CRM Tool & Philosophy
– The Clue to a Customer-Centric Organization

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Abstract

This thesis is focused on studying Customer Relationship Management (CRM) tool and philosophy implementation and how it develops a customer-centric view within organizations. Nowadays mutually advantageous customer relationship is the main asset of the contemporary businesses and CRM is the clue to creating this type of relationship. The purpose of this research is to study successful businesses where CRM tool and philosophy were implemented and how they contributed to the management of the companies. Through this analysis the benefits of the tool can be identified and the road map for its integration can be performed.

Theoretical framework regarding marketing channel relationships, importance of dual customer value creation and customer value management, relationship marketing as the basis for CRM development, and strategic framework of the phenomenon have been considered. Besides that, the current position of the case company, Volvo Construction Equipment Region International, on the roadmap of the CRM implementation has been evaluated and analyzed. These steps have been taken in order to answer the main research question of the thesis, namely “How can an MNC become a more customer centric company by helping its dealers to implement a CRM system?

Several conditions have been identified in the thesis in order the companies could implement the CRM tool and philosophy successfully. The study provides recommendations, which guide the companies on the way to a customer-centric view through the integration of CRM in its business processes.

Key Words: Customer-Centricity, Channel Management, Customer Value, Customer Relationship Management, Relationship Dependency, Loyalty, Profitability, Segmentation, Roadmap, Implementation, Success Measurement
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## List of Abbreviations

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<tr>
<th>Abbreviation</th>
<th>Description</th>
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<tbody>
<tr>
<td>B2B</td>
<td>Business to Business</td>
</tr>
<tr>
<td>BRIC</td>
<td>Brazil, Russia, India, China</td>
</tr>
<tr>
<td>CRM</td>
<td>Customer Relationship Management</td>
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<tr>
<td>CVM</td>
<td>Customer Value Management</td>
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<tr>
<td>DMS</td>
<td>Dealer Management System</td>
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<tr>
<td>KPI</td>
<td>Key Performance Indicator</td>
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<tr>
<td>MIE</td>
<td>Market-Intelligent Enterprise</td>
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<tr>
<td>MNC</td>
<td>Multinational Corporation</td>
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<tr>
<td>LDS</td>
<td>Local Dealer System</td>
</tr>
<tr>
<td>LTV</td>
<td>Lifetime Value</td>
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<tr>
<td>SFA</td>
<td>Sales Force Automation</td>
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<tr>
<td>TOD</td>
<td>Targets for Operational Development</td>
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<tr>
<td>TQM</td>
<td>Total Quality Management</td>
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<tr>
<td>Volvo CE</td>
<td>Volvo Construction Equipment</td>
</tr>
<tr>
<td>Volvo TC</td>
<td>Volvo Truck Company</td>
</tr>
<tr>
<td>WIIFM</td>
<td>“What in it for me”</td>
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This chapter introduces the case company followed by an overview of the case that has been studied. After that the main objectives are presented, as well as the introduction to the research topic. Next the research problems are covered and the purpose of the research stated.
1. Introduction

1.1 Background

The current market situation demands a customer centric approach from the company. To increase the knowledge about the customers is important in order to build and establish favourable relationships. Good relationships with customers are the basis for successful partnerships. The increased possibilities to access information make it possible to target the customers in a more proactive and systematic way.

Due to the globalization and internationalization, international companies compete at an ever more aggressive way. The globalization has led to several opportunities and access to new buyers, but at the same time increased the number of competitors. Simultaneously the customer’s expectations have raised and they have become more demanding. In order to make it possible for companies to deliver what the customers expect, they need to know their needs and wants.

Experiencing current crisis situation a Multinational Corporation (MNC) is in a need to act proactively in order to improve its operations and to increase its competiveness. It is possible only if all company representatives, including dealers, change their vision and become more customer-centric. This new approach incorporates better population management by dealers in order to increase sales and achieve better service. It should be combined with a more planned and proactive sales process in order to create higher hit rate and spend less time. It can be accomplished by acquiring more knowledge about customers and spreading it to personnel at the dealerships and by minimizing administration via improved performance metrics in the sales process. The best solution for reaching these goals can be implementation of Customer Relationship Management (CRM) tool and philosophy. In this context, the term philosophy implies focusing all company’s business activities on creating mutually advantageous relationships with the customers as well as implementing a shared view on CRM throughout the entire organization.

CRM system has derived from the Contact Management in the 1980s. The main purpose of CRM is to improve the relationships between a company and a customer. The system is a part of a business strategy and it organizes the effective use of company’s recourses in the
departments of marketing, sales and support. Being a customer-centric management strategy, the system serves for redesigning the business function, recombining the work flow, and upgrading the satisfaction degree to appeal to the customer, in order to gain profit.

The research will be done on a case study, where Volvo CE Region International is the case company. In the following section the case company will be represented.

1.2 Case Company – Volvo Construction Equipment Region International

Volvo Group is the world’s leading supplier of commercial transport solutions providing products such as trucks, buses, construction equipment, drive systems for marine and industrial applications as well as aircraft engine components. The Group offers financial services to its customers as well. The Volvo Group has about 100,000 employees, production facilities in 19 countries, and sales activities in 180 countries. Quality, safety and environmental care are the core values within Volvo Group and they are essential components of the corporate culture.

Volvo Construction Equipment (CE) is a part of Volvo Group. Volvo CE is the world’s largest manufacturer of articulated haulers and wheel loaders as well as one of the world’s largest manufacturers of excavation equipment, road development machines and compact construction equipment. The headquarter (HQ) of Volvo CE is located in Brussels, in Belgium. The main global competitors in the market are Caterpillar, Komatsu and Hitachi Construction Machinery.

There are four regional departments within Volvo CE, which are Region America, Region Asia, Region Europe and Region International. This thesis focuses on Region International, which consists of approximately 400 employees including the Volvo-owned dealerships. The HQ of Region International is located in Eskilstuna, in Sweden. The region is divided into sub-regions and represents approximately 100 markets in Latin America, Africa, Russia, Ukraine, Belarus, Middle East, Turkey, Central Asia and Oceania.

Volvo CE Region International reaches its customers worldwide through independent dealer partners in most of the markets. In Russia, Turkey and Morocco Volvo CE has owned
dealers and in some markets, where distribution is yet to be established, sales are made directly to customers (Volvo CE Region International, 2010a).

1.3 Research Problem

1.3.1 Research Background

In Region International Volvo CE is represented by 66 dealer partners, six dealer candidates, and Volvo owned dealers in Russia, Turkey and Morocco. The size of the dealer companies varies from five to several hundred employees. In these companies Volvo CE is usually the major part of business but not the total. Volvo CE has promoted dealer partnerships with active processes for sales and after-sales for some ten years.

However, the years 2003 to 2008 were characterized by 30 percent annual volume growth and lack of machine inventory. It means that the dealers were “order-takers”. Moreover, the dealer sales and after-sales organizations normally do not cooperate well. It results in incorrect forecasts from dealers even if it is two weeks before actual end customer order. And in general, customer and prospect knowledge is rather weak within the dealer companies.

To improve the situation described above, Volvo CE believes that implementation of CRM philosophy and tool will boost sales and increase customer satisfaction. The system is aimed to provide relevant and valuable information about the customers for the departments of marketing, sales, management, customer support, and logistics/finance. Further, the benefits the listed departments get from the CRM tool are identified.

Marketing:

- Possibility to make selections on the customer base for targeted offers and activities
- Better follow-up of campaign results
- Know customers hobbies, favorite TV/Radio programs, newspapers

Sales:

- A complete picture of the customer covering both conducted and planned commercial activities as well as machine park, service-jobs and order status.
Introduction

- Proactive ‘warnings’ from the system alerting about customers to target
- CRM should indicate to after-market which customers that are “hot prospects”, in order to safeguard sales opportunities

Management:
- Consolidated customer overview
- Planning and monitoring of activities
- Improved reporting and analysis tools

Customer support:
- Consolidated customer overview: Volvo machine park is key
- Planning and monitoring of activities
- Improved reporting and analysis tools
- Possibility to make selections on the customer base for targeted offers and activities what requires high information quality

Logistics/finance:
- Possibility to retrieve a sales forecast directly from CRM
- Reduce manual work by having CRM, generate more documents automatically and use CRM as a channel towards sales instead of e-mails
- Possibility for Finance to ‘black-list’ customers in CRM

1.3.2 Problem Definition

In this section the main research question and the research sub-questions, deriving from the main question, are represented. Since the MNCs have moved their focus from product to the customers, a customer-centric view is now a strong competitive advantage for every company. Being customer-centric means prioritize the customers and their needs in a company’s business strategy. CRM is customer-centric by its nature, therefore implementation of the CRM tool and philosophy within the company’s dealers will increase its competitiveness on the market. Therefore, the main research question is formulated as follows:
In order to answer the main research question three sub-questions have been identified. The first two sub-questions are based on the idea that the development of the customer-centric view within the company creates dual value both for the company and for its customers. The third sub-question regards the issue of motivating MNC’s dealers to implement CRM, since it is an expensive and time-consuming process.

The assumption is that while using CRM, dealers will be more aware of their customers what can help them to meet their needs and preferences. As a result perceived service quality can be improved and customer satisfaction can be increased. This is the value the customers get from the MNC.

This question helps to understand how the use of a CRM tool makes it easier for the MNC’s dealers to attain new customers, to retain existing customers and to enhance their loyalty what results in sales increase. This is the value the MNC gets from its customers.
Since an implementation of CRM is a complicated and time consuming task, an MNC needs to find strong motivators in order to convince its dealers to employ the tool and philosophy.

1.4 Purpose

Considering all the information above, the main purpose of this research can be identified as studying businesses where CRM tool and philosophy were implemented and how they contributed to the management of the companies. Through this analysis the benefits of the tool can be studied thoroughly and the road map for its integration can be identified. Collected information and its detailed analysis will help to create a framework for a CRM implementation in Volvo CE, Region International.
1.5 Thesis Outline

1. Introduction
   - Background & case company
   - Research questions
   - Purpose
   - Delimitations

2. Methodology
   - Scientific Approach
   - Research strategy
   - Data Collection
   - Quality of research
   - Selection of case study

3. Theoretical framework
   - Marketing channels
   - Customer value
   - Relationship marketing
   - CRM
   - Summary

4. Empirical study
   - Volvo CE Region International within Volvo Group
   - Project implementation
   - Marketing issues

5. Analysis
   - Channel relationships
   - Customer value
   - CRM

6. Conclusion
   - MNC brings value to customers
   - Customers deliver value to MNC
   - MNC motivates its dealers
   - MNC becomes customer centric

7. Recommendations
   - Develop effective channel management
   - Identify costs & benefits
   - Implementation strategy
   - Success Measurement

8. Areas for future research
   - Owned & independent dealership management
   - Success measurement systems
   - Benchmarking
   - CRM for diverse markets
The purpose of this chapter is to present and justify the methods used in the research. First, the scientific approach is introduced, followed by the case study as a research study. Afterwards, data collection including primary and secondary sources is discussed. Also, the sampling types used in the research are presented. The methodology chapter will end with a discussion of quality of research.
2. Methodology

2.1 Scientific Approach

Three scientific approaches can be identified for conducting a research. They are exploratory, descriptive, and explanatory approaches. Since this study is focused on description, assessment and evaluation of an MNC’s use of CRM tool, as well as on future recommendations for implementation of the system, both descriptive and explanatory approaches can be applied for this research.

The purpose of the descriptive approach is applying existing theories and models for the description of the phenomenon, which has been explored previously. In this thesis the descriptive approach is used in the theoretical framework and empirical study. In both parts the existing theories has been tested on the case and the empirical finding are described.

The explanatory approach is used for testing cause-and-effect relationships. It helps to understand how the factors are interrelated and what influence they have on each other. In order to relate empirical finding to the studied theories and to explain this relationship, the explanatory approach is used in the final part of the thesis where conclusions and recommendations are presented (Scholz & Tietje, 2002).

While doing research, different methods of scientific reasoning can be used. According to Yin (2009) scientific reasoning can be inductive, deductive, and abductive. In this study an abductive research approach has been chosen. Dubois & Gadde (2002) describe the abductive research approach as systematic combining, which is characterized by continuous movement between the theoretical framework and the empirical findings. Using the inductive reasoning a researcher collects information and based on it develops a new theory, whereas deductive reasoning means testing already existing theories. The deductive method is used to explain specific case based on the theory, and inductive method is used mainly for the findings and analysis. Moreover, the authors outline that continuous movement between the theoretical framework and the empirical study is suitable when accomplishing case studies since it contributes to deeper understanding and insights of theory as well as an empirical phenomenon that can be gained by case studies. An abductive approach is useful if the researcher’s purpose is to find out new things, variables and relationships. At the same
time, the abductive research method gives a possibility to adopt existing theories and to generate appropriate models for solving the problem being studied in the thesis.

Furthermore, the researchers distinguish between quantitative and qualitative research methods. According to Merriam (1998) the way the data is collected and analyzed is influenced by the chosen method. In case a researcher tries to predict and control events based on some pattern, the quantitative method should be used. If the purpose of the study is to get into the insight of the problem and to find the solutions, then the qualitative method is more appropriate. In order to conduct quantitative research surveys and systematic reviews are used, while for qualitative research observations and in-depth interviews are the main tools.

Since the objective of the thesis is to understand the problem and develop a theory, the qualitative method is preferred. The method helps to understand how various factors within the study are interrelated. It also helps to combine subjective and objective information, which is necessary in assessing and evaluating the problem solution. The data collected in the course of the case study cannot be quantified and statistically analyzed, what is another reason for the chosen method.

2.2 Research Strategy

Yin (2003) describes several ways of doing a social science research and one of these is the case study. Experiments, surveys, histories and an archival analysis are other ways of doing a social science research. A case study is a way to explore an empirical subject by following a set of pre-specified activities and procedures. Generally, case study is the favored strategy when “how” or “why” questions are applied. Moreover, the case study is appropriate when the purpose is to understand a complex contemporary phenomenon that cannot be controlled. The case study method permits researchers to maintain the holistic and meaningful characteristics of real-life events.

The case study can be divided into four basic types of design. Yin (2003) makes a distinction between single-case and multiple-case designs. A single case study is related to a single experiment, which means that this approach is suitable when studying only one case.
The focus of this thesis is put only on one specific company, Volvo CE Region International. Consequently, a single case design has been applied. Furthermore, the case study can be divided into embedded and holistic. In an embedded case study analysis is either concerned with more than one unit or provided with different perspective of the investigation. The holistic case study has only one unit of analysis for each case. This research has been defined as an embedded case study since the study will be analyzing multiple sampling units (Yin, 2003). Subsequently, this study has been categorized as a single case embedded design.

![Diagram of case study designs](image)

**Figure 1: Basic types of case study designs, Yin (2003)**

### 2.3 Selection of Case Study

Merriam (1998, p. 60) describes that within every study the researcher needs “to consider where to observe, when to observe, whom to observe and what to observe. In short, sampling in field research involves the selection of a research site, time, people and events”. The most suitable sampling strategy is non-probabilistic and the most frequent used form is purposive or purposeful sampling. The objective of purposeful sampling is the investigator’s interest in discovering, understanding, and gaining insight into the subject, and therefore it is necessary to choose a sample form which as much as possible can be learned. Merriam (1998) presents different data sampling types within the purposeful sampling. The most commonly used types are typical, unique, maximum variation, convenience, snowball, chain and network sampling.
2.3.1 Convenience Sampling

This is the most common sampling method and the reason for it is its convenience. The data is collected from the population representatives who are conveniently available. The selection is usually based on time, money, location, and availability (Merriam, 1998). The main disadvantage of this method is lack of credibility, as the sample obtained might be not representative. Yet this method was selected for the research due to time constraints and fund limits. The first interviews conducted at Volvo CE involve internal contact persons as reaching them is the most convenient and essential to establish contacts with them. Convenience sampling is also used to gain access to dealers, as contacts are provided by the company representatives. In order to increase credibility of the study other sampling methods are also employed.

2.3.2 Snowball Sampling

According to Merriam (1998) snowball sampling involves asking each contributor to refer to other contributor that might have knowledge about the research topic and be helpful for the study. Such chain referral process allows reaching populations which are difficult to get access to while using other methods. The process is rather simple and cost-efficient. In comparison to other sampling techniques snowballing requires little planning. Among the disadvantages of this method the following can be listed: little control over the sampling method, representativeness of the sample is not guaranteed, and there is sampling bias as the obtained sample might be only a subgroup of the entire population. In spite of these drawbacks this method is chosen for the purpose to reach more persons and gain more valuable information from them.

2.3.3 Unique Sampling

Unique sampling is based on unique rare attributes or occurrences of the phenomenon of interest (Merriam, 1998). As far as the studied phenomenon (CRM) is implemented only by two owned dealers of Volvo CE in Region International, these dealers are the unique sample. Only they posses useful information about the tool and its implementation and can provide unique facts about it.
2.4 Data Collection

In order to understand the studied case more deeply, it is advised to use several sources of data collection. Yin (2003) argues that six sources of evidence can be used for a proper case study. These sources are: documentation, archival records, interviews, direct observations, participant observations, and physical aircrafts. The use of the multiple sources of evidence allows a researcher to cover a wider range of historical, attitudinal, and behavioral issues. This thesis is based on documentation and interviews as the main sources of evidence. Documentation is valid for its stability, unobtrusiveness, exact data, and broad coverage. The main weakness of this data source is its accessibility. Interviews are also widely used in case studies, as they give an opportunity to focus on the case study topic directly and provide insightful information on sensitive topics. However, the data collected via interviews might be biased due to poorly constructed questions or poor/incorrect recall of information. Besides, direct informal observation is relied on in order to provide additional information about the topic being studied. This method is widely used in studying new technologies in order to understand the actual use of the technology and the potential problems. The use of various data sources creates data triangulation and gives an opportunity to come up with more convincing and accurate findings and conclusions in a case study. In order to increase the validity of the study both primary and secondary sources are used. These sources of data are described below.

2.4.1 Primary Sources

Primary data is information collected directly from first-hand experience. This information is unique to the particular researcher and case study and is unavailable to others before it is published. Primary data is collected through interviews and observations (Merriam, 1998). According to Yin (2003) interviews are the most important sources of case study information. They can provide exact answers to the research questions. In case studies interviews most commonly have open-ended nature. This type of interviews gives an opportunity to ask key respondents about the facts and opinions about certain subjects. The respondents can provide insights into some events and give propositions for further inquiries. As far as most of the case studies are about human affairs, interviews become essential sources of case study evidence. However, being verbal reports only, interviews might be a concern for the problems of bias, poor recall, and poor or inaccurate articulation.
In this thesis the primary data is collected through interviews with employees and management at Volvo CE Region International and representatives from Volvo CE international dealers. The interviews are semi-structured and open-ended in nature. The semi-structured interviews are the most suitable for collecting general information and enhancing the understanding of the general case. The qualitative approach gives the respondents an opportunity to elaborate on the questions and receive information about other possible interviewees. Open interviews have its purpose to increase the understanding of the specific process in the case company. These interviews are unstructured and intend to guide an interviewee by the topic but not to ask specific questions (Merriam, 1998).

In this thesis both personal interviews and phone interviews have been conducted. Phone interviews save time as well as financial resources. However, due to inability to see the respondent, information provided during the interview might be rather biased. Since the respondent is not visible, a phone call is more abstract than a talk between four eyes and the body language is missed out (Jacobsen, 1993).

In a course of research, eleven interviews have been carried out. Among the interviewees there were both owned and independent dealers. Besides, Volvo CE management was interviewed, as well as consultants working for Volvo Group and independently shared their knowledge. Phone interviews have been conducted with Volvo CE’s independent dealer in Chile as well as owned dealers in Russia and Turkey. In Chile, Nelson Venegas (Commercial Manager), Jorge Rios (Marketing Manager) and Rodrigo Galleguillos (Salesman) contributed to the research. During the interview with Chile, Rodrigo Konda (Global Key Accounts in Latin America), assisted as a translator. In Russia, Andrei Beskibalov (Functional CRM Manager & External consultant) shared his experience and knowledge in working with the system. For the Turkish market, Ebru Celkan (CRM Manager) and Tolga Polat (Customer Support Area Manager) together with Eda Ertur (Customer Support Administrator) in a joint interview, contributed to the study. Personal interviews have been held with Karen Costello (Sales & Software Manager, Volvo IT) and Michael Thörngren (IS/IT Program Manager, Volvo CE Region International). The questionnaire has been answered via e-mail as well, by Jarmo Söderlund (representing Volvo CE’s independent dealer in Finland) as well as by Lars-Gunnar Larsson (Vice President Business & Quality Development, Volvo CE Region International).
In addition to the interviews a direct observation of a CRM conference held by Karen Costello has been attended as well as an online meeting with the Target for Operational Development (TOD) leaders representing owned dealers in Turkey and Russia, and independent dealers in Latin America. Moreover, participation in a webinar with Lineservice’s consultant Alexandr Timofeev in Russia has also been attended. This observations and studies provide general background knowledge for the research. In order to increase the reliability of observational evidence multiple observers make an observation (Merriam, 1998).

