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Communication Challenges In a High-Tech Company – Understanding the
Customer , case: Insta Group Oy

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ABSTRACT

Customers are vital to every company; they are the providers of life to companies. Without customer, no success can be found. Understanding customers and responding to their needs lead to positive results and long-lasting relationship. Also, the value of a loyal customer is immeasurable.

The thesis is done for the case company Insta Group Oy who provides high-tech solutions and services, as well as top quality industrial automation.

The study provides a close view in understanding the customer better; starting from defining what is a customer. Providing an in-detail view of the counterpart of their business, the customer, and provide information about the importance of having competitive edges – and how customers can be one of them.

All of these lead to better communication with the customers for Insta Group Oy, resulting in long-lasting and sustainable customer relationships with a high levels of satisfaction achieved. The goal of this study is not to intervene with Insta Group Oy's core businesses', but instead provide support and help to achieve the goals set by Insta Group Oy's management.

The thesis contains confidential business information which is not for publication.

Key words: communication marketing high-tech customer

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1. Introduction

Insta Group Oy is a high-technology company based in Tampere, Finland. With its growing potential and increasing international operations, it has based its core market areas as: Defence and Security Technology (Insta DefSec Oy) and Industrial Automation Technology (Insta Automation Oy). This final thesis focuses on improving Insta’s ability to improve and keep up its customer satisfaction on all business areas.

The management of Insta Group Oy ordered a customer satisfaction survey from Innolink Oy in the fall of 2008. The data is in a rather rare form, so decoding it saves a lot of their time and

energy. This thesis will pick up the main points of that survey, analyze them and give essential tools to Insta Group Oy's top management to help them improve and promote their methods and protocols in relation to customer satisfaction.

The thesis will focus on providing tools and methods for Insta Group Oy to provide the highest possible customer satisfaction.

1.1 Document outline

First, there will be a short presentation of the case company, Insta Group Oy. This will be followed by an intensive look which will provide understanding of customers and how they impact companies. Also, some marketing tools will be introduced. A brief analysis of a customer satisfaction survey which was ordered by the company will follow. Lastly, all of previous section will be analyzed together with conclusions and suggestions to improve the company's operations and procedures.

1.2 Background of the study

I did my internship at Insta Group Oy, and during that time made many discoveries on areas that could be improved in their business. Insta has always been good in the products and services they produce, but in today's business world, a company must also have to give their customers a large amount of feedback and information more frequently than before. Emails, text messaging and other new ways of communication have made it so easy, that there are no excuses not to keep the customer closer and more informed.

Also, it is very important to learn to understand what a customer really is, besides the obvious that they are funding the company and paying for the employees salaries. One of Insta Group

Oy's values is "Worth your trust", by understanding better what is expected from Insta Group Oy, it is easier to fulfil that promise.

1.3 Purpose of the study

Insta Group Oy's CEO Pertti Huusko expressed a need to find out how Insta could perform better in some of the areas that their customers were the most concerned about, and how to maintain the currently pleased customers at the same level, or even better. The purpose of this study was to assess Insta's current success as well as critical factors in relation to the company's two different business areas.

2. Company Presentation

2.1 Insta Group Oy

Insta Group Oy (Insta) was founded in 1960 in Tampere and it has grown steadily after that. Still in family ownership, Insta employs over 600 people in Tampere, Helsinki, Vantaa, Muurame, Harjavalta, Pori, Oulu and Varkaus. The main office is situated in Tampere, Finland.

Insta Group helps its customers ensure and develop the performance of their operations. Insta Group supplies and maintains defence, security, automation and information technologies for demanding environments. Insta Group Oy's organization structure can be found in Figure 1 below. Insta Group Oy also owns a 26% share of Millog Oy, a part of the Patria Group, which provides maintenance services for the Finnish Army, while being a strategic partner with the Finnish Defence Forces. (Millog, 2009)

Insta Group has been a strong partner for many businesses for over four decades. We started with industrial automation and the installation of instrumentation equipment, and during the past decades have grown into a leading high-tech company, still in family ownership.

