approach of CRM will be covered in the third part of the theoretical framework. Based on the literature a framework will be built about the desired actions and decisions companies should do before starting the implementation process of their new CRM tool.

As the main target of this thesis is small and medium size enterprises the literature based framework is adopted to suit to the needs of SMEs. Most of the literature found about CRM has studied big companies who are dealing with slightly different problems than small companies. In a small company things are normally done like people are used to do and if the company is growing and succeeding, new things or processes are not normally even considered. The reasons for that could be lack of knowledge, economical situation, fear of change or just not realizing how the company could benefit from development. However world goes on and if a company wants to keep up with the success and competition it should go on with it. Small companies are more agile decisions-makers than big ones and they normally need faster implementation process.

This thesis is made as a case study for Mad Professor amplification Ltd, small Finnish company who manufactures and sells high quality pedals and amplifiers for guitar players. Their products are exported to 50 different countries and the company is growing fast. With the knowledge from the case company and the previous work experience of a customer relationship management process in a small company, this research figures out the issues of choosing a CRM tool to small or medium size company. End result of this thesis will be a framework for small companies to start their journey towards better customer relationship management.

The topic of this thesis is very interesting also from my own perspective since I have been working with B2B customers for many years and has faced many possible problems when managing customer relations. This study will be helpful for any other small or medium size company who wants to take their CRM in to next level.

1.2 Case company background: Mad Professor Amplification Ltd

Mad Professor Amplification Ltd is a Finland-based company, which manufactures premium quality guitar and bass pedals and amplifiers for professional musicians and serious amateurs. The story of the company started in 2002 when company’s current CEO Harri Koski had an idea of manufacturing high-quality guitar amplifiers since he had imported and sold guitar pedals for many years already and that business was going well. Koski has been passionate about music and guitars for almost his entire life so the segment of business was very familiar to him. With a few colleagues they manufactured an amplifier and it was a great success. A few years later they started to manufacture their own pedals as well. Nowadays company has four employees and several subcontractors. Most products are manufactured in Finland and some of them also in England. (Koski, interview 23.9.2016.)

At the moment the company does not have a particular customer relationship strategy or a digital tool for it. They have many different systems in use to store the data and those systems do not talk with each other. The company has a key account manager but not a specified process for their key accounts. The company has a few big customer relationships and several smaller ones. (Koski, interview 23.9.2016.)

1.3 Research questions and objective

The main question of this research would be as follows:

- What kind of actions and decisions are needed before implementing a digital customer relationship management tool in small or medium size companies?

To find an answer to the main research question the following sub-questions need to be studied:

- What is customer relationship management nowadays?
- What are the most needed actions for companies to improve their customer relationship management process?

- What kind of solutions and digital tools there are available to help companies in their customer relationship management process?

These research questions lead to the following objective for this thesis:

- To find out what are the necessary decisions and actions to small or medium size companies before starting to implement a new CRM tool.

1.4 Research method

This thesis is a qualitative case study research, which is a typical research method in business researches. Qualitative case study research studies a contemporary phenomenon that takes a place in a real life context. According to Yin (2009,2) there are multiple variations of case studies since there could be one or more cases to study and several ways to collect data. Case study research requires lot of background work so the researcher needs to get to know the earlier researches of the topic. The theoretical part comes from these earlier researches in which the analyses and understandings are based on.

Qualitative research is a comprehensive way to collect information because the data is collected in a real natural environment and in most cases from people by using qualitative data collecting methods like semi-structured interview, observations or a group interview. The researcher and the target are in close interaction with each other when the data is collected. When doing qualitative research the research plan should be flexible and there should be a possibility to change the plan if needed because this happens in most cases when the research proceeds. (Hirsjärvi, Remes & Sajavaara 1997, 155.)

In case study research the case could be one or multiple targets and it is studied deeply. The aim is to create development proposal and strengthen the knowledge about the phenomenon. Generalization is not the main purpose of the case study although in some cases it could be a step towards it. (Yin 2009, 15.)

The case study research method was chosen for this research because it was the most suitable method for real life situations and the phenomenon of this study is happening in present. Case study research method is also suitable method for this kind of case because it gives an opportunity to research organizations and their behaviors thoroughly. The case in this research would be small and medium size companies. The purpose for the research came from the wish of the case company and the research plan changed while the research proceeded because of the issues that came up during the research.

1.5 Data collection methods

1.5.1 Interview

In a case study research there are many options how to collect data. In most researches like in this research the main method was chosen to be an interview. In an interview the researcher and the target are in close interaction with each other. The advance of using interview for this kind of research is the flexibility of the method. Interview as a data collection method also enables researcher to ask deeper questions if the answers received are not comprehensive enough. (Hirsjärvi et al 1997, 192.)

Interview can be a structured interview where all the questions are thought and organized carefully beforehand. This requires researcher to plan all the questions beforehand and the interview to proceed accurately according to the plan. Semi-structured interview is more open with no strict order to the questions but only the themes of the questions have been decided in advance. Semi-structured interview proceeds in a conversational way. (Hirsjärvi et al 1997, 195.) In semi-structure interview the interviewer might need to improvise and also to observe the interviewee to be able to ask questions that were not planned (Wengraf, 2001, 5).

For this research the main data collection method was chosen to be semi-structured interview where the interviewee was the CEO of the case company. There was held two interviews: first interview in the early stage of the research and the second after the theory was studied completely. Themes for the interviews were gathered on the basis of the literature. Both of the interviews were semi-structured where the questions were designed in advance in a way that the conversation in the time of the interview enabled to create more questions and gave opportunity to open answers.

1.5.2 Observation

Observation as a data collection method takes lots of time and effort from the researcher but it gives important information how the target really acts. It has been studied that when a person tells about his or his company’s values verbally the result can differ from how the person really acts. By observing the researcher can get real life data from a real life environment, which makes observation an excellent data collection method for qualitative research. (Hirsjärvi 1997, 200.)

Observations for this research from the case company happened during the interviews. Also the observed data from the researcher’s previous experience for interacting with similar targets were used in this research.

1.6 **Key concepts**

Customer relationship management (CRM)
Strategic thinking
Digitalization

1.7 **Concepts**

Here are some explanations for the concepts used in this research:

CRM = Customer relationship management

CRM tool = a tool that is used for managing customer relationships

CRM system / application = Digital tool to help companies to manage their customer relationships

SME = small or medium size enterprise

KAM= Key account management

SAF= Sales force automation

CUSTOMER VISION = How a company wants its customers to see it in the future

CLV= Customer Lifetime Value

B2B = Business to Business

B2C= Business to Consumer

2 THE BACKGROUND INFORMATION FOR DEVELOPING CUSTOMER RELATIONSHIP MANAGEMENT

2.1 UNDERSTANDING CUSTOMER RELATIONSHIP MANAGEMENT

Customer relationship management can be understood in many ways. Despite the definition a company chooses to rely on there are some issues that need to be clear before starting to think developing customer relationship management processes. Before a company can develop its CRM it must understand what the CRM is and what kind of processes it contains. Like any other business process also CRM has its challenges but when talking about processes for creating better customer experience the challenges should not be bigger than the benefits. This chapter explains what CRM is all about, what challenges need to be solved and what benefits the company can achieve with the right kind of CRM processes.

The term *customer relationship management* has been created in the early 90´s and the acronym CRM was first time used to mean a software system at 1993 by Tom Siebel from Siebel System inc. (Buttle 2009, 3). Before that companies were serving their customers the best way they could but did not really think about it as a process or a strategy. In the 70´s companies started to realize that they need to change from product-oriented to become more customer-oriented.

The first simple digital CRM software systems started to appear in early 90´s when CRM became more organized. Companies started to pay attention to what kind of information they can have about their customers and how they should make use of it. First systems were mainly for sales people to help their daily work. Soon after that, when Internet brought more opportunities, companies realized that they should collect information about their customers and take advantage of that information in their different business processes. (Freeland 2003, 3-5.)

Soon it was also realized that implementing a company-wide comprehensive customer relationship management strategy companies could anticipate customers’ needs. With that information they could have a chance to create real value for their customers and solutions the customers really need. Companies also realize that by implementing a decent CRM strategy they could increase their business profit by getting more loyal and satisfied customers. A decent CRM strategy would also reduce costs and unnecessary investments. (Freeland 2003, 3-5.)

2.1.2 Definitions

CRM could be defined and understand in many ways. The most common definition division is to understand it as a strategic process or as a digital system. Strategic definition deals about structure of the process or to manage and develop customer relationships. Implementing this process a company will learn more about customer behavior and needs in order to provide better solutions and to improve customer profitability. Digitalization has had an impact to every aspects of work life, also to CRM. For that reason many times, when someone is talking about CRM, it could only mean just a digital application. (Buttle & Maklan 2015, 3-4.) Buttle and Maklan (2015,16) defines CRM as follows:

> ”Customer relationship management is the core business strategy that integrates internal processes and functions, and external networks, to create and deliver value to targeted customers at a profit. It is grounded on high-quality customer-related data and enabled by information technology.”

According to Crementum (2012, 3) customer relationship management is a strategy, which helps company to build better relationship with their customers

In the end all of the CRM definitions aim at the same goal: to improve customer satisfaction, to create a customer-oriented culture within the organization and to increase the customer profitability in order to help the company to succeed. Many writers highlight that a company should create a total customer relationship strategy first than just go and buy digital CRM system and think it will bring the success to the company.

The definition this research relies is to think CRM as a strategy, which involves certain processes and the digital CRM system is there to make all of those processes easier and automated.

2.1.3 Challenges

During the past years using technology for managing customers has increased dramatically. It has become a norm that a company should use some kind of digital CRM system without even asking the question *why*, although many researches have shown that an implementation for a new customer relationship management strategy is most likely to fail if the technology is implemented before thinking about the actual strategy first. (Ala-Mutka & Talvela 2004, 10.) Many researcher who has been studied CRM deeply are writing about this issue. John G. Freeland (2003, 3) emphasizes that most CRM projects fail because focus is more on the technology rather than on goals. In all simplicity managing customer relations is collecting information, managing information and analyzing information about customers and then using the information to serve customers in the most valuable way. The digital CRM tool should be only implemented to make this work easier but not to do the actual analyzing part of the business.

One of the biggest challenges of customer relationship management is to understand it correctly. According to Buttle (2009, 12-14) the most common *misunderstandings* about CRM are as follows:

- It is understood only as a database for marketing. It is an important part of CRM but the whole picture of managing customers is much wider. (Buttle 2009, 12.)

- It is only a marketing tool or a process. Correctly implemented customer relationship management helps companies to do more personalize marketing but it is also helpful for other business processes. (Buttle 2009, 13.)

- Thinking CRM only as a technological issue. Like mentioned earlier in this research some might think that CRM means only a digital application for managing customers and it is only a matter of company's IT department. Whether it is thought as a technological matter or a strategic approach it affects all areas of business and it will require a whole new organizational culture, which everyone should be committed to. (Buttle 2009, 13.)

- CRM is there only to build and manage loyalty programs for customers. Building customer loyalty is one advantage and objective of correct CRM but it also solves many more essential issues. (Buttle 2009, 14.)

If the company has not implemented any particular process of managing their customers before they should realize that implementing one is a big change to the company and to its organization. The new way of managing customers needs a whole new business culture where everyone in the company should be committed. According to Kale (2004, 46) the biggest reason for CRM project failures is the *lack of correct change management*. Murthy (2007, 22) describes change management as follows:

> ”Change management is managing the process of implementing major changes in information technology, business processes, organizational structures and job assignments to reduce risks and costs of change and optimized it benefits”

Whatever change the organization is facing the right kind of change management process is crucial. Change management mostly focus on people because they are the most important part of the company and if they are not willing to change, then the implementation of new things to the company will definitely fail. (Murthy 2007, 23.)

There are companies who implement CRM purely for getting the new technology and the change of the business culture is easily forgotten. The company might offer a good training for the new software but even more important part of the change would be to prepare employees for the new business environmental change. This is the only way to commit employees to the change. Also, when talking about Customer Relationship Management, customers should be involved for the change. Simply by asking their opinion and their needs will give the feeling that their opinion matters and the company wants to develop itself to serve their customers better. In the end employees and customers are the ones who are affected whether the implementation of the new CRM processes fails or not. (Raab, Ajami, Gargeya & Goddard 2016, 119-120.)

It is not easy to be a manager during the transition. Some employees will be always resisting the change so it is not insignificant how to inform them about changing the way of working with customers. The change should be adapted together with the whole company rather than managers just giving advices to the employees. An effective way to inform about the change is to create a vision about the change and sell it to the employees and customers. The vision should show how the employees and customers could benefit from this change. One good example is to visualize how people from the sales department could increase their sales volume with the new CRM process. (Raab et al 2016, 120.)

Management should also realize how to lead the process in a comprehensive way. If there is no support from the top-management in every stage of implementation for every employee it will be most likely to fail. Front-office level areas like sales and customer service are the easiest and most common areas to start developing CRM processes but the implementation of a new CRM strategy should start from the top-level of the organization. This allows the strategy to spread to the whole company. (Raab et al 2016, 121-122.)

Like the implementation of any new way of working is a challenge the implementation of customer related change must be carried out with particular care. There are many issues that had to be thought before the actual implementation process could start. Because of the amount of different options to execute customer relationship management nowadays the company has to figure out the most suitable one that would serve the needs of the company and above all its customers. Like mentioned earlier the CRM is much more than technology and to every company the digital CRM system might not be the most suitable choice for managing customers. (Rigby, Reichheld & Schefter 2002.)

2.1.4 CRM in different business processes

Customer relationship management process creates data that should be utilized in all business processes in the company. Directly the most benefit business processes are sales, marketing and customer service, which are the ones closest to the customer. It has to be remembered that all these business areas are their own processes and most companies have different people doing these processes. Because of this the CRM implementation should be done separately in each of these areas although the customer data will be as valuable to all processes. There are also few back office functions that should be included to CRM project like financial management and human resources. (Grass & Sahlsten 2012, 3-4.)