2.4.2 Secondary Sources

Secondary data is information collected previously for other purposes and is not case-specific. However, it can be relevant to the studied problem. It is useful for gaining general knowledge on the subject. Secondary data is less expensive and less time-consuming to gather than primary data. It can be found in journals, magazines, books, documentation, and on the Internet. Secondary data is divided into internal and external data. The internal information is found within the case-company and includes administrative reports, proposals, annual reports, and some other documents published within the company. The external data is collected from various media sources and not necessarily relates to the case-company or to the case being studied. In this study both internal and external sources of data are used. Internal data is the basis for understanding the problem and evaluating how deep the subject has been already studied. External sources are especially used in the theoretical framework in order to gain information on specific topics, which is impossible to get from internal sources. The use of secondary data is expected to raise the validity of the thesis, which is discussed later on (Merriam, 1998).

2.5 Quality of Research

Qualitative research is often criticized for the lack of validity and reliability, which are cornerstones of any research. This criticism derives from the relative freedom and lack of structure and rigor characteristics of the qualitative research methods (Ruyter & Scholl, 1998). In order to ensure the validity and reliability in the qualitative research it is vital to conduct the investigation in an ethical manner. According to Merriam (1998) validity and
reliability can be accomplished through careful attention to a study’s conceptualization and the way in which the data were collected, analyzed, and interpreted as well as the way in which the findings are presented. Yin (1990) suggests evaluating three criteria: internal validity, external validity, and reliability.

### 2.5.1 Internal Validity

In a quantitative sense validity is referred to as the correctness of the research constructs integrated in the project. Qualitative research, in contrast, cares about the issue how to collect information in a way that optimal “operationalization” is achieved at a later stage in the study. In-depth insight of the qualitative research gives an opportunity to achieve accurate use of the research constructs. Thus, the validity of qualitative research is primarily concerned with the fact that constructs are strongly supported within the real-life context. The significance of the results is related to the respondents’ everyday reality (Ruyter & Scholl, 1998).

According to Merriam (2009) internal validity handles the question of how research findings manage to match the reality. Furthermore, in every research internal validity depends on the meaning of reality. Covering an objective “truth” or “reality” is not possible for the qualitative researchers, although in order to increase the internal validity the author states six basic strategies: prolonged engagement, triangulation, peer examination, member checks, negative case analysis and audit trail. In this study triangulation, member checks and peer examination have been applied to shore up the internal validity.

Triangulation characterizes the usage of various investigators, sources or methods to validate the findings. Merriam (2009) refers to four types of triangulation: the use of multiple methods, multiple sources of data, multiple investigators, or multiple theories to confirm emerging findings. In this thesis mainly multiple methods of data collection and multiple sources of data will be used in order to provide consistent data that match the reality as understood by the respondents. When findings from an interview can be checked against observations and documents, the triangulation has been employed by various methods of data collection. Triangulation assumes using multiple sources of data in order to compare and double-check data that has been collected during observations at different times or in
different places, or from the interviews with people who have different perspectives, or from follow-up interviews with the same people.

Member checks is another strategy that has been used after conducting the interviews in order to assure that everything from the respondent has been understood correctly. Member checks is a procedure when data and interpretations are sent back to the original person in order to see whether the results are reasonable. The participants should be familiar with the interpretations or suggest how to better capture their viewpoints. Peer examination has also been employed in this process to a certain extent, since master thesis students during seminars have commented on similar problems and solutions they have recognized. The validity of the thesis has been improved by utilizing triangulation, peer examination, and member checks (Merriam, 2009).

2.5.2 External Validity

According to Merriam (1998) external validity concerns whether the findings of a study can be applied to other situations and how generalizable the results are. In order to enhance external validity three different strategies can be applied. These are rich, thick description, typically or modal category and multisite designs. Within the first strategy, rich thick description, the purpose is to provide enough description so that readers will be able to decide how equivalent their situations is in comparison to the research situation and thus whether findings can be transferred. Regarding the typically or modal category, the main idea is to describe how typical the issue is so that receivers can make comparisons related to their own situations. By using a multisite design, numerous sources that maximize variety has been applied in order to increase the usage of the results to a wider range of readers.

Regarding this study, time constraints and sample size can create concerns on the external validity of the research. However, it can be argued that industrial equipment companies operate in more or less the same way. Therefore, the results gained from the study of Volvo CE, as a case company, can be valid for the other companies in the same industry as well.
2.5.3 Reliability

According to Merriam (1998) reliability concerns to what extent the findings and conclusions can be replicated. Furthermore, it is the consistency between the data collected and the result found that makes a study reliable. Reliability is based on the presumption that there is one particular reality and by studying it frequently the same results will be found.

The reliability of qualitative research, in terms of comparability of reproducibility, is often put under discussion because of the systematic approach, which reduces reliability of qualitative research. However, it can be argued that this type of approach is needed in order to get a closer in-sight on the points of research interest. A systematic operation can be achieved by linking research results to theoretical models and concepts. Besides, the reliability of qualitative data can be based on accurate description of the steps taken in the collection and analysis of data, so that other researchers could trace back the original research design (Ruyter & Scholl, 1998).

In order to ensure reliability of the performed study, the information gained in the course of research has been supported by supplementary data and checked with the respondents. All the interviews have been conducted by two interviewers and recorded to guarantee that the interviewees’ answers are interpreted in a right way and are understood correctly. Moreover, the interviews have been held with the respondents taking the same level positions, to guarantee that they have similar understanding of the problem and experience of dealing with it. Consultations with the experienced field personnel proved the appropriateness of the gathered information. For the reason of avoiding errors and reducing bias, each step of the research has been documented and described in detail. Besides, theoretical framework has been a basis for the research questions and collection of valuable information.
This chapter covers the main theories involved in the research. First, the nature of relationships in marketing channels is described; second, the issues regarding creation and delivery of customer value are introduced. Relationship marketing is the next topic for discussion. Finally, the CRM tool and philosophy are overviewed.
3. Theoretical Framework

The model below represents discussed topics and connects them to each other.

![Theoretical Framework Diagram](image)

Figure 2: Theoretical Framework (Lindström & Polyakova, 2010)

3.1 Marketing Channels

Marketing channels are the routes to markets, which are used in order to sell product and service to consumers and business buyers everywhere in the world. Coughlan et al. (2006, p. 2) give the following definition of a marketing channel:

“A marketing channel is a set of interdependent organizations involved in the process of making a product or service available for use or consumption”.

This definition has some explications. First, it points out that a marketing channel is a set of interdependent organizations. It is not only one firm but rather several entities involved in the business. Each channel member depends on the other to perform their jobs. Also, the definition states that running a business channel is a process, but not an event; distribution takes time and when the sale is already made the relationships with the buyer are not ended. Finally, the purpose of the marketing channel is to satisfy the end-users, no matter if they are consumers or business buyers. A manufacture who sells through distributors, retailers, or wholesalers, who in turn sell to customers, is tempted to think that it generated sales and satisfied customers. However, the definition argues otherwise. It is crucial that all channel
members focus their attention on end-users. The marketing channel is often viewed as a key strategic asset of a manufacturer (Coughlan et al., 2006).

Suppliers, producers and final customer of industrial products are linked together through channels. Channel participants serve a key role in order to achieve efficient and timely movement of goods, services as well as market intelligence. A strong channel network requires many years of constant attention to develop and maintain. However, it usually serves as an effective market barrier to competitors. Channel participants give important market information, negotiating, product availability as well as after-sales support for the buyer (Mahin, 1991).

Coughlan et al. (2006) argue that work of the channel includes the performance of several marketing flows. It means that all processes done by different channel members at different time points flow through the channel rather than are performed. Some of the flows may move forward through the channel (physical possession, ownership, and promotion), while other move up the channel from the end-user (ordering and payment). Such flows as negotiation, financing, and risking can move in either direction or be engaged in by pairs. The value-added activity of the channel is the flow of information. Information flows between every possible pair of channel members in both directions.

Several remarks can be mentioned at this point. First, the flows may be managed in different ways for different parts of company’s business. For example, spare-part distribution is usually handled by a third-party distributor who is not involved in the distribution of original products. In this situation, the channel manager may prefer to represent original equipment and spare parts separately because they are part of important but different flows in moving product to the market. Second, not every channel member needs to participate in every flow. Efficiently operating channel focuses on the specialization in the performance of channel flows. However, specialization increases interdependencies in channels, and therefore requires close cooperation and coordination in channel operations. And third, a manufacturer must either take responsibility for all channel flows itself or shift it to various intermediaries in the channel. This leads to the important issue of channel design and management: members in the channel management can be eliminated or substituted, but the flows performed by these members cannot be eliminated (Coughlan et al., 2006).
Due to intense competition, slower growth and expanding price pressure in the markets, the nature of relationships between manufactures and distributors is changing. With the increase of non-price competition traditional marketing channel tools (guarantees of availability, credit terms or sales promotions) are becoming less effective. In the manufacture-distributor dyad service quality becomes the main success factor. Providing quality service has become a clue to establishing and facilitating communication, conflict-solving and commitment, which is the key to strong channel relationships. Channel service quality is a power base for the behaviors of channel partners. Especially it concerns international channels because of high financial risks on behalf of manufacturers due to long shipment distances, diversity in channel levels, and time zones. Besides, in international channel environment manufacturers have less control over service levels (Ruyter et al., 1996).

Industrial goods and services can reach the market through four different channel alternatives. The first one is via a direct channel, the second is through an indirect channel, the third alternative is a captive channel and the forth option is a combination channel. In the direct channel it is the manufacturer’s sales force that has the responsibility for completing all channel work without any help from independent intermediaries. An indirect channel, on the other hand, indicates that a manufacture employs independent intermediaries to unite the buyer and the seller. In a captive channel, the manufacture manages its own network of distribution outlets. A combination channel means that a combination of different channels is used. The selection of channels is based on an evaluation of many factors such as customer size, order size, product complexity, and purchasing frequency or situation (Mahin, 1991).

3.1.1 The nature of marketing channel relationships

There are several theoretical perspectives for understanding marketing channel phenomena. Ruyter et al. (1996) focus on political economy paradigm and the relationship marketing paradigm. These approaches involve such issues as long-term manufacture-distributor relationships and the power-dependence balance. High degree of partnerships involves interdependence, which is not evenly balanced. The concepts of power and dependency are essential for channel relationships. In order to create dependence in marketing channels different types of power base are used. The distinction is made between coercive (rewards and punitive actions) and non-coercive (expertise, information, recommendations) power.
bases. Coercive power base is grounded on the idea that a manufacturer can provide rewards to distributors, or is able to correct if distributors fail to meet the demands. It is aimed at influencing actual behavior. Whereas non-coercive power base is founded on the belief that supplier has special knowledge and conditions to propose that are not accessible from other manufacturers.

Another research is focused on two distinct approaches that influence channel relationships. These approaches are behavior and economic. From the behavior point of view the relationships between manufacturers and dealers are a political struggle in which power and dependence of each party control the behavior of others. While economic approach views relationships as a search to allocate distribution responsibilities and role performance tasks in a way when costs are minimized and profits are maximized. A common base for both approaches is that relationships are created and maintained as a result of interdependence between channel members. Thus little is known about the influence of economic and behavioral interactions on channel relationships. Economic struggles can impact the way products and services are valued, and dependency of parties influences channel relationships. For example, if a manufacturer is not able to fill orders accurately, meet promised delivery dates or stick to shipping instructions, then he has little influence on dealer decisions. On the other hand, if a vendor provides steady order cycle and meets delivery dates, dealers are able to minimize stock outs and customer dissatisfaction. It can be encouraging for dealers to surrender a portion of their autonomy to the manufacturer in exchange for quality logistics. In order to understand the interdependence between parties the author suggests analyzing economic and behavioral factors simultaneously (Gassenheimer, 1996).

Young & Wilkinson (1989) focused their study on the role of trust and co-operation in marketing channels. They came to the conclusion that in dealer-manufacturer interactions trust is based on overall relationships rather than on particular episodes. The base for these relationships is satisfactory performance over time. Also, trust is developed in situations where it has an opportunity to emerge naturally, not regulated by contracts or written rules. However, trust is not inevitable in trading relationships and it is not the basis for co-operation. Co-operation always presents in ongoing relations and it is often perceived as co-ordination of actions by the parties involved.
Svensson (2002) states that in marketing channel the relationships are very vulnerable due to time and relationship dependencies. Time-dependence is explained by chronological or sequential dependence between companies’ business activities in marketing channels. Relationship dependence refers to the communication factors influencing interaction process between companies in marketing channels. Considering both components the author gives the following definition of vulnerability construct in marketing channels:

“Vulnerability is a condition that is CAUSED by time-and relationship-dependencies in a company's business activities in marketing channels. The degree of vulnerability may be interpreted as proportional to the degree of time-and relationship-dependencies, and the negative consequence of these dependencies, into a company's business activities towards suppliers and customers” (Svensson 2002, p. 323).

Based on the inductive approach Svensson (2002) proposes a typology of vulnerability scenarios, which is represented by the following figure:

![Figure 3: A typology of vulnerability scenarios in marketing channels, Svensson (2002)](image)

Since vulnerability is caused by the dependence between companies’ business activities, time- and relationship-dependencies are necessary foundations of vulnerability in a marketing channel context. The time-dependence dimension consists of temporary and permanent dependencies. Temporary dependencies are short-term and permanent dependencies are long-term. Relationship dependencies are represented by unilateral and the bilateral components. Unilateral dependency is interpreted by the fact that only one of the companies in a business relationship depends on the other, whereas bilateral dependency is represented by mutual dependence.
The underlying dimensions create a matrix of four cells with a vulnerability scenario in each cell. Each of the scenarios has unique characteristics. For example, the elastic vulnerability scenario assumes that a company depends on temporary and unilateral factors in the interface with its customers or sub-contractors. It means that a company has to cope with a high dependence level and short-term dependence in the upstream activities. This scenario is probable for duopolistic or oligopolistic marketplace. Non-elastic scenario is characterized by permanent and bilateral dependencies, what means that a company is involved in low dependence level and a long-term dependence. And it also might occur in duopolistic or oligopolistic environment. A more or less monopolistic market can cause the static vulnerability scenario (permanent and unilateral dependencies), when a company is exposed to high dependence level and long-term dependence. It is more likely to appear in a situation when a company’s dependence on its sub-contractors is high and it has few replaceable or alternative sub-contractors available, therefore its flexibility is restricted. It also can be characterized by the lack of entrepreneurial inertia and limited company’s power in terms of negotiation. For a competitive marketplace the dynamic vulnerability scenario is the most common. In this case companies have to manage both low dependence level and short-term dependence; therefore they are characterized by temporary and bilateral factors. Due to temporary and mutual dependence this scenario type is the most favorable from the buyer’s perspective. The mutual dependence creates an increased interest between the companies. Additionally, a company can choose new sub-contractors and replace them more easily.

Ideally, companies should maintain dynamic vulnerability scenario in the interface with their customers, while in the interface with their sub-contractors static scenario would be the most preferable. As a result, the four types of vulnerability scenarios are double-edged because companies need to strive for engaging in different forms of dependence with its customers and sub-contractors. For this reason, the scenario type should be judged either from buyers’ or suppliers’ perspective (Svensson, 2002).

### 3.2 Customer value

The process of understanding, creating and delivering value to targeted business markets and customers is called business market management. Business markets are characterized by firms, institutions, or governments that obtain goods and services for their own use or for
resale beside other products and services to other firms, institutions, or government. Value is a cornerstone in business market management. Value is the worth in monetary terms of all the market offerings that a customer firm receives. To be able to create and deliver customer value and to know where resources and capabilities have the greatest potential, it is important to have a complete understanding of customer requirements, preferences, and purchasing processes (Anderson & Narus, 2004). Christopher et al. (2002, p. 20) define customer value as “the ratio of perceived benefits to the perceived sacrifice that is involved”. Relationships are built on a sustained basis, which involves creation and delivery of superior customer value. The value-creation process consists of three key elements; the value the customer receives, the value organization receives and maximizing the lifetime value of desirable customer segments.

The most important part of value creation is careful market segmentation since it allows tailoring the offer to the needs of specific segments. As already mentioned, customer segmentation is important when targeting relevant offers and value propositions to specific groups. However, it is also critical to be aware of the existing profitability of customer segments and understand the potential profitability of those segments in order to improve customer lifetime value (Christopher et al., 2002).

The market-intelligent enterprise (MIE) has to ask two questions: what does my customer value and what is the value of my customer? This information is needed for strategically use of customers (and prospects) and segmentation of them, or, using a metaphor, finding the right dance music for each partner. The necessary data flows into organization from various sources both within and outside the organization. These sources are customer information from transactions (purchase frequency or credit information), the sales force (competitive information, corporate challenge, and philosophy), call centers, sales promotions, survey data and the Internet. The organization performs statistical analysis of a customer’s industry value, company share, affinity, and lifetime value. Based on the results the company refines products and services according to the needs of the most profitable segments and develops strategies for acquiring new customers and building customer loyalty. The MIE uses data to determine customers’ long-term profitability. An organization takes a long-term view of customers projecting current spending over the life of the relationship with the customer. In this way consumers’ spending and loyalty can be maximized (Brown, 2000).
Nowadays, marketing strategies in successful companies are characterized by clearly defined and strongly communicated value proposition. The content of a value proposition is a summary of all the arguments why a customer should buy the company’s product or service. Christopher et al. (2002) refers to a developed framework called value delivery sequence. The foundation of the value delivery sequence is the idea that customers buy promises of satisfaction and they only purchase products because they are of some value to them. Additionally, the value delivery sequence represents the business from the customer’s point of view rather than as a range of internally-oriented functions. The process is characterized by three key steps which are; choose the value, provide the value and communicate the value. At the initial stage, choose the value, companies have to understand changing customer needs and how well the competition meet those needs. The second stage involves the development of a product/service package that creates clear and superior value. The last stage, communicate the value, concerns different aspects of promotional activity that is necessary in order to persuade customers that the offered values are better than the competitors.

3.2.1 Customers as an asset

Many companies lose focus on customer retention and maintaining relationships and concentrate on acquiring new customers. Although new customers keep the numbers up, economic potential is weak, since the growth within the existing customer base is limited. Brown (2000) explains that keeping existing customers is more profitable than attracting new ones because during the normal development of a customer relationship, the cost to market and sell to these customers’ declines, and the potential for gross margin improvement increases. The loyal customers usually focus not on the price alone but see the relationships with a company as “value for money” and act as advocates for the company helping to attract new customers.

According to Christopher et al. (2002) it has been recognized that existing customers are easier to sell to and are frequently more profitable. At the same time, it is critical to take existing customers for granted and instead focusing on attracting new customers. Generally, companies spend too much resources on obtaining customers and too little on keeping them. In order to maintain the relationships it is important to apply different strategies to new and existing customers. It is also of great importance to highlight the great impact the customer
retention has on the profitability. The research showed that it costs about five times more to win a new customer instead of keeping the existing one. Many companies seem to understand the importance of customer retention, although just a small number measure the economic value of their customer retention strategies. A vital component of relationship marketing is giving value to customers and at the same time getting value from them.

Recognition and focus on lifetime value have a positive impact on customer retention and, as a result, reduces acquisition cost. Retention rate is used to measure customer turnover and is significant for the creation of value. Research has shown that increase in retention rate from 80 to 90 percent doubles customer lifetime from five to ten years. Longevity creates value (Brown, 2000).