Insta's customers come from a variety of fields: the process industry, the power industry, the defence industry, public transportation, public administration, municipal water works, as well as material handling and security-oriented organizations. (Insta, 2009)

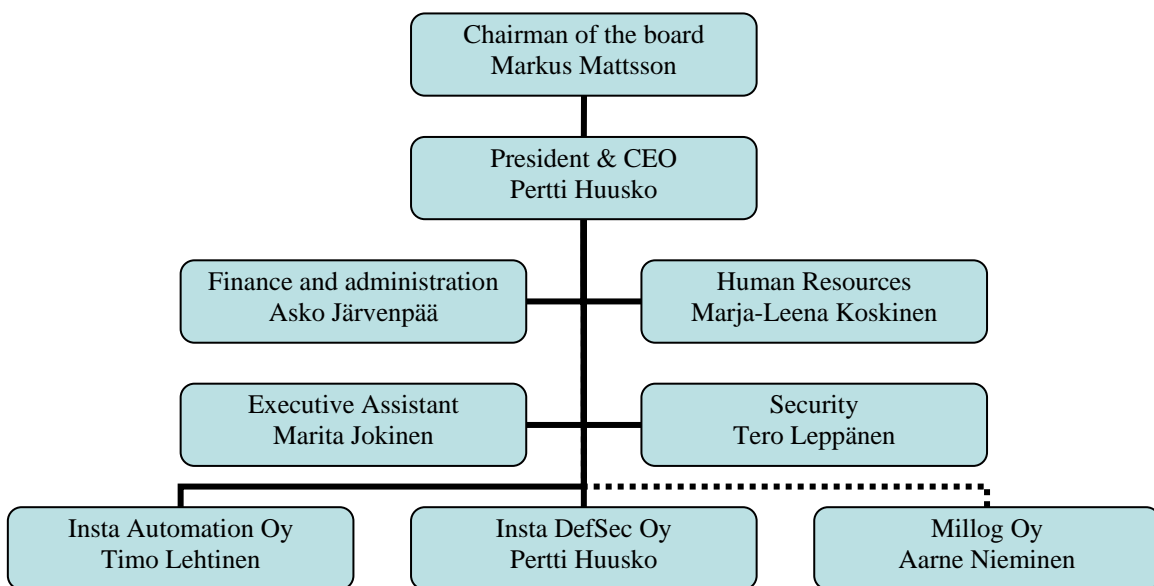


Figure 1 Insta Group Oy's structure

Insta Group Oy is the parent company for both business area companies Insta Automation Oy and Insta DefSec Oy. Insta Group Oy is responsible for providing strategic management, group services such as financials and the overall development of the company. In addition, human resources and external communication on a large scale go through the group. Insta Group Oy's turnover in 2008 had an approximate increase of 13% from 2007. The net sales for Insta Group Oy can be seen in Figure 2 below.