Many companies nowadays aim to grow their business abroad. The case company of this research does most of its business abroad so finding out about special features about CRM in international business is relevant. Internationally markets are always bigger despite the business area where the company is operating although the competition is also harder. Well-functioning CRM process will also help to build loyal customer relationships in international markets. (Raab et al. 2016, 1-2.)

Like Raab et al (2016, 2-3) describes well-executed CRM gives notable competitive advantage to companies especially in global business. There are three important competitive advantages, which could be achievable with correct CRM:

- *Global efficiency* increase when the company can focus on productive processes and eliminate as much waste as it is possible.
- *Multi-market flexibility*. International business gives lot of opportunities to different markets. The company needs to understand how to act with different customers. Customer relationship management is very much needed.
- *Worldwide learning.* Especially in global business understanding the customer is essential since customers in different cultures may have different needs.

2.1.5 The types

In addition to the various definitions of CRM Buttle and Maklan (2015, 5-13) had also divided customer relationship management in to three different types: Strategic CRM, Operational CRM and Analytical CRM. When company thinks about developing its CRM all three of these types should be thought and included to the strategy:

Strategic CRM is a strategy which is very much dedicated to develop a business culture where the company wants to create better value for their customers than their competitors do and honestly tries to implement more customer-centric culture within its organization. This customer-oriented culture goes through the whole company and both the management and employees are dedicated to carry it out. In strategic CRM companies want to be known about their good level of customer service and how much value they create to their customers. One of the most important metrics of strategic CRM is the customer satisfaction. Customer-centricity is a key word for strategic CRM but in many cases other approaches like product, production and sales –orientation still goes ahead. (Buttle & Maklan 2015, 5.)

Operational CRM is more centralized to actions where digital system enables automation and integration to different customer relationship management issues. In most cases the most popular automated parts of CRM are sales, marketing and customer service. Operational CRM is the most ”basic” type of CRM since it operates mostly in the front-office level. Almost every time, when companies are implementing new CRM tool, the operational CRM is the type they are talking about. (Buttle & Maklan. 2015, 7.)

Analytical CRM has become more and more important when companies are implementing new CRM solution whether it means a digital tool or a strategy. In analytical CRM all the existing information about customers is analysed so it could be utilized in the best possible way. The information is gathered from all departments of the company and it includes everything about the customer: sales data, financial data, marketing data and service data. With analyzing this information the company could create more personalized campaigns and offers to the customers who would put the most account on it and who will most certainly take up for it. (Buttle & Maklan 2015, 11-13.)

Thinking about these three types more deeply and all the different definitions that CRM has it could say that these three types covered the whole CRM implementation process. At the beginning of the process the strategy has to be thought. The next step is to realize how to implement the strategy and its processes and for the last how to measure and utilize the results.

2.1.6 Objectives

Buying process is nowadays much more complicated than it was few decades ago. Internet, social media, all kinds of new technology and increased amount of information has had a big impact to peoples buying behavior. All this had harden the competition in all business areas and not least in customer service and sales. In these days it is extremely important to realize what are the most valuable issues to the customers.

Ala-Mutka et al (2004, 20) writes about the objectives of customer relationship management and why it is important when company wants to create more customer-oriented organization. All business strategies at the end aim to increase the company’s profit. Well-executed customer relationship management helps companies to realize their customers’ needs and responding those needs lead to improve the efficiency of the sales. It also develops the customer service, customer loyalty and intensifies communication with customers and employees. (Ala-Mutka et al. 2004, 20.)

Company’s management should realize how useful the right kind of customer relationship strategy would be. As already mentioned it gives value to the customers but besides that it also gives better value to the employees. Sales and customer service are the areas mostly in touch with customers so correct CRM strategy supports their value-creating work by doing it more cost-effective. Managers might not realize the benefits of the customer relationship strategy if it is not aligned with company’s overall business strategy. (Ala-Mutka et al. 2004, 20.)

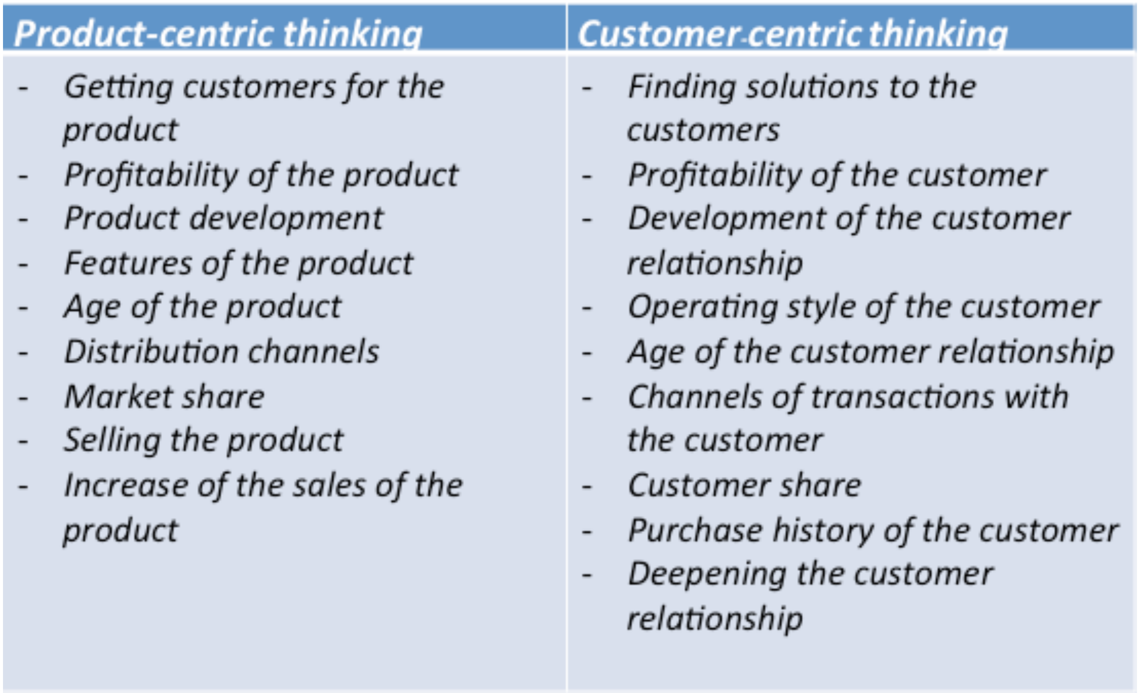
Customer-centricity is one of the most important issues of nowadays business. It gives a big competitive edge to the company and it should be a goal of any CRM implementation. Many companies claim to be customer-centric not knowing what it actually means or takes. Being customer-centric is not just offering a great customer service or a product although these things play an important role in a customer-centric company. (Gulati 2010.)

Becoming customer-centric starts by defining the existence of the company, i.e. the company´s mission. This definition should be related to solving customers’ problems and meeting their needs. Becoming a customer-centric organization requires a whole new kind of thinking model and it should be deep in the organizations culture. It should be a matter to where the management and all the employees are committed. (Gulati 2010.)

Old-fashioned way of doing business is to first create a product or a service and then start to look someone who wants to buy it. Most of the companies have fortunately realized that this product-focused way of doing business does not work anymore in todays’ business world. The company needs to realize who are the customers and what will be their needs before the customers realize it. Company´s management should always be aware of how the customer sees the company from outside to inside. (Lehtinen 2004, 187.)

Selin and Selin (2013, 19) visualize the differences between how traditional product-oriented companies think about their business and how customer-centric companies think (Table 1). As seen in the table, old-fashioned way of thinking is built only around the product or the service and customer-centric thinking realizes what are the customer needs or values and with what solutions company could offer to meet them. In many cases a company could think that their product is not good enough if sales are too low although the reason is more likely the product or the service not meeting the needs of the customers or not giving them the desired values.

Table 1. Differences between product-centric thinking and customer-centric thinking (Selin & Selin 2013, 19).



Product-centric thinking	*Customer-centric thinking*
- *Getting customers for the product* - *Profitability of the product* - *Product development* - *Features of the product* - *Age of the product* - *Distribution channels* - *Market share* - *Selling the product* - *Increase of the sales of the product*	- *Finding solutions to the customers* - *Profitability of the customer* - *Development of the customer relationship* - *Operating style of the customer* - *Age of the customer relationship* - *Channels of transactions with the customer* - *Customer share* - *Purchase history of the customer* - *Deepening the customer relationship*

Rather thinking about how companies could develop their products or services they should be thinking about developing their customer relationships. Many marketing messages are seen to tell about different features of the products and to how the products could be used for. Those are important issues only if the customer will appreciate them and those features will be suitable for their needs. The product or the service should be thought as a final result of the company’s know-how not the purpose of the company’s existence. The final result is something that will create value to the customer and something that they have a need for. Companies should know these values and needs before they even start to produce new products or services. (Selin & Selin 2013, 30.)

Customer-centric companies are focusing to the customer from the very beginning. Sometimes companies trust their product too much to forget that the customers are even more important than the actual product they are selling. With a good product a company could get far but with high customer satisfaction it could get even further. A correct CRM strategy increases company's customer-centricity, which leads to more loyal and profitable customers. (Raab et al. 2016, 121.)

One major objective of CRM is to increase *customer retention.* When company knows its customers and could offer them the best solutions keeping a high level of satisfaction the customer do not need to start a new relationship with an unfamiliar company. Acquisition of new customers is a large cost item for businesses although it is mandatory. How much companies has to do it depends on how loyal their current customers are.

Customer retention could be measured by comparing the number of customers at the end of the sales period to the amount of the beginning of the sales cycle. This measuring method is called "raw customer retention rate". None of the measuring method of customer retention is completely reliable due to its variables. The most common variables are the type of products, customers buying behavior, profitability of the customers or the sales cycle. However, those methods will give some sort of picture of how loyal the company´s customers are. (Buttle & Maklan 2009, 258-259.)

It is commonly known that acquiring a new customer is notably more expensive than keeping the old one. Still every company looses a customer once in a while and should realize that it is impossible to keep all the customers until the end. Customers are sometimes lost and the most important issue is to realize why it happened. The customer reacquisition process should be added to the CRM strategy. If the company has more lost customers than new ones the whole customer relationship strategy needs developing. (Liu, Leach & Chugn 2015, 1-5.)

Some industries need to do customer acquisition more than others due to the type of their product. There are products that do not need to be bought very often for example apartments or houses and, for this reason, real estate agents do more customer acquisition than any other industry does. On the other hand, some industries like banks do not need to be too active in their customer acquisition since changing the bank has been made hard and expensive. (Blatberg, Getz & Thomas 2001, 36.)

Identification of *the customer's profitability* becomes easier when the company has the right kind of processes to do it. It is commonly known how big the customer's role in the company's success is and some customers has bigger role than others. Identifying the most profitable customers is not easy if the company does not have an organize information flow about the customers. Sometimes several connections, calls and e-mails are required before even a small sale is made and in some cases a customer could make a big purchase just after one interaction with the company. Since resources are expensive, identifying customer’s profitability gives the company the opportunity to focus on developing the most profitable customer relationships in the first hand. (Sigala 2004.)

When the company wants to find out customer´s profitability the customer lifetime value (CLV) plays an important role. CLV tells what is the customer’s return to the company. A simple definition is that the CLV includes all earnings the company has had from the customer minus all the expenses the company has spent on the customer including the acquiring process. Calculating these expenses is not easy since all the connections with the customer, for example sales calls, e-mails and so on, should be turned into a figure. In most cases the CLV is calculated from the current active customers so the number is always an estimate. With the help of the CLV the company could get a picture which customers are the most profitable ones and where the company should put the biggest effort for example when it is thinking of marketing actions. (Triplewin 2014.)

Investing to the most profitable customers is important but recognizing *the future profitability* is at least as important. Especially the small companies might have one or two key customers, which are covering most of the company´s turnover. If one of these big customers decide not to do business with the company anymore it is crucial for the company. For this reason the potential of all customers should be sort out time to time. (Selin & Selin 2005, 130-133.)

One important advantage of correctly implemented customer relationship management processes is the *easier aligning of marketing actions*. When the company knows what its customers value, campaign management and marketing measurement become easier and more effective. This also helps to reduce marketing costs and increase company’s competitiveness. (Ala-Mutka et al 2004, 20.)

The reputation of the company becomes an important role when the competition becomes harder. Successful customer relationship management helps the company to achieve satisfied customers who may give good recommendations to the others. Mouth to mouth is one of the best ways to do marketing. Looking for recommendations and experiences about the companies or the products is very common nowadays. Bad recommendation might hurt the company for years and it is hard to forget in this time of digitalization. Like bad also a good reputation will go from mouth to mouth and will help the company of its customer acquisition. (Nasir 2015, 143-144.)