According to Pease (2001) recently business managers have recognized that products, marketing campaigns and even sales channels are short-lived and therefore move their focus on customer relationships as a key profit gainer. It was proved that a five percent increase in customer retention results in a 25-95 percent increase in company profits. There are many reasons for such boost. Loyal customers are a scarce resource; however they are a source of value. In order to acquire this asset, companies have to set maximizing customer value as a measured and clear goal. Through a transition from product- or campaign-centric to customer-centric marketing the emphasis on prolonging the lifetime value of the customer base has increased.

Evans (2002) argues that there are two complementary approaches to exploiting customer value. The first approach measures how much value a customer or a group of customers bring to an organization. This information can be used, for example, in targeted marketing campaigns. Identifying high and low-value customers, companies can work on increasing high-value customers’ loyalty by making them special offers, and also marketers can put an effort into promoting low-value customers to high-value customers level. The second approach identifies value perceived by customers of company’s goods or services. If this value is higher than the perceived value that competitors offer, then a firm has a chance to succeed on the market. However, if customers do value competitor’s offering more, a company has to work on its competitiveness. These approaches ensure that both sides of a business relationship gain added value.
3.2.2 Definition of Customer Value Management (CVM)

Pease (2001, p.1) defines customer value management (CVM) as “managing each customer relationship with the goal of achieving maximum lifetime profit from the entire customer base”. CVM gives companies an opportunity to gain benefits from the economics of loyalty by escalating retention, decreasing risk, and amortizing acquisition costs over a long period of time. Even though the purpose of CVM is to raise the aggregate value of the customer base, this can be achieved customer by customer. Of course, not every customer is profitable, however each must be managed to increase profit in general. In this case management can be focused on identifying which customers bring the least profit, and working on development and retention of other customers. CVM focuses not on managing marketing campaigns but on managing profitability of each individual customer during the whole period of the relationship. In order to make this shift companies need to develop analytical and operational capabilities. If they manage this transformation, it is reasonable to expect increased profits for years to come.

3.2.3 CVM cycle

Pease (2001) argues that CVM is cyclical and this cycle consists of three stages: right customers (acquisition), right relationships (development), and right retention (keeping valuable customers). Each of these stages naturally feeds the next to maximize customer value.

![CVM cycle](image_url)

Figure 4: CVM cycle, Pease (2001)
Right customers
The CVM cycle starts with acquiring the most valuable customers for the business. These are customers who potentially will return to the company over a long time. The acquisition costs must be paid back, and it is proved that the break-even period is a year or more. Companies cannot aimlessly acquire customers without exploring their long-term value. Customers do not have equal value to the company, and those who are profitable for one company might be unprofitable for the competitors of this company.

The acquisition of new customers involves high costs, therefore effective CVM requires analytical capabilities to identify loyal and profitable customers for one specific company. A deep analysis of the existing customer base is the best source of intelligence. Such analysis should reveal invisible characteristics and trends influencing the value. Some customers might be treated as low-value customers because they make only small purchases, however the analysis of purchase frequency may show that these customers have made small purchases every week during ten years and their value for the company is much higher that it was expected. Thorough analysis helps to understand who are the best customers and why and to identify potential profitable customers. Examining the time and channels of joining the company by the customers can be beneficial as well. It helps to define which acquisition strategies should be repeated and which result in money loss (Pease, 2001).

Right relationships
Even with the best selected customers, managers need to develop relationships that bring value. For any business, right relationship is the one that maximizes customer’s lifetime value. Pease (2001) offers a simplified view of customer lifetime value:

\[ \text{Lifetime Value (LTV)} = \text{purchase size} \times \text{frequency} \times \text{duration} \]

This equation shows that the goal of CVM is to increase the size and frequency of purchases and extend the time during which the purchases are made. As far as the duration of relationships cannot be measured until it is over, loyalty measures can help to predict the longevity of the relationships. Customers tend to engage in long-term relationships with the companies that manage to satisfy their needs and to respond in a right way if the needs change.
For improving customer value companies have to understand the differences between their customers, and customers with different value should be treated differently. Regarding high-value customers companies should work on cementing their loyalty and extending the length of profitable relationships. The LTV for the customers who make regular purchases during ten years is much higher than for those who make purchases during five years. Customers who are not high-value at the time being might have a potential for growth in any part of value equation. Distinguishing these customers from those who will never grow is a serious analytical challenge. If a company does not manage to make this selection, it will waste resources on the customers who will never grow. Special attention should be paid to the customers who used to be high-value but have moved downward. As a rule these customers still have high value but this value is gained by competitors. In this case companies have to respond to the customers’ behavior quickly and work on restoring their value (Pease, 2001).

**Right retention**

Under right retention should be understood retaining the right customers not every customer. Customers with the highest LTV should be in the managers’ focus. The entire customer base can be hurt if managers spend resources on marginally profitable or unprofitable customers. Analyzing LTV helps to take a long view and treat in a right way customers who already bring high profits to the company and customers who make modest purchases but are loyal over time. The retention strategies must also be different. For example, loyal customers are less price sensitive; therefore they should be retained through incentives other than price, which can be special recognition and premium service.

CVM is a roadmap to acquiring, developing, and retaining the most valuable customers. It requires analytical capabilities and integrated customer intelligence. Although the challenge is significant, the reward is sustainable profitable relationships with the customers that are the most valuable asset in contemporary business environment (Pease, 2001).

**3.2.4 Creating customer value through customer satisfaction and service quality**

Since the business environment has come through a “quality revolution”, it is vital for the companies to provide service and products of high quality and to have satisfied customers. However, the issue is not that simple because the expectation levels increase with the raise
of quality in direct proportionality. In this case company’s efforts result in no change in satisfaction levels. Of course, satisfaction is based not only on the perceived quality, even in its broad sense, but on such factor as price as well (Evans, 2002).

**Customer satisfaction**

According to Kotler (2008) customer value and customer satisfaction are key elements for developing and managing profitable customer relationships. Since customers buy from the company that can offer the highest customer perceived value it can be difficult to attract and retain customers. On the other hand, customer satisfaction relies on the product’s perceived performance in relation to a buyer’s expectations. Higher levels of customer satisfaction lead to better customer loyalty, which results in improved company performance.

Gaining customer feedback is of great importance for a company since it allows the firm to know how satisfied the customer is with the promises. Receiving customer feedback enables the supplier to remedy occurring problems and change customer requirements and preferences if it is needed. Firms can benefit from customer feedback from three different types of customers. New customers provide information about the initial experience in cooperating with the supplier and information about how to convert new customers to established customers. Established customers, on the other hand, provide feedback about how well the supplier maintain and sustain the relationship with the customer. Ultimately, customers that have recently ended doing business with the supplier provide crucial feedback in what way the company failed to respond to the customer’s promise. Furthermore, they provide information about the capability of the supplier’s service recovery processes as well as potential problems in the supplier’s targeting and customer selection strategies (Anderson & Narus, 2003).

“Overall customer satisfaction represents a cumulative evaluation of a firm’s market offering, rather than a person’s evaluation of a specific transaction” (Anderson & Narus, 2003, p. 81).

Customer satisfaction can be measured in three ways, which include an overall satisfaction measure, a measure of the level to which an offering’s performance responds to the expectations, and a measure of the offering’s performance in relation to the customer’s ideal
product or service in the category. The precursor for overall customer satisfaction is customer expectations, perceived quality and perceived value (Anderson & Narus, 2003). Customers with low expectations who receive average service tend to have a greater level of satisfaction than customers who have high expectations and receive average service. Thus, quality is usually understood as a function of the gap between consumers’ expectations and their perceptions of what is delivered. Quality in areas such as advice, support and the value of personal contact between buyer and seller is of great significance (Donaldson & O’Toole, 2002). Consequences and effects of overall customer satisfaction are customer complaints and customer loyalty. Achieving overall customer satisfaction is a major predictor of economic return to the firm (Anderson & Narus, 2003).

Evans (2002) defines value simply as a ratio of perceived benefit to perceived cost. The author argues that any approach to customer satisfaction is condemned to failure if it does not recognize the concept of value and CVM, which is based on customer satisfaction incorporated with price and quality factors. Therefore, CVM measures not just customers’ satisfaction with a product or service, but besides relates this satisfaction to the price and perceived value.

“The customer value approach attempts to identify how people evaluate competing offerings - assuming that when they make a purchasing decision, they do so with “value” as a key driver” (Evans, 2002, p. 135).

From the quotation above it is obvious that for effective CVM it is not sufficient to measure only satisfaction with a company’s product/service, but it is crucial to evaluate value perceptions of competitors’ customers in order to make a comparative assessment of value within a particular market. The purpose of customer value approach is to identify how customers assess competing offerings, assuming that “value” is a key driver for their choice. Besides, this approach states that it is important to consider other non-price drivers of customer value in order to evaluate a competitive value proposition. As soon as these drivers are identified, it becomes possible to assess company’s performance according to customer perceptions and to understand company’s positioning within the market. Hence, CVM becomes crucial in organizational strategy because it improves understanding of customer satisfaction and helps to maximize value delivered to target markets, as well as to gain profitability and competitive advantage (Evans, 2002).
Service quality

According to Gummesson (2002) quality is understood as customer perceived quality, indicating that it is market oriented and concentrated on customer satisfaction. Quality management can either be approached externally from the market or internally from the organization. Mutually these approaches form the substance of total quality management (TQM).

Total quality management is described as “a management approach to an organization centered on quality, based on the participation of all its members and aiming at long-term success through customer satisfaction, and benefits to the members of the organization and society” (Anderson & Narus, 2003, p. 97).

To be able to meet and understand customer needs and maintain the competitive advantage nowadays, it is important to understand quality differently. Suppliers need to focus on quality in a wider perspective for adding value and enhancing the standard of the relationship. In order to provide better opportunities to operate in a relationship mode, it is important to recognize customers’ servicing needs and discover innovative ways to satisfy these needs and demands. Global companies are now trying to achieve economies of scale in service capability. Relationships are part of this development, since it costs less to serve repeat customers, and start-up costs are lower with new customers. At the same time word of mouth spreads a positive reputation, which diminishes costs. As a result, new perspectives in organizational culture are required, as well as embracing shared values and relationship orientation (Donaldson & O’Toole, 2002).

According to Bennington & Cummane (1998) almost 70 percent of customers who change suppliers are not unsatisfied with the price, product, quality or delivery; instead they have recognized an attitude of indifference from individuals within the supplier’s organization. For that reason, knowing how service quality is understood in the eyes of customers appears to be a crucial factor of business success. Generally, it is now agreed that value creation is what should be understood, measured and improved in order to understand what will make a difference to business success. Simultaneously, organizations need to be customer-focused in all of their activities.
Bennington & Cummane (1998) describes service quality as a major component of value which makes it possible for a company to maximize the benefits and minimize non-price burdens for customers. According to Groth & Dye (1999) additional value for customers is enhanced when companies succeed to deliver the perceived value of the service and quality of service. In competitive markets, customers have the right to compare, select and enjoy the value of services. However, customers in competitive environments are not buying a service to be kind; instead they purchase because the service and related quality of service offer the best perceived value. Understanding the customer’s needs is the foundation to be able to design service and guidelines for delivery of service. In order to reduce the perceived risk and increase perceived value in the customer’s mind, effective communication between the customer and the supplier is significant. Service quality makes it possible to use resources to complete human needs and add value for the customer, provider, and the economy.

Christopher et al. (2002) claim that in order to achieve total customer satisfaction and long-term relationships, integration between marketing, customer service and quality must be discovered. Marketing, customer service and quality inputs need to be viewed by the companies as the customers perceive them, as a piece of a seamless offering. Company collaboration and dialogue are important so that the organization can integrate inputs from different specialist functions. This is the only method to improve customer service and quality as well as to develop the internal relationships within an organization. The endeavor of integrating quality, customer service and marketing capabilities within the company should focus on keeping valuable customers and simultaneously win them. To be able to survive in volatile markets involves continuous improvements and innovation in order to get and keep customers.
In order to survive and achieve business success, companies have to understand what customer perceives to be the ideal service. At the same time it is essential to observe the company’s service from the customer’s point of view and have the ability to plan for changes in that service to respond to the customers’ changing situations as well as constantly improve that service (Bennington & Cummame 1998).

“The product may be the hero but service is the star” (Donaldson & O’Toole, 2002, p. 38).

3.3 Relationship Marketing

In general, business relationships have become more complex. Nowadays, there are far more ways for customers and suppliers to communicate with each other. Within business networks companies are interdependent and they are tied together by their relationships. Understanding customers and their problems are the main task of business marketing. In order to survive, each customer relationship has to be managed so it is beneficial for both the customer and the supplier (Ford et al. 2006). According to Christopher et al. (2002) a successful relationship demands that two or more parties learn from each other so the value exchange between them can be sustained and improved. Anderson & Narus (2004) argue that commitment and trust are two cornerstones when establishing successful relationships.
Within a relationship trust involves taking actions that will lead to a positive outcome for the other part as well as avoiding unexpected actions that can cause a negative result. On the other hand, commitment characterizes the perceived continuity or growth in the relationship between two firms.

According to Cunningham et al. (1996) relationships involve learned rules and norms of behavior. Relationships develop over time and several stages pass through characterized by increasing mutual adaption, reducing distance and increasing commitment. Relationships exist in a wide range of types and structures and the objective is to understand the nature of the relationships. To make sure that supplier-customer relationships evolve over time it is vital that both parts invest in the relationship. Furthermore, the investments and adaptation activities made by both supplier and customer can result in social and structural (economic) bonds that will be difficult to break. Ford et al. (2006) claim that business relationships is a company’s main asset. At the same time, relationships are costly for a company. The development of relationships requires investment of time, money and resources and they involve risk, uncertainty and dependence on others.

According to Christopher et al. (2002) the fundamental goal of relationship marketing is to maximize the lifetime value of a customer. By following the principle of maximizing customer lifetime value the organization is forced to realize that not all customers are equally profitable and at the same time identify the customers that can be more important to target in order to increase the profitability. Furthermore, companies need to form the relationships with several market domains or “stakeholders” if they aim to obtain long-term success in the marketplace. In other words, companies have to focus on marketing actions in multiple markets. It has been observed that multiple market domains can directly or indirectly influence a business’s ability to win or remain profitable customers. Another important characteristic of relationship marketing is that marketing has moved from being the only responsibility of the marketing department to becoming cross-functional responsibility.

“Marketing is too important to be left to the marketing department” (Christopher et al., 2002, p. 6).
The term customer service relates to the totality of encounters between suppliers and buyers and it enlarges the whole way from the pre-purchase stage of customer commitment, to the transfer of the offer from the supplier to the customer, and continuous through the life-cycle of usage. The main purpose of any customer service strategy should be to increase customer maintenance since retained customers are more profitable than new customers. Moreover, customer service is significantly important when it comes to cementing relationships. The defiant act to the organization is to focus on marketing, quality and customer service strategies from a more closely perspective.

Organizations are surrounded by several stakeholders. To be able to maximize customer and shareholder value the top managers of the company play a central role in managing these relationships. In order to compete successfully, in both domestic and global markets, companies must establish stronger bonds with their stakeholders and moving from a short-term transaction-oriented goal to a long-term relationship-building goal (Christopher et al., 2002).

According to Gummesson (2008) relationship marketing emphasizes customer loyalty. Usually the term is defined as an approach to develop long-term loyal customers and as a result achieve an increased profitability. The author defines relationship marketing as the “interaction in networks of relationships”. Competition and cooperation in the networks are not alternatives or opposites: firms cooperate to compete and compete to cooperate. The market is depicted in terms of strategic triangle of supplier, competitor and customer. The figure below shows this relationship and illustrates the role of cooperation in competition.
Suppliers strive for offering value or advantages to customers. “Customer advantage or value is in the eye of beholder; it is perceived value that matters, as perceived by the customer” (Wilkinson, 2008, p. 26). For customers to perceive value benefits must exceed costs. In a competitive market, suppliers compete with each other in order to provide customer advantage. However, in order to survive on the market they have to provide competitive or differential advantage. They need to offer greater customer advantage than the competitors do and customers have to perceive it. This is what is called “supplier advantage”. Supplier advantage is based on the resources the supplier has; and if the resources exceed the resources of the competitor, a supplier gets a resource advantage. It is recognized that the relevance and importance of different resources can vary in a dynamic environment.

Relationships can be a very important type of resource. An ability to develop, maintain, and adapt relationships is a vital capability for each firm. Therefore, Wilkinson (2008) extends the triad by adding cooperators as an element to the figure:
A source of competitive advantage of a firm depends on its collaborative advantage, which in part depends on competitive advantage. The ability of the suppliers and competitors to offer customer advantage depends a lot on the resources and knowledge they are able to retrieve from their relations and networks. Firms compete to develop relationships with the cooperators. And successful firms usually find willing cooperators easier than less successful firms.

Relations and networks are a part of firm’s resources usually considered in resource-based theories of the firm. The peculiarity of this type of resources is that they are not controlled by the firm, whereas they are co-produced via interactions over time, and there exist potential conflicts and communalities of interests. In order a firm could maintain valuable relations with cooperators; it must be able to offer value to the parties involved. The problem is that many types of stakeholders are simultaneously involved in meeting customers’ needs. Therefore, the interconnections among relations and how they occur are usually undermined. This decreases management’s ability to control resources contributing to the firm’s success. In order to overcome this problem, it is necessary to understand the nature and dimensions of market relations, how they operate, develop and evolve over time (Wilkinson, 2008).
Anderson & Narus (2004, p. 423) state that customer relationship management “is the bundling of customer strategy and processes, supported by relevant software, for the purpose of improving customer loyalty and, eventually, corporate profitability”.

There are two approaches described in referring to “relationship marketing” in literature. The importance of relations and networks has been recently emphasized by the scholars and it has been described from various disciplinary perspectives. In marketing, three domains of marketing teaching and research became the base for relationship marketing concept. These domains are industrial or business to business marketing (B2B), consumer marketing, and services marketing.

Consumer marketing has dominated the mainstream of marketing writing, and the term “relationship marketing” has derived from consumer marketing as well. The focus here is one-sided, as the seller is an active party on a market and an individual consumer is a target of seller’s attention. Marketing is viewed as something that is done to or for the consumer.

Relationship marketing is described as paradigm because it has shifted from the competing to gain customers to competing to retain customers. This shift occurred when it was realized that gaining new customers is far more costly than retaining existing customers. It is proved that loyal customers have additional value being a source of positive word-of-mouth advertising and can become customers for more value added products/services with higher margins. The main idea here is that sellers gain and retain customers in order to build a relationship with them. This one-sided perspective is contrasted with the one emerged from B2B context.

Consumer and services marketing are influenced by B2B relations, which include relations with distributors, advertising and research agencies, and complementary service and product suppliers. Consumer-focused writers tend to emphasize one-sided view here as well. They argue that the purpose is to develop partnerships or other types of cooperative relationships in order to gain and retain customers. However, this approach is too narrow-minded. It does not address non-cooperative relations and how they are managed, and it does not admit the role of other party in shaping, co-producing and co-regulating relationships and outcomes (Wilkinson, 2008).
3.4 CRM

Relationship marketing and CRM characterize the same fundamental thinking, but the concept of CRM is more commonly used nowadays. Gummesson (2008) claims that relationship marketing is the superseded concept for a new type of marketing and CRM is the technique how to manage customer relationships in practice. Furthermore, relationship marketing is regarded as being an antecedent to a paradigm shift in marketing. Kotler (2008) states that one of the most important concepts of modern marketing is CRM. The purpose of the CRM process is to build and maintain profitable customer relationships by delivering superior customer value and satisfaction. Furthermore, the process manages all aspects of acquiring, keeping and growing customers.

In order to operate successfully on the global market, organizations shift to a more customer-centric focus and are required to respond to customer demands effectively. The CRM model, being customer-centric by its nature, places customer needs as a priority and involves three steps:

1) Understanding customer completely
2) Aligning organizational capabilities to deliver high value to customers
3) Facilitating information both outside and inside the organization

A customer-driven culture requires from the companies many organizational changes. Real-time information flow across the entire enterprise is an operational necessity nowadays. Information should spread not only among internal resources but also to every part of organization’s value chain. This value chain includes extended supply chain encircling partners and contractors bounded with a well-linked delivery chain to customers. Organizations strive for “closed-loop” sales and marketing process, meaning that all customer relations are “closed” by those who have the first contact with a customer because it increases customer satisfaction and retention, enhances revenues and decreases costs. Among other advantages of closed-loop relationship can be listed the following: improved internal and external communication, long-term customer relationships, removal of multiple systems and contradictory data, and improved customer service. The closed-loop relation rests upon a foundation of data and therefore the entire sales process is flawlessly planned and executed. Knowledge should be available across multiple customer touch points. A possibility to access needed information from the sea of data gives a competitive advantage.
to a company. Knowledge has always been power, and today’s market conditions demand from organizations to spread this power throughout the entire company (Brown, 2000).

