

# CRM in e-Business

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## **Preface**

The work presented in this study was carried out during the fall of 2003 and spring of 2004 at Luleå University of Technology (LTU). These 20 weeks of hard work have been a very interesting period that has provided us with a deeper knowledge about the area customer relationship management in e-Business.

A study like this cannot be completed without help from other persons and therefore we would like to express our gratitude to all persons having contributed to the completion of this study.

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## **Abstract**

The purpose of this study is to gain a better understanding of CRM in e-Business. Our research explores, describes and begins to explain how CRM objectives are described, how CRM is managed, and how CRM is measured and evaluated. In our quest for answers, we have conducted a multiple-case study with two companies.

From conducting this study some main findings have been found. Firstly, e-Business organizations CRM objectives can be divided into three categories, which are cost saving, revenue enhancement, and strategic impact objectives. However, those objectives are not very detailed, instead e-Business organizations view CRM objectives as a part of their daily work. Secondly, e-Business organizations concentrate in three areas when managing their customer relationships, which are implementation, initiatives, and channel management.

Thirdly, we have found that e-Business organizations evaluate the effectiveness of their CRM in four areas, which can be divided into customer knowledge, customer interaction, customer value, and customer satisfaction. Finally, e-Business organizations consider improved customer satisfaction rates and establishing relationships with customers to be very important, but only measure and evaluate fragments of it.

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## 1 Introduction

*This introducing chapter will provide the reader with an insight to the research area. We will begin by briefly discussing the background of Customer Relationship Management followed by the problem discussion and overall purpose of the study. The overall purpose is more specifically defined with three outlined research questions. Finally, the demarcations and the disposition of the study are presented.*

### 1.1 Background

While retaining customer loyalty has been a sales principle for a very long time, Customer Relationship Management (CRM) is actually a tremendous step forward in creating a system that can provide a means for retaining individual loyalty in a world of nearly 6 billion souls (Croteau & Li, 2001). In order to understand CRM, you must also understand the changing nature of the customer because customers are not what they used to be (Greenberg, 2001).

Today, customers are more highly educated, under higher stress, more specialized, living longer, and more influenced by global culture than those of the 60s and 70s when our view of marketing was formed (Wilson, Daniel, & McDonald, 2002). This as well as the emergence of e-Business, organizational dynamics, and cultural change issues has dramatically shifted organizations' functional units to focus on the customer. Consequently, organizations have recognized the need to develop customer-centered orientations. (Romano, 2003) Organizations are learning more about their customers and their preferences, needs, and expectations. (Jukic, Jukic, Meamber, & Nezelek, 2003) According to Schultz (2000) the practice of planning, creating, and managing customer relationships has nowadays become the heart of organizational strategy and the key to customer retention.

The hype surrounding CRM has only been pervasive within business, technology, media, and academic communities since early 1997 (Fayerman, 2002). According to Wilson et al. (2002) the influential study by Reichheld and Sasser (1990), which showed the large impact on profitability of small increases in customer retention rates, was the start out, making the marketing community more conscious of the need to manage customer relationships in the long term as well as prior to the first sale.

CRM is a concept that enables an organization to tailor specific products or services to each individual customer. In the most advanced scenario, CRM may be used to create a personalized, one-to-one experience that will give the individual customer a sense of being cared for, thus opening up new marketing opportunities based on the preferences and history of the customer. (Wilson, et al., 2002) CRM is also a customer-focused business strategy that aims to increase customer satisfaction and customer loyalty by offering a more responsive and customized service to each customer (Fayerman, 2002). CRM technological initiatives are most commonly implemented in functional areas such as customer support and service, sales, and marketing to optimize profitability and revenue. However, there is no universal explanation of what CRM is, since the area is fairly new and still under development. It is therefore important to know that numerous attempts of defining CRM exist and that many organizations adapt the definition to their own business and their unique needs. (Wilson, et al., 2002) The quotations stated below are three examples of how CRM is defined. We have chosen to use the definition stated by Bose and Sugamaram (2003) as the foundation and as a

general view of CRM for this study. The reason for this is that this definition is the most extensive one, the most recent one and that it makes no mention of any particular means of communication, or channels, whether traditional or new.

*“CRM is about managing customer knowledge to better understand and serve them. It is an umbrella concept that places the customer at the center of an organization. Customer service is an important component of CRM, however CRM is also concerned with coordinating customer relations across all business functions, points of interaction, and audiences” (Bose & Sugamaram, 2003, p.4).*

*“CRM is the infrastructure that enables the delineation of and increase in customer value, and the correct means by which to motivate valuable customers to remain loyal – indeed, to buy again” (Dyché, 2001, p.4).*

*“CRM is an enterprise-wide mindset, mantra, and set of business processes and policies that are designed to acquire, retain and service customers. CRM is not a technology, though. Technology is a CRM enabler” (Greenberg, 2001, p.14).*

According to Gefen and Ridings (2002), CRM can be divided into three different types: operational, analytical, and collaborative. Operational CRM, also known as front-office CRM, enables and streamlines communications and involves the areas where direct customer contact occurs, for example, a call center or e-mail promotion (Romano, 2003). Operational CRM attempts to provide seamless integration of back-office transactions with customer interfaces and the majority of self-described CRM products on the market today fall into the operational category (Adebanjo, 2003).

Analytical CRM, also known as back-office or strategic CRM, involves understanding the customer activities that occurred in the front office and enables an organization to analyze customer relationships through data mining (Gefen & Ridings, 2002; Shaw, 2001). Analytical CRM requires technology to compile and process the mountains of customer data to facilitate analysis and new business processes to refine customer-facing practices to increase loyalty and profitability (Adebanjo, 2003).

Collaborative CRM is almost an overlay (Greenberg, 2001). It is the communication center, the coordination network that provides the neural paths to the customer and supplier (Schubert & Koch, 2002). It could mean a portal, a partner relationship management application, or a customer interaction center (Gefen & Ridings, 2002). According to Fayerman (2002) could it also mean communication channels such as the Web or e-mail, voice applications, or snail mail. Fayerman (2002) further states that it also could mean channel strategies. In other words, according to Schubert and Koch (2002) it is any CRM function that provides a point of interaction between the customer and the channel itself. According to Greenberg (2001) the goal with CRM is to recognize and treat each customer as an individual using the three types of CRM.

The emergence of the Internet heralded a new opportunity for customer relationship building (Croteau & Li, 2001). For one thing, search engines made it easier for customers to find online merchants and interact with them. Moreover, the Internet simplified bi-directional communication, for the first time offering a better way for consumers to relay personal information to the merchant. Instead of waiting to be mailed a form to open an account or

order by phone, a prospective customer needed only to send an application through cyberspace, resulting in shorter delivery time, improved accuracy, and quite often a higher positive perception. (Strauss & Hill, 2001) In fact, the Internet is an environment of zero latency, offering real-time information, and often on-demand product delivery (Bradshaw & Brash, 2001).

According to Ragins & Greco (2003) Internet business-to-business (B2B) sales will reach \$1.3 trillion by the end of 2003 and, by 2004, business-to-consumer (B2C) sales will reach \$100 billion. The Gartner Group estimates that 75 percent of all e-Business ventures will fail due to lack of technological understanding and poor business planning. Despite the risks, the Internet challenge is intriguing. Successful e-Businesses today have moved beyond an arm's length transactional view of their customers to forging rich customer relationships. (Ibid)

Compared to the B2B market, where close supplier-vendor relationships built on performance, history, and trust as well as after-sale services are of great importance (Kaplan & Sawhney, 2000), the small but rapidly growing B2C market may require different types of relationships, information, and contact approaches (Zeng, Wen & Yen, 2003). The B2C relationships are typically shorter term with shorter sales-cycles and more transaction driven. The B2C consumer may be seeking a mix of convenience, price, and product capabilities. The information gathered about the consumer typically include demographics, past and current purchase behavior, preferences, and psychographics. (Fayerman, 2002) The contact strategy includes using past purchase patterns to anticipate new needs and wants that can be targeted with new offers as well as two-way communication on the Internet that offers more immediate and direct consumer feedback (Wilson, et al. 2002).