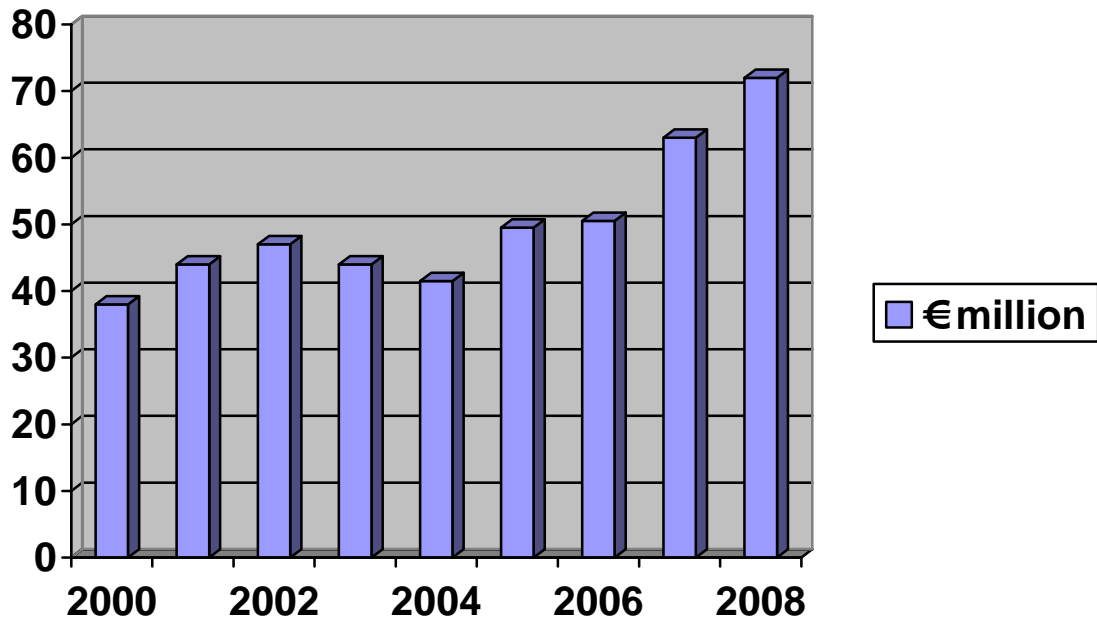


Figure 2 Net Sales

2.1.2 Insta Automation Oy

Insta Automation specializes in the design, manufacture, installation and maintenance of electrical automation for industry processes, which are offered to customers through individual projects or turnkey deliveries. Insta Automation is the leading supplier in Finland.

Insta Automation supplies its customers with electrical automation services throughout the process lifecycle. This covers the entire automation chain, i.e. pre-engineering, field engineering, application programming, product assembly, installation, testing, as well as maintenance and modernization. (Insta, 2009)

The main customers in the industrial automation field are process, energy, food and manufacturing industries, as well as municipal waterworks and theatres.

The turnover for Insta Automation Oy in 2008 was 39, 5 million Euros, an increase of 19% from 2007, which accounts for 45% of the total turnover of Insta Group Oy. Insta Automation Oy divides into four business area units: engineering, installation, manufacturing and regional services, each of them still dividing into smaller business units. An organizational chart is found in Figure 3.

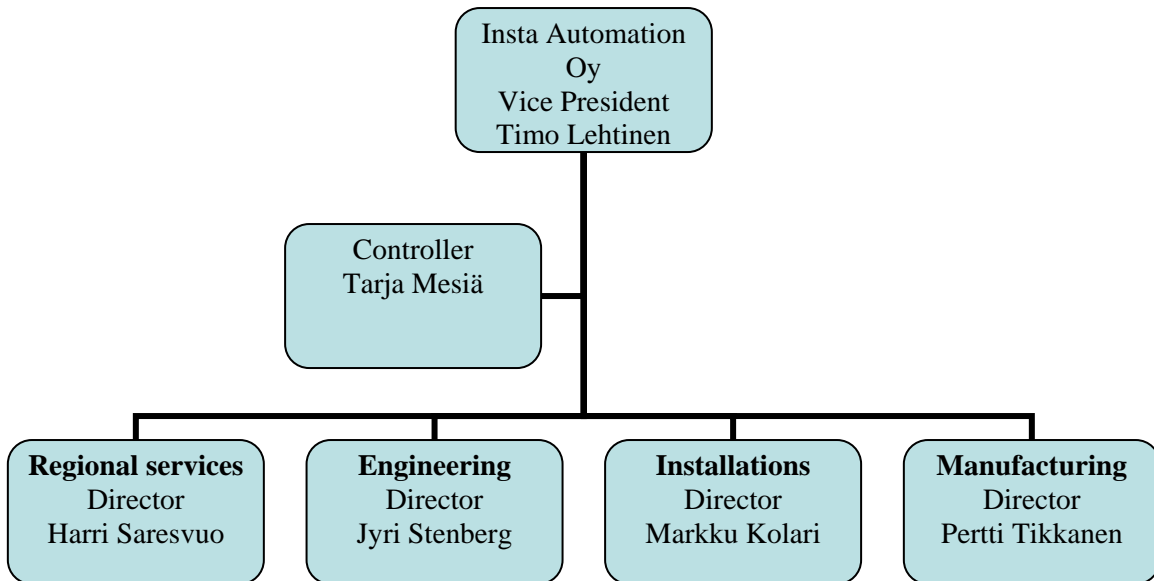


Figure 3 Insta Automation Oy's organizational chart

2.1.3 Insta DefSec Oy

Insta DefSec provides its Finnish and international customers with solutions and services for network-based command, control and communication systems, as well as for information networking and security. Insta DefSec also supplies integration and maintenance services for defence systems.