Through CRM systems managers have the ability to better distribute scarce marketing resources, synchronize operations, marketing as well as service efforts and update the value of relationship-specific market offerings. CRM enables management to collect customer data quickly, identify the most important customers, and offer customized products and services that could increase loyalty (Lambert, 2009). In order to keep relationships vibrant, the supplier must take advantage of using business networks (Anderson & Narus, 2004). Due to the competitive pressures, CRM has become an important business process (Lambert, 2009).

Brown (2000) argues that CRM has several advantages over traditional mass-media marketing. These advantages are listed below:

- Reduces advertising costs
- Simplifies targeting specific customers by focusing on their needs
- Gives possibility to track the effectiveness of a given campaign easily
- Creates competition for customers based on service, not prices
- Prevents overspending on low-value clients or under spending on high-value ones
- Speeds the marketing cycle
- Improves use of the customer channel

According to Lambert (2009) whether an organization succeeds or not depends significantly on the individual relationships that are developed with customers and suppliers.

“Successful CRM requires trust, willingness to share the necessary financial information to evaluate joint initiatives, senior executives who walk the walk, cross functional involvement and quick wins” (Lambert, 2009, p. 14).

In order to succeed with the CRM process, management needs to focus mainly on the process, the people and the procedures that make the technology effective. CRM should be positioned in a broad strategic context and be consistently implemented throughout the
Theoretical Framework

organization to facilitate the development of mutually beneficial business relationships. To gain maximum results it is vital to involve all business functions in the relationship (Lambert, 2009).

The CRM process has been divided into two parts, the strategic process and the operational process. The strategic process involves the structure for how relationships with customers will be developed and managed. Within the operational process segmenting customers and implementation take place (Lambert, 2009). According to Brown (2000), effective implementing of CRM program requires five elements, which are: strategy, segmentation, technology, process, and organization.

Six types of strategy can be distinguished: channel, segmentation, pricing, marketing, branding and advertising. The first three of them - channel, segmentation, and pricing- have the greatest impact. Channel strategy determines how the offer is conveyed to the customer. Segmentation strategy determines the structure of the client baser and marketing organization. Pricing strategy is the greatest differentiator on the commoditized market and determines more than half of the offer value.

As far as segmentation is concerned, it is used to consider the value of the customer to the business. For the effective use of segmentation, organizations have to develop the right algorithms for modeling customer behavior. Algorithms need to be properly tested to guarantee appropriate categorization of the prospects.

Then, technology aspect should be considered. The CRM process depends on data. The most important technical deliberation is to create a single, operations-focused, integrated logical database. Other essential elements include software for database, data mining, decision support, and campaign management tools, and call center software and hardware. The set up of the databases is the biggest technology problem for many organizations. This process is not only time-consuming and expensive, but it is often difficult to reconcile as well.

The next element of setting up CRM is identification of the processes involved in the implementation. The task is not inherently difficult, the problem is hidden in gaining organizational buy-in, developing measurements to assess the effectiveness of new processes, and implementing technology to support and enforce its use. CRM process is not
overly complicated, but it emphasizes speed to market. Considering this, it is interesting to mention that problems that arise are usually attributed to the failure to measure and evaluate the process itself.

The most overlooked element of CRM implementation is organizational structure. It is important that all departments in the organization work together. Common effort is essential in forming metrics that reflect the new process and the collaborative nature of CRM (Brown, 2000).

3.4.1 Strategic Framework for CRM

Payne & Frow (2005) argue that CRM can fail if company employees are not committed to the initiative. Therefore, employee engagement and change management are crucial for the implementation of CRM. The CRM concept derived from information technology in the mid-1990s and was usually used to describe technology-based customer solutions, for example sales force automation (SFA). In academics the terms CRM and “relationship marketing” are used as synonyms; however CRM is more commonly used in the context of technology solutions. The main problem the majority of the companies adopting CRM face is the confusion about what constitutes CRM. An organization views the tool from a limited technology perspective or has fragmented understanding of it. There are three perspectives for CRM definition. Narrowly it can be defined as a particular technology solution (Perspective 1). A little bit broader definition can be referred to as a wide range of customer oriented IT and Internet solutions (Perspective 2). A more strategic and holistic approach to CRM focuses on the selective management of customer relationships in order to create shareholder value (Perspective 3). The CRM continuum figure illustrates these perspectives:
It is proposed that in any organization CRM should be positioned in the broad strategic context as Perspective 3. The reason for this proposition is that from a strategic viewpoint, CRM is not just an IT solution used for acquiring and growing customer base; CRM emphasizes synthesis of strategic vision, corporate understanding of customer value in a multichannel environment, utilization of the appropriate information, and high-quality operations and service. Payne & Frow (2005, p. 168) developed a definition of CRM based on the analysis of the related literature and Perspective 3 components:

“CRM is a strategic approach that is concerned with creating improved shareholder value through development of appropriate relationships with key customers and customer segments. CRM unites the potential of relationship marketing strategies and IT to create profitable, long-term relationships with customers and other key stakeholders. CRM provides enhanced opportunities to use data and information to both understand customers and cocreate value with them. This requires a cross-functional integration of processes, people, operations, and marketing capabilities that is enabled through information, technology, and application.”

This definition becomes a basis for the creation of the conceptual framework for CRM. The framework can be characterized by five generic processes, which are: (1) strategy development process, (2) the value creation process, (3) the multichannel integration
process, (4) the information management process, and (5) the performance assessment process.

Strategy development process consists of company’s business strategy and its customer strategy. Business strategy should be considered first and it starts with the review of a company’s vision regarding CRM. Next an industry and competitive environment should be reassessed. This is usually the responsibility of the CEO, the board, and the strategy director. After they review the business strategy, marketing department can start working on customer strategy. Customer strategy includes revising existing and potential customer base and defining the most appropriate form of segmentation. This analysis has to provide a clear platform for development and implementation of CRM activities.

Brown (2000) develops this approach and states that in order to act strategically an organization needs to be aware of customer loyalty and profitability. Based on this, the further development of loyalty and lifetime value for individual customers can be created. There are four basic situations in a customer relationship distinguished. First, the customer is loyal and profitable: the enterprise focuses on deepening the relationship. Second, the customer is loyal but not profitable: the enterprise has to maintain relationship and secure loyalty because the customer may still become profitable. Third, the customer is profitable but not loyal: the enterprise should focus only on strengthening relationship. And fourth, the customer is not loyal and not profitable: the enterprise should consider giving the customer to the competitors. On the four-quadrant model below, the Y axis represents degree of loyalty, and X axis stands for profitability. The process of moving towards strategic CRM starts with the courtship: lower left quadrant. As the customers are acquired, loyalty and, in turn, dependency are created, the company moves to the top right quadrant. However, the customer is price sensitive and influenced by advertising, marketing, and promotions. And as relationship is growing, there is a movement towards improved loyalty and creation of value. Mutual benefit is achieved and a reward mechanism is operational (top left and bottom right quadrants).
The segmentation model can be used during the entire CRM campaign where loyalty and profitability are the names of axes throughout the process. Thus, loyalty and profitability change throughout time, as does the character of initiatives the enterprise takes up (Brown, 2000).

As soon as the basis for the CRM is identified, a value creation process can be started. The process transforms the results of the strategy development process into programs that extract and deliver value. The value creation process consists of three elements: determining what value a company can provide for its customers, determining what value a company can receive from its customers, and finally, maximizing the lifetime value of desirable customer segments. The last element is created via successful value exchange of the first two elements, which involves co-creation and coproduction. Value creation process is an essential part of CRM because it explains what value can be received by an organization, including the potential for co-creation.

Next the multichannel integration process follows. It is one of the most important processes in CRM implementation as it combines business strategy and value creation processes and transforms them into value adding activities with customers. The multichannel integration process is focused on the determining of the most appropriate combination of channels to
use; on methods to ensure customers’ pleasant interaction with these channels and options for tracking customers’ interaction with more than one channel. Company’s ability to manage multichannel integration depends on the organization’s ability to collect and organize customer information from all channels and to integrate it with other relevant information.

The information management process is needed to generate customer insight and appropriate marketing responses. It can be achieved through collection, collation, and use of customer data and information from all customer contact points. There are four key material elements of the information management process. The first element is data repository, which provides a powerful corporate memory of customers. Second are IT systems, which include the organization’s computer hardware, software, and middleware. Then, analytical tools are implemented for effective use of data in order to discover meaningful patterns and relationships. Finally, front and back office applications are needed to support direct interfacing with customers and manage internal operations, administration and supplier relationships.

The last generic process required for the strategic CRM framework is performance assessment process. This process ensures that organization’s strategic goals regarding CRM are achieved according to the standard and the basis for future improvement is developed. This process can have two dimensions. Firstly, it can provide macro view of the relationships that drive performance in general. Secondly, it can provide more detailed, micro view of metrics and key performance factors (Payne & Frow, 2005).

3.4.2 Potential Pitfalls and Unknowns in CRM Implementation

Brown (2000) claims that in order to implement CRM strategy successfully, an organization cannot rely solely on system solution. Even if customer strategy, channel and product strategy is taken into consideration, without a properly designed and employed infrastructure strategy success is not achievable. There are many possible pitfalls in implementing CRM. Why do things go wrong sometimes and companies do not get expected results? The main reasons for this are: anchoring (CRM project should be anchored within a high level of organization and outside the IT department), resource needs (resources needed for the CRM
implementation are often underestimated), unrealistic expectations, and lack of sufficient training (end users need to be properly trained and instructed).

Successful implementation needs a strong business focus to ensure change in processes, organization, people and culture. If work conditions are left unchanged, an introduction of the system can hardly bring any improvements. The equation below illustrates the problem:

\[
\text{NT} + \text{OO} = \text{EOO}
\]

\text{New Technology + Old Organization = Expensive Old Organization}

Keeping to the old way of doing things gives marginal improvements. Therefore, changes of processes, organization structure, people and culture are necessary (Brown, 2000).

According to Boulding et al. (2005) the CRM objective is to create dual value, both for the customers and the firms. However, many firms are concerned only about creation of personal value when implementing the system. In economic terms it can be said that firms use CRM activities to extract consumer surplus. Perceiving this, customers might modify their behavior. This assumption leads to the proposition that firms need to consider carefully the issues of consumer trust and privacy in order to implement the system successfully. The firms collect customer information during the transaction or the customers provide this information themselves. Firms possessing this information usually perform better on the market. However, providing this information might be not in the customer self-interest. Customers modify their behavior and act strategically. Such behavior produces incorrect data and reduces firm’s value share. As more customers realize that a firm uses CRM strategically, the less trusting of firm’s behavior they become. As a result the issues of consumer trust significantly undermine CRM activities. If customers lose trust and consider that their data are used for exploiting them, they will try to keep their data private or to distort it.

Another proposition for successful CRM implementation is considering issues of consumer fairness carefully. CRM creates a potential for differential customer treatment and from the customer perspective it might be unfair. Customers have expectations how they should be
treated by the firm, and if their expectations are higher than the actual treatment, it’s easy for them to switch to the competitors where they will get a better service according to their expectation. Therefore, customers believe, which form their expectation, influence a firm’s performance a lot. This condition makes it easy for a firm to cross the line in terms of what customers consider unfair. Thus, companies must take great care of monitoring and managing customer perceptions of fairness.

Also, Boulding et al. (2005) state that incomplete use of CRM metrics can be a threat to developing core rigidities leading to a long-term failure. As it was mentioned above, one of the key components of CRM is a good measurement process. However, most of the measurement systems are outcome measures and they are not directly linked to the dual value creation process. Hence, it is crucial for a company to design measures that are connected with dual value creation processes and give the company an opportunity to understand the drivers of value and guarantee long-term success. CRM enables a firm to collect a lot of measures, and it is important that these measures connect to the current and future value creation process. This is the key to the enhancement of innovation activities and competitiveness of the firm over time.

Moreover, it is argued that successful implementation of CRM requires firms to incorporate knowledge about competition and competitive reaction into CRM processes. Companies should not be either customer focused or competitor focused, they should be market focused. That means, companies should focus on customers, competitors, and company capabilities. Nowadays, the question is how competition should be integrated into CRM. It is assumed that failure to include competition into CRM potentially puts it at risk.

Besides, effective CRM implementation requires coordination of channels, technologies, customers, and employees. It is noticed that employees are paid little attention in the implementation of the CRM activities. It is essential to address the role of employees and their involvement in the gathering of customer data and to show them how it positively influences the firm’s performance.
3.5 Summary

The research is focused on CRM and the benefits it brings to the company and to the customer. The following model is developed to summarize the theoretical chapter and serves as a framework for the understanding of the research question.

![Theoretical Framework](Lindström & Polyakova, 2010)

- **Satisfaction:**
  - A key element for developing profitable customer relationships
  - Feedback is a clue to satisfaction
  - Customer satisfaction measurement includes customer expectations, perceived quality and perceived value

- **Purpose:**
  - Building & maintaining profitable customer relationships by delivering superior customer value & satisfaction

- **Strategic framework:**
  - Strategy development
  - Value creation
  - Multi-channel integration
  - Information management
  - Performance assessment

- **Keys to success:**
  - Don’t solely rely on the system solution
  - Focusing on customers, competitors and company capabilities
  - Coordination of channels, technologies, customers and employees

- **Loyalty:**
  - Loyal customers are a scarce resource → source of value

- **Profitability:**
  - Relationships are a key profit gainer
  - CVM → raises aggregate value of the customer base

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Figure 10: Theoretical Framework, developed (Lindström & Polyakova, 2010)
According to the model above, the purpose of implementing the CRM tool and philosophy is to bring customer value. From the theory analysis it is known that there are two approaches for identifying customer value. The first approach determines how much value a customer brings to an MNC, while the second approach recognizes value perceived by customers of an MNC.

In order to make customers perceive value delivered by the company their satisfaction with the product and service should be increased. It helps to create high value and a loyal customer base. For this reason an MNC should strive for increasing service quality and CRM is a tool to reach this goal. The CRM tool helps the company to get all necessary information about their customers and based on this information each customer can be approached individually and provided with a service which satisfies particular needs of a customer.

On the opposite side of the model is an MNC, which gets value from its customers through acquiring and keeping loyal and profitable ones. However, these are marketing channels (dealers, wholesalers, franchisers) that have direct contacts with the customers. Therefore, implementation of CRM has direct influence on their work. A company that works as a marketing channel should know how much value each customer brings and use this information for customer segmentation. Segmentation helps companies to distinguish between high and low value customers and promote low value customers to high value ones. Besides sales increase, CRM improves the quality of the relationships between all the parties within the model.

The model illustrates how CRM influences all the players involved in the sales process and what benefits each actor gets and the interconnection between them. Furthermore, the model includes the main theories covered in the chapter and serves as a starting point of the empirical study.
This chapter represents the findings of the empirical research. First, the case company is introduced. Second, the information gathered during the interviews regarding CRM project implementation issues is performed. In this part the opinions of company management, its dealers, and independent consultants are stated. The final part of this chapter covers the findings regarding marketing issues in a context of CRM.
4. Empirical Study

4.1 Volvo CE Region International within Volvo Group

The Volvo Group is one of the leading providers of commercial transport solutions offering its customers such products as trucks, buses, construction equipment, engines and drive systems for boats and industrial use, as well as aircraft engine components. Also, the Volvo Group is a provider of financial solutions. The Group employs 90,000 people, has manufacturing facilities in 19 countries, and sales activities almost in 180 countries. Keeping a customer focus the strategy of the company moves towards product renewal and internal efficiency, what should lead to secured competitiveness and improved profitability.

For Volvo Group the year 2009 was very dramatic. As far as in most of the company’s markets and extremely sharp downturn occurred, Volvo Group had to take some critical measures in order to adapt to the situation and to reduce the Group’s costs that they matched lower demand. After the crisis in 2008 the demand remained low during most of 2009. However, by the end of the year an improvement was recognized in some markets (Volvo Group Annual Report, 2009).

Volvo CE is the world’s leading producer of articulated haulers, wheel loaders, excavators, road construction equipment and compact machines. Volvo CE’s products, services and spare parts are offered in more than 125 countries. Observing the last years’ tendency the total world market for heavy, compact and road machinery equipment decreased by 39 percent compared to 2008. In Europe the market dropped by 50 percent and in North America by 49 percent. However, the Chinese market was characterized by 25 percent increase while Asia as a whole declined by nine percent. The operating loss occurred due to sharp drop in sales with low cost coverage in the production. Also, the operating profit was influenced by lay-off related costs, restructuring of operations and inventory write-downs. The company and dealer inventories were reduced by 47 percent during 2009, what resulted in an inventory balance at the end of the year. Besides, a number of activities focused on improving efficiency within the company were carried out.

Volvo CE’s ambitions for the year 2010 include secure market penetration and product adaptation in BRIC countries (Brazil, Russia, India, China), prioritization of hard and soft products for new markets and customer segments, increasing the use of telematics in
Empirical Study

products, as well as optimizing the industrial footprint to become more efficient in production and development. Also, the company plans to continue the development of the synergies between Volvo CE and the Chinese wheel loader manufacturer Lingong (Volvo Group Annual Report, 2009).

4.2 Project Implementation

In this part of the chapter all the issues regarding project implementation, application and outcome evaluation are covered. In particular the focus is made on organizational readiness, purposes for starting a CRM project, status of implementation, and mapping and addressing roles within the process. Besides, challenges and the ways to avoid pitfalls while implementing CRM are studied. Finally, benefits and measures of success are introduced. For all these parts two types of information sources were applied. First, the general information on the subject relevant to Volvo CE was gathered from the consultants experienced in the field of study. Second, Volvo CE management and two owned and two independent dealers were interviewed. Since Volvo CE has just started working with CRM, the information from consultants is used as a background for the research.

4.2.1 Before Starting the Project

Consultants’ opinion

There are many different definitions around CRM. However, they all have one thing in common and that is customer centricity. That is why Costello’s (2010) definition states that CRM places the customer at the centre of the business strategy thereby increasing customer satisfaction, sales and profitability. It is important to point out that CRM is a business solution and not an IT solution and it needs to be driven by the business and fully synchronised with the business strategy. Costello (2010) argues that the goal of CRM is to ultimately support the various business strategies/objectives in the areas of Sales, Marketing and Customer Service and provide a positive return in terms of sales, profitability and customer satisfaction. Within the general industry, CRM can be categorised broadly under the headings of Sales, Marketing and Service. Almost all vendors discuss solutions to support a business with their sales, marketing and customer service challenges:
• Sales Area: Within the CRM sales area, generically speaking, the focus is on sales organisational aspects, team and territory management; sales lead/opportunity management, key/customer account and activity management. Various solutions support the need of executives, management and sales personnel in terms of forecasting and sales reporting. These solutions improve productivity and efficiency within the business.

• Marketing Area: Within this type of area lie solutions that can help make data being like ‘gold’. Solutions support segmentation, lead/campaign generation/management and ultimately support business growth activities and customer retention strategies.

• Service Area: Again generically speaking, solutions are available to support all aspects of customer service, from call centres, helpdesks, helping business track problems/complaints and get quick solutions and at the same time drive customer satisfaction improvements and sales growth possibilities (Costello, 2010).

The CRM consultant of “Lineservice” Consultancy Company states that “CRM is a strategy of running a business, according to which a company directs all its activities to creating mutually advantageous and stable relationships with the clients”. Managing relationships with the customers includes designing a conveyor for gaining new clients and minimizing human factor. In order to make the strategy work, a CRM system is needed. The CRM system is an information system, which provides interaction of all departments defined by the CRM strategy.

4.2.2 Organizational Readiness

Consultants’ opinion

According to Timofeev (2010) before starting the implementation process, a company has to decide if it is ready for this. Therefore, the major question that should be asked is: Are the customer needs of prime interest to the company? If the answer is “yes” and a customer is a priority, all business processes of the company must be built around the customers and after that the CRM tool can be implemented. First, a company has to define its attitude to the customer; whether a customer is in the center of the company’s operations. Second, a situation requiring changes is created: A + B + C > D, where:
A- Dissatisfaction with the current situation  
B- View of “the better”  
C- Knowledge how to make the first step  
D- Price of changes, sacrifices (resources)

If the company realizes that dissatisfaction with the current situation, clear view of the better future situation and awareness of how to begin the process overweighs the sacrifices for the initiation of the project, it can move forward on the way to CRM implementation. Third, the purposes should be defined clearly and the following questions should be answered:

- Why do we do this?  
- Why aren’t we satisfied with the current situation?  
- What is needed to be changed in the business process?