A new term for taking care of customers via the Internet, eCRM, is recently applied by some organizational and academic communities (Ragins & Greco, 2003). eCRM refers to electronic customer relationship management or, more simply, CRM that is Web-based (Dyché, 2001). There is a lot of debate over whether eCRM is a real designation or just a marketing ploy by CRM organizations and academics trying to distinguish themselves in the rapidly increasing morass of CRM pretenders (Greenberg, 2001). According to Greenberg (2001) eCRM is CRM and CRM must become eCRM. In this study we use the wider term CRM that includes eCRM as well as all other channels where organizations and customers could possibly interact.

## **1.2 Problem Discussion**

It is easy for an organization to be confused about CRM. The "headless chicken" analogy – running around in every direction without a clear goal – is very apt. Nowadays, with a rapidly increasing number of CRM consultants, articles praising the virtues of CRM are part of the daily diet of managers. In this situation, a manager might rush into an ill-considered CRM program. (Stone, Woodcock & Machtynger, 2000) The advent of e-Business and virtual supply chains has further complicated the situation and created a competitive situation characterized by a greater number of products and service alternatives that are becoming less differentiable (Schultz, 2000). As a result, customers are becoming less loyal and expect more in terms of customer service (Rust & Lemon, 2001).

According to Parthenios and Amalia (2001) what keeps a good customer coming back is good service and today's economic climate demands more than ever that customer acquisition, profitability, and retention remain central to an organization's business. But that cannot be done if customers are running out the door before organizations even discover who they were or, more important, what they potentially were. To keep them in the store, organizations need to offer a better customer experience and they are turning to CRM applications and processes to do just that. (Ibid)

Another objective of CRM initiative is to transform the organization into becoming customer-centric with a greater focus on customer profitability as compared to line profitability. The insights gained from CRM enable organizations to calculate or estimate the profitability of individual accounts. Organizations are then able to differentiate their customers correctly with respect to their profitability. From such insight, organizations can build predictive churn models to retain their best customers by identifying telltale symptoms of dissatisfaction and churning, keeping the customers who generate profit. (Chye & Gerry, 2002)

Intimate customer relationships offer organizations several advantages. To begin with, the relationship can create a committed customer. More than simply a repeat purchaser, the committed customer has an emotional attachment to the seller. (Ragins & Greco, 2003) These emotions can include trust, liking, and believing in the organization's ability to respond effectively and promptly to a customer problem. Committed customers can be viewed as organizational assets who are likely to be a source of favorable word-of-mouth referrals and are more resistant to competitor's offers. (Fournier, 1998)

Furthermore, CRM provides a point of leverage to realize economies of scale. Committed customers are often more receptive to line extensions. (Fayerman, 2002) Leveraging the customer base can facilitate cross-selling complementary products as well as selling up to higher quality substitutes (Ragins & Greco, 2003). Cross-selling is all the rage nowadays, because selling more services or products to an existing customer increases revenue from that customer and costs less than acquiring a new one (Greenberg, 2001). This is further supported by Dyché (2001), which states that it costs an organization six times more to sell a product to a new customer than it does to sell to an existing one.

Moreover, in recent years, CRM's potential to contain and reduce cost has been explored. CRM, in concert with other processes, can help reduce churn or turnover in an organization's customer base. Better customer management can result in lower sales and service costs, higher buyer retention, and lower customer replacement expenditures. (Romano, 2003) According to Reichheld (1996) a five percent increase in retention can yield a 95 percent increase in the net present value delivered by customers. This argument has been further strengthened by data on the low cost of better retention as compared with better acquisition and the increasing profitability of customers the longer the relationships lasts (Ragins & Greco, 2003).

The traditional but to some degree incorrect view is that CRM is a technological system for information handling and analysis (Croteau & Li, 2001). Others view CRM as a sales or marketing function only (Wilson, et al., 2002). However, according to Fayerman (2002) the critical interface is somewhere between CRM technology and marketing and an understanding of the perspective from both of these areas is a requirement for cross-functional integration. It must be remembered that effective CRM is more than a software solution; it is about how

customer information is used to create an ongoing relationship with the customer. To achieve that outcome, different relationship approaches, and perhaps even different CRM technologies, might be needed for the different types of customer relationships found in B2B or B2C markets. (Ragins & Greco, 2003)

This is further supported by Bose and Sugumaran (2003) which state that it is important to view CRM holistically, as a part of all of the organization's processes, from marketing to data collections. The tendency may be to view CRM narrowly as a tactical series of transactions, but effective and successful strategic implementation of CRM requires information from all relevant departments for the purpose of using customer information intelligently to create relationships or partnerships with customers (Ibid).

As organizations attempt to re-orient themselves around customers, individual employees will have to come to terms with changing cultural norms, organizational structures, and the way that their performance is measured and rewarded (Ryals & Knox, 2001). According to Croteau and Li (2001) is the CEO as well as the senior managements involvement singled out as a key success factor when it comes to CRM strategy. Investing in CRM technology without a customer-oriented cultural mindset – inherited hierarchically throughout the organization from the CEO – is like throwing money in the sea (Ibid).

Lately, emerging technologies offer organizations the potential to improve their ability to attract and retain customers, capture more information through the online channel than through any other customer point, and to practice CRM (Fayerman, 2002). According to Bradshaw and Brash (2001) organizations have to integrate the Internet with the traditional front-office functions of sales, service, and marketing to be able to provide a good customer experience in the e-Business world.

The World Wide Web has evolved into a medium with various generic relationship-building attributes (Romano, 2003). The higher the quality of the information an organization can collect about its customers, and the more complete the information is, the better the organization will be able to use decision analysis to predict customer behavior (Butler, 2002). More targeted and customized relationships strategies can result in better predictions of customer needs (Romano, 2003). Online CRM can enhance the value of the relationship for both customers and the e-Business. Customers can receive more products and communications that are better suited to their needs and lifestyles, and the e-Business can benefit from a group of high-value repeat customers. (Ibid)

It is difficult to evaluate tangible returns on the resources expanded to plan, develop, implement, and operate CRM (Dyché, 2001). Therefore, the intangible nature of benefits such as customer loyalty, service quality, value enhancement, innovation of operation, effectiveness of processes, service improvement, competitiveness, trust, and efficiency have to be measured (Kim, Suh & Hwang, 2003).

The conventional financial/accounting methods of investment evaluation such as net present value and return on investment are currently the most widely used methods for marketing evaluation. These methods have the advantage of being investment evaluation settings. (Ibid) However, according to Grembergen and Amelinckx (2002) their major drawback of evaluation is that they focus on the estimation of cash flows and accounting criteria. They are not suitable for evaluating investments that are expected to yield benefits that are primarily intangible, indirect, or strategic (Ibid).

Multicriteria methods such as information economics and cost benefit analysis may solve this problem because they account for tangibles as well as for intangible impacts. On the other hand, the major drawback of these methods is that they are necessarily based on substitutive measures of intangible costs and benefits. (Lycett & Giaglis, 2000) To properly evaluate the effectiveness of CRM, an evaluation tool that can assess both tangible and intangible elements, as well as overcome the drawbacks of the financial/accounting and multicriteria methods is needed (Kim, et al., 2003).

Briefly, we have high lightened the importance and potential impact of CRM on customer relationships in e-Business as well as for traditional organizations. We have focused on the objectives of CRM, how to manage CRM, and the evaluation of CRM. It should be remembered that CRM is not just a technology it is so much more and organizations that view their customers as assets and deliver value in terms of convenience, quality, and a positive purchasing experience are the winners in today's competitive environment (Krauss, 2002; Ryals & Knox, 2001).