Insta DefSec's technological solutions allow its customers to benefit from better performance, international interoperability, new operational models, improved situational awareness as well as top-grade information security. Insta's leading expertise and technology, combined with its

certified operating practices, have ensured their market leadership in Finland for many types of solutions.

Insta DefSec's customers include the Finnish Defence Forces, state administration, public administration, companies requiring top-level security, as well as international system suppliers and crisis management organizations.

The turnover for Insta DefSec Oy in 2008 was 33,2 million Euros, an increase of 12% to the preceding year. Insta DefSec Oy divides into three different business area units: Network Centric Operations (NCO), Weapon Systems Integration and Avionics & Logistics Support, with NCO dividing into several business units as well. The organizational chart for Insta DefSec Oy can be found in Figure 4. The share of Insta Group Oy's turnover by company can be seen in Figure 5 below.

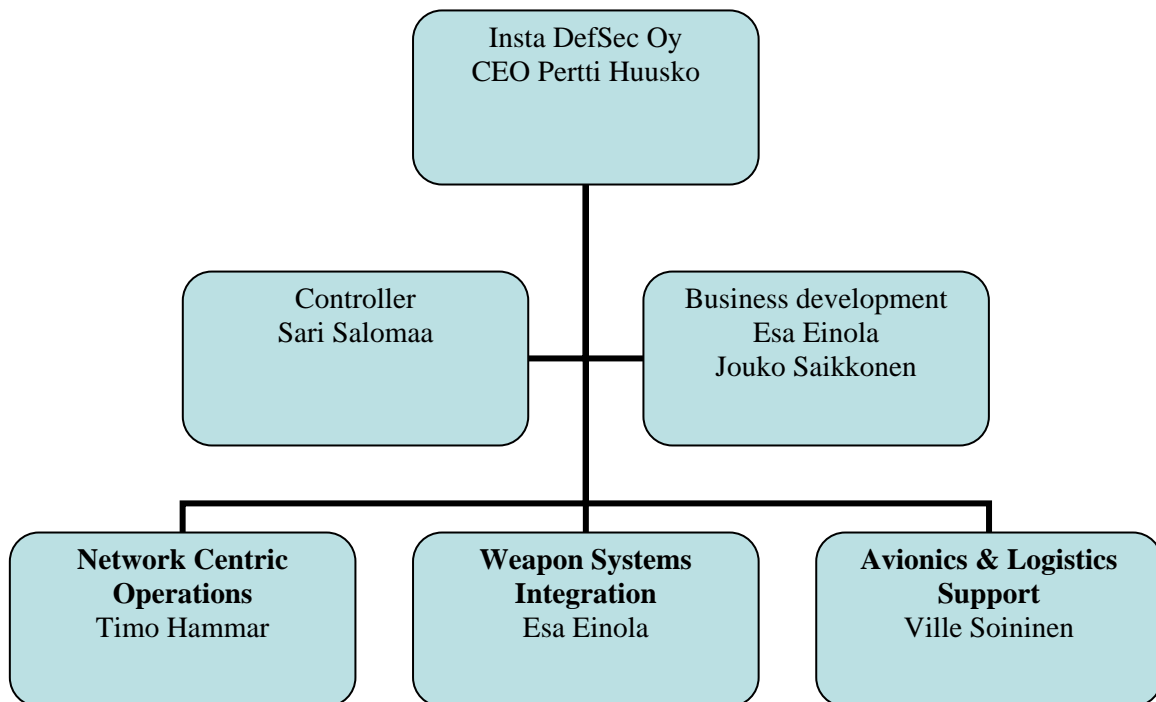


Figure 4 Insta DefSec Oy's organizational chart.