2.1.7 Models

Like any other management area also customer relationship management has collected different models created by professionals. One very known model of the CRM is the IDIC model developed by Peppers and Rogers (2011, 79.) The IDIC model is easy to understand and it introduces what CRM is about in a simple way. It is built from the steps to engage the customer. According to this model companies should use four-stage process to manage their customer relationships:

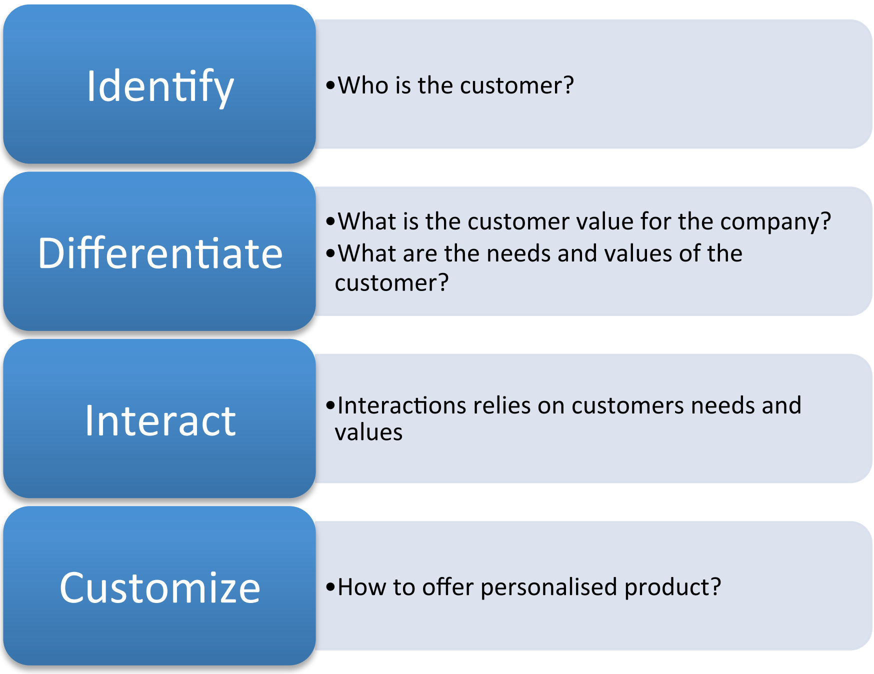

Identify
•Who is the customer?
Differentiate
•What is the customer value for the company?
•What are the needs and values of the customer?
Interact
•Interactions relies on customers needs and values
Customize
•How to offer personalised product?

Figure 2. The IDIC-model of customer relationship management (Peppers & Rogers 2011, 79.)

1. *Identify the customer.* The first action is to get to know the customer deeply. All customers are individuals with their own special characters and company should recognize the customer when it makes a contact or comes back after the previous interactions. Customer is not just a number or an amount of purchase. There should be something personal in every customer who is at the other end of the relationship.
2. *Differentiate customers.* Customers have different needs and values. They also bring different value to the company. These things should be recognize to satisfy every customers needs.
3. *Interact with customers.* Interactions with customers should be consistent and the company has to know the issues about the last interaction so the customer does not have to answer same questions all over again.

4. *Customize treatment.* When company has recognized the differences between the customers correctly it is easy to customize the service or the product according to each customers needs and values. (Peppers & Rogers 2011, 77-79.)

Russel Winer has introduced a basic framework about Customer relationship management (figure 3). This framework shows what components most of the CRM projects include and what are the most important issues when companies want to develop their relationships with customers. This model is created from a marketing perspective and it is attached to IT-based CRM implementations but there are many good opponents when thinking about CRM implications in a strategy level also. Winer´s model contains seven components:

1. Database
2. Analysis
3. Customer selection
4. Customer targeting
5. Relationship management
6. Privacy issues
7. Metrics

Figure 3. Winer´s framework for CRM (Winer 2001.)

1. Creating a database

   Customer data is one of the most important parts of CRM. It is probably also the most common reason for companies to start thinking about improving their CRM. With correct data company knows how to act with the customer. The database of customer information should include at least following information:

   - Purchase history: How much customer has been buying from the company, which products, what price, which campaigns etc.
   - Contact details: Besides all the basic information like addresses, phone numbers and e-mails this part should also include modern details, like social media.
   - More detailed descriptive information about the customer.
   - Response information: How customer response to different contacts made by the company. (Winer 2001, 5-8.)

2. Analyzing the data

   The data collected about the customers should be analyze and used. In most cases this kind of data would be used to build different customer segments and to create customer strategies based on these segments. Nowadays, when marketing channels have been developed, marketers are moving from the big customer segments to the small group of customers and marketing is becoming more “private” than ever. With digital systems each customer profit can be seen and the company can create segments relying on the customer profitability or the Customer Lifetime Value (CLV). (Winer 2001, 8-10.)

3. Customer selection

   According to Winer (2001, 10-12) there are customers, who give big profit for the company and ones that are hurting the profit. By analyzing the data the company should decide who are the most profitable customers and concentrate most of the actions (marketing, contacting etc.) to them. Unprofitable customers should be eliminated in a positive way. At this point predicting the CLV is important since some of those less profitable customers may bring more profit in the future. At this point the challenge is to identify these customers.

4. Targeting the customers

   Winer (2001, 12-14) writes about direct marketing of being the best option when talking about managing customer relationships. The purpose of mass marketing like television, magazine advertisement or social media is to grow awareness of the company or the brand. Direct marketing can be e-mails, mails or phone calls. It is very affordable way of doing marketing and easy to personalize. With correctly analyzed data it is easy to recognize what are the interests of customers so direct marketing could be centralized.

5. Relationship management

   The main purpose of implementing certain kind of CRM tool is to create as much customer satisfaction as possible. It has shown that satisfied customer brings the best profit to the company. This is what all the marketing and customer contacting aim to and the satisfaction is built from different business processes like customer service, customization, loyalty and reward programs or building communities. (Winer 2001, 14-18.)

6. Privacy

   Privacy issues should be concerned seriously in this time when digitalization is such a megatrend and all processes are going more and more towards digital. Everything done and said online will leave a mark somewhere and could be seen afterwards. For the CRM these privacy issues are more IT-based problem when all the data is stored somewhere in these systems. It is not a new thing since before these modern CRM systems was not yet invented or used the customer data was all over in different places and even more unsecure. (Winer 2001, 18-20.)

   In Finland these customer databases are under the Personal Data Act.

7. Metrics

   Like most of the business processes also CRM should be measured. Few examples about measurable issues are sales volume, customer profitability or the market share. Also customer-centric metrics should be taken into account for example customer loyalty or sharing recommendations. (Winer 2001, 20-21.)

There are many similarities in both of these models. The IDIC model covers more strategic issues when Winer has thought these same processes slightly more detailed. The IDIC model deals with the steps three, four and five of Winer’s model. For this reason these two models could be easily combined and the Winer’s model would help in the technology part of the CRM implementation within a company.

2.2 STRATEGIC PROCESSES OF CUSTOMER RELATIONSHIP MANAGEMENT

There are certain processes that may be thought to belong to the customer relationship management. This section examines the processes that enable a company to reach more customer-centric culture and to the objectives of the customer relationship management. These important processes should be done in every business even if there is no specific customer relationship management tool in use or at least before the company has any plans to implement one.

2.2.1 Vision

Every company should have a vision that leads all the activities of the company. Vision means the image of how company sees itself in the future. It should not be just numbers or describing how the company will be the best in certain business area it operates in the future. All these are consequences about how the company really is. Good vision tells clearly and truly what is the company´s strategic intent and is something that everyone in the company believes. (Selin & Selin 2013, 67.)

When the company is thinking about developing its customer relationship management processes the vision is strongly associated with the thought of how their company is doing after these new CRM processes are implemented. (Gordon 2002.) When the vision is something that appeals to the employees’ emotions and what they value it will affect how they do their everyday work and it also increase their engagement to the company. (Selin & Selin 2013, 68.)

Vision statement could be a short sentence or a longer statement. Good vision statement is understandable, meaningful for everyone in the company and reachable. Besides these the vision statement should include a challenge. It describes how the wanted future will be. (Scott, Jaffe & Tobe 1993, 82.)

Few examples of short customer-focused vision statements:

”To create a better every day life for the many people.”- Ikea
”To be the company that best understands and satisfies the product, service and self-fulfillment needs of women—globally.” – Avon cosmetics

Customer vision tells how the company wants its customers to see it from the outside, what kind of customers it has and how is the collaboration working with them. The customer vision should guide the process of how customer relations will be developed and what is the role the customers in the future. When company’s objective is to become more customer-centric and it is improving the processes of managing their customer relations the customer vision should be thought in an early stage. (Selin & Selin 2013, 150-151.)

If possible the customer vision should be created together with the customers. By that it clarifies the ideal future for the both, to the company and to its customers. Customer vision should be realistic and it should fit into current competitive situation. Doing this together with the customers will also let them know that the company wants to take good care of their customers and wants to offer the best solutions for them. (Lehtinen 2004, 175-176.) Very important thing is that the customer vision is aligned with the company's vision although it tells more detailed about how are things with the customers in the future. (Selin & Selin 2013, 151.)

2.2.2 Strategy

Creating a CRM strategy is the base to all CRM actions and processes including the technology. Like many authors also Buttle (2009, 65) set up the creation of the strategy to the first step of any CRM development project. The strategy should include decisions of every step of the project and it should be aligned with the company's overall business strategy. The CRM strategy includes all CRM processes, which enable the company to reach its vision and the objectives set.

One major strategic process of CRM is the *customer segmentation*. When the plan is to create better customer relationships and to get more profit from the customers the segmentation plays an important role. Segmentation of customers means dividing the customer base into groups depending on the different features for example customer's behavioral matters. Segmentation helps company to put resources in to right places in a right way. (Ala-Mutka & Talvela, 49-53.) Referring to both of the CRM models shown in the chapter 2 there are issues that require the segmentation to be done so that certain processes can be implemented.

The most common way of customer segmentation is to create segments based on customer profitability, which is easier with the right kind of CRM. Segmentation done by profitability helps the company to put more effort on those customers who bring the biggest profit. When these most profitable segments have been recognized the company should create a customer strategy to all created segments. (Lambert 2010, 12.)

According to Ala-Mutka and Talvela (2004, 49) there are two perspectives about segmentation of customers, which should be combined together:

> *External perspective*
> This perspective deals with mostly the kind of information, which can differentiate the customers like the needs and values. In the case of B2B sales it would also be good to know the values of the customers end-customer. The most traditional way of doing segmentation is to look only for these external issues and divide customers according to those. (Ala-Mutka & Talvela 2004, 49-51.)
>
> *Internal perspective*
> In internal perspective the customers are being examined in a way they bring profit now and in the future. This information could be found when analyzed the company's current data about customer, from experiences or other resources. Important is to realize the customer's potential profitability. (Ala-Mutka & Talvela 2004, 51-52.)

Many processes of the company will benefit of the customer segmentation. Marketing is one of the most important processes what needs segmentation as it gives guidelines for many marketing actions like communication. Nowadays the technology is a big help when doing segmentation. (Ala-Mutka & Talvela 2004, 52-54.)

Key account management (KAM) is an issue dependent on customer segmentation. It is a process where the company manages its strategically most important customers in a systematic way and it is used mostly in B2B relationships. Key account management is quite fashionable term nowadays and almost every company has at least one key account manager for taking care of their most important customers. (Davies & Ryals 2014, 1182.)

Together with the CRM strategy company should thought also the *customer strategies.* Creating customer strategies requires that the segmentation has done properly since there has to be an own customer strategy for every segment. If the segmentation is done by profitability the company should create a plan how to make the less profitable customers to become more profitable and are there any unprofitable customers who wont be turning to profitable with any actions. (Lambert 2010, 12.) According to Lambert (2010, 12) one innovative way of taking care of each segment is to form a team to every segment. A team will include people from different departments of the company for example, marketing, customer service, sales, product development etc. Each member will bring own kind of expertise and ideas of how to build the customer strategy for each segment.

It is commonly known that *engaging customers* is one of the most important areas of the customer work. According to Lehtinen (2004, 188) one way to succeed in this area is to create a sense of belonging to something. One good option is to create communities between the customers. These communities increase the feeling of togetherness between the customers and make them loyal to each other, which leads loyalty towards the company. The company does not always have an impact on how these communities are born but it can provide a platform for the communication, which has been made easy nowadays because of all the existing social media services.

Lehtinen (2004, 188-189) introduces four models how these communities could be formed:

1. *Product-oriented community*. This is the most traditional community where the customers are loyal to the product they use and would not change it to anything. Good example of product-oriented community comes from luxury car brands.
2. *Company-oriented community*. Community is built around the company for example cooperatives.
3. Customer clubs. Community is built based on company's ”VIP” customers who are members of this customer club. Company could offer an extra service and special offers to these members and organize parties and events where only the members are invited. Airlines use lot of these customer clubs and lounge services are good example of the extra services.
4. Value based community. This community is the most powerful one and its members are strongly involved. Most of these communities are related to the person's private values or believes like religion or ecological issues.

Another good way to build customer loyalty is to set up a loyalty or a reward programs for the customers. These programs can be built so that the customers are aware of the possible rewards. This might increase the willingness to buy and can be used also in marketing actions. For B2B customers these loyalty programs usually come as a surprise and the reward is a pleasant surprise. There are many types of rewards the company could offer to its loyal customers. According to Bergström and Leppänen (2009, 372-376) the most powerful reward is something else than discounted products, which will only increase customer engagement momentarily. Most customers are committed to additional services for example own check-in desk at the airport or a private event for the VIP customers.

2.2.3 Analyzing the current situation and look for the future

When the company starts to think about developments in most cases there is a problem that needs a solution. The company has to realize the current state of its CRM before the new solutions are thought.

Company mission is something that every company has to have from the very beginning. The reason for mission statement is to clarify the company’s existence. It is the end purpose for every action and for everyone in the company and it affects of all decisions made. The mission needs to be clarified every time when company is implementing something new. It is good to be aware that the mission can change along with the business and it should be checked in every few years. Mission statement should not be mixed to vision statement although both of them are an important part of the business strategy. Good mission helps company in marketing, product developing, decision-making and motivates the employees. When company is creating the mission the business area where it operates is in a big role although the product is not. The benefit that the product gives to the customer is something that should be thought well. (Selin & Selin 2013, p. 73.)

Mission statement should be a short sentence written in a way that it is easy to understand. It should be kind of a language that company’s all employees, partners and customers could understand and appreciate. Creating a customer-focused mission statement company communicates of being customer-centric and taking into account the customer in all its activities. Mission is something that the company is proud of and wants to show. (Ferrel & Hartline 2013, 30.)