### **1.3 Research Purpose**

Based on the reasoning above, the purpose of this study is *to gain a better understanding of CRM in e-Business.*

To reach this purpose, the following research questions emerge:

1. How can organizations CRM objectives be described?
2. How do organizations manage their customer relationships?
3. How do organizations evaluate the effectiveness of their CRM?

### **1.4 Demarcations**

There are many aspects within this research area and due to time limitations we will only focus on some of them and a complete picture of the topic will not be provided. We have therefore limited our research to view the above stated research questions. Furthermore, this thesis will be based from a company perspective, and no attention will be given to the customer perspective. This study is also limited to the organizations' B2C relationships and does not include any B2B interaction.

## 1.5 Outline of the Study

This study is divided into seven chapters. By now, the content of the first chapter is already presented and familiar to the reader, consequently, only the content of the following chapters will be briefly discussed below. Figure 1.1 visualizes the outline of the study.

**Figure 1.1: Outline of the study**



The second chapter provides the reader with an overview of the literature, related to the three research questions of the study, on previous research within the area of CRM in e-Business. Chapter three describes the frame of reference for the study, where we aim at conceptualizing the useful aspects of the literature for our research. In the end of this chapter, a visualization of the emerged frame of reference is provided. Furthermore, chapter four describes and motivates the research methodology used in this study. Chapter five provides a delineation of the empirical data gathered in the research. This chapter begins with presentations of the organizations and thereafter the data gathered is presented.

Moreover, chapter six includes an analysis of the empirical data. The analysis contains both within case analyses of each organization as well as a cross case analysis, where the data from the different organizations are compared. Finally, chapter seven contains the overall conclusions that can be drawn from the research. Conclusions will be given in relation to the three research questions and the chapter is ended with recommendations for managers, theory, and further research within the area of CRM in e-Business.

## 2 Literature Review

*The previous chapter provided the background and the problem discussion of the area of this study, leading down to the specific research questions. In this chapter we review earlier studies within our research purpose area. The aim of this chapter is to provide relevant literature in the field CRM. First, we discuss theories that are concerned with organizations CRM objectives. Secondly, we review theories describing how organizations manage their customer relationships, and finally, we present theories describing how organizations evaluate their CRM efforts.*

### 2.1 CRM Objectives

In this section objectives for CRM within an organization will be discussed. Objectives of CRM will be described in order to present different views of the topic. The presented CRM objectives have been verified in previous research and studies by each author mentioned below.

#### 2.1.1 Objectives by Burnett

Burnett (2001) discuss that the objectives from CRM generally fall into three categories; cost saving, revenue enhancement, and strategic impact, and states that the following objectives seems reasonable for a company implementing CRM:

*1. Win rates*

Which will improve since the organization withdraws from unlikely or bad deals earlier in the sales process.

*2. Increased margins*

By the results from knowing the customers better, efforts can be directed to switch less profitable accounts to lower cost/service delivery channels.

*3. Improved customer satisfaction rates*

The increase occurs because customers will find that the offer is more in line with customers' specific needs.

*4. Decreased general sales and marketing administrative costs*

This decrease occurs since the organization has specified and has good knowledge about its target segment customers. Thereby the organization is using its resources better when no effort is a waste of money or time. (Ibid)

#### 2.1.2 Objectives by Wilson, Daniel, and McDonald

Wilson et al. (2002) claim that organizations are becoming increasingly aware of the importance of moving closer to their customers and their extended enterprise business units. The leading organizations specifically communicate their objectives and goals and the CRM objectives are to increase business opportunities by:

- Improving the process to communication with the right customers
- Providing the right offer for each customer
- Providing the right offer through the right channel for each customer
- Providing the right offer at the right time for each customer

By doing this, organizations can receive the following benefits:

*1. Increased customer retention and loyalty*

Ability to retain loyal and profitable customers to increase the organization's profitability.

*2. Higher customer profitability*

Increasing individual customer margins while offering the right product at the right time.

*3. Creating value for the customer*

Acquiring the right customers based on knowledge or learned characteristics, which drive growth and increased margins. (Ibid)

### **2.1.3 Objectives by Greenberg**

Greenberg (2001) states that the following objectives seem reasonable for an organization implementing CRM:

*1. Increased revenue*

Focus the sales force on increasing organizational revenues through better information and better incentives to drive top line growth.

*2. Improve global forecast and pipeline management*

Improve information access, forecasting and pipeline management to improve organization's ability to close deals.

*3. Improve win probability*

Improve the focus of organizational sales efforts with better information to close deals.

*4. Reduce cost of sales*

New technologies can lower the cost of deploying sales automation solutions and at the same time improve the effectiveness of organizational sales efforts.

*5. Increase sales representative productivity*

Reduce the steps involved in tracking and quoting customer data with integration of sales capabilities across the organization.

*6. Promote sales representative retention*

Empower organizational sales force to proactively track and monitor their performance and compensation levels to better motivate them to achieve goals and be successful within their positions and for the organization. (Ibid)

#### **2.1.4 Objectives by Bayon, Gutsche, and Bauer**

Bayon et al. (2002) claim that three factors influence marketing regarding to CRM and that organizations should view objectives for marketing applications offered by CRM as follows:

*1. Closed-loop marketing*

Improve marketing management and programs with a comprehensive marketing system that supports planning, campaign management, execution, Internet support and analysis.

*2. Better information for better management*

Implement highly focused targeted campaigns with better returns on marketing investments.

*3. Expand marketing channels through the Web*

Utilize the power of the Internet to increase marketing reach and effectiveness. (Ibid)

#### **2.1.5 Objectives by Ryals and Knox**

According to Ryals and Knox (2001) services that an organization provides to their customers have an impact on the customer's perspective of an organization. The CRM objectives for service applications according to Ryals and Knox (2001) are stated below:

*1. Service reduce costs and increases profitability*

Create a profit center out of a service organization using operational and customer information to reduce costs and generate more revenues.

*2. Service improves service delivery*

Create an efficient and effective service business using integrated enterprise-wide information available in other front office and ERP applications.

*3. Service helps organizations to delight customers*

Provide enhanced customer care, service and customer information management across the organization to improve customer satisfaction and loyalty.

*4. Service helps organizations differentiate their product*

Distinguish business by offering service as a differentiator using multiple channel communications with customers, full enterprise wide view of customer information. (Ibid)

#### **2.1.6 Objectives by Kim, Suh and Hwang**

According to Kim et al. (2003) CRM objectives can be divided into four categories as described below:

*1. Customer knowledge:*

1. Collecting appropriate customer information
2. Analyzing customer data
3. Acquiring new customers
4. Improving skills of employee
5. Improving CRM technique
6. Secure service

*2. Customer interaction:*

1. Appropriate response to customer request
2. Integration of business processes
3. Improving channels management
4. Maximizing the effectiveness and efficiency of organization operations
5. Customizing products and services

*3. Customer value:*

1. Improving customer retention
2. Profits increase
3. Improving customer service and support
4. Building an attractive virtual community

*4. Customer satisfaction:*

1. Improving service quality
2. Establishing relationships with customers

## **2.2 Management of Customer Relationships**

In this section theories that deal with the management of customer relationships within an organization will be discussed. To begin with, theories concerning CRM implementation are reviewed. Secondly, CRM initiatives are discussed and finally theories that deal with channel management are reviewed.