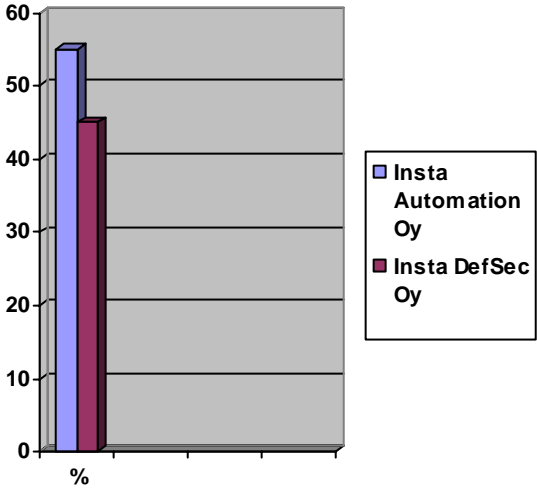


Figure 5 Turnover by business area in 2008.

3. Exploring customer behaviour and satisfaction

3.1 Who is a customer?

According to Kincaid a customer is defined from a company standpoint (Kincaid, 2003:9): “A customer is a person (or a group of persons) who influences or decides on the acquisition of one our products or services, or who uses one of these products and services. A customer company is an organization (public, private, non-profit or governmental) that has characteristics that influence the group of people who work there.”

Another definition that Kincaid uses is (Kincaid, 2003:8): “A customer is only a human being. Only human beings can make decision and use products.” It has to be remembered that a customer is also a human being who makes decisions based on many things. Customers are not robots or serial numbers, instead they want to be viewed as individuals.

3.2 What is satisfaction?

Satisfaction as defined by Kotler et al (2006:144) is: “... a person’s feeling of pleasure or disappointment resulting from comparing a product’s perceived performance (or outcome) in relation to his or her expectations. If the performance falls short of the expectations, the customer is dissatisfied. If the performance matches the expectations, the customer is satisfied. If the performance exceeds expectations, the customer is highly satisfied or delighted.”

3.3 Where does customer satisfaction come from?

Customer satisfaction comes from a customer-oriented perspective to view the customers, and also from good, well-performed service. Even an expert organization has to admit that it has

customers. A customer is a whole person, and one should be treated like that if good customer satisfaction is wanted. Sometimes the case with specialists or experts can be that they only tend to see that one single share of a customer which applies to their work. This means that they are dealing with the problem, not the customer.

A customer does not want to be an average person with a serial number, instead, a customer wants be viewed as special, as an individual with a name, own identity and own ambitions. A customer does not want to be mediocre, he wants to be either really good or extremely lousy. (Sipilä, 1996:226-227)

Customer relationship management should be considered as an integral part of customer satisfaction. Effective and well-executed customer relationship management gives companies a chance to provide excellent and individual service. (Kotler, 2006:152)

Many different factors have to be on target if the customer will be pleased. There are some customers as well that always find the negative side of things, but these customers should be segmented on their own and not to be too concerned.

3.4 Why is customer satisfaction important?

Customer satisfaction is a key issue for companies; it is what brings those customers back to buy from you again. If a customer is not satisfied with the product and service one receives, the customer will search for alternatives. A service view means adding extra value to the core product or service, making it a complete product which satisfies the customer needs, both emotional and technical.

Companies compete with services, not products. Previously this was the case only with service-oriented companies, but in today's world this applies to almost all companies with only a few exceptions. (Grönroos, 2000:17). Also, a good expert is a customer satisfaction professional. In a

tight competitive situation, where two evenly skilled organizations go head to head, a personal relationship with the customer can be the turning edge to get the deal done. (Sipilä, 1996:216)

Personal relationships are a natural part of services. Even only one meeting contains the ingredients that can form the base for a lasting relationship between the service provided and the customer. This is why every single time that a company makes contact with the customer is so important. Should the customer feel that there is a special connection between itself and the company in hand; the customer relationship could strengthen itself automatically. A rule of thumb could be that: *“Customer relationship management is profitable for service-oriented companies and industrial companies, whom offer services.”* (Grönroos, 2006:32-33).