*The purposes should be achievable and concrete.* Clear purpose definition in numbers is a key to the project success (for example to increase the percentage of closed transactions by 20 percent) (Timofeev, 2010).

Preceding implementation of an automotive CRM system a company needs to develop a customer-centric view, which can help to attract, develop, and retain valuable life-time customers. It can be achieved by delivering unprecedented customer experience through enhancing buying and ownership experience and leveraging customer information for a positive customer experience. For this reason a customer oriented culture needs to be developed. “*A passionate customer focused culture that fosters relationships assumes respecting customers’ time, their interests, their individuality, and their privacy*” (Costello, 2010). Thus, CRM is an extremely helpful tool for providing 360 degree unified view of the customer and, consequently, competitive advantage for the company.
Such view provides single unified face to the customer regardless of channel and fosters seamless, collaborative process with dealers. Then, dealers’ view of the world can be described as “one customer - one business” and mutually beneficial business relationships that build trust and deliver business results are created.

Costello (2010) confirms that “Before starting the CRM project a company needs a clear strategy with a long-term vision and concrete goals. The strategy can vary depending on the scope of the project, e.g. whether the company wants to use customer information within a particular market or globally”.

The primary purpose of the CRM project is to increase effectiveness of the business. As far as the primary users of the tool are sales people, the sales department should focus on the following goals: sales volume increase by increasing loyalty and increasing number of transactions; sales quantity increase by increasing number of contacts, decreasing of time required for a transaction, and increasing number of transactions; and finally, expenses decrease (Timofeev, 2010).

4.2.3 Volvo CE’s Current Position on the Roadmap

Consultants’ Opinion
In order to understand how far Volvo Group has come on the way of CRM integration in its business processes, an overview of the CRM evolution is needed. Basically, CRM is nothing new, it’s been around for the best part of 20 years and gone under the name of many
different headings, for example Contact Management. Initially it started out in the early 90s and was more a tactical tool, very departmentally focused with little integration to the rest of the business or customer visibility. Also, user acceptance and user friendliness was quite poor. However, by the mid-90s scalability, integration, functionality and user friendliness had improved. By the late-90s more connectivity to customers, suppliers and general business partners via the internet was starting to evolve. Later on, in early 2000 customers were beginning to access organizations via multiple channels and this then required further capability from CRM systems. At the current stage CRM is more driven from a business strategic and customer centricity perspective looking to address industry verticals and full integration. An alignment with CRM technologies, solutions, strategies and the “customer concept” can be observed. The following figure shows the evolution process of CRM in a very detailed way.

![Evolution Process of CRM](image)

Figure 12: The Evolution Process of CRM, Costello (2010)

The model gives a general view of the CRM development process. Usually each company implementing CRM goes through the stages represented in the figure. Volvo Group is at different stages of CRM evolution now due to a big variety of Group companies and markets they cover (Costello, 2010).
4.2.4 Purposes for Starting CRM Project

Volvo CE’s opinion

Management
The main reason why Volvo CE wants to implement a CRM tool and philosophy is the following: a need to improve the process of helping dealers to develop the way they do business. “Although the dealer knows the market better than the HQ, the order of delivery process should be controlled; logistics and dealer management process should be connected; order process needs to be fixed” (Thörngren, 2010). Also, better customer focus is needed in general and more strategic planning by sales management to reach new customers is required. More tactic planning to use sales persons time efficiently is necessary as well as better administration of all events in the sales process. In this way Volvo CE can focus on a value adding process together with the customer (Larsson, 2010). The tool to work with these issues in a structured way is needed.

Today, there is no tailor-made solution to offer the dealers. The initial idea where CRM has to lead the company is a tailor-made solution reusable for different types of dealers. Now the focus is made on analyzing dealers to produce the template. The recommendation is based on the roles needed for this solution (who needs to be involved) and the sales process (what steps it has and how they look like) (Thörngren, 2010).

Dealers
From the interviews with Volvo CE dealers it was found out that the purposes of the CRM implementation vary from dealer to dealer. There are many factors that create a necessity for initiating a CRM project. In Finland the CRM system was implemented in order to have a better control of the machine population. By now, the dealers in Finland have come to the step of using CRM for after sales campaigns through emails (Söderlund, 2010).

The main purpose of the CRM implementation in Chile was to simplify customer management process and to have better control over the customer base and sales people who work with the customers directly. The system is completely implemented including sales schedule, control, and a management model (Galleguillos, Rios & Venegas, 2010).

In Russia they set up several goals they wanted to reach by the project. First, they wanted to move to a new CRM platform which was more flexible and helped them to develop the
earlier CRM version. Secondly, they aimed to collect quality information about the customers, to build a customer database. The previous one was a mess of data and no clear information. Another goal was to develop the old CRM tool and further extend the processes in the new version (Beskibalov, 2010).

In Turkey the prime purpose of the CRM implementation was to increase sales. However, the Turkish market is very sensitive; it is increasing and decreasing dramatically the whole time. “During crisis time it is especially important to find a solution to be close to the customers and never lose them” (Celkan, 2010). Proper customer segmentation is considered to be a competitive advantage of the dealer in Turkey. If the sales strategy is build upon customer segments, it must lead to increase in sales, as every customer can be treated individually (Ertur, Polat, 2010).

4.2.5 Implementation Stages

Consultants’ Opinion
During the “CRM Round Table” the leading consultant of “Lineservice” stated that complex CRM project consists of five major steps. However, each project is tailored individually for a company; thus, some steps might be omitted depending on the case. The steps were defined as followed:

(1) **Searching conference.** At this stage CRM is defined within the company context: what departments it involves, what is the company’s need, what problems it has and their priority. People involved here are CEO, top management, marketing specialist, and business analyst. The participants should understand the CRM role in the organization, the purposes of implementation, define participants of the working (project) group, and understand the need for changes. Then, the project can be started quickly and effectively.

(2) **Analysis and design** (exists only if a company cares about the philosophy implementation, not only tool implementation). The stage includes analysis of the current situation and development of the future solution, definition of the factor tasks and development of their solutions, comparison of the existing model to the referring CRM model, preparation of the optimum model, and the plan of implementation.
(3) *Business consultancy* helps to develop the CRM model on strategic, tactic, and operational levels, as well as to develop an action plan.

(4) *Implementation* process includes technical customization of CRM, technical set ups, integration with the other systems used in the company, development of the working regulations for the use of CRM in the company and learning how to use and employ the system.

(5) *Audit of the project - what was achieved?* This is the final step when quantitative and qualitative evaluation of the degree to which the purposes of the project were achieved is conducted, analysis of the effective investment and achieved results is done, and the future vision is designed (Timofeev, 2010).

Costello (2010) is convinced that Volvo CE can learn on the example of CRM deployment in automotive industry, since they are 15 years ahead. The need is to realize the benefits and go beyond them. A huge area of focus is on creating a unified face to the customer regardless of channel (dealer, salesperson, phone call, email, and web). The need to drive out the silo culture typical of the automotive industry is being addressed through creating customer centric culture and activities. Besides, business processes ‘end to end’ all the way through to dealers are being optimized/automated to support joint business goals. Therefore, CRM is becoming a core competence in the drive for competitive advantage. “Today CRM is a strategic weapon in helping to enhance customers buying experience” (Costello, 2010). Automotive CRM strategies and their implementation are multi-year programs. A CRM journey can start in any of the sales, service, or marketing domains. Automotive industry is now accelerating adoption of and realizing returns from CRM programs. Volvo CE is in need of such a program in order to build on the success it has today.

As it was mentioned before CRM implementation is a long journey (10+ years) and it is very important to start with high win/low complexity project initiatives and gather momentum from there. There is an old joke: “How do you eat an elephant? - One bite at a time!” With the CRM implementation it should work in the same way, it needs a “step by step” strategy. “All or nothing” approach is not applicable in this case and “big bang” is not the answer. The impact of a CRM solution may be felt elsewhere in the organization, not necessarily in sales or marketing departments (Costello, 2010).
**Volvo CE’s opinion**

**Management**

If to consider the stages described above, it can be said that Volvo CE is moving from the second to the third stage. “The process has started with the preparation of the CRM template designed for the owned company’s dealer in Turkey. Today this template is used as a guideline for the further steps” (Thörngren, 2010).

**Dealers**

In Chile they have been working on implementing a CRM system for ten years. They bought a system five years ago and the last two years they have been running it. “The CRM system is rather advanced today and many tools are implemented within the system”. Since the Chilean company is rather experienced in the field by this time, an implementation of CRM system from the scratch with a detailed plan would take six month to fully implement (Galleguillos, Rios, Venegas, 2010).

In Russia they have been working with implementing a CRM tool since 2005. At the moment they are working with the third version. A project plan was necessary, but it was significant that the plan could be changed and corrected easily. During the time, they have collected information and gained experience how to improve the plan. There is no need to look at the previous versions, because the latest project was done from scratch. However, it is of importance to learn from former mistakes and see how the new version can be improved and further developed. Officially, they started with the last version in the middle of September 2009. They are still in progress and add functions to further develop and improve the tool. The plan is to finish the project in the middle of May, 2010. To launch an offline version of the CRM system in the nearest future is also prioritized in order to make it easier to get access. Regarding the future development of CRM within the company in Russia, they have many plans and options what direction to move. The choice of options depends on other software system like DMS (dealer management system), sales system and spare part sales system.

“We would like to extend the CRM tool for marketing activities and to have a marketing functionality available in the system” (Beskibalov, 2010). Furthermore, they would like to get information about machine status such as who is the current user of the machine, how many repairs are made and how many working hours. Moreover, it would be advantageous
to get information about the total profit from the customer (machines, spare parts and service) and additional information concerning the customer collected from other systems (Beskibalov, 2010).

In Turkey, they started with the CRM implementation in June last year (2009). It took six months to fully understand the process. They have distinguished three different phases and they are in the first one now. The first phase involves implementing sales and customer information as well as segmentation and logistics. They aim to combine CRM rules and company rules. To implement a CRM system, much time have to be invested in the project. Two persons have been working with the project implementation every day, eight hours a day during six months (Celkan, 2010). At the moment, they have already worked with the system in almost one year. They are still not finished, but now the first stage is completed and they expect one more year before they have fully implemented the tool (Ertur, Polat, 2010). A CRM system never ends since the tool can be updated all the time. They plan to finish the project in 2011, but the project will not be over at that time. “To have a detailed project plan is not an alternative in Turkey. Detailed planning doesn’t work within the country. It is rather more important to talk with people and understand the program and at the same time implement. On the other hand, plans for the dealers work very well” (Celkan, 2010). The most important thing is to train all the employees. Meetings should bring up everything, because without planning the implementation might fail. Customer information is very important and must be updated (Ertur, Polat, 2010). In terms of future development in Turkey, they plan to use a LDS (local dealer system) together with the CRM system. The combination will imply more detailed information about the customers such as habits and interests (Celkan, 2010). Another thing they want to improve is that all employees should be involved in the project and have updated information in order to sell more (Ertur, Polat, 2010).

4.2.6 Mapping and Addressing Roles within the Process

Consultants’ Opinion

Volvo CE realizes the importance of a detailed project plan for the implementation process, which should include time plan, costs for implementation as well as supporting and developing activities. However, the company does not have one. Therefore, a lot of responsibility is put on people involved in the project. Costello (2010) argues that the most
important people for the project are those who touch the customers, meaning sales people, sales manager, dealer manger, and regional staff. “One of the fundamental issues is mapping and addressing roles within the process. The main people involved in the project are those who have direct contact with the customers: sales persons and sales manager” (Costello, 2010). A sales person is driven by the desire to sell total solutions easily, manage customers and earn good commissions. It can be achieved by defining clear targets and responsibilities and developing 360 degree view of the customer. It helps to access all relevant information and conduct up selling and cross selling processes. The goal can be accomplished with the supporting integrated systems that provide automated analysis, reporting and forecasting. Regarding a sales manager, s/he wants to manage sales force easily and achieve customer satisfaction, as well as sales and profit targets. The aim can be reached thorough sales planning and budgeting, territory management, segment targeting, detailed account planning, sales analysis, sales force performance management, competence development planning, automated reporting and forecasting.

Timofeev (2010) states that formation of the right implementation team is critical for the success of the project. According to this source the team should involve CEO, project manager, CRM coordinator, and specialists in the field. CEO defines the purposes of the project and makes decisions. Project manager leads the project and is responsible for the result. CRM coordinator is a specialist in the field of the CRM who works on the project development and implementation from the very beginning and continues to work on it after the system is set up. Specialists in the subject field are people who use the system (for example sales and marketing managers).

**Volvo CE’s Opinion**

**Management**

Thörngren (2010) mentions management and top management (vice president, marketing director) as the most critical individuals for the project. Then, managers and sales mangers know that the project is supported from the top.

The other source confirms that implementation process requires teamwork at all levels. Volvo CE’s TOD team has started implementing CRM at a regional level. In Russia and Turkey there are also teams formed. General manager, sales managers, aftermarket managers, sales men and IT manager are considered to be the most critical individuals for
the project. The main responsibilities of the people listed above are giving input on needs and issues in the beginning, testing pilot solutions, providing training to other users and proposing developments in process and system (Larsson, 2010).

Dealers

The dealer in Finland mentions that in order to implement the system completely, there should be a person in charge of it who can work on the project full-time during two years, for example specially assigned CRM manager. In general, management is critical for the project, as it supports and directs the process. Also, it is crucial to involve people from sales and after sales departments, as they are the ones who use the system. They have to be creative to get the best possible layout and information fields for CRM. IT specialists are needed on a certain stage, but they do not participate in the entire process (Söderlund, 2010).

To get the best outcome of the project it is crucial to involve the right people. In Chile they have recognized the importance of involving the following key players: a machine sales manager, someone in charge of after-sales sales, a person in charge of parts and service, a salesman as a user and two people from the back-office, one from the stock-control and one from invoicing (Galleguillos, Rios, Venegas, 2010).

In Russia they have experienced that the project must be driven by a project manager. To get clear directions from the management is very important. Generally, it is critical to involve all the people that support the users. “The identified users depend on the CRM scope, if it is for the marketing department, people from this unit needs to be involved” (Beskibalov, 2010). Moreover, a project team has to be involved as well as end users since they have to verify and evaluate the system. However, it is the project manager who must coordinate everything. If the back-office is involved in the project, they should be in the team as well. The project team must be flexible and ready to changes in order to meet the requirements. Additionally, the responsible person for the customer database, the one who maintains problem list, price list, and support users need to be involved as well (Beskibalov, 2010).

To build a productive implementation team, the Turkey dealer finds very important, since it requires extra work for all the employees in the beginning (Ertur, Polat, 2010). In order to get the best outcome of the CRM implementation in Turkey they established two teams: one management team and one CRM key users team in order to have leaders in all the involved
departments. “It is critical to get clear directions from the management to achieve a successful implementation” (Celkan, 2010). In Turkey, they have experienced that a CRM project manager is fundamental, a CRM project sales manager plays an important role as well, having an after sales manager and a soft product manager are also critical. Finally, the key-users play an essential role (Celkan, 2010). The key users, in every department, must know about the CRM system. Having meetings within all the departments with the CRM managers is important in order to be familiar with the system. However, it is critical that all departments should have the same routines (Ertur, Polat, 2010)

4.2.7 Meeting the Challenges

Consultant’s Opinion
Implementation of the CRM tool and philosophy is a challenging task. For Volvo CE this challenge is in finding the balance of trying to have a common strategy for different markets. As far as Region International covers many diverse markets there should be a strategy trade-off between being customized for several markets or a single solution for the entire region. Another challenge can be sponsorship, especially taking into consideration that Volvo CE does not invest in the project and this is dealers’ responsibility to finance it (Costello, 2010).

However, these pitfalls can be avoided if competitiveness of the project is ensured and the balance of information is found (Costello, 2010). “Usually, sales people are very resistant to implementation of the CRM due to the fear of new, fear of losing a job and being substituted with a system, and, of course, fear of increasing responsibility because continuous update of the system information requires a lot of work from the use” (Timofeev, 2010). In order to reduce the resistance managers need to clarify the importance of the project and advantages of it, create a feeling of involvement among the employees, actively involve informal leaders in a team, and motivate the users (Timofeev, 2010).

Volvo CE’s Opinion
Management
Thörngren (2010) sees the biggest challenge in changing the way people work. When a sales manager wants to follow up the sales persons, s/he should be tough and force to use the information in the system and to update it. Lack of management support can prevent the project from being successful. If the dealers mange to follow the template, to do their
“homework” properly, and involve the right people from the very beginning, they will be on the halfway to success. From the sales person perspective the challenge can be met if a salesman feels that the tool is made to simplify his/her work.

Larsson (2010) states that sharing information on customers is often sensitive because it is seen as a “sales man asset”. Also it requires long time until there is a good level of information in the system therefore sales managers and sales people have to be persistent updating the system continuously.

Dealers
The ideas mentioned above were confirmed during the interviews with company’s dealers. In Finland they stated that the implementation process is not an easy one and the biggest challenge when implementing the CRM system is to get everyone to use it by showing the benefits in a long run. “Initially, people are resistant to changes and do not want to give up their old working habits and if they lack control and motivation, the probability of failure is very high then” (Söderlund, 2010). Therefore, it is important for the management to control and be persistent in forcing employees to work with CRM, as well as to show good examples and fast benefits. Of course, employees have to be motivated to use CRM. Therefore the more they are involved in the process, the more they are interested. Trainings are of big importance in order to increase employees’ motivation. Also, competitions can boost their work, for example collecting e-mail addresses (Söderlund, 2010).

The biggest challenge they experienced in Chile was to make all the users familiar with the system. “In the beginning it was a nightmare to force the salesmen to update and organize the information. The management was very committed to the idea and supported the employees” (Galleguillos, Rios, Venegas, 2010). Before they had a sales force agenda spread in papers, as soon as they implemented the system and organized themselves, the management was very committed to the implementation. Initially, the employees were afraid that the management wanted to control them and even had a riot with a purpose to dispose of the CRM in the company. However, afterwards they started to realize several benefits and became involved.

The first thing they did in Chile in order to involve employees in the project implementation was to create a process that all salesmen were forced to use the CRM system in all their
deals. The second thing they did was to create a model for the back-office people. Then the people started to use the system. The model made it easier for the salesmen since it facilitated an easier way to scan, create quotations and send proposals through the CRM system. In Chile they have noticed many advantages by having a CRM system. The system makes it possible to have a clear overview and a whole picture of all the deals. The process of educating the employees required six months of intense training. The dealer salesmen experienced some difficulties in the beginning, to have a consistent and updated database required a lot of work. Initially, it was complex to get the correct information of the customer. Since they were forced to use the CRM tool, they had a complete picture of the customers after the initial phase and they saw in what way they could benefit from the system. The CRM tool made it easy to follow-up and overview everything that concerned the customer (Galleguillos, Rios, Venegas, 2010).

In Russia one of the biggest challenges when implementing the CRM system was to define the goals clearly for the system implementation. If the goals are not clearly defined, the result will not be clear. Another challenge was to limit the scope of the system where all the stakeholders should be involved and all the goals should be approved by them. The scope should be defined in documents and there is no need to change the scope during the project. The users and the project group should be informed and aware of it.

Resources (mostly human) required for the project is another challenge, it should be planned before the start of the project in order to avoid delay. The last challenge is to motivate users, to communicate and convince them about the benefits. Involving employees in the project implementation should be done by the managers. “In order to engage and increase the understanding for the employees the managers must clearly understand the project and identify resources that are required from their department as well as explain that the project will take a big part of their time” (Beskibalov, 2010).

In Russia they did not have to motivate, convince or force their employees to use the CRM tool because they understood that the system was designed to help them with their work. They did not use a specific method to get the employees to use it because it was a management decision. “If they didn’t want to use the CRM tool they would not get any bonuses, no CRM, no sales, no change without CRM” (Beskibalov, 2010).
The CRM system made on Microsoft dynamics was implemented from the beginning. The system was not flexible and the platform did not allow special things. Another problem is that the system is dependent on the internet access and connection quality, without internet the CRM system does not work. In Russia they plan to launch an off-line version in May in order to solve the problem (Beskibalov, 2010).