Few examples of easy, inspiring and customer-focused mission statements:

”To bring inspiration and innovation to every athlete in the world” – Nike
"To organize the world's information and make it universally accessible and useful." -Google

2.2.4 Collecting customer data

By creating a database including all the customer information it is easier to find the information from one place. This enables to everyone who is dealing with customers to be able to see that information. In most cases the customer information is valuable to more than just one department of the company. A sales person should know if a customer has done a recent reclamation and a marketing person should be aware what kind of products are bought in certain areas. This also provides a good customer service and inspires confidence when sales person knows all the customer interactions. (Buttle 2009, 97.)

Like it is seen in the Winer’s CRM framework (figure 3) the database is like the heart of every CRM project. Company needs to decide which kind of data would the most valuable for it and how the database would be created. According to Kumar and Petersen (2012, 4) there are many kinds of databases and the way to categorize them are several. The two most popular customer databases would be built as follows:

- *Transaction-related database* contains all the information related to transactions with customer. This could be a customers purchase history, information about the kind of guiding the customer has needed, how much the customer has spent money or time to the company, how much it spent in one purchase or how often the customer makes transactions/purchases etc.

- *Customer database* is more likely to gather and store the information about the customer itself. This database includes the most basic information about the customer like the name, address and telephone number. Also the age, number of employees and all the things that need to be known to offer a good customer service should be collected. It is also useful to store more personal information like customers' values, interests or preferences. Customer database could also have the information about customer loyalty. (Kumar & Petersen 2012, 4.)

There are two sources to collect the data from, primary and secondary as the figure 4 shows. Primary data source gives data, which includes the kind of information about the customer that is not possible to collect anywhere else than from transactions with the customer. Those transactions may be interviews, questionnaires or observations and the data obtained can be for example customer feedback, sales results or marketing activity. Primary data collection is time consuming and no one else has access to this data. (Kumar & Petersen 2012, 6.)

Secondary data is the data that could be found in general or is published. Secondary data sources could be internal or external records. Internal secondary data comes by analyzing the customer from different business areas within the company such as sales analysis, accounting, customer feedback or marketing. External secondary data could be collected from different sources outside the company. Three main sources are published data, standardized sources of marketing data and the Internet, which is nowadays one of the most important sources of finding any kind of information. (Kumar & Petersen 2012, 6.)

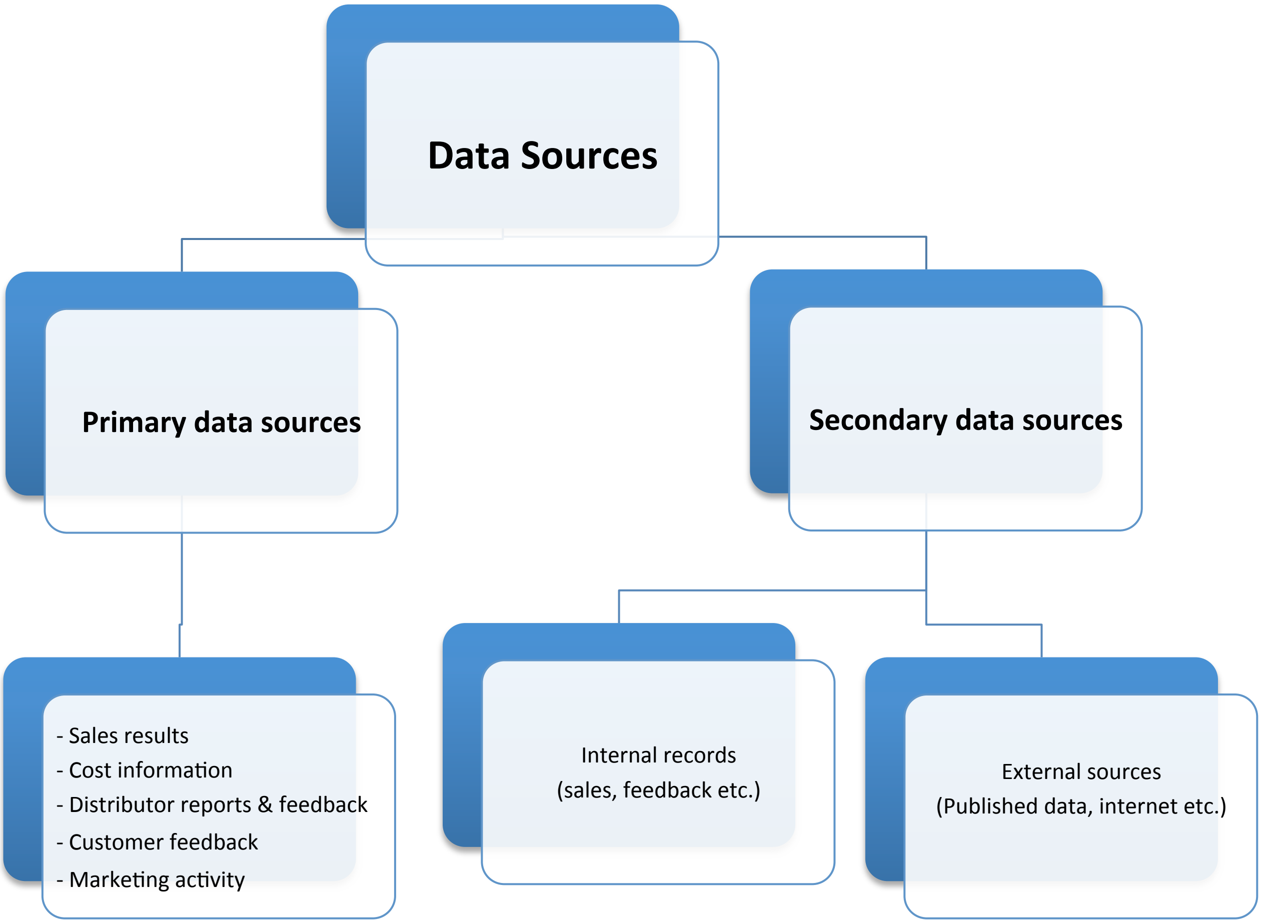

Data Sources
Primary data sources
Secondary data sources
- Sales results
- Cost information
- Distributor reports & feedback
- Customer feedback
- Marketing activity
Internal records
(sales, feedback etc.)
External sources
(Published data, internet etc.)

Figure 4. Sources of data (Kumar & Petersen 2012, 5).

2.2.5 Measuring and metrics

In business things and actions has to be measured. If money is put on somewhere it should bring more money back in one term. Business processes has to be measurable because nothing in the business is free. Measurability is emphasized especially when the company is implementing new tools, ways of working or models. These are typically big investments taking lot of time and resources. (Kumar & Petersen 2012, 7.)

In customer relationship management there are many things to measure since, like mentioned before, the implementation of a CRM strategy should go through company's all business areas. One of the biggest reasons that CRM projects fail is that there were no measuring or metrics, wrong things were measured or, in the worst case, no one realize the project fail since nothing was measured. Also, if the metrics are too far from a typical day-to-day job and too hard to understand it could be complicated to understand why everyone in the company should participate of the new CRM process. (Davey 2014.)

Davey (2014) gives few examples of measuring different departments when developing CRM: sales, marketing and customer service. Operational metrics focus on these three departments, which are most likely to get the biggest influence of the new CRM implementation. All of these three areas can be easily measured: the sales department could measure the number of new customers or increasing sales figures, marketing department the number of campaigns and the service department the number of cases handled. It is important that these operational metrics goes side-by-side with the whole CRM strategy otherwise it may cause confusion about how these metrics are focusing on the same big goal with the whole company. The best option is to set up the big goal in the beginning of the CRM implementation project and after that set up smaller metrics along the way. (Davey 2014.)

Setting the correct metrics is crucial for the success of the CRM implementation project. Many projects target to go through in a certain time and in a certain budget. If this succeeds the project is thought to be successful. In CRM implementation process the measuring should continue after the new tool or processes are implemented since the results are not seen immediately. (Davey 2014.)

2.3 CUSTOMER RELATIONSHIP MANAGEMENT WITH DIGITAL SOLUTIONS

Digitalization has had a huge impact to our everyday life, especially in business. It is hard to find a business process nowadays where technology does not have created an easier solution. Companies have been implementing customer relationship management actively even before digitalization took over the business. Objective has always been to get more loyal customers and to get more profit. Nowadays companies could get different digital solutions to make this easier although these solutions have also brought more challenges to every industry. (Ilmarinen & Koskela 2015, 175-176.)

Companies should realize how differently their customers are acting because of the digitalization. Internet is full of information and people have become more clever to find it themselves so they have an option to compare companies and products and then choose the one that suits best for them. It has made easy to read and write some recommendations to the social media services. This has led to the reputation of the company being built mostly online nowadays. Some years ago relationships with customers were quite personal and sales persons knew their customers very well. Nowadays the sales action could be much different and customers could do large purchase decisions without even meeting anyone in person. (Ilmarinen & Koskela 2015, 176.)

Competition is harder than ever before and that is because of the digitalization. Customers are not forced to buy from local stores anymore because the whole world is offering different options right in their computer. This forces companies to become even more customer-focus and more interesting. They could not afford to be unaware about their customers' requirements and needs. (Ilmarinen & Koskela 2015, 176.)

Although customer retention could be challenging nowadays, companies have more options and tools to interact with their current and future customers. Digitalization also helps companies to realize their customer's needs more easily and through that there are solutions available to make the commitments with customers. Business life has become closer to the peoples every day life because of the social media services. The companies that know how to take advantage of digitalization in a correct way will most likely be successful in the future. (Ilmarinen & Koskela 2015, 176-178.)

The digital CRM tools are here to make customer processes easier and automated. This part of the thesis studies digital solutions, which help companies to build better relationships with their customers. Tools to implement customer relationship management changed dramatically when the actual digital CRM systems were invented. Nowadays there are hundreds of different options and the hardest part would be choosing the right digital solution that fits in the company.

2.3.1 Towards CRM technology

Like mentioned earlier the actual CRM strategy should be thought well before company starts to search for the correct digital tool. The strategic goals should be clear and the actual use of the software system should be defined: What is the reason company wants to implement this new CRM system? Is it just for saving data or helping the sales staff to do their job? Both of these reasons are good but probably only for these reasons it is not worth it. There is another and more simple tool just for these purposes. (Freeland 2003, 13.)

It should be understood how the system is going to help the whole company and not just some areas of the business. Most systems nowadays include all the information about the customer what the company might need: contracts, sales data, complaints, invoices, offers, campaigns etc. Nowadays social media is such a huge thing for marketing and acquisition of new customers so even actions in those services could be added to the most advanced systems. (Grass & Sahlsten 2012, 5.) The leader of the

CRM project should come from upper management level so the whole view of the company is included. (Freeland 2003, 13-14.)

According to Freeland (2003, 14-17) at least these four following issues should be thought well before starting to choose the digital CRM system (without mentioning the overall business strategy and corporate mission of the company):

1. *Customer segmentation*. What kind of customers the company is searching for? Which customers would be the most profitable ones? If company has not done any customer segmentation yet it could be useful at this point.
2. *Channels.* How company is reaching its customers? This could be difficult at these times when digitalization is such a megatrend. New channels pop up all the time and all customers may not be digitalized at the same time.
3. *Company brand*. Company brand is built from everything it does, especially the interaction with customers. With right kind of CRM system marketing could benefit the information what other business areas, for example sales, will be collecting through the system.
4. *CRM strategy*. Like already mentioned few times before, the strategy for managing customer relations should be clear. By how company will create the best value for their customers?

   Rigby et al (2002, 2-5) writes also about the pre-processes of implementing a digital CRM system. Their article emphasizes also the importance of creating a CRM strategy before going digital. The other crucial issue is to create customer-focused organization in the company before the technology arrives and not to create the culture with the technology. In many cases this helps company to realize what kind of system would be needed or whether it is needed at all. And this brings us to the issue that the CRM technology could be very functional even if its not an expensive high-tech solution.

2.3.2 Categories for digital CRM systems

In this era of digitalization there are every day more and more different kind of technological opportunities to help companies to automate their processes. Also the amount of different digital tools for CRM has growth rapidly in the past few years and probably the biggest problem nowadays is to find the right kind of application that fits to the company. (Kumar & Petersen 2012, 6.) There are as many ways to categorize the different digital CRM solutions as there are tools for it. One and very simple way is to use these four categories:

Excel – do it yourself CRM

The most simple and the cheapest CRM system can be built by using Excel or other kind of spreadsheet. This is a good start and mostly used in every company at the beginning when storing the customer data. When the business grows and there becomes more than few customers or users it is better and more reliable to start using a bit more advanced kind of system. (Ahonen n.d.)

Many CRM applications are free at the beginning although only for a limited time or with very limited features. These free solutions could include the basic tasks but if there is more than few users and customers in the company there is a need to put some money in to it and to implement more advanced version. (Ahonen n.d.) Anyway, customers are the reason companies even exist so putting money to serve better to the customers should not be a problem if the company sees the potential.

Cloud CRM

Few years ago all digital CRM tools like any other digital program needed to be installed in to the computer and the program was only usable in a certain computer as was all the data stored in there. Nowadays the most popular solution, especially for small companies, is to choose a CRM application what is built as a cloud service. It means that all the whole CRM system is accessed via Internet and is usable from anywhere in the world and from any device. Nowadays almost everything could be stored into a cloud like photos or important documents. (Miller 2009, 13-20.)

For small companies cloud CRM is by far the best solution because of the low prices and the ease of the use. Using cloud based applications are also good solution for companies that does not have their own IT department which means that all IT related actions has to be brought outside. Cloud CRM systems are normally updated by the service provider and also the technical support is available. In most applications the pricing is depending on how many persons are using the tool and what features the company has choose to use. Cloud CRM applications could not be personalized easily but some systems have options to buy just the needed features for example sales force or marketing. (Kumar & Reinartz 2012, 178-179.)