3.5 Customer loyalty

In many cases customer loyalty is viewed as a loose emotional bond, but sometimes it just has to be tight if the customer does not have any other options. There are many factors that make a loyal customer so valuable to a company such as they will eventually buy more at a higher price. In addition, loyal customer spread out a positive word about the company and the barrier to change to another supplier increases every day.

There are costs as well that incur from customer loss, which include the loss of future cash flow and the fact that obtaining a new customer is more expensive than retaining an old one. But, as said before, customers are human beings and are directed by many factors.

Lehtinen sums up the goal of customer loyalty as (2004:26): *“If you can create your own rules of play, you have a better chance of winning.”* Defining your own business area and being number one in it.

3.6 How has marketing ended up to be customer satisfaction biased

Marketing has come a long way in transforming from a production-oriented state of mind to a comprehensive tool in creating added value for customers and other interest groups. The traditional competition tools such as price, product and promotion and still important, but besides them customer relationship management, the personnel and services of a company and internal marketing have become more important. These are the factors by which a company can succeed in the 21st century.

The marketing of today is the ability to create, maintain and make the most of profitable customer relations by using the different angles of marketing. Every employee of a company is marketing, and basically all that is done within a company, can be consider as a marketing effort. (Bergström, 2007:433)

3.7 Customer relationship management

Customer relationship management can be defined in many ways, as Kincaid does it (2003:41): *“CRM is the strategic use of information, processes, technology and people to manage the customer’s relationship with your company (marketing, sales, services and support) across the whole customer life cycle.”*

Customer life cycle is the overall time consumed by the customer in relation to the company. The goal for good and effective customer relationship management is to maximize customer loyalty. CRM is not just something that falls out of the sky, instead, customers need to evaluated, measured and analyzed on a regular basis. When a company knows and understands the demands and needs of their customer, effective customer relationship management can be applied.

Customer relations were previously viewed as an issue that can be “fixed”, but this is not the case, a customer relationship is a social phenomenon, which can be repaired or improved; just

like any other human relationships. The key idea to understanding the importance of this issue is how to learn to live with the customers. (Lehtinen, 2004:235)

4. Competitive edge – how to obtain it and why it is important

4.1 Gaining a competitive edge

Kai Laamanen (2005) defines competitive edge as: “... *the grounds on which a customer chooses, purchases and uses the organizations products and services.*” For a company that is in free competition, knowing its competitive edges is vital, by doing that a company can improve its marketing communication, strengthen its brand, control its research and development efforts and also strengthen the factors that are important in making the customer relations even stronger.

It is very important for every company to find that competitive edge; it is the niche which makes one product or service better than the competitors’, even if it is just a very small edge, it can produce the added value needed to the customer. Often competitive edges come thru long-lasting relationship where the customer bonds in a certain level with the company, this will happen thru personal relationships but also the organizational culture of the company has a very strong effect on this.

Competitive edge is what makes a difference when customers are debating their purchasing decisions in a free competition market. If there are no factors that would make a difference, the purchasing decision is made by chance. Furthermore this is the situation when dealing in a business to business market. If dealing with the ordinary consumers, more analysis needs to be done and finding out what the competitive edges are is more difficult.

When trying to understand a company’s competitive edge, the business that has been done should be analyzed carefully, even when a company gets the deal done, the question should be asked: “why did we get this deal?” Often companies only take a closer look of the deals that they did not get, but also the done deals should be evaluated. (Laamanen, 2007:83-84). Laamanen also lists some criteria to evaluate competitive edges:

- Which are the factors that make an organization stand out from the rest of the organizations in the same business area?
- At its best, competitive edge is something closely related to the strength of the customer relationship; something that is hard for the competitors to copy or go around
- One significant competitive edge can be enough; it is hard to maintain several edges on the customer interface
- From a management standpoint, the most interesting competitive edges are the ones that are facing pressure for change

Lastly, if the customer and the organization acknowledge similar competitive edges, the development work between them will work and sales will grow. But if the views differ significantly, the risk for a non-profitable development grows and they sales do not grow either. So it is important to find the key solutions and advantages with each customer; not all of them are the same.