### **2.2.4 The ideal CRM organization**

According to Bradshaw and Brash (2001) to deal with the challenges of customer relationships in the fast-evolving Internet world, even the most customer-focused companies have to understand the three essential insights to getting customer relationships right:

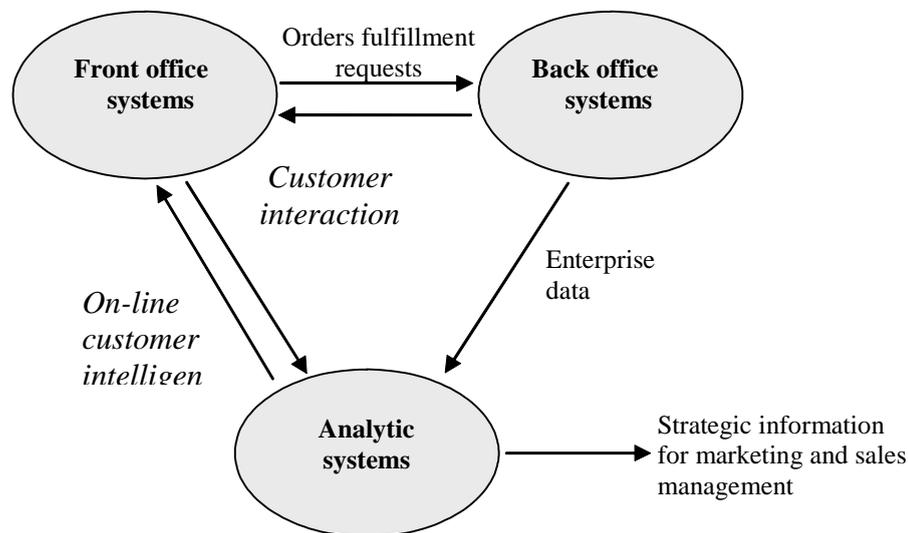
1. That building CRM in the front office is just the start, and that it must involve the back office functions like manufacturing, fulfillment, and billing as well as the analytical functions like data warehousing and pushing customer insights back up to the front office.
2. That conducting relationships across multiple media requires the correct technical infrastructure, allowing companies to deal with their customers in a consistent way across multiple media, and even add new media as required without the need to develop every interface separately and from scratch.
3. Building the correct strategy for directing customers to different media. For a few organizations the strategy “we will deal with customers on whatever medium they prefer” is right; but for the vast majority of organizations it is a recipe for disaster.

Getting it right in CRM across multiple channels means that you can deal with customers in and across multiple media and still have a unified up-to-date view of the customer, with no gaps. Ideals such as one-to-one marketing and the market one have been widely written about but rarely realized, except in the occasional corner florist's. Getting CRM right is the closest approach to achieving these ideals that a large organization can make. Doing this across multiple media is a major achievement that will make the organization ready to face the future.

In CRM, there is a “virtuous triangle, Figure 2.1. The purpose of this is to ensure that organizations know their customer fully, and then act according to their needs and the organization’s interest. Important information is generated and used in other areas. Any company that is doing CRM properly must integrate the front office, the back office, and analytical systems.

- The back office executes the customer requirements. Generally the only customer contact functions in the back office are billing and logistics, and in even these functions, the customer contact is moving into the front office environment.
- Analytical software allows the organization to look for patterns in the customer data which they have collected. The outputs from this are strategic and tactical information. The strategic information can be used to determine future strategy, while the tactical information will help to modify existing practice. Increasingly the tactical information is generated and used on the fly in customer interactions.

**Figure 2.1: The “virtuous triangle” of CRM**



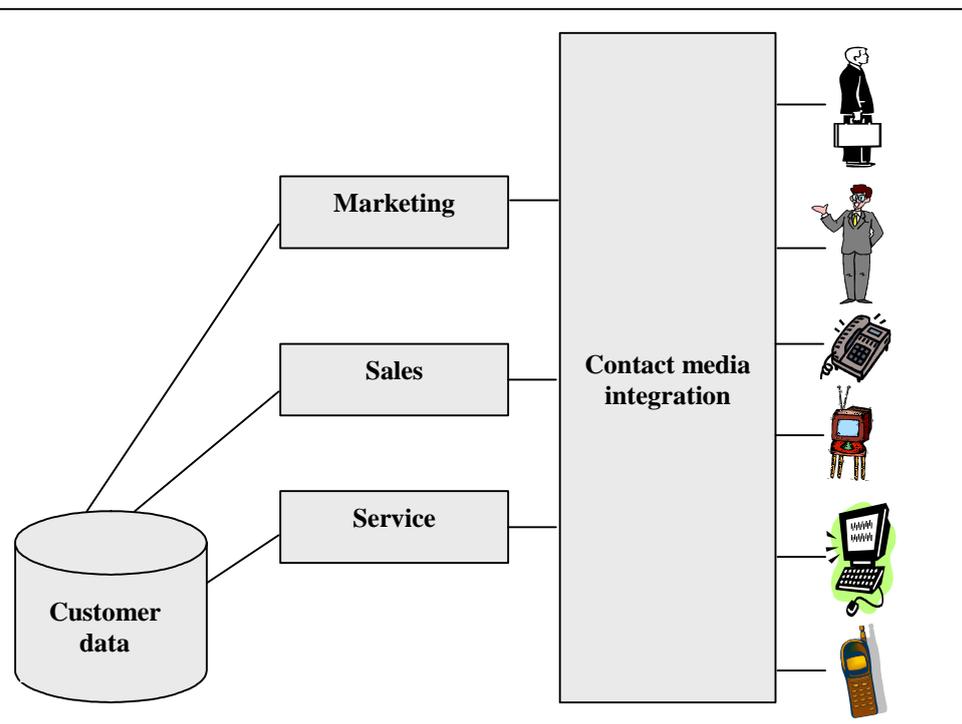
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Source: Bradshaw & Brash (2001), pp. 525

The current focus on CRM tends to be almost entirely on the front office. This is not harmful – almost all organizations could improve their performance in this domain – but it is not optimal in the long run. Extending CRM into multiple media means integrating the front office and aspects of the back office with different communication channels, Figure 2.2. This has to be done in a methodical way and organizations that get this part right will have thought carefully about the technical infrastructure they need. Standards are rapidly developing in this area and many vendors are building media portals that allow the organizations using them to deal consistently with customers across multiple media.

Just because organizations can deal with customers across multiple media does not mean that they should offer the same facilities on each medium, or the same level of service. Doing so would be a disaster. The media are different and demand being handled differently. For example, people are generally willing to wait on hold for a reasonable time to speak to a call center agent. However, they are certainly not prepared to wait to do the same transaction with an interactive voice response (IVR) machine.

Figure 2.2: CRM and multiple media



Source: Bradshaw & Brash (2001), pp. 526

Some interactions are far more costly than others, and there is an especially steep differential between interactions involving humans and those that are automated. Business models built on automated transactions cannot sustain large volumes of transactions switching to human-based interactions. Organizations must therefore decide two main issues:

1. For which customers and on what occasions they want to use specific media.
2. How they are going to direct customers to the companies chosen medium.

The latter point tends to be the most problematic – directing customers to the chosen medium. The most problematic part is directing customers away from the live agents to the automated media. A way of doing this is price – live interactions cost more or discounts are available only via automated media. But this is not the only way. As already pointed out, one way to do this is with level of service – customers have to wait to speak to an agent, but can connect immediately with the IVR. Other choices are the levels of facilities, offered over the different media. For example, the Web is very good for conveying large amounts of data and graphics. If a company offers its customers all the data or graphical information they require from the Web, customers who can will use the Web as their chosen medium. (Ibid)

### 2.2.1 Ten ways to initiate or improve your CRM

According to Vinas (2001) CRM is a business strategy, which requires planning, commitment and change, and any employee that has any point of contact with a customer at any time should be considered a “CRM user”. Excellence in CRM is not achieved with a software product or a marketing campaign. However, technology such as telephone systems and Web sites can be used wherever it aids a CRM strategy. Below, ten ways to improve or initiate a CRM program is stated:

### *1. Defining CRM*

The heart of CRM is about knowing your customers and the way they want to interact. CRM is about marketing and customer knowledge, not about great software. CRM can have a wide scope, but it can also be as simple as managing your activities and keeping your promises.