In-house CRM

In-House CRM application is software, which is installed to the company's own server and computers. This kind of software is mostly made by order since it is built according to company's needs. When company decides to have in-house software it has to know exactly what features it needs for managing customers. In-house software would need lot of storage from the server what increases the price of it. It is definitely not a cheap option since building and developing software, updating it, practicing to use it and getting the support while using it increase the price heavily. (Kumar & Reinartz 2012, 177-178.)

Companies who decide to have in-house CRM software are mostly big companies with hundreds of users and customers. They have very specific needs and the security reasons might affect also to their decision of having software installed in to their own server. They also want to decide which updates they need and when. (Kumar & Reinartz 2012, 177-178.)

2.3.3 The most common CRM applications

Like mentioned earlier in this report the amount of digital CRM tools is enormous each other with better features. In a figure 5 is shown the most common applications and how those could help companies of managing its customers. All these applications could be called as a CRM application and most systems include many of these applications. There is also a possibility to use a system what is only focused only one feature for example sales or marketing. (Buttle 2009, 84-85.)

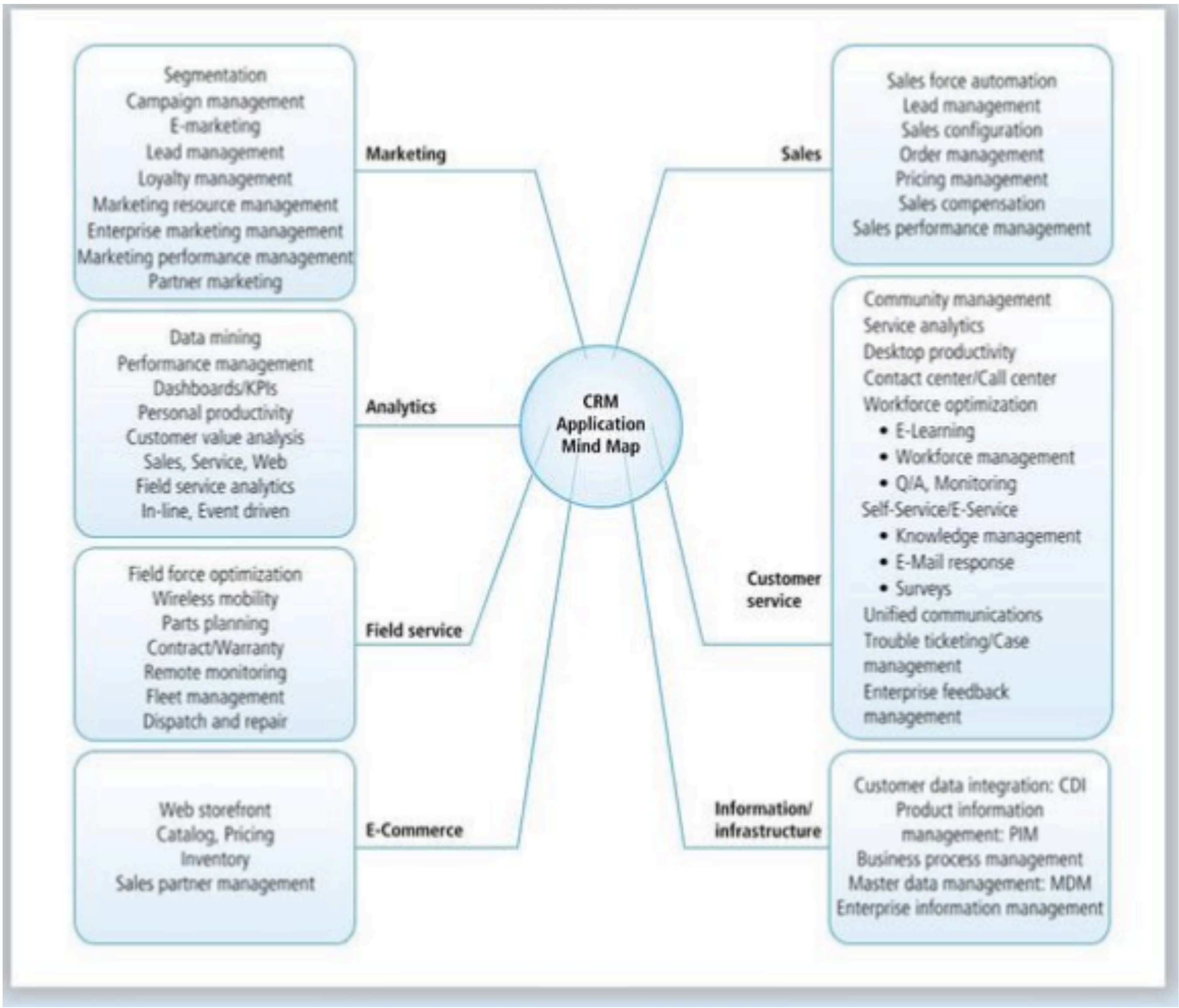

Segmentation
Campaign management
E-marketing
Lead management
Loyalty management
Marketing resource management
Enterprise marketing management
Marketing performance management
Partner marketing
Marketing
Data mining
Performance management
Dashboards/KPIs
Personal productivity
Customer value analysis
Sales, Service, Web
Field service analytics
In-line, Event driven
Analytics
Field force optimization
Wireless mobility
Parts planning
Contract/Warranty
Remote monitoring
Fleet management
Dispatch and repair
Field service
Web storefront
Catalog, Pricing
Inventory
Sales partner management
E-Commerce
CRM Application Mind Map
Sales
Sales force automation
Lead management
Sales configuration
Order management
Pricing management
Sales compensation
Sales performance management
Customer service
Community management
Service analytics
Desktop productivity
Contact center/Call center
Workforce optimization
• E-Learning
• Workforce management
• Q/A, Monitoring
Self-Service/E-Service
• Knowledge management
• E-Mail response
• Surveys
Unified communications
Trouble ticketing/Case management
Enterprise feedback management
Information/ infrastructure
Customer data integration: CDI
Product information management: PIM
Business process management
Master data management: MDM
Enterprise information management

Figure 5. CRM applications (Buttle 2009, 84).

The most common CRM applications are created to help sales, marketing and customer service processes. In the figure 6 shows how the data about customers is affecting all these three areas and how much customer data could be collected and exploited through the whole company.

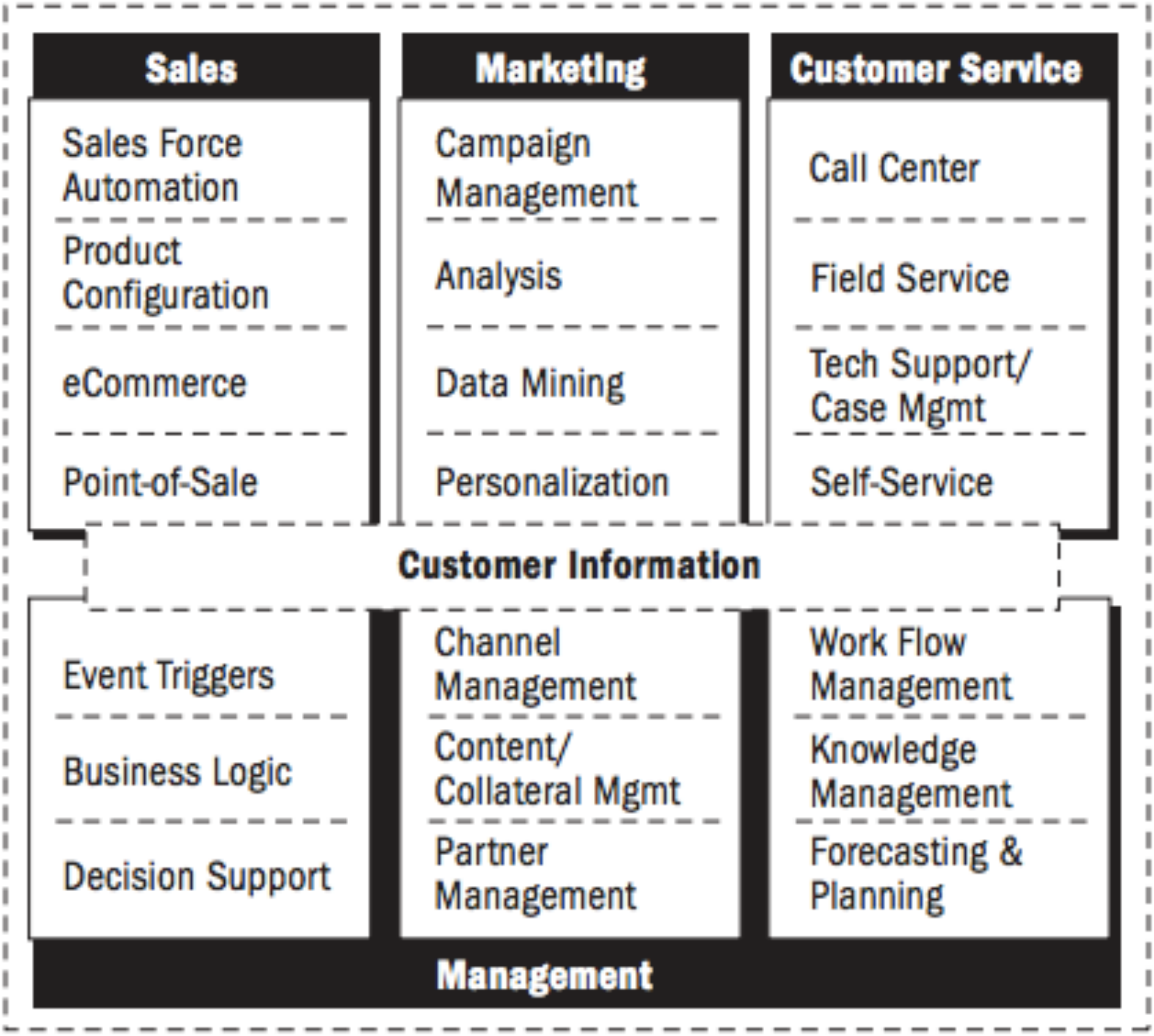

Sales
Marketing
Customer Service
Sales Force Automation
Product Configuration
eCommerce
Point-of-Sale
Campaign Management
Analysis
Data Mining
Personalization
Call Center
Field Service
Tech Support/ Case Mgmt
Self-Service
Customer Information
Event Triggers
Business Logic
Decision Support
Channel Management
Content/ Collateral Mgmt
Partner Management
Work Flow Management
Knowledge Management
Forecasting & Planning
Management

Figure 6. CRM functionality (Rosenbleeth et al. 2002, 10).

Sales force automation

As the name tells sales force automation (SFA) helps to create more standard and profitable sales process. Buttle (2009, 396) defines SFA as follows:

> “Sales-force automation is the application of computerized technologies to support salespeople and sales management in the achievement of their work related objectives”

With this automated system there is a possibility to manage the sales process from the beginning till the end and more. It helps companies to recognize leads and kick off the sales process with them.

There are technologies that are created just to operate SFA but most CRM systems include the SFA with other applications. Sales force applications include many important functions which can also be useful for others than the sales people. The most important and wanted applications in a small company point of view would be as follows:

- Contact management

  Contact management is one of the most important and wanted features of the CRM systems. In its simplicity contact management could be a traditional address book where all the customer addresses, phone numbers and e-mail addresses are stored. More secure and a modern way is to store this data in to the computer and the best option would be a CRM application working in a cloud so the data is accessible from any computer and from everywhere in the world. This enables to connect all the data together. (Miller 2009, 127.)

- Account management

  With account management function sales person could see almost everything about the customer easily during the sales call. All the needed data like purchasing history, contact details or any relevant information about the customer is found from the one place. With this function the sales person could create more personal sales event since all the data of the customer is seen easily and the customer do not get the same offers or e-mails many times. (Buttle 2009, 399.)

- Activity management

  Especially in small companies the amount of customers for one sales person could be large. Activity management helps sales persons to organize activities made with customers and alerts when a contact has to be made. In many cases the important after-sales and follow-up contacts may be left done because of forgetting the amount of sales calls. (Buttle 2009, 399.)

- Contract management

  Secure place to store contracts made with customers is not easy to find. Managing contracts with CRM system ensures they wont go missing and the system will alert when the contracts need to be renewed. (Buttle 2009, 399.)

- Lead management

  Lead management is very useful feature for sales persons to see the whole journey of the lead from the very first contact until the first purchase. Tracking the leads will tell how the lead found the company. Nowadays most CRM applications are possible to integrate with social media applications and different search engines. So when someone is looking for a certain product of a company the system will notice and the sales contact could be made. With lead management sales persons can work with their leads in the best possible way. (Buttle 2009, 401-402.)

Marketing automation
For marketing operations correct digital tool enables easier campaign management since it gives the information about individual customers buying habits, values and needs. Nowadays, when companies (even the small ones) are forced to have at least an online shop and maybe few other sales channels, building campaigns has become challenging when the information has to be collected from many different channels. (Buttle 2009, 7-8.)

There are also several automation activities to create more personalize marketing nowadays. According to Buttle (2009, 7-8) an event-based marketing is personalize in certain points of time in customers´ personal life. A major life changes for example a new baby or a holiday time of the year are good examples of timed marketing. This kind of events affects strongly to customers´ buying behavior. Many has realize also how marketing messages happen to come in an appropriate time right after visiting on a certain website or after searching a particular brand from Google. This has also something to do with marketing automation applications.

Customer service automation
Good customer service is a big competitive edge nowadays since good and especially bad experiences are brought to public more than ever. With service automation applications companies could control their customer contacts easier, which are nowadays spread to many different channels. Customers demand quick reaction to their feedback and with automated application this is possible even in social media services. (Buttle 2009, 10-11.)

In addition to these mentioned applications there are many more of them and digital CRM systems are developing all the time so new applications to automate business actions are coming to the market. Although all these features of the CRM system could be useful and important still the most important part of the system is the user.