Or as Lehtinen says it (2004:31): “*A good customership can not be copied.*”

4.2 Image in the eyes of a customer

A customer always looks at things from an image standpoint. Even in the early stages of a customer relationship a certain image of the company has formed. This image can change over time thru experiences, but presumptions and first impressions are hard to change. If a service organization has a good corporate image, the customer will expect more but will also want to see things in a positive light and understands small lapses. A negative corporate image will result in complaint-oriented behaviour and less understanding for errors.

All communication that goes out from a company is a part of its image. This is why websites, brochures, packages, letterheads and many other things that carry the company logo and colouring are important. Image sells when it is handled properly. This is an area which sometimes

gets overlooked by companies with high market shares, things can be taken for granted. But instead, building and maintaining a positive image is a series of actions that actually never stop and is never ready.

In many cases, the largest customers will not account for the largest profits. Instead, long-lasting customer relationships with mid-sized companies can result in good and long profitable relationships. Often it is better having many decent mid-sized customers who almost always pay full price. This will lead to steady but slowly-growing profits during a long time. The largest customers demand a lot from companies, the smallest customers incur high transaction costs. This is why many companies are aiming more and more towards the middle market. (Kotler, 2006:148)

4.3 Is the customer king?

As Sipilä (1996:228) says in his book: *“The customer is king, but not god.”* Always there are good customers and bad customers, but it has to be remembered that even the bad customers pay for the salaries of the service organization. A relationship is based on a contract and the customer will pay a compensation for the service which is based on an agreement. But mentally, the customer should be feeling like a king. In a service situation, one of the elements that is sold is power.

When organizations grow the majority of the time by its employees could be directed at the organization itself and the customer relations will slowly fade away. Thoughts of the customer being obvious and treating customers casually can occur. One of the biggest enemies of customer service is routine. It has to be always remembered that every case can be unique to the customer.

5. Total integrated marketing communication

As defined by Grönroos (2000:266) : *“Integrated marketing and communication is a strategy that integrates traditional media marketing, direct marketing, public relations and other distinct marketing communications media as well as communications aspects of the delivery and consumption of goods and services and of customer service and other customer encounters. Thus, integrated marketing communications has a long-term perspective.*

In the total integrated marketing communication theory, there are four kind of messages: planned, product, service and unplanned. All of these have certain characteristics that should be viewed.

Planned communication consists of organized marketing efforts such as the Internet, brochures and newsletters. Also, the words of the sales personnel and planned communication, thus often viewed as the least credible since the entire message has been designed by the company’s marketing department.

Product messages are short, flashy news about the company’s new products and services. Also fair appearances are product messages. Generally they are very short and provide expert information with the idea of raising interest and also questions.

Service messages are general messages such as invoices and deliveries. Also the appearance and attitude of the employees, as well as interactions between the employees and the customer are service messages. These messages can create trust easily, if they are handled properly.

Unplanned messages, such as word to mouth referrals, news stories and gossips are often considered to be the most trustworthy source of information. With its unofficial nature, it allows the customers to speak with full honesty.

Often the problem with marketing efforts in companies is that they only focus on the planned messages (ie. “What the firm says”), but they also should be concerned about the product and

service messages (“what the firm does”) and also the unplanned messages (“what others say and so”). These messages are difficult to plan, and money is more easily used on planned messages and advertising, as it always has been.

Companies should be able to manage all messages that go out from them, the idea being that there is no conflict in the information a customer receives from the company. Understandably, if a sales person promises one thing, and a sales brochure promises something different, the customer will create thought of an un-organized company and this will effect the purchasing decisions as the image of the company is shattered. It is important that the customers know what

But on the other side, if the messages are handled properly and the strategy is in order, it sends out a huge positive message. *“This phenomenon is word of mouth”* as Grönroos indicates it (2000:266-268).