### *2. Top management commitment*

CRM defines what is happening in an organization so CEOs can move in several areas with more business intelligence. CEO and board commitment is also a critical factor that influences the impact of CRM initiatives and diminishes resistant to change. To state it simply, if a CRM strategy is simple and sanctioned by the CEO, it will probably work.

### *3. Staff involvement*

The biggest problem with CRM is that it requires staff to capture more data to do more things. Some employees dislike the way that it slows them down and if they have not been shown the value, they reject it. Organizations must get CRM users excited and start with a couple of key supporters. The employees need to be assured that if they put information into CRM systems they will get value out of it.

### *4. Integration of CRM systems*

Different people in an organization have different views of the same customer. The marketer might think, “he keeps buying, we need to keep selling to him” while the financial manager thinks, “he is not paying his bills, we will have to stop selling to him”. This is why you need to identify customers and why CRM systems need to be integrated. Furthermore, if customer data does not easily reveal which customers bring in value, it can be too late to adapt marketing practices once the information is realized. Successful CRM is about having real time access to the right information.

### *5. Research CRM tools and technologies*

It is important to spend time researching the IT market to find the tools and technologies appropriate for the organization. Customer relationship tools in the mid-90s did not include SMS messaging, the Internet, or digital phones. There was only mail and fax. However, now you have got interactive TV, interactive Web, digital telephony systems, and e-mail. It is a learning curve.

### *6. Long-term view*

Some organizations benefit from expensive and complex high-end CRM systems. Those systems can take a long time to roll out and require consultant input. In this case, management must be patient and look at the big picture in the long-term instead of just focus on short-term costs. It is all about what the organization needs, if you do not have a vision behind the sticker price, you are in trouble.

### *7. Manage consultant and vendor relationships*

Although consultant and vendor relationships can be fractious and expensive, these partners are often the only one that can see the “bigger picture”. It is therefore important for organizations to manage the relationships and develop mutually reasonable expectations.

### *8. Measure the success of your CRM strategy, but be patient*

It may take time for a CRM strategy to show return. Often organizations will spend a lot of money in CRM, but not allocate a budget to change culture or establish training. So they

regroup and sometimes there is a lot of trial and error. CRM is not a five-minute wonder. Sometimes it takes decades for return on investment to come in.

#### *9. Keep it simple*

While IT people need to help with technical CRM decisions, each investment should have a business requirement. Remove what the organization do not need and implement CRM systems where they add value for users before trying to add value to the organization. A big system might take two years to roll out and then suddenly the organization's requirements and directions have changed. Also remember that CRM needs can differ between departments.

#### *10. Outsourcing*

If the organization does not feel up to the CRM learning curve, consider outsourcing. Outsourcers will often recruit, train, and manage contact centers on behalf of clients. The customer does not care about where the person they are talking to is sitting as long as their needs are met. Today, outsourcers that get customer information which they sell back to the organization or uses to manage CRM for the organization are becoming more and more common. (Ibid)

### **2.2.2 CRM initiatives**

According to Dyché (2001) companies do not purchase CRM products to automate campaign management without a clear objective of what they want to do. The companies who purchase CRM products have a variety of tactics in mind for increasing customer value and loyalty such as *cross-selling and up-selling, customer retention, behavior prediction, customer profitability and value modeling, channel optimization, personalization, and event-based marketing.*

#### *Cross-selling and up-selling*

The art of cross-selling and up-selling is understanding which products will increase, rather than decrease, a customer's overall profitability. Up-selling means motivating an existing customer to trade up to more profitable products and cross-selling is the act of selling a product to a customer as a result of another purchase. This has become very popular nowadays, because selling more services to an existing customer increases revenue from that customer and costs less than acquiring a new one. Cross-selling done correctly means selling the right product to the right customer. It also means understanding that not every customer is a good candidate for cross-selling. Because of this, the desire to improve cross-selling business practices accounts for much of the popularity of CRM marketing automation technologies.

#### *Customer retention*

Understanding that customers have left, and knowing specifically who, is non-trivial. Understanding why they have left is even more difficult. Harder yet is stemming the tide of customer attrition by applying this knowledge to business tactics that encourage customers to stay. Analyzing customer attrition operates on the aphorism that keeping an existing customer is far more cost effective than acquiring a new one. After all, the more customers leave, the greater the loss of revenue, loss of initial acquisition investment, and loss of a stable market base for selling new products.

### *Behavior prediction*

Behavior prediction helps companies determine what customers are likely to do in the future. Using sophisticated modeling and data mining techniques behavior prediction uses historical customer behavior to foresee future behaviors. This analysis includes several variations:

- *Propensity-to-buy analysis.* Understanding which products a particular customer is likely to purchase.
- *Next sequential purchase.* Predicting what product a customer is likely to buy next.
- *Product affinity analysis.* Understanding which products will be purchased with other products. Also known as “market basket analysis”.
- *Price elasticity modeling and dynamic pricing.* Determining the optimal price for a given product, often for a given customer or customer segment.

By understanding how a customer is likely to behave, a company can make a host of marketing decisions based on this knowledge, including these:

- Pre-emptively offering discounts or fee waivers to existing customers who are at risk of churning.
- Refining target-marketing campaigns to smaller customer segments or specific products.
- Packaging certain products together and fixed-pricing them to sell more products and increase their profitability.
- Cross-selling products likely to be purchased with other products.

The key to all this analysis, and especially to the actions that result, is to know who your best customers are.

### *Customer profitability and value modeling*

Extensive processing and detailed data combined with profitability modeling products have made it possible for organizations to know who of their customers that is worth keeping. Today, organizations can quantify that price-sensitive customers - those who bring in paper-thin margins - might never recoup their value, irrespective of their purchase volume; yet certain low-volume customers were nevertheless highly profitable. However, profitability is only one piece of the revenue puzzle. A customer can be unprofitable but could have referred three high-value customers to your organization, thereby rendering him very valuable.

Furthermore, many organizations have formalized the practice of value modeling, allowing them to score a customer based on her relative worth to the company over time. The score is then used in a variety of ways to tune communications with that customer. Irrespective of the level of customer value being modeled, customer value measurement is data-intensive. The challenge of value modeling is that it is only as accurate as the customer data is rich – and the analysis statistically robust. Historical customer behaviors, product costs, support costs, customer profitability, and channel usage should all figure into the overall value of a customer. Basing customer value on only a single metric puts companies at risk of making incorrect decisions about how to communicate with customers and what to say, which could ultimately decrease customer satisfaction and increase attrition.

### *Channel optimization*

The goal of marketing automation is to offer the right message to the right customer at the right time. With the advent of Internet, many organizations are appending “through the right channel”, as customers’ interaction preference evolve. However, understanding the channels through which specific customers prefer to interact with your company is only a slice of the pie. Organizations must also decide how to best communicate with its customers. Channel management means optimizing an organization’s “inbound” channels with its “outbound” means of customer interaction and knowing how to choose the best approach for each.

### *Personalization*

Personalization is the capability to customize customer communication based on knowledge preferences and behaviors at the time of interaction. Personalization, as most people see it, is online messages tailored to a particular customer or customer segment. Such tailored messages can involve anything from inserting the Web shopper’s name into the message – known as variable insertion – to using detailed customer data to personalize Web site content.

More specifically, personalization technologies can tailor messages to individual customers, accessing current personal data each time the customer visits the Web site and using it to create custom content. These technologies enable analysis of each customer over time and across all channels, using customer profile data, past purchases, click stream data, and Web survey responses to determine, for instance, what product the customer is most likely to purchase next or whether the customer is at-risk and thus deserving a discount offer to lure him or her back. A personalized message reflecting the results of that analysis is then delivered in real time when the customer visits the Web site.

Personalization technologies can apply their learning’s – if the customer responded to a discount on for example skis, it is likely he will be interested in cold-weather apparel – to future personalized messages, having proven improved response rates over time a the customer’s behavior data becomes even more enriched. This removes the guesswork, resulting in a creeping understanding of customers and their preferences over that customer’s relationship with your company. Known as “adaptive personalization,” it is a critical factor in making it as difficult as possible for your customer to switch to a competitor.