The biggest challenge when implementing the CRM system in Turkey is the resistance from users. To convince the employees why they need to apply a CRM tool is the most difficult task. They found it difficult to update the system the whole time, and since it is a continuous process it has to be updated frequently. They experienced the tool as being easy in the beginning and then it gets more complex. Another issue was the reactions of the people. Initially, they did not regard the CRM tool as a useful system. However, after the education and training procedure the employees changed their way of thinking a little bit. Now they understand the importance of working with the system. Additionally, another challenge is to find a way to integrate the CRM system with other used system.

In order to get the best outcome, the value of involving employees in the project implementation must be understood. In Turkey they highlighted how useful the CRM system could be for the employees and they stressed the benefits as well as the strong points (Celkan, 2010). The CRM manager must involve the employees to make them feel comfortable. To show successful examples how the CRM tool works in the market is another way to reach the employees (Ertur, Polat, 2010). To motivate the employees to participate in the project in Turkey, they have put emphasize on demonstrating successful implementation examples, in order to inspire the employees to achieve the same thing (Celkan, 2010). In order to inspire and motivate employees it is important to stress the benefits and the advantages. Cross selling strategy with common system, sales and after sales are easy to conduct (Ertur, Polat, 2010).

4.2.8 Learning to Avoid Pitfalls

Consultants’ Opinion
Costello (2010) states that 70 percent of the CRM projects generally fail and the reason lies in the approach to deployment. It is important for Volvo Group to learn from where the others have failed. Some of the causes for failure can be cultural/political/WIIFM (what is in it for me) issues. Sales people can see CRM as an “electronic leash”, therefore an organization has to give them more than they put in. As far as CRM changes “how you do things around here”, changes on the management level are a success factor. Therefore, it is crucial to adopt the system for the users and address WIIFM for sales people, and make sure that it is intuitive and easy to use and provides clean and complete data. The primary users need to be involved at the early stage in order their needs could be addressed.

Regarding the strategy and planning, it can be described as “Think Big and Start Small”. It is important to have a long-term goal, however it is better to start with a low hanging fruit. Besides, there is no need for a detailed plan, however planning, as a process, is crucial. Then, success can be measured by measuring business goals. The process needs to be harmonized first and after technology can be applied. Additionally, organizational readiness is an important issue to consider. A stepped approach can bring incremental success and more sustainable competitive advantage.

**Volvo TC – a benchmark example**

From the experienced CRM resources it is known that success is impossible without learning and taking advice from partners, vendors, and other industries that both succeeded and failed. Within Volvo Group an example of Volvo Truck Company (Volvo TC) can be considered. Initially, Volvo TC established a clear CRM strategy and vision, created common delivery strategy, and procured industry leading CRM system. Also, they established a clear process map, put in learning team to support full autonomy for CRM, and deployed a new way of working change management initiative via Regional market companies. It seemed to be a promising start. However, the project was not a success. Volvo TC failed to get buy in across the value chain for the vision and failed to understand organisational readiness and differences per market. Also, they built process from system perspective and not customer/sales perspective. Moreover, they used dictate and stick approach without addressing WIIFM per stakeholder, thus the information quality suffered. The start turned to be poor and it was worsening.
Volvo TC had to re-evaluate their strategy and implement several changes. The ongoing CRM process within Volvo TC can be characterized by understanding and developing common sales process and modifying the system to fit these processes. Also, they create a strategic plan by market and establish resources and organization structure at market and dealer levels. Besides, data quality improvement initiatives are launched and WIIFM for all stakeholders are addressed, who, in their turn, go through extensive communication and training exercise. CRM is embedded in business strategy and planning at all levels in order to establish, follow up, and publish metrics at dealer and market levels. The results of these strategy changes cannot be measured now, however, major improvements are already visible.

Volvo TC has five phases to come through on the way to the complete CRM implementation. These phases are illustrated on the figure below:

![Figure 13: The CRM Roadmap for Volvo TC, Costello (2010)](image)

There are several signs of failure. “For example, failure is inevitable if people discuss mainly what system to use, not the strategy itself. Therefore, IT specialists cannot drive the entire project. Besides, when project leader try to implement everything in one go, there is no chance for success. One more sign of failure is the absence of clear measurable goals or/and inconsistency of goals with the company’s strategy” (Costello, 2010).
Volvo CE’s opinion

Management
Larsson (2010) argues that cross functional teams are a key to successful CRM implementation. Also, anchoring in advance and assuring to start by features obviously helping the stakeholders early on can prevent the project from failure. Besides, special training and effective communication are needed to avoid uncertainties while working on the project.

Dealers
From the interviews with the dealers the several advices for avoiding pitfalls were found out. In order to evade pitfalls while implementing the CRM tool it is essential to have a completed and updated quotation system, so the system can be run easily. Another thing to consider in order to overcome obstacles is that the sales manager must be aware of all the benefits of the system. The manager needs to ensure that the system is beneficial for the salesmen. Additionally, it is important for the users to know that the system will be very beneficial for them. The customer database is the main asset for the users (Galleguillos, Rios, Venegas, 2010).

Beskibalov (2010) mentions that in order to avoid pitfalls the project has to be managed properly and all the goals and requirements should be documented and approved by the managers. From Turkey experience, in order to avoid pitfalls it is critical to clearly understand and have knowledge about how the CRM system works. Explain how to use it in a simplified way in order to catch the attention and attract the employees (Celkan, 2010). Moreover, it is of great importance to train the people, they must understand how to utilize the system. The employees must know that the system will decrease their manual work (Ertur, Polat, 2010).

4.2.9 Benefits of Working with CRM

Volvo CE’s Opinion
Dealers

If the companies manage to overcome all the difficulties, they will benefit a lot from the CRM implementation. Among the main benefits of CRM usage in Finland can be listed better control of the customers and machines, and also, better focused campaigns. These reimbursements result in a profit gain and higher levels of customer satisfaction (Söderlund, 2010).

In Chile they have experienced many different benefits by working with the CRM tool. From the system administrators point of view, the system makes it possible to have complete information of the all the closed deals as well as the ongoing deals. Another benefit with the system is the possibility to achieve better control on the sales forecast, to control the machine stock and to do necessary adjustments. The CRM tool is also helpful when it comes to having better control and a whole picture over the sales force agenda. The tool makes it easy to follow where the sales people are and what they are doing. With the help of the system it is easy to check and measure customers from different salesmen.

Within the salesmen’s agenda they implemented a tool, which works the following way: as soon as s/he closes some business they are forced to put a new date when they are going to contact the customer again. This system requires further and developed planning about how the salesmen will continue to work with the customer. Furthermore, the back office can benefit a lot from the CRM tool as well, since the information concerning history sales, better customer segmentation, stock control and last sales are available in the database. In Chile the main advantage for the salesman was to have better time management, by having better agenda which allows the salesman to be more efficient which results in more time to go across details about the customers and sell more (Galleguillos, Rios, Venegas, 2010).

The main advantage they experienced in Russia is having more or less completed customer database. Their last version is more clear than the previous one. Another benefit they highlight in Russia is that time can be saved on the quotations (machine specification, price, and delivery terms) defined in the system and exported from the system in a proper form to be formatted to potential customer. Another benefit is that the CRM platform can easily be improved and updated and more functions can be added as well as be further developed.
Also, CRM helps to spread customer information throughout the organization. The CRM system makes it possible to interact between front-office (sales department) and back-office (logistics, commercial administration), and in this way communication between the departments is simplified. However, the information is not shared with the after-sales department yet. Therefore, making CRM available for after-market department is one of the future goals of the system development within the company.

In the future it will be easy to have sales representative activity management and control which will include that the managers can estimate and control the sales activities within the company. The sales manager will have the ability to estimate the effectiveness of the salesmen. Furthermore, they will be able to see the customers who are in a negotiating process, how many contracts that are signed as well as how many calls have been done (Beskibalov, 2010).

In Turkey, the main benefit of working with CRM so far is the possibility to easily overview the company’s customers. After implementing the CRM system, the sales and after sales people started to cooperate and they are integrated with each other. Today the customers can be followed up by both sales and after sales which is seen as a fundamental change. The change implies an increased efficiency and better quality within the system (Celkan, 2010). Since the system is rather new it is difficult to give specific benefits. Although, in after sales the main benefit is to make advantageous segmentations. The process makes it easy to follow the sales by the segmentation, but they can’t distinguish any details yet (Ertur, Polat, 2010).

### 4.2.10 Measuring Success

**Consultants’ Opinion**
There should be a measure of the project’s success. However, it is quite a complicated task. Comparing goals with the results on qualitative (not quantititative) level can be used as a measurement (Costello, 2010).

**Volvo CE’s opinion**

**Management**
Success can be measured at different levels from different perspectives. The idea for a sales person is to work more efficiently and to have a higher hit rate, more quotations, and closed
deals. Thus, it is difficult to analyze this type of information. If this goal is achieved, it should result in customer satisfaction (Thörngren, 2010).

The other indicators of successful implementation can be sales and market share increase. Additionally, an increase in ratio of new customers and participation rate in deals can be a sign of success. Customer Satisfaction Index is another tool to measure the outcome of the implementation (Larsson, 2010).

**Dealers**

Dealers in Finland work as pilot for Volvo CE during the years 2010-2011 and update their activities in monthly meetings. At the end of this pilot test the perfect outcome expected would be increase in turnover, profits and customer satisfaction. The measure of success is built upon KPI (key performance indicator) for sales and after sales. If to specify in numbers what increase in sales would be a sign of success, the answer would be ten percent yearly increase in sales and after sales (Söderlund, 2010).

In Chile they have found out a tool how to measure the success of the CRM implementation. First, it is very critical to know how to cover the needs for the dealers. Secondly, it is extremely important to know exactly what the company sells, to see what they do not sell. In order to make it possible to measure the result it is necessary to know what they sold before the implementation of the CRM system. Before the CRM implementation they had 16 percent customer cover in Chile and after 60 percent. Now they have a clear idea how to measure the performance (Galleguillos, Rios, Venegas, 2010).

To measure the success of the CRM implementation is difficult. In Russia it is seen as a problem of the project. The dealer has not done it so far, but plans to make it. Meeting users and getting their feedback is helpful for measuring the users and customer satisfaction. The perfect outcome of the CRM implementation depends on the scope, since the CRM system is very wide. The concept starts with marketing and ends with delivery. In Russia’s case the system is limited by interaction with the customer and quotation tool. However, a perfect outcome would be if the users apply the CRM system as an everyday tool and are satisfied with the outcome. If the users utilize it for following up issues to serve the customers it would also be seen as a perfect outcome (Beskibalov, 2010).
A perfect outcome of the CRM implementation in Turkey would be if they manage to get correct and completed data of all the customers. The data should include contact information and machine part, since it indicates the potential of the customer (Celkan, 2010). Another perfect outcome would be if the system helped to increase sales and at the same time decrease costs. There is no specific measurable goal at the moment, but they will measure the visits and the quotations and then compare it with how many contracts they have. The aim is to increase the sales by 20-25 percent. More efficient usage of the customer information and decreased customer complaints are other outcomes that are desirable (Ertur, Polat, 2010). In order to measure the success of the CRM implementation in Turkey they plan to create a report, to follow up the users and to get an understanding if they use the tool, what tool they apply and what tool they don’t utilize (Celkan, 2010).

**4.3 Marketing Issues**

**4.3.1 Channel Relationships**

The channel network within Volvo CE, Region International is very strong, since all the dealers are connected to Volvo Group. There are several things that make the relationships in the channel network effective, they are: budgets, forecasts, and IT solutions. The use of the same CRM system, the same measuring system, and regular reports make independent dealers more dependent on Volvo CE (Söderlund, 2010). The dealer in Turkey also supports that the channel management within Volvo CE, Region International is very strong. The reason to the strong ties is because they have to keep Turkey updated since they do not have stock management. Turkey must be informed the whole time and they receive very detailed information through e-mails and telephone. This situation occurs because Turkey is owned dealer of Volvo CE. To be able to build up trust in the channel relationships it is critical to know the customer. After the CRM implementation in May, they will be able to distinguish the problems of the customers and understand their issues (Celkan, 2010).

**4.3.2 Customer Relationships**
Regarding relationships with the customers, the dealer management in Finland states that according to their study in 2007, their customers put the highest value on the attitude they get from the company, personal contacts, and availability of the spare parts. The dealer, in its turn, values long-term relationships with its customers and loyalty. Customer loyalty is measured yearly, and customers who buy from the company minimum every twelfth month are considered to be loyal. In order to improve relationships and retain the customers, they build retention rate KPI to CRM in Finland (Söderlund, 2010).

In Russia, the most important thing the dealer values in its customer is having long-term relationships. They expect that customers are coming back again when they need to buy their second and third machine (Beskibalov, 2010).

In Turkey they state that customers value many things within the dealer. Construction is nothing luxury, the customers need the machines and Volvo supply their needs at any time. Volvo takes responsibility for the customers. If a machine stops it is the dealer’s responsibility to solve the problem as soon as possible since the customer lose money every minute the machine stands still. The most important thing for the dealer is customer loyalty. It is rather difficult to find loyal customers (Celkan, 2010). Relationship with the customer is also one of the most valuable things. In Turkey they mean that if you have good relationships with the customers, it increases their loyalty (Ertur, Polat, 2010). In Turkey, they regard loyal customers as customers who call when they need to buy a new machine. It is important that Volvo is the first choice and that the customer always buys from Volvo. In order to increase the customer loyalty it is significant to learn special things about the customer. To understand what the customer likes, for example if s/he is a football freak. To be able to get this information the sales men need to visit the customers. Additionally, it is important to know about the history of the customer. In order to retain the customers in Turkey they have activity reports where the sales people update and add things. The reports make it easier to following the customers. It is important to increase the efficiency and to meet the customer’s needs. Another important factor is to provide high-quality (Celkan, 2010).

4.3.3 CRM in Marketing

In Finland with the implementation of the CRM tool customer data collection process has been simplified significantly. Also, the tool is very helpful in spreading customer
information within the company, since every user can find the same information in a structured way. Also, the tool helps to have more exact and accurate information about the customers that contributes to building up trustful relationships with them. The more customer contacts and information is in the system, the better the company can satisfy customers’ needs (Söderlund, 2010).

In Russia the sales people are provided with a personal area in the CRM system where information such as contacts and quotations are kept in order to simplify the customer data collection process. This area is limited to the sales person and the manager which makes the sales person to feel comfortable filling in the correct data. When they implement an off-line version in Russia the CRM tool will work as a diary that can be used in the field for the sales people (Beskibalov, 2010).

The Turkish dealer is convinced that CRM simplifies the customer data collection process. It can be described as a domino effect, because when you start to collect information about a customer you want to learn more (Celkan, 2010). In the beginning it might be difficult to have all necessary information and it involves a lot of work. However, later on it is just to update and add new things (Ertur, Polat, 2010). The CRM system helps to spread customer information throughout the organization. In Turkey they have a tool within the CRM system for automatic mailing. If a customer, for example, goes into the black list the system can send e-mail to the entire organization in order to avoid this customer. Within the CRM system there are many similar tools (Celkan, 2010). At the moment it is difficult to define how CRM can helps them to build up trust in their relationships, since they just started up. However, in the future they aim to be closer to their customer with the help of the CRM system. In the future they want to use the CRM tool to identify customer needs and increase the efficiency and to give the customers what they want (Ertur, Polat, 2010).

As far as customer segmentation is concerned, in Finland at the moment all the customers are segmented in CRM according to Volvo segment key. However, there is no differentiation between low-value and high-value customers because the system indicates only turnover and machines, not profit per customer (Söderlund, 2010).

In Turkey the segmentation process is rather similar. Turkey receives segmentation information from Volvo, which is mandatory to further transfer into Turkey’s CRM system. This method makes it possible to learn from the data and to know the sales rate and which
segment is being lost and which acquired (Celkan, 2010). Also, the dealer bases customer segmentation on the “machine park” where the sales people add information about how many machines the customer has, what projects they follow, if they pay in time and some other details. They have five types of customers in the system, identify by the number of machines and how often they return (Ertur, Polat, 2010).

In Russia they have three different ways of grouping customer segments. The first segment is “business card” which involves that there is minimum information about the customer. The next segment is “potential customer”, which means that the customer is contacted and a sales person has presented different alternatives for the customer. The last segment stands for “real customer” or “actual customer”. This segment shows that the customer has bought at least one machine from the company. In order to retain the customers they have different rules in Russia for all the segments as presented above. The first segment should be contacted within three months, the second group should be contacted every third month and the third segment should be reached at least once a year (Beskibalov, 2010).
In this chapter the analysis based on the theoretical and empirical findings is performed. First, the main theories are introduced and after, a comparison with the results of the empirical study is done. The analysis covers the following topics: channel relationships, customer value including customer as an asset and CVM, and finally, CRM in terms of strategic framework and pitfalls and unknowns.
5. Analysis

5.1 Marketing Channels

The literature implies that a strong channel network requires many years of constant attention to develop and maintain relationships between all the players involved. If the dealers know their customers well it works as an effective market barrier to competitors. Volvo CE’s dealers see the critical aspect of knowing their customer in order to be able to serve them in the best way. Besides that, trustful and effective relationships between dealers and manufactures are a competitive advantage for the company. CRM is a tool which influences relationship aspects in the channel networks.

Based on the study on the role of trust and co-operation in marketing channels, the literature implies that in dealer-manufacturer interactions trust is built on overall relationships rather than on particular episodes. The foundation for these relationships is satisfactory performance over time. Besides, trust occurs in situations where it has an opportunity to develop naturally, not regulated by contracts or written rules. This idea is supported both by owned and independent Volvo CE dealers. Moreover, the dealers agree that trust is not inevitable in trading relationships and it is not the basis for cooperation. Cooperation always presents in ongoing relations and it is a product of coordination of actions by the parties involved.

In the literature it is suggested that the value-added activity of the channel is the flow of information. Within Volvo CE there are numerous things that make the relationships effective, such as mutual budgets, forecasts, regular reports and IT solutions. The channel relationships within Volvo CE are very strong because all the dealers are connected to Volvo Group. In Turkey, where they do not have stock management, the relationships are even stronger because they need to get updated information from Volvo CE continually. The accessibility to common information makes Volvo CE more competitive in the market.

There are several theoretical perspectives for understanding marketing channel phenomena. For example political economy paradigm and the relationship marketing paradigm involve such issues as long-term manufacture-distributor relationships and the power-dependence balance. High degree of partnerships involves interdependence, which is not evenly
balanced. The concepts of power and dependency are critical for channel relationships. In order to create dependence in marketing channels different types of power base are used. The division is made between coercive (rewards and punitive actions) and non-coercive (expertise, information, recommendations) power bases. Coercive power base is grounded on the idea that a manufacturer can provide rewards to dealers, or is able to correct if dealers fail to meet the demands. It is aimed at influencing actual behavior. Whereas non-coercive power base is founded on the belief that supplier has special knowledge and conditions to propose that are not accessible from other manufacturers. Regarding the case of Volvo CE, the level of dependency and the type of power vary within the marketing channel. This phenomenon can be explained by the relationship difference between Volvo CE and its owned and independent dealers. The degree of freedom in the relationship between the manufacturer and independent dealers is rather high, and this relationship can be characterized by non-coercive power base. Whereas the owned dealers are more dependent on Volvo CE and coercive power can be used. Since dealers are dependent on manufactures the situation is vulnerable when things within an organization change. When Volvo CE decided to start implementing a CRM system, the dealers did not have a choice because it was the decision from Volvo CE management. The dealer would probably not implement a CRM tool without the directions from Volvo CE. Since the dealers must pay for the system themselves, Volvo CE needs to motivate why they should implement a CRM tool.