2.3.4 Benefits of using CRM technology

When the company is developing customer relationship processes it is most likely to end up with a solution which includes some kind of digital CRM system. Automating the CRM processes with a digital tool will be useful in most cases but companies have to realize also what challenges implementing a digital system bring along. In most cases going digital with CRM enables some processes that are too big to carry out by hand. On the other hand, sometimes going digital brings too big challenges what the company is not ready to receive. So it is good to know the common benefits what digital CRM tools could offer to the companies and the challenges they might face.

The correct CRM system helps in collecting, storing and analyzing the data. Technology has made CRM more streamlined than it used to be. And with technology companies could handle more data about their customers than ever before. Internet and especially social media have enabled that there is lot of data available for everyone from everyone so collecting and storing it without any digital system is almost impossible. The real challenge about the increasing amount of data is to collect it right and to know how to take advantage of it. Just collecting customer data does not help the company but the data also need to be analyzed and understand the potential of it. Some advanced CRM systems can also analyze the data but to use the data in practice needs always a human force. (Kumar & Petersen 2012, 6-7.)

With digital CRM system the company could create better value to its customers. As mentioned earlier, customers are the most important matter for a company. New customer acquisition takes lot of money, time and effort so every existing customer should be treated extremely well and the company has to be sure all the time that their customers get the value and service they are looking for. Digital CRM system could point out the data that tells customer needs and values. Then it is easy to offer right kind of solutions for customers and to develop the new ones. (Info entrepreneurs 2009 n.d.)

Customer service is the first thing to come in to mind when talking about customer work. With right kind of CRM system the company can offer better customer service to its´ customers. When all the data of interactions with the customer is saved and easily found from the software it gets easier to serve the customer more naturally and more reliable. This leads that the company could achieve better relationship with the customer, which increases the customer loyalty. When the company has all the knowledge of the customer and it can give the best value and service the customer does not need to find it from anywhere else. After this the customer is most likely to recommend company for the other customers too. So in the best case the existing customers does customer acquisition for the company. (Info entrepreneurs 2009 n.d.)

For many companies the biggest benefit about using CRM software is to have all the customer information in one place. When company has many departments and many employees in contact with one customer there will be lot of information which might be found in different excel-files, e-mails, sales records and from many different computers. With right kind of CRM system all this information could be gathered in one place. Most of the CRM systems can integrate with other systems for example if a meeting is agreed by email, the system might find the dates and put the meeting straight to the company's calendar. When all the information could be stored in one place the company could abandon many other systems used before. There is no need to train new employees to use many different systems when one good CRM system is enough. (Robles 2015.)

When company knows its customers it helps marketing to build right kind of campaigns and offers. Campaigns could focus on the products or services the customers want to buy. Company can also develop new needed solutions for the customers and the service will have more personal approach. With technology the realizing of the customers buying habits becomes automated and it gives the company an opportunity to react customers needs more quickly. (Info entrepreneurs 2009 n.d.)

The knowledge of the customer's profitability is very important information to the company. Companies have different customers, others more profitable than others. With the digital CRM system the identification of those most profitable customers is easier and it offers an opportunity to focus on them. Although all customers should be treated as a possible VIP customer the resources are limited and companies need to prioritize. On the other hand it is always possible that a small-profit customer will grow to be more profitable and this could also be a cause of the CRM system. If customers become more satisfied with the company they might centralize all their purchases to the company if this is possible. (Info entrepreneurs 2009 n.d.) Nowadays the most advanced digital CRM systems have an application that could predict the possible potential of the customer.

Although the use of the digital CRM system has several benefits of managing customer relationships the user is always a human. The biggest benefit the company could get from the system if the users know how to use the system the most profitable way. It has to be remembered that the typical user of the CRM system is not an IT person. (Grass & Sahlsten 2012, 19.)

2.3.5 Successful implementation of the CRM technology

When looking for the information about CRM technology it is easy to run into articles and writings about failed CRM projects. There are many different statistics found about the issue and some of them claims that more than 50% of digital CRM implementation projects fails. The percentage may not be that high anymore and it is dependent on many factors but the issues to cause that failure still exists.

One of the most crucial parts of any implementation is the background work like this research is trying to prove. There are many things that need to be done before the company starts using the digital CRM system. This could be a challenge since many CRM service providers advertise themselves as a solution to the company’s customer problems. For that reason, and because the solution to the problem has to be found quickly, the company implement the digital system without hesitating. In most cases, the problem is not be solved by system deployment. (Rigby et al 2002.)

It could be a challenge to realize how broadly beneficial the system could be. It is too narrowly thought that implementing a digital CRM system only helps people working in the sales department or the managers in the top level. Sometimes sales people could think that the CRM system is just a necessary place to put information but does not realize all the other benefits it could bring. Companies should realize that everyone in the company who are somehow working with customers or handling customer data should use the CRM system and put data in to it so the whole company has the overall picture of the customer. (Grass & Sahlsten 2012, 5.)

Finding the suitable system is a real challenge of the CRM implementation process. Not always the most popular and expensive system is the right choice or the most technological solution fit to the company. There are many issues to be taken care of when implementing a system that serves the best to the company. (Rigbly et al 2002, 5.) The system is going to be used by many people in the company and the main users are typically people from the ”lower-level”. For that reason it is extremely important that the users are involved to the process of choosing the right kind of system. The most successful process would involve people from all levels to get the big picture view of all business processes. This also engage people to these kind of projects and it might lower their resistance of change which implementing a new system might cause. (Akka 2015.)

It is not indifferent what kind of data the users are adding in to the system. If the data added to the system is not correct, it is outdated or hard to find the CRM system does not bring the wanted results. The data in the system is one of the most important things of CRM systems. There should be a clear vision which data is usable to who and how it would be updated. (Kale 2004, 46.)

The company has to realize that just implementation of the new system is not enough and there is lot of work to do after the CRM has been bought and run in the company.

2.4 THE FRAMEWORK: BACKGROUND ACTIONS FOR THE IMPLEMENTATION OF A CRM TOOL

As mentioned earlier the CRM is a trendy word nowadays and it is generally thought that every company should have some kind of digital CRM system in use. It is a good thing that companies want to become more customer-focused and thinking about developing their CRM processes they are in a right way. Unfortunately in many cases the company has heard that there are several different systems that can automate these processes and, without thinking further what these processes could be or would this kind of system fit to the company, the company wants to implement it.

There are several actions and decisions a company has to do before it starts to search for the digital CRM system. The main purpose of this research is to find out those actions and decisions. By studying the literature for the success factors of customer relationship management and digital CRM tools the following framework was created:

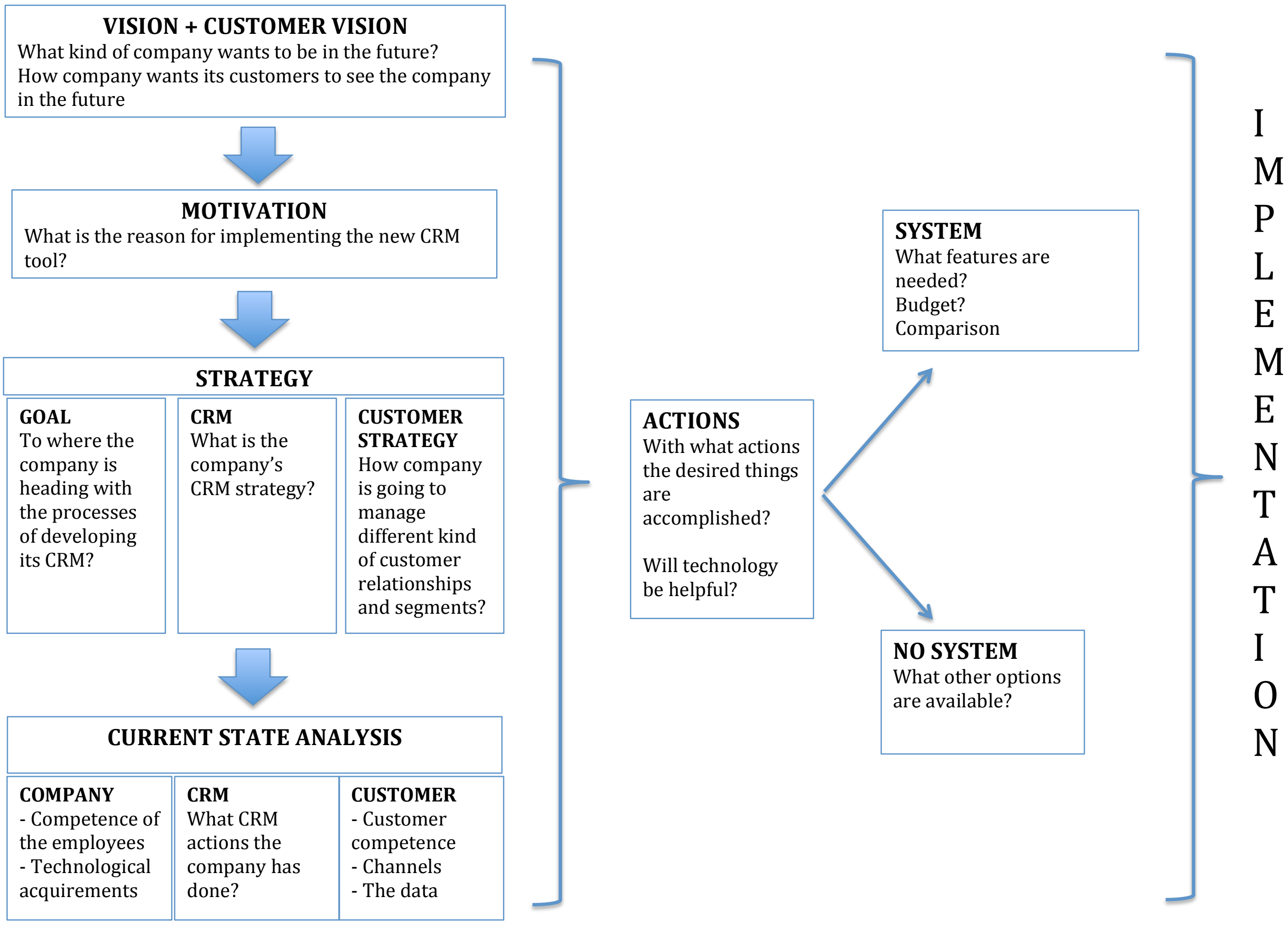

VISION + CUSTOMER VISION
What kind of company wants to be in the future?
How company wants its customers to see the company in the future
MOTIVATION
What is the reason for implementing the new CRM tool?
STRATEGY
GOAL
To where the company is heading with the processes of developing its CRM?
CRM
What is the company's CRM strategy?
CUSTOMER STRATEGY
How company is going to manage different kind of customer relationships and segments?
CURRENT STATE ANALYSIS
COMPANY
- Competence of the employees
- Technological acquirements
CRM
What CRM actions the company has done?
CUSTOMER
- Customer competence
- Channels
- The data
ACTIONS
With what actions the desired things are accomplished?
Will technology be helpful?
SYSTEM
What features are needed?
Budget?
Comparison
NO SYSTEM
What other options are available?
IMPLEMENTATION

Figure 7. The background work of implementation a digital customer relationship management system.

This framework shows the order of the decisions made to realize whether the company needs a digital CRM system or not. The first part of the framework gives a guideline to what are the required features for the possible digital CRM system. In the action part the company has a summary of the desired features of the system and the decision about implementing the system has to be made. In most cases, after the company has thought about all the decisions in the first part, the company has already become more customer-focused.

2.4.1 Vision + Customer vision

In the very beginning of an implementation process the company has to have a clear picture about itself in the future when the new digital CRM tool is implemented and in use. Company has to think how this new way of working will improve their ability to serve its customers. Like Selin and Selin (Selin & Selin 2013, 67) mentioned the vision is something that company sees itself in the future. At this point the company should think how it sees itself now and how it will be different after the implementation.

Customer vision defines how the company wants its customers to see the company in the future. These both visions should guide the company through the whole implementation process. Issues that the company should think at this stage:

- What features the new tool has to have to take the company towards to both of these visions?
- How the implementation process will be seeing from the outside?
- How the company will be working after the tool is implemented?
- How the customers will be included to the implementation process?

2.4.2 Motivation

Managing customer relationships digitally is very trendy at the moment and every company whether it is small or big will need some kind of way to do it. Always the most expensive way is not the right one. The first and probably the most important step of implementing new ways of working is to find out the reason why the company wants to have this new system. In most CRM projects the reason is that the customer base is growing and there is a fear of not controlling it anymore.

Questions the company needs to answer at this stage:

- Why the company needs a digital CRM system?
- What are the biggest problems of company’s customer relationship processes?
- How digital tool will improve company’s customer management processes?
- What processes digital tool could replace or simplify?
- What new wanted processes digital tool will bring to the company?

2.4.3 Strategy

Every time when a strategy is created or developed there has to be a goal. Defining where the company is heading with developments is important for the success of the implementation process. When talking about finding and implementing new tool, the goal of the process would be to have the correct system in use and improving company’s customer relationships. According to change management there could also be smaller goals on the way to engage everyone to the implementation process. The goal of the CRM process should also be aligned with the goal of the company's business strategy.

For managing customers the company has to know what kind of customers it has the most. Customer segmentation is one of the most important processes of CRM and it should be done even without company does not think about implementing any digital solutions. By doing segmentation the company finds out what kind of customers it has the most and chooses a tool what best suites the needs of serving their biggest customer segment. When the segmentation is done there should be created a customer strategy for every segment.

Without having any customer strategy the company should not think of implementing any tool for managing its customers. The same customer strategy does not work for all customer segments. Normally there are not enough resources (especially in SME) to develop many different strategies but main points, like how to develop a clientele, have to be done to every potential segment. There must be an understanding about the values and needs of every segment.