Personalization in the B2C space is largely based on the analysis of a customer’s click streams, his or her navigation path through an organization’s Web site. By monitoring a customer’s click stream, an organization can see not only what a customer purchased but how the customer reached the Web site in the first place, how he traveled through the Web site after he got there, how much time he spent on each Web page, and which products might have stimulated purchase of other products. In short, click streams can shed light on a customer’s Web experience and analyzing click streams can trigger dozens of new tactics, including:

- Changes to Web impressions, images on the Web site, according to a customer’s navigation patterns and past purchases.
- Custom promotions or discounts based on past purchases or research.
- Customized Web pages according to the visitor’s use of the site.

### *Event-based marketing*

The best definition of event-based marketing is time-sensitive marketing or sales communication reacting to a customer-specific event. Event-based marketing, also called event-driven-marketing, can apply to a segment of customers or to individual customers. However, it is the individual event-based marketing that organizations adopting CRM are striving for. They want to move beyond traditional, carefully choreographed and scheduled marketing campaigns to more reactive, real-time customer communications highly focused on the individual customer's profile.

Most organizations developing event-based marketing are doing so based on a clearly defined set of high-profile events that call for straightforward events and the ideal goal of event-based marketing is to be able to react to customer events in near real-time, soon after the actual event occurs. No matter what type of customer communication an organization sends for marketing purposes, the ultimate ambition is to get the customer to visit the store, catalog, or Web site; to buy products or services they are happy with; and return often. (Ibid)

### **2.2.3 Internet customer interaction**

According to Kotzab and Madlberger (2001) while the first wave of organizational Internet sites were little more than online brochures, it is now crucial that Web sites give customers options for interacting with the organization. Internet access gives customers three new ways to get in contact with organizations: *Web chat*, *Web callback*, and *e-mail*.

#### *Web chat*

Web chat allows a Web site visitor and organizational representative to have a text-based "conversation" in near real-time, by alternately typing sentences in the window provided by a chat program. This allows organizations to offer customers one-to-one contact with a representative without them having to disconnect from the Web, which is important for households that use the same telephone line for Web access and voice calls. As representatives can often conduct more than one chat session simultaneously, providing chat can also save businesses money in comparison with staffing a conventional call centre.

#### *Web callback*

A Web callback facility allows customers to enter their telephone numbers and be called by a representative from the organization. Furthermore, organizations can use a callback form to establish the customer's interests, and ensure that a representative with relevant product knowledge telephones the customer. This contrasts with customers being repeatedly transferred after contacting a conventional call centre until someone who can answer the inquiry is reached.

Web users who access the Internet using their one and only telephone line can not accept the call until they have disconnected their Web connection. They should therefore be able to specify when they would like to be called. However, it should also be possible for those who have separate connections to be called immediately.

#### *Sending e-mail from the Web site*

The case for allowing e-mail to be sent by customers is elementary to make: customers like it because they do not have to wait for an available representative, as is often the case with a call centre, and organizations like it because agents can typically turn around more e-mails per hour than they can handle telephone interactions. There are two approaches Web sites can

take to inviting written correspondence electronically: a feedback form or a hyperlinked e-mail address which launches the customer's own e-mail client.

While feedback forms offer organizations a tempting opportunity to gather personal data about their customers, making them too long or intrusive will deter some customers, and therefore be counter-productive. More over, the approach of launching the user's own e-mail client allows customers to be as brief or detailed as they like, but does not let the organization collect specific data, which could be used either to route the current enquiry or for marketing purposes in the future.

Although they are convenient in many circumstances, callback, e-mail, and chat are not appropriate for every interaction – a customer in a hurry will often prefer direct telephoning and to be connected with an agent immediately. Many organizations look to the Web as a means to reduce the number of live agents they need to employ. While this should be achieved by providing a high-quality Web experience which means few customers need to call for more information, some organizations adopt the tactic of making it virtually impossible for customers to telephone them – clearly unwise, for example when a customer is just about to order several hundred dollars worth of goods and just has a small query on the delivery arrangements. (Ibid)

### **2.2.5 Multi-channel customer contact**

Bradshaw and Brash (2003) claim that very few major organizations can expect to survive while supporting only one channel to the customer. In today's world, customers increasingly expect to be able to choose which channel they use for after-sales support. People whose work or family commitments make it difficult for them to telephone a call center during its opening hours value efficient e-mail support very highly, as do people who are infuriated by long on-hold waits for an available call center representative. These competitive pressures and customer demands mean that supporting a range of channels is not an option, it is a necessity. Furthermore, customers want to be able to deal with companies as single entities: if they have already provided a piece of information on the Web, why should they be made to waste their time by giving it again when speaking to a call center agent.

Many dot coms were founded with the belief that they could service their customers exclusively online. Their problem is that they have paid little attention to telephone and mail support, in the hope that offering low prices will compensate for their restricted customer support facilities. The effect of this stovepipe approach on the customer experience can be disastrous. If a customer has started a transaction on the Web and telephones the call center to clarify something, there is nothing more frustrating than having to repeat all the information already entered on the Web to the representative who has no access to details of customer interactions on the Web. Common symptoms of poor integration with fulfillment include delays in shipment and incorrect data in order tracking sections of Web sites.

This kind of inconsistency of information and of service is very unlikely to lead to the long-lived, profitable relationships, which are the central goal of a CRM strategy. Even a highly experienced and knowledgeable agent in the call center cannot compensate for incomplete information – just after a dissatisfied customer returns a faulty product is not a good time to make a telemarketing call, but without a single view of the customer accessible to all, this is exactly what can happen. Achieving the single view is a substantial and difficult task, as many

organizations have software for different business functions and different channels from separate vendors, each of which has its own data model. However, it is also a very necessary project if a company is to compete in all the markets that the expanding ranges of channels give them access to.

While crucially important, achieving consistency merely lays the foundation for what is possible with multiple channels to the customer, and guards organizations from appearing inept before their customers. Doing so addresses the difficulties the new channels present, without taking advantage of what they make possible. Within the electronic channels, for example, targeted e-mails can be used to drive customers to Web sites, with encoded URLs which both identify the customer to the Web site, and take the customer to the precise Web page relevant to the offer publicized by the e-mail. However, the greatest opportunity for organizations to be innovative in engaging with their customers is through combining the new and the old. Organizations can send offers to their customers as text messages to mobile telephones, and allow them to be connected to the call center to complete the transaction.

A common misconception is that customer experience must be uniform regardless of channel: this is not the case. Rather, customer experience must have an actively managed consistency. For example, it is very practical for an online banking system to provide a large amount of historical account data and synchronization of account data with personal finance packages. The Web is very good at providing access to large volumes of data like this. On the other hand, it is very impractical to provide the same facilities via the call center, and also expensive to have the length of interaction required. For these reasons, the only time that such an interaction should take place in the call center is when there is a strong customer service reason for doing so. However, most organizations have not really grasped the issues around customer management across multiple channels, even those that have recognized the issue. (Ibid)