Another research is focused on two distinct approaches that influence channel relationships. These approaches are behavioral and economic. A common base for both approaches is that relationships are created and maintained as a result of interdependence between channel members. From the behavioral point of view the relationships between manufacturers and dealers are a political struggle in which power and dependence of each party control the behavior of others. While economic approach views relationships as a search to allocate distribution responsibilities and role performance tasks in a way when costs are minimized and profits are maximized. Economic struggles can impact the way products and services are valued, and dependency of parties influences channel relationships. For example, if a manufacturer is not able to fill orders accurately, meet promised delivery dates or stick to shipping instructions, then he has little influence on dealer decisions. On the other hand, if a vendor provides steady order cycle and meets delivery dates, dealers are able to minimize stock outs and customer dissatisfaction. It can be encouraging for dealers to surrender a portion of their autonomy to the manufacturer in exchange for quality logistics. For Volvo
CE and its dealers, both owned and independent, economic struggle is rather relevant. The implementation of the CRM system is perceived by many dealers as an attempt to increase control over their business activities by the manufacturer. However, the system coordinates the work of all the departments, connects sales and after sales offices, and contributes to the improved logistics process. Therefore, the efficiency and effectiveness of marketing channel relationships is increased.

Within a marketing channel the relationships are very vulnerable due to time and relationship dependencies according to the literature. Time-dependence is explicated by chronological or sequential dependence between companies’ business activities in marketing channels. Relationship dependence refers to the communication factors influencing interaction process between companies in marketing channels. Regarding time dependency within the marketing channel, the CRM tool makes it possible for both manufactures and dealers to forecast the needs and the demands of the customers. The system implies to be more efficient and saves time for preparing and closing more deals. The access to information is simplified and all business activities in the marketing channels can be conducted faster and in a more effective way. Simultaneously, the numbers of delivery delays will be decreased. Concerning the relationship dependency, the CRM system simplifies all the processes when information is to be shared.

5.2 Customer Value

In the Theoretical Framework it was made clear that in order to create and deliver customer value a complete understanding of customer requirements, preferences, and purchasing processes is important. An important component of relationship marketing is giving value to customers and at the same time getting value from them.

5.2.1 Customer as an asset

The theoretical study shows that customer loyalty is very important for the dealers. The loyal customers usually focus not on the price alone but see the relationships with a company as “value for money” and act as advocates for the company helping to attract new customers. Although loyal customers are a scarce resource, they are a source of value. That
is why companies have to set maximizing customer value as a measured and clear goal. Moreover, higher levels of customer satisfaction lead to better customer loyalty, which results in improved company performance.

From the interviews with the dealers it was found out that customer loyalty and establishing long-term relationships are the things they value the most. One of the dealer measures the customer loyalty every year and customers who buy from the company at least every twelfth month are considered to be loyal. In order to improve the relationships and retain the customers, they build retention rate KPI to CRM. Furthermore, the dealers expect their customers to come back when they buy their next machine. Having good relationship with the customers usually increases their loyalty. However, in some countries it is rather difficult to find loyal customers which probably have to do with cultural differences. The dealers regard loyal customers as customers who call when they need to buy a new machine, where Volvo must be the first choice. The customer loyalty can be increased by learning special things about the customer. Activity reports is a tool that helps the dealer to retain and follow their customers. Another factor they highlight is the importance of providing high-quality products and services. This is also emphasized in the theoretical chapter, being able to add value and enhancing the standard of the relationship both dealers and Volvo CE need to focus on quality in a wider perspective as well.

5.2.2 CVM

In accordance to the theoretical framework, the most important part of value creation is careful market segmentation since it allows tailoring the offer to the needs of specific segments. In order to improve customer lifetime value it is significant to be aware of the existing profitability of customer segments and understand the potential profitability of those segments. There are two questions to ask in order to find the right solution for the customer; what does the customer value and what is the value of the customer. The input from the customers then helps the company to refine the products and services in compliance to the customer needs and thus build customer loyalty.

The dealers have rather similar customer segmentation process where customers are segmented in the CRM system according to the Volvo CE segment key. This information
from Volvo CE is mandatory transferred into the CRM system. This method makes it possible to get valuable and specific information rather quickly. Proper customer segmentation can be a competitive advantage of the dealer. Also, the dealers bases customer segmentation on the “machine park” where the sales people add appropriate information. During crisis time it is especially important to find a solution to be close to the customers and never lose them. The dealers have different ways of grouping their customers. One dealer has five types of customers in the system, which are identified by the number of machines they have and how often they return. Another dealer, conversely, has three different ways of segmenting their customers. In order to retain the customers they have different rules for all the segments.

According to the literature many companies seem to understand the importance of customer retention, although just a few measures the economic value of their customer retention strategies. Retention rate is used to measure customer turnover and is significant for the creation of value. Research has shown that increase in retention rate from 80 to 90 percent doubles customer lifetime from five to ten years.

The theoretical framework states that receiving customer feedback enables the supplier to remedy occurring problems and change customer requirements and preferences if it is needed. To know how service quality is understood in the eyes of customers appears to be a crucial factor of business success. The main purpose of any customer service strategy is to increase customer maintenance since retained customers are more profitable then new customers. However, the retention strategies must also be different. For example, loyal customers are less price sensitive; therefore they should be retained through incentives other than price, which can be special recognition and premium service.

The empirical study shows that the customers value the reliability that Volvo CE stands for. The customers rely on the company and consider Volvo CE to be a partner that provides products that help them to perform daily work without problems and failures. Volvo takes responsibility for the customers. If a machine stops it is the company’s responsibility to solve the problem as soon as possible since the customer lose money every minute the machine stands still. According to a study that one of the dealers did in 2007, the customers put the highest value on the attitude they get from the company, personal contacts, and the availability of spare parts.
5.3 CRM

5.3.1 Strategic Framework

Customer centricity
The theoretical study shows that, in order to operate successfully on the global market, organizations shift to a more customer-centric focus and they are required to respond to customer demands effectively. The CRM model, being a customer-centric by its nature, places customer needs as a priority and involves understanding customer completely, lining up organizational capabilities to deliver high value to customers, and facilitating information both outside and inside the organization.

A customer-driven culture requires form the companies many organizational changes. Information is spread not only among internal resources but also to every part of organization’s value chain. This value chain includes extended supply chain encompassing dealers and manufacturers leaped with a well-linked delivery chain to customers. This type of relationship has many advantages, which are: improved internal and external communication, long-term customer relationships, removal of multiple systems and contradictory data, and improved customer service.

Volvo CE understands that before implementing CRM it needs to develop a deeper customer-centric view. It can help to attract, develop, and retain valuable life-time customers. It can be attained by delivering extraordinary customer experience through enhancing buying and ownership experience and leveraging customer information for a positive customer experience. To achieve these results a customer oriented culture needs to be built up within Volvo CE’s dealers. This type of culture fosters relationships with the customers and assumes respecting customers’ time, interests, individuality and privacy. CRM is an extremely helpful tool for providing 360 degree unified view of the customer and, consequently, competitive advantage for Volvo CE and its dealers. Such view provides single unified face to the customer regardless of channel and promotes seamless, collaborative process with dealers. Then, retailers’ view of the world can be described as “One customer- one business” and mutually beneficial business relationships that build trust and delivers business results are created.
In order to investigate how far Volvo CE’s dealers have come on their way to become more customers centric, Costello’s general model has been applied. In the model below, the dealers have been situated according to where they are in their process. The dealer in Chile has gone through most of the evaluation processes and developed a customer centric view. The CRM tool was implemented in Chile ten years ago which implies that they have a rather advanced system today. Finland has also come relatively far in the implementation process, where all the channels are interconnected. They have come to the step where they use the CRM tool in after sales. Russia and Turkey are in progress, but they have not come as far as the other dealers. They still add functions to further develop and improve the CRM tool. Now they have a clear channel focus and as Finland already did, they aim to interconnect all the channels. However, they started implementing the tool many years after Chile and Finland.

Figure 14: The Evolution Process of CRM adapted to Volvo CE’s dealers, based on Costello (2010)

**Purposes**

Analyzing the theoretical framework, the main purpose of the CRM process can be stated as building and maintaining profitable customer relationships by delivering superior customer value and satisfaction. Furthermore, the process manages all aspects of acquiring, keeping and growing customers.
Volvo CE understands that before starting the CRM project a company needs a clear strategy with a long-term vision and concrete goals. The strategy can vary depending on the scope of the project, e.g. whether the company wants to use customer information within a particular market or globally. The main reasons why Volvo CE wants to implement CRM tool and philosophy is a need to improve the process of helping dealers to develop the way they do business. Today, there is no tailor-made solution to offer the dealers. The initial idea where CRM has to lead the company is a tailor-made solution reusable for different types of dealers.

From the interviews with Volvo CE dealers it was found out that the purposes of the CRM implementation vary from dealer to dealer. There are many factors that create a necessity for initiating a CRM project. The main purposes are as follows:

- To have a better control of the machine population
- To simplify customer management process and have better control over the customer base and sales people who work with the customers directly
- To collect quality information about the customers, to build a customer database
- To increase sales

**Implementation**

The theory proposes that a CRM process can be divided into two parts: the strategic process and the operational process. The strategic process involves the structure for how relationships with customers will be developed and managed. Within the operational process segmenting customers and implementation take place. Also, from the literature studied above, it is known that CRM set up can be characterized by five generic processes, which are: (1) strategy development process, (2) the value creation process, (3) the multichannel integration process, (4) the information management process, and (5) the performance assessment process. All these processes are described in the theoretical framework chapter in detail.

Automotive CRM strategies and their implementation are multi-year programs. CRM journey can start in any of the sales, service, or marketing domains. Volvo Group is in need of such a program in order to build on the success it has today. Based on the experience of Volvo TC, five phases of the implementation process are identified. The first one is CM Roll
out, which includes data gathering. The second phase is CRM process definition; this is the stage when the knowledge is obtained. Then, sales process integration takes place followed by after-market process integration. Finally, the company turns into a customer focused organization with integrated strategic plan and CRM.

**Roles**

From the theoretical framework it is known that effective CRM implementation requires coordination of channels, technologies, customers, and employees. Usually, employees are paid little attention in the implementation of the CRM activities. Hence, it is very important to address the role of employees and their involvement in the gathering of customer data and to show them how it positively influences the firm’s performance.

Volvo CE realizes the importance of mapping and addressing roles within the process. However, there are two perspectives on what individuals are considered to be the most critical for the project. On the one hand, management and top management (vice president, marketing director) have the greatest impact on the project, since they are decision-makers and if they are involved, managers and sales managers understand that the project is supported from the top. On the other hand, employees who touch the customers (sales people, sales manager and dealer manager) are of greatest importance for the project, as far as they are the primary users of CRM.

Volvo CE dealers, based on their experience, argue that involving right people in the project is crucial and who these “right” people are, depends on the scope of the project. However, all dealers consider the key users of the tool as the most important people in the implementation processes. Although, the role of CRM manager/project leader should not be underestimated, since he/ she is the one who coordinates all the activities. Getting clear directions from the management is a key to successful CRM implementation.

**Outcome**

Referring to literature, incomplete use of CRM metrics can be a threat to developing of core rigidities leading to a long-term failure. One of the key components of CRM is a good measurement process. However, most of the measurement systems are focused rather on the outcome measures than the dual value creation process. CRM enables a firm to collect a lot of measures, and it is important that these measures connect to the value creation process.
This is the key to the augmentation of innovation activities and competitiveness of the firm over time.

Volvo CE does not have a common measurement system, since success can be measured at different levels and from different perspectives. The measurement can be both quantitative and qualitative. Thus, qualitative results are more significant. The management understands that success should be measured from the perspective of dual value creation. If the sales people perform well, it results in higher sales rates and higher customer satisfaction as well. The majority of Volvo CE dealers do not have measurement tool and evaluate the success based on the initial purposes of the project. Since the main purposes were to collect accurate and complete customer data, increase sales, and boost customer satisfaction, the dealers consider these issues and make conclusions out of the achieved results. The dealers who have more experience with the CRM, measure performance and customer cover in the market, and use these indicators as success measures. If to specify in numbers what sales increase would be a sign of successful CRM implementation, the dealers consider a 10-25 percent raise to be a perfect outcome.

**Benefits**

It has been proved by many sources in the literature that CRM brings many benefits to the organizations which use the tool. Through CRM systems managers have the ability to better distribute scarce marketing resources, synchronize operations, marketing as well as service efforts and update the value of relationship-specific market offerings. Besides, CRM enables management to collect customer data quickly, identify the most important customers, and offer customized products and services that could increase loyalty. Due to the competitive pressures, CRM has become an important business process. Moreover, CRM has several advantages over traditional mass-media marketing. The tool helps to decrease advertising costs; simplifies targeting specific customers by focusing on their needs; gives possibility to track the effectiveness of a given campaign easily; creates competition for customers based on service, not prices; prevents overspending on low-value customers or under spending on high-value ones; speeds the marketing cycle; and finally, improves use of the customer channel.

Volvo CE dealers admitted that, in spite of the difficulties they met while implementing CRM, they experienced a lot of benefits working with the tool. Among the main advantages
can be listed better control of the customers and machines, and also, better focused campaigns. These reimbursements result in a profit gain and higher levels of customer satisfaction. In a more detailed way the rewards of CRM can be described from the managers and sales person perspectives.

For the managers the system makes it possible to have complete information of all the closed deals as well as the ongoing deals. It also gives the possibility to achieve better control on the sales forecast, to control the machine stock and to do necessary adjustments. The CRM tool is also helpful when it comes to having better control and a whole picture over the sales force agenda. The tool makes it easy to follow where the sales people are and what they are doing. The main advantage for the salesman is a better time management by having better agenda, which allows the salesman to be more efficient which results in more time to go across details about the customers and sell more.

Also, CRM helps to spread customer information throughout the organization. The CRM system makes it possible to interact between front-office (sales department), back-office (logistics, commercial administration) and after-sales department. The interaction between the departments is simplified.

5.3.2 Pitfalls and Unknowns

According to the theories studied previously, there are many possible pitfalls in implementing CRM. The main reasons why the things go wrong are anchoring (CRM project should be anchored within a high level of organization and outside the IT department), resource needs (resources needed for the CRM implementation are often underestimated), unrealistic expectations, and lack of sufficient training (end users need to be properly trained and instructed). Successful implementation needs a strong business focus to ensure change in processes, organization, people and culture. If work conditions are left unchanged, an introduction of the system can hardly bring any improvements. Therefore, changes of processes, organization structure, people and culture are necessary.

Volvo CE managers consider implementation of CRM tool and philosophy to be a challenging task. There are three main concerns can be identified regarding the introduction
of CRM within Volvo CE dealers. The main challenge is in finding the right strategy for different markets. Since Region International covers many diverse markets there should be a strategy trade-off between being customized for several markets or having a single solution for the entire region. This idea is also highlighted in the theories. Since the CRM process depends on data, the most important technical deliberation is to create a single, operations-focused, integrated logical database. Other essential elements include software for database, data mining, decision support, and campaign management tools, and call center software and hardware. The set up of the databases is the biggest technology problem for many organizations. This process is not only time-consuming and expensive, but it is often difficult to reconcile as well.

Another challenge can be sponsorship, especially taking into consideration that Volvo CE does not invest in the project and this is dealers’ responsibility to finance it. One more big challenge is changing the way people work. Continuous update of the system information requires a lot of work from the users. Usually, sales people are very resistant to implementation of the CRM due to the fear of new, fear of losing a job and being substituted with a system, and, of course, fear of increasing responsibility.

The ideas mentioned above were confirmed during the interviews with company’s dealers. The dealers confirmed that the biggest challenge when implementing the CRM system is to get everyone to use it by showing the benefits in a long run. Therefore, it is important for the management to control and be persistent in forcing employees to work with CRM, as well as to show good examples and fast benefits. Of course, employees have to be motivated to use CRM; therefore the more they are involved in the process, the more they are interested. Trainings are of big importance in order to increase employees’ motivation.

Among the other challenges when starting a CRM project the dealers mentioned defining the goals clearly for the system implementation. If the goals are not clearly defined, the result will not be clear. One more task the dealers find to be a difficult one is to limit the scope of the system where all the stakeholders should be involved and all the goals should be approved by them. The scope should be defined in documents and there is no need to change the scope during the project. The users and the project group should be informed and aware of it.
It is suggested in the literature that effective CRM implementation requires coordination of channels, technologies, customers, and employees. Volvo CE dealers, based on their experience, mention the following things as crucial for the success of the project. In order to avoid pitfalls the project has to be managed properly and all the goals and requirements should be documented and approved by the managers. The manager needs to ensure that the system is beneficial for the salesmen. It is important for the users to know that the system is implemented in order to make their work easier. It is critical to clearly understand and have knowledge about how the CRM system works and explain how to use it in a simplified way in order to attract the employees. Moreover, it is of great importance to train the people, they must understand how to utilize the system. The employees must know that the system will decrease their manual work.
In the following chapter the research questions are answered. First, the answers to the sub-questions are given what makes it possible to respond to the main research question. All the answers are based on the findings gathered during the case study research.
6. Conclusion

The case study was conducted within Volvo CE Region International and therefore the result of the research is related to the company. However, the conclusion can be applicable to other MNCs operating in the same field since Volvo CE is a big player on the market and its practices are relevant to other similar companies. Thus, the conclusions are generalized.

6.1 Research sub-question 1

How can an MNC bring more value to its customers with the help of a CRM tool & philosophy?

According to the case study research, a CRM tool brings a lot of value to the customers. The CRM system facilitates the sales people to save time and work more efficient with their customers. The sales men have a lot of detailed information about the customers that makes it easier meeting their individual needs and demands as well as offering tailor made solutions for the customers. In this way, the CRM system contributes to an increased service quality and customer satisfaction.

Moreover a completed customer database, with all necessary data collected, makes it easy to overview, follow up and control the customers. In this way, the CRM system helps to spread customer information throughout the whole organization that all departments can benefit from. Sharing information in this way allows the organization to act more effectively and flexibly towards their customers. Another important solution of the CRM tool is the function of accomplishing careful customer segmentation in order to identify the most important customers and target them in a proper way. The system also makes it possible to achieve better focused market campaigns to reach the right customers. Other improvements related to the implementation of the CRM tool are better control of the sales forecasts and the possibility to control the machine stock. The enhancements enable the company to meet customer requirements faster and thereby increase the customer satisfaction.

Possessing quality information about the customers in a structured way within the CRM tool is important to be able to bring more value to the customers. This enables the company to
recognize customer requirements and discover innovative ways to satisfy the customer’s needs and demands.
6.2 Research sub-question 2

How can an implementation of a CRM tool & philosophy by the dealers deliver more customer value to an MNC?

The case study has shown that with the implementation of the CRM tool and philosophy an MNC can benefit in two ways. First, CRM contributes to the improvement of the relationships within the marketing channel. Second, the tool helps to increase customer loyalty and their profitability. These two aspects are the main advantages, which an MNC attains after the implementation of CRM.

The research has proved that marketing channel relationships are enhanced when the dealers start working with the CRM tool. The implementation of the CRM system is perceived by many dealers as an attempt to increase control over their business activities by the manufacturer. However, the system coordinates the work of all the departments, connects sales and after sales offices, and contributes to the improved logistics process. Regarding time dependency within the marketing channel, the CRM tool makes it possible for both manufactures and dealers to forecast the needs and the demands of the customers and therefore save time for preparing and closing more deals. It leads to the decreases number of the delivery delays. The access to information is simplified and all business activities in the marketing channels can be conducted faster and in a more effective way. Concerning the relationship dependency, the CRM system simplifies all the processes when information is shared. Therefore, the efficiency and effectiveness of marketing channel relationships is increased.

As it was mentioned above, another benefit an MNC gets from the CRM tool and philosophy is loyal and profitable customers. The dealers regard loyal customers as customers who call when they need to buy a new machine and Volvo CE is their first choice. Providing high-quality products and services is clue to customer loyalty. Also, the customer loyalty can be increased by learning special customer needs and preferences. Since the CRM system includes all customer information, it is easy for sales people to meet customers’ individual needs at the right time. If the customers are satisfied with their buying experience, they usually come back; therefore the retention level is increased. Moreover, loyal customers are considered to be more profitable. The sales people can follow their customers in the CRM easily and retain the right customers, which bring profit to the company. The tool
simplifies the work of the sales people, what gives them an opportunity to create positive buying experience for the customers and gain profit for the company.
6.3 Research sub-question 3

How can an MNC motivate its dealers to implement a CRM tool & philosophy?

In order to motivate the dealers to implement a CRM system it is fundamental to clarify the purpose of the tool and the philosophy. The dealers must understand why they need to implement the tool and also in what way they can benefit from using it. The purpose of the CRM implementation will vary from dealer to dealer. According to the research study, the main purposes of implementing a CRM system among the dealers are to have better control of the machine population, to simplify customer management process and have better control over customer base as well as the sales people. To collect quality information about the customers in order to build a complete customer database and to increase the sales are also purposes that the dealers highlighted.