Like many professional emphasizes the whole CRM strategy should be thought before going digital. Company has to know its customer relationship management processes and goals before buying an expensive digital system to carry it out. In some cases when all these strategies are thought carefully the CRM will be improving even without implementing a digital tool.

Questions to think at this stage:

- To where the company is heading with its CRM processes?
- How to engage everyone in the company to become more customer-orientated?
- What kind of customers the company has the most?
- What are the main customer segments the company should invest?
- What are the values and needs of these customers?
- What actions have proven to be successful with the customers?

2.4.4 Current state analysis

There are few simple issues that define what kind of tool the company could implement and whether it is ready to implement any digital tool at all. The current state of the company determines of what kind of solutions are required. Company should think of the current CRM processes it has been doing and how these have been working. If it already has some valuable processes with good results those should not be missed but to find a way to keep on doing these.

One important matter is always the money. The amount of digital CRM systems is large and the price range is also very variable. It has to realize that the budget should be more than just the price of the system since implementing a new tool might require of renewing some older tools as well.

The company should also think about how ready it is for the digitalization. It should be thought what kind of digital capacity the company has currently and how its current technology is working with the new systems. Also the competence of the employees and willingness to learn is a crucial matter since learning new things is a skill that for some people requires more time than to others especially when talking about digital systems.

Since the new CRM system will be new to everyone in the company the training will be needed. Depending on the system there are different ways of getting the training. Many cloud base systems offer videos of how to use the system, which is easy and it could be done anytime. Whatever training method the company chooses it has to realize that the training will take time and it is a necessity. All digital systems need updates and depending on the budget there will be also different services for those updates. In cloud systems updates happen automatically offered by the service provider but for any other system it has to be done either by paid service or the company itself.

How the company manages its customers depends a lot about the most important thing of the CRM – the customers. In some cases the customers may not be ready to go digital. Good example for that is a customer who only wants to make contacts by phone, which definitely affects the selection of the digital system. Channel of how the company makes contact with their customers has a big influence for the CRM tool chosen. Nowadays e-mail is probably the most popular tool for keeping contacts but not for long since other smart and more secure tools are getting in the market.

The company should also think about how its customers do the purchasing. Is there a clear model for it? If not should it be developed before the decision of the CRM tool? How this model will work after the tool is implemented? Implementing a new tool should make the buying and selling easier not to make it more difficult. Very good option is to take the customers in to the implementation process and to ask what issues related to CRM are important for them and what is their ideal relationship with the company.

Questions to think about:

- What good CRM actions the company has done?
- What is the company’s current digital capacity?
- How digi-ready are the employees?
- How much training will be needed?
- How digi-ready are the customers?
- What are the channels the company keeps connected with the customers?
- What kind of customer management the customers value the most?

2.4.5 Actions

After doing this background work completely the company should think about the actions of how to reach all these desired issues. These actions should create more customer-focused culture to the company and to take the company towards the goals. The technology should be a tool to make these actions easier.

When the actions are thought company could create a clear picture about the standards it needs from the digital CRM system. There could also be an option that after discussions of these strategic actions the company realizes that the digital system is not worth of implementing or some other system is enough. When company has chosen the right solution the implementation process could start and it should be done like any other implementation of new way of working with thinking about the issues of the change management.

After the implementation has happened the company has to remember to do the after-work. The follow-up processes need to be done thoroughly. Customer relationship management processes are in constant change because the changing needs of the customers. For this reason the company has to have the ability to analyze the data correctly and to react the necessary changes.

3 CASE STUDY

Most knowledge found from the literature concerns big companies with several employees and different departments. In SMEs customer relationship management could not work in the same way and could not be implemented similarly than in big companies where the procedures and strategies are straightforward. In big companies the customer base is so large that without these plans and procedures everything could fall apart.

In small companies there are rarely different employees working in sales, marketing or financial issues. The same person might be taking care of all of these areas. Small companies may not be using any specific KAM practices or customer strategies, what means that all customers receive the same service. SMEs could have one or two key customers but a person who takes care of them also has many other customers to work with.

In large organizations implementing new things takes more time when smaller organizations could be more agile to adopt new ways of working. In this chapter with knowledge from the case company and according to previous work experience the created model of the background work (figure 7) is adapted to the small companies.

According to European Commission (2015,4) small and medium size enterprise (SME) determines its size and resources. The main attributes are not only the amount of employees, turnover and balance sheet total but also the ownership and partnerships. When it comes to issues about CRM the number of employees and customers is the most determining factor. Implementing customer relationship management processes to the company who has only four employees is quite different than in the company with 200 employees, which still could be considered as a SME.

3.1 **Case: Mad Professor Amplification and CRM**

The case company of this research Mad Professor Amplifications Ltd is willing to implement a new solution to manage their customer relationships. Company’s customer base is getting larger all the time and it is becoming too hard to manage without any organize system. It is a big problem at the moment that their customer data is stored in different files and systems or not stored at all. Company has serious plans to implement a digital system to put their CRM in to action. The increasing amount of social media services has also caused some difficulties to track all customers and above all to find the possible customers from these services. As a small company the resources of doing all required CRM actions is limited so there should be an easy and workable solution found to become more customer-focused company.

3.1.1 Current state analysis and customers

Mad Professor Amplification Ltd exports its products to 50 countries and its customers have spread all over the world, although the main markets at the moment are U.S.A., Japan and Germany. The most typical customer is an importer who sells products to retailers who sells them to the consumers. This means that company’s sales consists mainly B2B sales. In few countries the company sells straight to retailers without an importer in between, although this requires a lot more work, the results have been better. In the near future the company is planning to start an online store where the consumers could be making purchases without a middleman. (Koski, interview 23.9.2016)

Customers of Mad Professor Amplification Ltd value that they have a versatile product catalogue and their products are highly valuable. Reliable capacity is important to company’s customers and the company could call it as their competitive edge. (Koski, interview 23.9.2016)

Most of the customer acquisition is made in the trade fairs and exhibitions. Sometimes just looking importers from the Internet is one way to find a customer in a country that company does not have sales yet or there is a need to change the importer. In the future there might be a plan to start selling more straight to retailers without any importer between like they have done in few countries and got good results from those. (Koski, interview 23.9.2016)

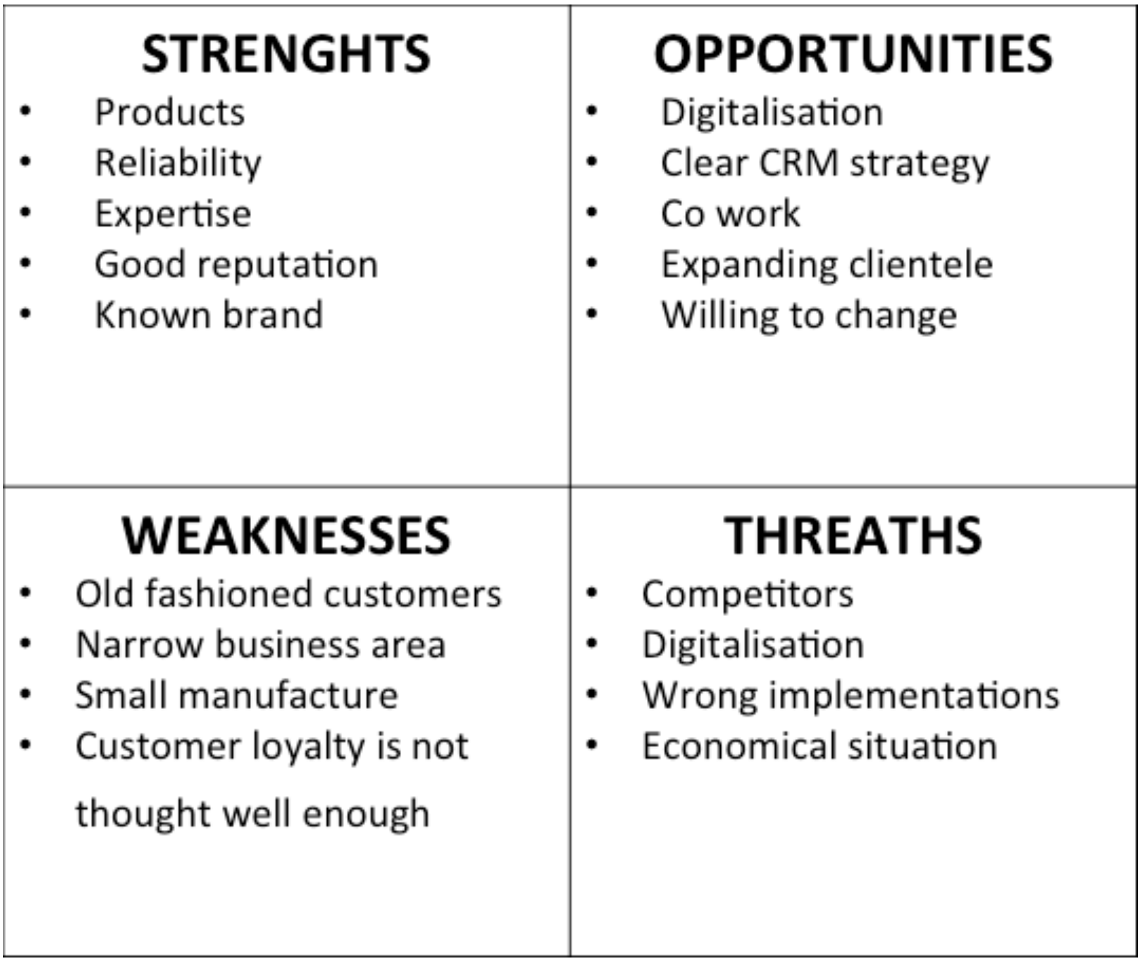
3.1.2 SWOT analysis

SWOT-analysis is a great and a simple way to analyze company´s current state in its operating environment. Acronym SWOT comes from the words strengths, weaknesses, opportunities and threats and it is powerful decision-making tool when the company needs to sort out its current situation and what could be expected in the future. Strengths and weaknesses are internal factors, which are happening at present and are mostly created in the company. Opportunities and threats are external factors in the future and to this company may have only little influence. SWOT analysis is rarely similar when it is done by several people, which gives different angles for it. (Opetushallitus n.d.)

When the company is developing its customer strategy the SWOT analysis should be done in a way that the customer is the mission. At the table 2 is shown the SWOT analysis of Mad Professor Amplification Ltd. Analysis was created in a view of developing customer relationship management processes.

- What are company’s strengths to serve its customers in a best possible way?
- What weaknesses it has that might affect to its customer relationships?
- What are company’s opportunities to serve its customers even better?
- What are the threats it might face in the future?

Table 2. SWOT- analyze of Mad Professor Amplification Ltd.



STRENGHTS	OPPORTUNITIES
- Products - Reliability - Expertise - Good reputation - Known brand	- Digitalisation - Clear CRM strategy - Co work - Expanding clientele - Willing to change
WEAKNESSES	**THREATHS**
- Old fashioned customers - Narrow business area - Small manufacture - Customer loyalty is not thought well enough	- Competitors - Digitalisation - Wrong implementations - Economical situation

Strengths

The company’s products are known to be of good quality and both the company and its products have very good reputation. Mad Professor is well known brand in the music scene and musicians know that the products are high quality and trustable. Since they have such a long experience in this business they know what kind of products their customers’ value. Although this could also be a threat since without a decent customer relationship management they do not know when their customers’ needs are changing.

Weaknesses

Some of the company’s customers are old fashioned and not used to handle digital solutions for doing business. So one challenge to be considered when implementing digital solutions, would the customers be ready to change towards more digital?. Without a fail some customers will always come a bit behind and some of them are already ahead but the majority should be able to come along.

The company has not thought about loyalty of their customers too much. Some of them might just stop buying without telling any reason for this action and then the company tries to find another customer from the area. This is a big weakness and the process of improving customer loyalty has to be thought carefully.

Opportunities

With a proper strategy for managing their customers and with digitalization the company could increase the number of their customers. When at least some of their processes were automatized it enables to handle more customers with better results. With a digital solution the company could find more customers especially those younger ones who are new in the scene. Digitalization also enables the way to find new customers more easily and with correct digital CRM system the company could manage those not yet customers to become actual customers.

The company wants to develop and is not afraid of any changes, which is a big opportunity nowadays. Since they have only few employees implementing new ways of working, itis much easier and faster than in big companies. When thinking about implementing new CRM tool to the company the implementation process will be easy and fast since the company has realized and understood the need already.

Threats

Long experience in specific business area, like in music scene, is a strength but it might also be a threat because it easily leads looking only one direction without noticing how much is happening all around. Competitors are always a threat especially when talking about specialized business. That is one reason to start taking better care of the customer who could easily start buying from somewhere else whenever they want.

Besides digitalization being a big opportunity, it could also be a threat. Without doing thorough background work and correct implementation process the whole CRM process is most likely to fail and the company has lost big amount of money and time without getting anything. So planning is a must before buying any new digital system.

Competitors and economical situation should also be noticed as threats although these are issues that company has only a little of influence. When the economical situation is bad failures are not possible or at least everything has to be done better than the competitors do.

3.1.3 Motivation for CRM development

For the case company the motivation of developing the CRM processes is the increasing amount of company's customers and the difficulty of controlling the information about them. In small companies this is probably the most popular reason. In bigger companies the reasons are normally something like the information does not go through the company or different departments does not serve the customer consistently which is seen as decreasing sales numbers. Whatever the reason is it should be taken into account when choosing the tool and sometimes the problem is something else what the CRM system could solve.

For the case company it is a real problem that all the customer information is spread in different files and is not connected together. The company wants clear procedures of how to manage their customers and how to build profitable relationships with them. Company is willing to implement a digital CRM system which could easier of managing the customer data. (Koski, interview 23.9.2016.)

The goal of implementing a new CRM processes to Mad Professor Amplification Ltd is to have more organize way to manage customers and to become more digitalized. With this company could create more loyal customer relationships what improves customer profitability, which is the end goal of the whole CRM process.