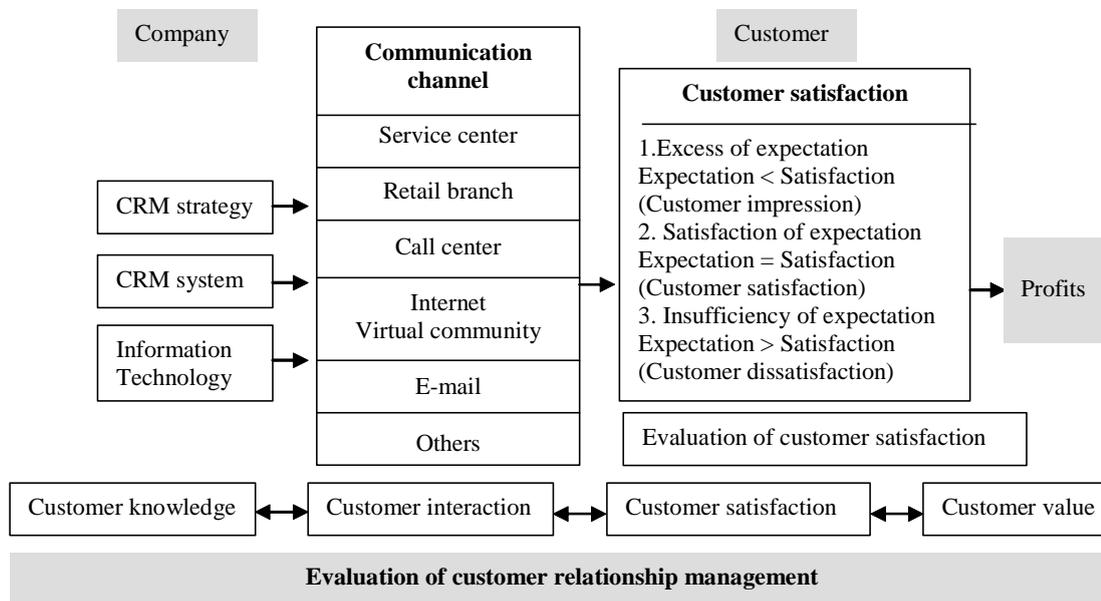
## **2.3 CRM Evaluation**

In this section theories that deal with evaluation tools, which can assess both tangible and intangible elements when organizations evaluate the effectiveness of their CRM are reviewed.

### **2.3.2 Metrics of CRM effectiveness**

Kim, Suh & Hwang (2003) propose an application framework for evaluating CRM effectiveness. In the framework, Figure 2.3, each perspective is evaluated by appropriate metrics. According to Kim et al. (2003) there are some reasons why performance measurement is so powerful in enhancing business. First, measurement removes the ambiguity and disagreement that surround high-level strategic concepts. Second, measurement provides the precise language for clearly communicating at all levels what the organization wants to accomplish and how it intends to accomplish it. Third, measurement allows the continual evaluation of organizational alignment on strategic objectives. Last, measurement not only improves the probability but also speeds the pace at which change occurs. The four perspectives are *customer knowledge*, *customer interaction*, *customer value*, and *customer satisfaction*.

Figure 2.3: The Evaluation Process of CRM



Source: Kim, Suh, & Hwang (2003), pp.14

### Customer knowledge

In order to adopt the current customer-centric business environment, organizations use data mining and data warehousing technology. A major problem is filtering, sorting, manipulating, analyzing, and managing this data in order to extract information relevant to CRM activities. Data mining tasks are used to extract patterns from large data sets. With the shift from mass marketing to one-to-one relationship marketing.

Technology learning is also important towards understanding customers. It is required, therefore, to assess employee skills to use customer information effectively. Security is another basic and critical prerequisite when dealing with customer information. Security, in particular, has been a serious issue concerning online purchases and an impediment to the acceptance of the e-channel. Many customers are concerned about the amount of personal information that is contained in databases and how it is being used. Customers perceive safety of transactions and seller empathy as important. Table 2.1 shows the metrics of customer knowledge.

**Table 2.1: Measures for Customer Knowledge**

Objectives	Measures
Collecting appropriate customer information	Customer acquisitions (No.)
Analyzing customer data	Number of customers (No.)
Acquiring new customers	Web marketing
Understanding customer needs	Page views per day (No.)
Improving skills of employee	Visits per day (No.)
Improving CRM techniques	Net sales/employee (%)
	Technological capacity (No.)
	Frequency of hardware upgrade (No.)
	R&D investment (\$)
	<ul style="list-style-type: none"> <li>• Support R&amp;D Data warehouse, Data mart, Data mining, Multi-dimension analytical</li> <li>• Service R&amp;D Customer segment personalization Recommendation Web service</li> </ul>
	Customer profile research (\$)
Secure service	Security level (%)

*Source: Kim, Suh & Hwang (2003), pp.12*

### *Customer interaction*

Many communication channels are developed to interact with the customer effectively. To manage various communication channels effectively, managers make an effort to monitor the business processes. The processes can be divided into internal and external processes. The internal processes refer to the handling of the processes in the organization internally, whereas the external processes describe the interactions between suppliers and customers. Internal processes determine operational excellence and external processes determine channel management effectiveness. The customer relationship can be reinforced by effective customer interaction. Customer interaction has the following components.

- Contacts with organizational staff-front line and other
- Outbound contact management-mail, telephone, sales visits, and deliveries
- Physical service environment
- Transaction - price, value, and terms

To analyze customer interaction, some important measures need to be considered, such as the number of marketing campaigns, total cost for promotion, frequency of contents updates, payment, response channels, and so on. Communication channels not only include classic communication channels such as letters, fax, and telephone but also emerging new channels such as call centers, service centers, Web sites, and virtual Internet communities. It is vital to manage various channels efficiently and immediately. Internal processes need to connect and integrate diverse channels effectively.

Furthermore, organizations need to analyze the business process to evaluate measures such as payment methods, delivery channels, and product diversity. Customer satisfaction can be increased by improving channel management and maximizing operational excellence. Therefore, it is necessary to analyze such information as delivery time, response time, and product diversity. Table 2.2 shows the metrics of customer interaction.

**Table 2.2: Measures for Customer Interaction**

Objectives	Measures
Appropriate response to customer request	Marketing campaign (No.) Total cost for promotion (\$)
Integration of business processes	Frequency of contents update (No.) Number of payment methods (No.)
Improving channels management	Number of response channel to customer inquiry (No.) Total cost for managing channel (\$)
Maximizing the effectiveness and efficiency of organizational operations	Avg. delivery time after order fulfillment (No.)  Response time to customer inquiry (No.)
Customizing products and services	Transaction conducted by members (%) Product diversity Detailed product information Timeless sales in popular product

*Source: Kim, Suh & Hwang (2003), pp.12*

### *Customer value*

Customer value describes tangible and intangible benefits gained from CRM activities, which help to arrange the relationship with the customer successfully. Customer value can be achieved through, for example, value added by relevant information in virtual communities, a loyalty program, and an attractive bundling of different products.

In order to determine the customer value, organizations need to analyze such information as marketing campaigns, number of retention customers, and net sales. CRM initiatives should provide mutually beneficial value to the customer and the organization. Current customer profitability should be calculated, establishing a baseline and comparing new calculations to that baseline periodically. Calculating customer value potential and using it as a guideline will be profitable in the future. Table 2.3 shows the metrics of customer value.

**Table 2.3: Measures for Customer Value**

Objectives	Measures
Improving customer retention	Number of retained customers (No.)
Profits increase	Net sales (\$) Ordinary sales (\$) Asset/employee (\$) Profit/employee (\$)
Improving customer service and support	Channel interface
Building an attractive virtual community	<ul style="list-style-type: none"> <li>• Usability</li> <li>• Attractiveness</li> <li>• Navigation efficiency</li> <li>• Contents search</li> <li>• Consistency of site structure</li> </ul>

*Source: Kim, Suh & Hwang (2003), pp.13*

### *Customer Satisfaction*

Customer satisfaction is difficult to measure because it is hard to quantify the satisfaction level. It represents a modern approach for quality in organizations, and serves the development of a truly customer-focused management and culture. Measuring customer satisfaction offers an immediate, meaningful, and objective feedback about customer preferences and expectations. (Ibid)

Among the four perspectives, the customer satisfaction perspective is the most important because customer satisfaction is directly linked to an organization's profits. Service delivery via various channels of IT applications has emerged as an important attribute in satisfying customers. Proper CRM practices can potentially impact customer satisfaction ratings and can potentially lead to increased customer retention. Table 2.4 shows the metrics of customer satisfaction.