Word of mouth communication is a strong message, reflecting the longitude and nature of the relationship. If the eyes of a potential buyer, word of mouth communication is reflected as an objective source of information considered to be very reliable.

5.1 Managing market communications

Grönroos (2000:276-278) lists nine guidelines to improve market communications, these are: direct communication effort to the employees, capitalizing on word of mouth, providing tangible clues, communicating intangibility, making the service understood, continuity in the communication, promising what is possible, observing the long-term effects of communication, being aware of the effects of not communicating and finally, integrating marketing communication efforts and messages.

All marketing efforts should also be planned from the employee standpoint; this will increase their motivation and also the internal image of the company. If a company receives good word to mouth feedback, it should capitalize on it. For example, testimonial on a company website or

brochure are an effective way to promote this message of excessive quantities of satisfied customers.

Illustrating the tangible items of a product or service will help to promote it substantially. These can be used on a company website as well to demonstrate the quality and high-tech nature of a company. Also, making the product or service understandable is important. If the marketing audience does not understand what a company is trying to say, the message goes to waste.

The marketing message has to be continuous as well: the company colours, logos, messages and all other areas of the image should remain constant. This provides a strong and unified picture of the company. The promises that are made during marketing have to be kept. If they are not, the perceived quality experienced by the customers decreases. As Grönroos says (2000:277): *“It is often said that keeping promises is the most important single aspect of good service quality.”*

If promises can not be kept, the short-term effects might still be an increase in sales, but this is not a good way to perform if a company wants long-term success. The customers will not return, but instead they will spread a bad word of mouth and in the long run, the company image suffers the most with similar effects on the employees as well. So it is vital to always have a long-term perspective in all marketing aspects.

Grönroos provides another word of wisdom as he says (2000:277-278): *“If there is no information available in a stressful situation, customers often perceive this as negative information as they lose control of the situation. It is usually better to share bad news with customers than to say nothing.”*

All in all, companies should try to develop constant and sustainable marketing messages. Avoiding conflicts, creating strategies and promoting it within the company will help to obtain a competitive edge and boost the company’s image. If possible, reaching a learning relationship between the company and the customer is highly valued. Both parties learn each others methods

and habits, learning from each other and thus creating an even deeper relationship between the parties.

6. Customer satisfaction

6.1 Methods in measuring customer satisfaction

There are several different ways in measuring customer satisfaction, from very general measurements to thorough ones. These methods include periodic surveys, monitoring the customer loss rate and even hiring mystery shoppers to act as potential buyers. Companies can contact lost customers and ask why they have chosen to end their customer relationship with the company. Mystery shoppers provide unique customer experiences which then can be evaluated directly with the employees.

In measuring customer satisfaction, it is very important to ask the right questions. According to Frederick Reichheld, the only question that really matters in surveys is: “*Would you recommend this product or service to a friend?*” (Kotler, 2006:146)

Also, it is important to measure the company’s customer satisfactions in accordance to its competitors’ customer satisfaction. Furthermore, good customer satisfaction should be announced to the public. It is important to make sure that the target market knows about a certain level of satisfaction, it influences the purchasing decision of clients which are debating between two or more equal companies with similar products.

Customer satisfaction should be measured with credible measures and that the surveys should be done periodically. This enables an accurate comparison and measurement of the results and progress of a company’s customer satisfaction. (Bergström, 2007:430)

When doing customer satisfaction surveys, it also has to be taken into account that the customers who are currently buying from the company are generally not too critical. In some ways, better sources for reliable information about a company’s performance would be the customers who are not satisfied and view the organization from a more critical standpoint. (Laamanen, 2005:380)

In addition, there should be a definite distinction between the satisfied and very satisfied customers. The re-purchasing ability and also the feedback and word to mouth influence from the satisfied customer in comparison to the very satisfied customers is substantially different, and thus should be reckoned with carefully.

The findings of this survey are confidential.

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