3.2 **Development proposals for CRM processes**

Building a strategy for company's customer relationship management would be the first thing to start. For the strategy there are several issues to think about from the beginning until the action. For a small company the strategy does not have to be too complicated as long as it contains necessary processes, which will take the company towards more functional customer relationship management.

Customer segmentation. Like mentioned in the theoretical part of this thesis creating customer segments is a good way to serve different kind of customer groups and it is mandatory if the customer base is large. There are several business processes what would benefit from properly implemented customer segmentation. For example targeting specialized marketing actions to the specific segments would be more productive rather than sending all campaigns to all customers. This creates a feeling that the message is more private and the company has really thought what their customers want. After creating segments company should create a clear procedures how to manage every segment in a productive way. This would bring certainty to the customer work and automate important customer work processes. These customer strategies should be updated regularly.

There are several ways how Mad Professor Amplification Ltd could create customer segments. These proposed segments may overlap each other and larger segments could have smaller segments inside.

- *Geographical segment.* Since the Company has customers all over the world they should think how customers in different countries act and how culture and habits affect to the values of the customers. For example an importer in the United States would probably prefer a bit different campaigns than the importer in Saudi Arabia. Also the prices should be thought differently for these segments.

- *The end-user.* Company has different kind of customers at the moment and probably more to come. The end-user of the product has a big effect on how the customer reacts on marketing messages since the end-user is the most important shareholder for the customer. At the moment company’s customers are distributors and retailers so both of these customer groups has different kind of customers with different needs. The company is also planning to start an online store to sell straight to consumers so there is another different customer group to come.

- *Previous purchases*. Customer who has bought company’s product, which is known to be long lasting, would not want to hear campaigns about the same product it just purchased. Also when the company has a group of customers who bought the same product it has a segment, which might need similar products or contacts.

- *Leads/ not yet customers.* Company has to have a clear strategy of how to manage leads. At the moment company’s customer acquisition process is not very organize especially in the countries where there is not yet importer for the company’s products.

- *The size of a customer*. Big importer companies would need different treatment than smaller ones although every customer should have a feeling that it is the most important customer for the company.

- *Profitability.* Easiest segment would be to divide customers depending on how much they have brought money to the company. For example there could be a ”VIP” customer group, which consist of the most productive customers and the ones who will get VIP treatment and offers. Becoming a VIP customer could be a reachable thing for a customer so company should tell their customers how they can become a VIP customer and why it is desirable.

Creating customer loyalty and engaging customers is an important process of CRM. When Mad Professor has such a specific product, which the consumer does not buy very often, the engaging has to be thought carefully when talking about B to C business. There could be an idea of some kind of accessories to complement current products or training services to use the products. Since Mad Professor Ltd products are high quality and valuable in the music scene there could be a chance to create communities around the products or the brand. Brand based communities create customer loyalty and people always tend to belong on to something. This community could be built around the most sold products or around all customers who uses Mad Professor products. The community could be something where the company offers a platform but customers are sharing ideas and their thoughts about Mad Professor products. Nowadays this has made easy because all social media services available. These kinds of community conversation channels also help to get information about customer values and needs and it could be important channel when creating new products and services.

Bringing people together for some common cause will always create loyalty. When company has such a diverse customer base around the world some kind of organize international conference could also be an option to bring the customers together. Customers could innovate products and services together and the company gets valuable customer information and ideas to its product and service development. This will also create a feeling that the company is truly customer-focused.

Company could also set up a loyalty program and reward the customers. This requires that the segmentation is done properly and there has to be a functional way to monitor customers' purchases. As company’s products being so specific the loyalty program would best work for B2B –customers. For B2C –customers an option would be to reward those who will bring a new customer to the company.

An important process that company has not done yet is to systematically *collecting feedback* from their customers. Company already gets feedback every now and then but it is not stored anywhere. If the feedback is systematically collected and stored it would be easier to use and it helps to develop the products and services further. Asking feedback will also give a caring feeling to the customers.

After-sales is an important part of sales process and it should be done after every sales action despite the success. It can be combined with the feedback collecting from the customers. CRM strategy should include a process where the sales person automatically contacts the customer after every purchase to make sure that everything went well and the customer is satisfied. This kind of care of the customers also improves customer loyalty.

3.2.1 Digital approach to CRM

Implementing the right kind of digital CRM system would help the company to build different segments when all the information of customers is easily reachable from the system and many processes could be automated. The challenge would be to do the background work properly to find the most suitable system, which will cover all the needed processes.

As a small company the background work is mostly already done when the company starts to think about getting a digital CRM system but some issues should be thought carefully despite the size of the company. The most important issue would be the strategy. Vision, goals and motivation are probably clear from the very beginning but no system does the strategy for the company. So when the system gives information about the customers the company has to know what to do with the information and how to use advantage of it.

Mad Professor Amplification has serious plans to implement a digital system to put their CRM in to action and there were several wishes about the system what company had already thought:

- *Cloud-based system* would be the most suitable way to a small company which does lots of customer work in different places around the world.

- *Working in different kind of devices* is needed since the sales person is not always carrying the computer.

- *Updates from the software support* is probably the only option for a small company that does not have own IT department and does not want to pay extra every time an update is needed.

- *Social media integration* was already a problem because the amount of different social media channels that company needs to use. With digital system this could be automated.

- *Possibility to include different kind of customers* for example different ways to manage B2B and B2C customers. When the online store will be launched this is a mandatory.

For a small company the sales force automation and marketing automation applications would be the most useful ones.

3.3 Framework of the background work in SMEs

The framework of the background work of implementation of the customer relationship management system (figure 7) was created from the information obtained from the literature. As most of the written information about CRM concerns big companies the framework has to be adapted to the small businesses. For this purpose the information from the case company and the researcher previous experience is used.

For the big companies all the steps of the framework have to be gone through and this takes time. In most cases the implementation process of a new CRM system might take years if the company has many departments and people working in a certain positions. For small businesses the process from the development decision to the implementation part can go very quickly. In a case company, where is four employees, the process needs to be fast unless the company's performance suffers. One reason for the fast implementation process is also that in SMEs new ways of working are not considered unless the need for a change is crucial while in big companies must have the ability to predict the future.

When a small company starts to think about developing its customer relationship processes the motivation is already identified. The vision and the customer vision are issues that should be quite clear all the time since in small companies managers are doing pretty much the same tasks than all the other employees and everyone is close interaction with each other every day.

The most important parts of the framework for the SMEs would be the strategy and analyzing the current situation. In some cases when company starts to think about these issues their customer relationship management will improve already without even using any CRM tool and sometimes even the identifying the need for the change could be decisive. As the framework (figure 7) as it is was too hard and time consuming for small companies the following framework for SMEs was created:

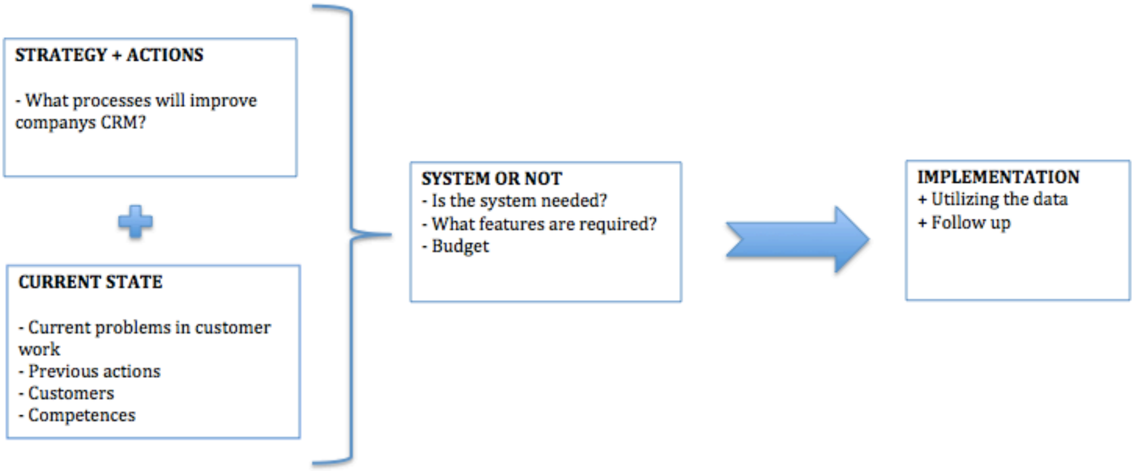

STRATEGY + ACTIONS
- What processes will improve companys CRM?
CURRENT STATE
- Current problems in customer work
- Previous actions
- Customers
- Competences
SYSTEM OR NOT
- Is the system needed?
- What features are required?
- Budget
IMPLEMENTATION
+ Utilizing the data
+ Follow up

Figure 8. The framework for the background work of the implementation of CRM tool in SMEs.

At this framework the companies have already thought the motivation and goals for the implementation but there are still few issues that are crucial to think before implementing the digital system. Strategy and the current state steps could go together because when the company realizes the existing problem in customer work it could immediately think the solution for it. After the first steps the company will see if the digital system is the solution and will it easier their new CRM processes. If the solution is to implement the system the desired features has to be thought ahead: What applications the company needs? What is the budget? How everyone in the company will learn to use the new system? Who will update the system? What customer information is valuable for the company?

The implementation part is always more agile in small businesses. Change management tasks are rarely needed if there are only few people in the company. The company just has to remember that when the implementation is done the work still continues. The customer data, which is easier to get with the system, has to be analysed and the company has to know how to take advantage of it. There are certain follow-up actions what are required in every time when something new is implemented to the company.

4 CONCLUSIONS AND KEY FINDINGS

Customer relationship management is one of the most important areas of business what affects to the company's success. The purpose of thinking, developing and implementing of the processes of CRM is to create a customer-focused culture in the company. This kind of company will do everything by thinking about its customers' needs and values. Realizing those needs and values and how to fulfill them the company would need some kind of a tool. Nowadays the digital CRM systems have become popular because these systems automate many CRM processes, what helps companies to carry out their CRM practices.

It is tempting and easy to purchase one of these digital CRM systems but still most of the implementation processes fail and the main reason is that the background work of the implementation process was not done properly. When this happens, a lot of money and time is wasted and the company is back to where the development of their CRM started. There are certain issues that will guide the company to find the right solution for their CRM processes. For these issues the framework about the background work for the implementation of the CRM tool was created by studying the literature about the CRM.

The framework showed that the first thing the company should think is the vision. Vision guides every decision the company does and in the area of the CRM the customer vision is also an important issue to think. The reason for developing the company's CRM processes should be clear from the very beginning. Creating a CRM strategy including certain kind of CRM processes will give a guideline for choosing the most suitable CRM tool. By clarifying these issues the company should realize what the problems of its current CRM are and what actions are needed to improve it. After that the company could start finding the suitable tool of how all these processes could be done. In most cases the solution is a digital CRM system but there might be a possibility that the digital system is not needed or the solution is something else. By doing the background work the company may realize that some CRM processes may improve their customer satisfaction.

Most of the literature about CRM concerns about big companies so the created framework would fit best for the companies with several employees. As the case of this research is small and medium size enterprises the framework was applied to fit into this case and it was realized that the created framework is too rigid for the SMEs. For small businesses things have to happen more quickly and some steps of the framework are thought already when a small company realizes the need for the change.

Although small companies do not go through all the steps of the created framework there are still few issues it need to decide before implementing any tool. The current customer relationship problems have to be clear to realize what would be the best solutions. Also the current competence of the company and its customers are very controlling factors of choosing the CRM tool. Every company, whether it is small or big, should create a CRM strategy as a guideline for the CRM processes. And this should be done before the implementation process of the digital systems.

With all these decision the company has a clear guideline about what are the requirements from the new CRM tool and is the digital system the solution to the company's CRM problems. In some cases the decision could be something else than implementing a digital CRM system. The actual implementation process of the new tool has certain issues that could be the possible future research. As thinking about another future researches, studying how the literature based framework would actually work in big companies would also be an appropriate extension to this research.

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APPENDICES

APPENDIX 1

1ST Interview
The CEO Harri Koski 23.9.2016
Mad Professor Amplification Ltd

COMPANY BACKGROUND

What is the story of your company?

What do you hope to get from this thesis?

CUSTOMERS

How many customers do you have at the moment?

What is your typical customer?

What kind of technological capacities your customers have?

CURRENT CRM

How do you make a contact to your customer?

How do you do your new customer acquisition?

What is the value your giving your customers at the moment?

MARKETING

Do you have campaigns or offers to your customers?

Do you have an online store?

Do you send any newsletters etc?

CRM TECHNOLOGY

Why do you want to implement CRM software?

What kind of technology are you using now?

What technological acquirements you have?

Do you need a system that works different devices?

Who will be using the system?

Who will be updating the system?

What would you use the system for?

What you want from the new system? What features?

How much is your budget?

2nd Interview
The CEO Harri Koski 23.2.2017
Mad Professor Amplification Ltd

COMPANY'S MISSION & VISION

Why Mad Professor Amplification Ltd exists/ what is your mission?

What are the company's values? What are the things that are not missed what ever happens?

Do you have a vision statement?

What is your customer vision?

What are the things you will tell the new customer about the company? For example if someone comes to your stand in exhibition.

How do you get an idea of a new product?

CUSTOMER STRATEGY & ACTIONS

Do you have particular strategy for managing customer relations?

Customer segmentation? Have you done it? How?

What kind of customer would be the ideal customer to you?

How do you take car of your customers or develop your customer relations?

Which customer action has been good so far?

Which customer actions have been failed?

What information do you collect about your customers?

How do you collect feedback from you customers?

Do you do after-sales?

KEY ACCOUNT MANAGEMENT

How many key accounts do you have?

Why you think them as key accounts?

What do you do different with them?

Do you have certain program how to handle those key accounts?

How well do you know your key accounts?