In order to encourage and motivate the dealers the benefits of the system must be stressed. The CRM tool will simplify the dealers work in many ways. It enables a company to collect customer data quickly, identify the most important customer and offer customized products as well as services. From the case study research, the main benefits of a CRM system are better control of the customers and the machines as well as better control on the sales forecast and the ability to control the machine stock. Also, the CRM tool enables better focused campaigns and makes it possible to spread customer information throughout the whole organization. Furthermore, managers will have complete information of all the closed and ongoing deals and the tool enables the managers to follow up the sales people easily. For the sales men, the CRM tool makes it possible to have better time management.

Moreover, the challenges can be considered, in order to estimate the costs being implied in the project. Based on this information cost and benefit analysis can be conducted. If the benefits exceed the costs, it will be easier for an MNC to motivate its dealers to implement the system.

In order to achieve the best possible outcome, the implementation process requires a clear strategy with a long-term vision and concrete goals. Moreover, before implementing a CRM
tool a company needs to develop a customer-centric view since it can help to attract, develop and retain valuable life-time customers.

Also, formation of a skilled implementation team is important for the outcome of the project. Mapping and addressing the roles of employees and their involvement during the CRM implementation is critical. In order to influence and convince the employees it is important to show the positive influence the CRM system has on the company’s performance. There are two perspectives on what individuals are considered to be the most significant for the project. Management and top-management have great impact on the project since they are decision makers. Also, employees who touch the customers are considered to be very important as far as they are the primary users of the CRM tool.

In order to convince and motivate the dealer to implement a CRM tool it is important to have a clearly defined purpose, highlight the benefits, have a strategy with a long-term vision and concrete goals as well as well identified roles within the process.
6.4 Main research question

How can an MNC become a more customer centric company by helping its dealers to implement a CRM system?

A customer-centric view helps to attract, develop, and retain valuable life-time customers. It can be achieved by delivering unprecedented customer experience through enhancing buying and ownership experience and leveraging customer information for a positive customer experience. Such view provides single unified face to the customer regardless of channel and fosters seamless, collaborative process with dealers. Then, dealers’ view of the world can be described as “one customer - one business” and mutually beneficial business relationships that build trust and deliver business results are created.

A customer-driven culture requires from the companies many organizational changes. Information is spread not only among internal resources but also to every part of organization’s value chain. This value chain includes extended supply chain encompassing dealers and manufacturers leaped with a well-linked delivery chain to customers. If an MNC adopts this type of culture, it gains many advantages including improved internal and external communication, long-term customer relationships, removal of multiple systems and contradictory data, and improved customer service.

The CRM system is customer-centric by its nature. It places customer needs as a priority and involves understanding customer completely, lining up organizational capabilities to deliver high value to customers, and facilitating information both outside and inside the organization. Although, implementation of the CRM system is a time-consuming process, which requires persistence and hard work from all the people involved in it, the system implies many benefits and creates dual value both for the customers and an MNC.
The following chapter introduces the recommendations for the case company based on the analysis and conclusions of the research. There are four major recommendations are performed, which are: develop effective channel management, conduct cost and benefit analysis, develop a proper implementation process, and develop a success measurement system. The recommendations are developed further in this chapter.
7. Recommendations

The recommendations chapter starts with the prerequisites for the successful CRM implementation by the Volvo CE dealers. The preconditions for the CRM project include developing effective channel relationships and communicating the benefits and costs, involved in the project implementation, to the dealers. These steps are followed by a more concrete and detailed implementation plan. Finally, an advice on measuring the success of CRM initiative is given.

7.1 Develop Effective Channel Management

Many companies face a new challenge today. The majority knows that customer focus is essential for the success; however they ignore the channel and its importance for establishing customer relationship management. From the interviews with Volvo CE dealers it was concluded that Volvo CE and its dealers recognize the importance of channel management. However, they cannot define what makes the relationships in the channel to be effective. Therefore, the channel strategy should be one of the key issues to be addressed in general, as well as when implementing CRM tool and philosophy.

Besides, in a channel management it is important for Volvo CE to have control of its dealers and how they communicate with the customers. The degree of control over a dealer influences the way the dealer represents the product and the attached service on the market. For example, a high degree of after-sales service demands on Volvo CE dealers to support the image of the manufacturer and demonstrate expertise in the product as well. From the customer perspective the intangible value of the machine can be increased, if the dealers manage to provide the required expertise and service quality. While working with the owned dealers, it is rather easy to get an access to market data and customers’ voice. However, it is quite difficult to control independent dealers and the environment in which the machines are sold and which is part of the entire image the customers buy. For the reason that the CRM tool enables the access to customer and market information throughout the organization, first of all Volvo CE needs to motivate its independent dealers to implement the tool, since the
independent dealers are less organized. CRM implementation within independent dealers will increase Volvo CE’s control over the channel.

Furthermore, Volvo CE can improve its channel management by providing support to its dealers. A good support program should cover such areas as finance, customer service, order/delivery and information/marketing. From the first look it might seem that dealers get the sole benefit. On the other hand, Volvo CE attains the influence on the way the product is presented to the customers and, besides that support gives an opportunity to bind the dealers closer to the manufacturer. Especially with the independent dealers, support can guarantee incentives for the dealers to work with Volvo CE and be loyal to the manufacturer. This type of relationship creates close cooperation and partnership. Providing financial support during the CRM implementation process can be a step forward on the way to closer cooperation with the dealers.

Considering the facts mentioned above, it becomes obvious that appropriate channel strategy and effective channel management is the key to enhancing revenue opportunities and creating competitive advantage for Volvo CE Region International.

7.2 Identify Benefits and Costs to the Dealers

Implementation of a CRM tool and philosophy requires every organization to consider a number of steps and ensure that each of them is cost justified and leads to effective CRM employment. Evaluation of advantages and disadvantages in the form of costs and benefits of the project should not be neglected. With the implementation of CRM it is common that the pitfalls occur, as it was mentioned in the empirical study, 60 percent of the CRM projects fail. It might discourage Volvo CE dealers to implement the tool. Therefore, the purpose and the benefits of the CRM strategy need to be reconsidered. Since Volvo CE dealers have to finance the implementation of the tool on their own, Volvo CE needs to evaluate all pros and cons involved and stress the advantages to the dealers, as well as provide support for them in meeting the challenges. If the benefit overweigh the costs, it is easier to convince the dealers to implement CRM. Taking into considerations the findings of the research regarding benefits, challenges and pitfalls, the advantages and disadvantages of CRM implementation for Volvo CE dealers are presented below.
While evaluating the benefits and communicating them to the dealers, both owned and independent, Volvo CE can divide them into following categories:

- **Decreased marketing costs:** CRM allows conducting better customer segmentation. When the dealer knows its customers, their preferences and needs, it can propose different pricing options to them. It results in more cost effective marketing program in the long-run.

- **Increased sales:** By having all the data about the customers and the machines sales people can target their customers in a more effective way. It also results in a better time management and possibility to close more deals.

- **Improved flow of information throughout the organization:** CRM helps to spread customer information throughout the organization. The CRM system makes it possible to interact between front-office (sales department), back-office (logistics, commercial administration) and after-sales department. The interaction between the departments is simplified.

- **Better targeted offers:** Some customers are more loyal than others and some can be attracted by low cost offers and CRM system includes this information. It gives Volvo CE dealers an opportunity to provide more targeted offers and tailor-made solutions for its customers.

- **Increased loyalty:** Without CRM it is very difficult to customize offers and create one-to-one relationships with the customers. CRM helps to increase customer satisfaction and care and, as a result, to enhance loyalty of Volvo CE customers.

The benefits listed above are essential to be stressed when motivating Volvo CE dealers to start the CRM project. However, for every plus there is a minus. Thus, the costs needed to be evaluated as well. Among the major investments being involved in the project Volvo CE dealers must consider the following:
• Financial investment: Volvo CE and its dealers need to realize that initial investment can be quite large. These costs can include computing tool and technical development as well as project management and technical support. However, the costs may vary from dealer to dealer. The variance depends on the existing technology and support conditions. Also, the costs regarding operating the CRM system should be considered. CRM must be constantly updated with the current information and practices; otherwise it does not have any sense. Operating the system can be handled either internally or it can be outsourced. The recommendation for Volvo CE dealers is to sub-contract for the launch, and when the system is operational to bring it in-house. This solution is less expensive.

• Time investment: As it was mentioned in the empirical study and the analysis, CRM implementation is a long journey. It takes from five to ten years to complete the process. Besides, the results are not visible immediately and it discourages people involved in the project.

• Effort investment: This investment is associated with populating and updating CRM database with the information. The system works when it contains not only customers’ names and addresses, but also their preferences, buying habits, and buying power, therefore this information is needed to be updated incessantly. Managers should be very tough and persistent controlling that the sales people fill in the information continuously and that the information is accurate. Otherwise, the database does not have any sense.

These investments should be considered in the beginning of the process. If Volvo CE manages to stress the benefits of working in CRM over the costs it implies, it will be easy to convince and motivate its dealers to start system implementation.

7.3 Develop a Proper Implementation Strategy

1. Set a clear goal

A clear CRM vision, followed by a well-defined CRM strategy, which should be supplemented with concrete goals are preconditions for a successful CRM implementation.
The strategy of Volvo CE dealers should involve three areas that are critical for the outcome of the implementation. First, it is fundamental to understand customer needs and demands. To find out what is important to the customers is the primary goal. Understand the organization is also critical in order to see if the organization is prepared and if they have enough resources to deliver to the customer needs. Understand the importance of continuous improvements of the service quality is also necessary. This can for example be done by establishing promote competition among the sales people and embedded customer service beliefs. Both the vision and the strategy must be clear and fully understood throughout the whole organization. A CRM implementation is a long journey that requires a “step by step” strategy. At the same time, it is important to “think big and act small”.

It is important to follow the CRM implementation progress carefully. If the project plan is behind the schedule, the true CRM goal will begin to fade and the solution will not be enough anchored in the company. At the same time, the employees will start to question the implementation of the CRM tool.

2. Involve management

The next suggestion is to involve all department managers that are affected by the implementation. The success of the implementation depends on how active and involved the managers are in the project. In order to attract the employees, the managers must be advocates for the initiative. Also, it is significant to involve the employees who best understand the process. They are regarded as key users and they must help to define the CRM system’s functionality. The key users can together with the department managers act as front figures and assist to encourage the change process throughout the organization.

3. Motivate employees

Another necessary action to take in an early stage is to involve a larger part of the organization than just the key users. The CRM implementation will imply many changes and the employees require time to adjust to the new situation. Since change causes fear and uncertainty for employees, the management must address and neutralize these concerns. In order to increase the knowledge about the CRM system and in what way it will affect their daily work, the employees should be involved and participate in the development work. Involving the employees also reduce the resistance.
Furthermore, it is of great importance to create an effective work climate and to make it attractive to participate in the project. Involved employees should know what their new position in the organization would be after the changes. In order to convince the employees that the CRM implementation is worth the effort, management needs to show some quick wins to the organization. Early wins can help the dealer to increase momentum and enthusiasm among the employees. Quick wins in the beginning of a project can help to pay for the rest of the implementation. That is way it is important to exploit quick wins effectively. In order to ensure optimal CRM success Volvo CE dealers need to understand that the right environment must be created. Earlier, managers directed and controlled the employees more strictly. Now the employees are invited to participate and are encouraged to contribute to the CRM vision. Volvo CE dealers should try instead of control and limit employees ‘effort, create an environment where employees’ input is valued.

4. Put emphasize on training and education

CRM systems are built on new ways of thinking. When implementing a CRM tool it is not just a change in process and system that is required, a change in culture and practice is also necessary. Communication is one of the most important elements when it comes to developing understanding for a CRM solution, therefore it should play an active and supportive role. An important component within communication is training and education, which is seen as a prerequisite for a successful project. The training programs should be as interactive as possible and relate to the employees’ everyday situation. Another advice is to allow the employees to test the new system on their own computer in order to increase the familiarity. By doing this, the employees feel more secure and have more self-confidence.

5. Learn from the others

In order to avoid pitfalls and failure Volvo CE dealers can benefit from other CRM implementations. The suggestion is to study both successful and failed implementations to get as much experience and information as possible. To learn from Volvo TC’s experience is a great opportunity for Volvo CE. Volvo TC’s CRM implementation did not result in a success; they failed to get buy in across the value chain for the vision and failed to understand organisational readiness and differences per market. Besides, they built the process from a system perspective and not from a customer/sales perspective. Therefore,
when Volvo CE implements their CRM system they should be very careful with the issues Volvo TC experienced.

6. Offer Sponsorship

Another important aspect to consider is offering sponsorship to the dealers. Since Volvo CE dealers have to invest in the CRM tool themselves, a sponsorship can be valuable. A contribution makes it less painful for the dealer to implement the tool and at the same time it will be easier to motivate the project if Volvo CE offers to share some of the expenses, at least with their owned dealers.

7.4 Develop a Success Measurement System

The research has shown that Volvo CE dealers, who have already implemented CRM, do not have a clear measurement system to measure improvements, results, and success. However, it is crucial to have a method of tracking improvements over time in order to evaluate if the CRM initiatives work.

In a perfect world, all initiatives should lead to the improvements in customer dynamics, which impact revenues, costs, and competitive advantage. These dynamics can be measured by percentages, number of customers, and number of products per customer. Volvo CE’s dealers already have this type of measures. As far as CRM is focused on providing value to customers, Volvo CE dealers have to use metrics related directly to customers in order to measure the success of CRM project. Under “metrics” internal and external indicators of accomplishments are understood. These metrics are used to justify, monitor, and track CRM success.

Based on the consultants opinion interviewed during the empirical study and on the reference literature, the major proposition regarding the measurement system is to develop a customer scorecard, which intends to track customer performance during a fixed period of time (for example quarterly). The metrics to be included in the scorecard should be defined. They might imply:
Recommendations

- Current Spending: This metric can be based on monthly or annual billings, total purchases, or average order size depending on the dealer.

- Customer Profitability: It indicates the total customer relationship value across all product lines.

- Customer Lifetime Value (LTV): Evaluating the success of CRM initiatives it is important to forecast the future behavior of the customers. LTV predicts current profitability over the estimated lifetime of the customer within the segment.

- Market Penetration for High-Value Customers: The measure indicates the percentage of acquired high-value customer in comparison to the potential customers.

- Product Penetration: The category shows the proportion of customers within each segment and their purchases within each product category.

- Customer Retention: Retention statistics should be implied in order to compare performance for the low-value and high-value customers within each segment.

- Reactivation of Previous Customers: The metric shows the number of previously inactive customers who were encouraged to buy again.

- Cross Sales: The metric indicates the number of customers who buy in wider categories of products.

- Up Sales: The metric indicates the number customers buying high priced products.

These are the main metrics that Volvo CE dealers can include in a customer scorecard integrated in the CRM system. If the dealers decide to update the scorecard quarterly, they can easily follow the upward or downward trends in key measurements of CRM initiatives. Based on this measure, Volvo CE and its dealers will be able to set goal for future performance improvement. Establishing a measurement system is critical for demonstrating success of the project.
The chapter represents suggestions for the future research. The offered topics can be developed in the upcoming projects.
8. Areas for Further Research

8.1 Owned and Independent Dealership Management

This research was focused on the practices of CRM implementation within the MNC’s dealers. However, there was no clear distinction done between the owned and independent dealers. Studying the specifics of marketing channel relationships and conducting a deeper research regarding the issues of relationship dependence could benefit for this research in the future. Knowing the specifics of power and dependence within the marketing channel an MNC can improve its channel management and build up more effective relationships with its dealers.

8.2 Success Measurement Systems

In this research it was found out that in order to estimate the success of any project, it is crucial to implement an effective measurement system. Regarding the measurement of CRM success, customer scorecard system was introduced. However, there are many other systems and ways to measure the effectiveness of the CRM initiatives. A more detailed study of these systems could provide a better solution for the MNC. Besides, the focus was made only on customer performance measurement. Therefore, the future research can emphasize the importance of organizational performance measurement as well as service quality measurement systems.

8.3 Benchmarking

This thesis was focused on the research within one company and its CRM practices and operations. Thus, the conclusions and recommendations have quite a limited scope. The proposition for the further research would be to study the practices of other companies working in the same field that have already implanted a CRM system and have rather extended expertise in its employment. Besides, it would be beneficial to study both success and fail cases. It could give an opportunity to realize possible challenges and be more
Areas for Further Research

persistent to attaining possible benefits. Benchmarking of the similar industries should be considered.

8.4 CRM Solution for Diverse Markets

As far as Volvo CE Region International operates in very diverse markets across the globe, the CRM solution should be adjusted to a particular market depending on its peculiarities. A study can be done on identifying the specifics of market segmentation in Region International and developing a CRM package for each market segment. Since the implementation of the tool requires both technical and marketing support, the research can be conducted from both perspectives.
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Appendix

Appendix 1 – Questionnaire for Volvo CE Region International, Management

Project implementation

What factors create a necessity for initiating the CRM project?

How far have you already come on the way to the CRM implementation within Volvo CE Region International?

Which dealers (independent and owned) have already started a CRM implementation?

How much time are you ready to invest in the project implementation?

Which dealers (independent and owned) have already started a CRM implementation?

How much time are you ready to invest in the project implementation?

How can a formation of a productive implementation team be helpful for the project?

Which individuals do you see as critical to involve during the project?

What roles are the individuals going to perform during the implementation?

What do you expect to be the biggest challenge when implementing a CRM-system?

What factors in your opinion can prevent the implementation of the project?

How can you avoid the pitfalls in the implementation of the project?

Outcome

What would be the perfect outcome of a CRM implementation?

How will you measure the success of a CRM implementation?
Appendix 2 - Questionnaire for Volvo CE Region International, Dealers

**Project implementation**

What factors create a necessity for initiating the CRM project?

How far have you already come on the way to the CRM implementation?

How much time was invested in the project implementation?

How can development of a detailed project plan be helpful for the CRM implementation?

How can a formation of a productive implementation team be helpful for the project?

Which individuals do you see as critical to involve during the project?

What roles are the individuals going to perform during the implementation?

How do you involve employees in the project implementation?

How do you motivate employees to participate in the project?

What do you expect to be the biggest challenge when implementing a CRM-system?

What factors in your opinion can prevent the implementation of the project?

How can you avoid the pitfall in the implementation of the project?

**Project application**

What are the benefits of working with CRM?

What are the problem/difficulties in working with the tool?

What working regulations of using CRM do you have?

How do you educate yourself to use the tool?

How do you educate employees to use the CRM tool?

**Outcome**

What would be the perfect outcome of a CRM implementation?

How will you measure the success of a CRM implementation?
Appendix

How do you see the future development of CRM within your company?

**Marketing issues**

**How strong** is the channel network within Volvo CE, Region International?

What does make manufacturer-distributor relationships **effective** in your company?

How can the CRM tool help you to improve **control** of service quality in the channel?

To what extent can owned dealers become more dependent on Volvo CE through the CRM?

How can CRM help you to build up **trust** in channel relationships?

In your opinion, what do your customers **value** in your company?

What do you **value** in your customers?

To what extent does CRM **simplify** the customer data collection process?

How does CRM help to **spread** customer information throughout the organization?

In what way does CRM assist you in customer **segmentation**?

How does CRM contribute you to distinguish between **low-value** and **high-value** customers?

How does CRM help you to **build up trust** in your relationships with the customers?

What do you do to **retain** your customers?

How would you describe a **loyal customer**?

How do you **increase** customer loyalty?

How does CRM help you to acquire and use **information** about your customers?

What information about your customers should the **CRM package** include?

In what way can CRM help you to meet and satisfy **customer needs**?

How does CRM influence the current **sales**?

Could you specify in **numbers** what sales increase would indicate a successful implementation of CRM?
On 1 January 2010 Växjö University and the University of Kalmar merged to form Linnaeus University. This new university is the product of a will to improve the quality, enhance the appeal and boost the development potential of teaching and research, at the same time as it plays a prominent role in working closely together with local society. Linnaeus University offers an attractive knowledge environment characterised by high quality and a competitive portfolio of skills.

Linnaeus University is a modern, international university with the emphasis on the desire for knowledge, creative thinking and practical innovations. For us, the focus is on proximity to our students, but also on the world around us and the future ahead.