**Table 2.4: Measures for Customer Satisfaction**

Objectives	Measures
Improving service quality	Brand image (%) Service level (%)
Establishing relationships with customers	Number of daily inquires (No.) Customer satisfaction (%) <ul style="list-style-type: none"> <li>• Assurance</li> <li>• Reliability</li> <li>• Empathy</li> <li>• Responsiveness</li> <li>• Tangibles</li> </ul>

Source: Kim, Suh & Hwang (2003), pp.15

### 2.3.3 Supply chain and logistic functions measures

According to Kellen (2002) supply chain management and logistic functions are significant areas of interest for CRM practitioners. Customers consume physical and digital products. How quickly and efficiently these products flow through the value chain is of importance, especially when the time it takes a product to be delivered is a key component of improving customers' satisfaction and driving customer value. As more products allow for mass customization, more of these measures will be tied to specific customers. While most of the measures within supply chain operations and systems refer to suppliers, some of these measures have applicability for understanding customer behavior. These measures include:

<i>Fill rate</i>	The number of items ordered compared with items shipped.
<i>On time ship rate</i>	What percent of orders where shipped on or before the requested ship date.
<i>Performance to promise</i>	What percent of orders where shipped on or before the promised ship date.
<i>Backorders</i>	The numbers (or percentage) of unfilled orders.
<i>Customer order cycle time</i>	The average time it takes to fill a customer order.
<i>Cash to cycle time</i>	The number of days between paying for products and getting paid for the product by the customer.
<i>Supply chain cycle time</i>	The total time it would take to satisfy a customer order if all inventory levels were blank.

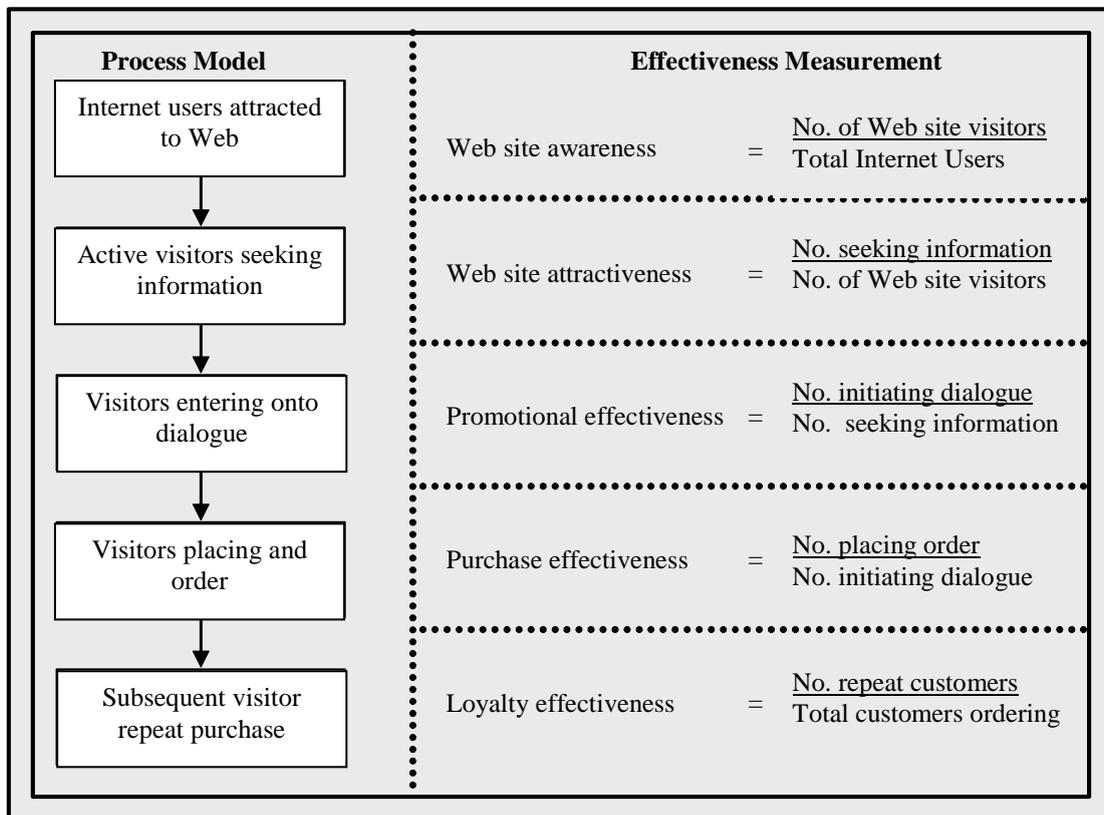
*Perfect order measure*      The error-free rate of each stage of an order. Error rates are captured at each stage (order entry, picking, delivery, shipped without damage, invoiced correctly) and multiplied together.

*Upside flexibility*      The ability of a supplier to meet additional demand requirements. (Ibid)

**2.3.4 Web site as a measurement tool**

Chaston (2001) state that the advent of the Internet has added various new dimensions to marketing communities. One dimension is that the Internet can be used to move customer through the phases of the buying process. Making contact with potential interested customers, converting some those into customers, and then supporting the purchase and post-purchase phase of the supplier-customer relationship follows this.

**Figure 2.4: An Internet process model and assessment tools**



Source: Chaston (2001), e-Marketing Strategy, pp.174

As illustrated in Figure 2.4, as potential customers progress through each stage phase of the buying process it is theoretically possible to assess the effectiveness of the Web site. Application of the measurement tools posited in Figure 2.4 assumes that a Web site is capable of recording all hits and that data can be acquired about the nature of these hits. For example, to determine loyalty effectiveness, organizations can do that by calculate the number of customers that does a repeat purchase and divide it with the total customers ordering, in order to measure loyalty effectiveness. (Ibid)

### 2.3.5 Web site measures

According to Kellen (2002) with the advent of the Internet, organizations have launched Web sites for a variety of purposes including, marketing, sales, and support. Because of the heavy use of marketing on the Internet, Web site operational measures include many marketing operations measures. These measures are:

<i>Visitor count</i>	How many people have visited a Web site.
<i>Unique visitor count</i>	How many unique people have visited a Web site. This measure does not double-count users who visit a site multiple times in a period. Web sites can have difficult in accurately determining unique visit counts, especially for those visitors who have chosen not to identify themselves by not registering with a site, visitors who use multiple machines to visit a Web site, and visitors who disable cookies in their browser preventing the system from anonymously identifying them.
<i>Page hits</i>	How many pages have been downloaded from Web site, or how many times a single page has been visited in the site.
<i>Duration</i>	Total time a visitor spent on a page or a Web site.
<i>Click-through-rate</i>	What percentage of visitors clicked on a banners ad or other form of Internet marketing to visit the advertised Web site.
<i>Impressions</i>	How many visitors viewed a Web page that contained an advertisement of some kind.
<i>Registered users</i>	How many visitors registered with the Web site.
<i>Breakage</i>	What percentage of visitors started interacting with a Web site (for example, by starting a survey or purchasing a product), but chose not to complete the interaction.
<i>Click stream</i>	Not a measurement per se, but a source of many measurements. The click stream is the sequential history of all interactions with a visitor on a Web site usually stored within log files in the Web server. This behavioral data is used for example, to derive page hits, visitor counts of images and advertisements viewed

Most of the measures within a Web site are designed to review the health of the Web site. However, with the wealth of customer information embedded within the click stream data, many CRM software products include the ability to tie these measures to other off-line customer measures, for example, survey responses. (Ibid)

### 3. Conceptual Framework

The previous chapter provided a brief review of literature related to our research questions. This chapter will provide the conceptualization, which constitutes the frame of reference for this study. The aim of this chapter is to select relevant theories and concepts that we will use in our research. Hence, the frame of reference will guide us when collecting the data and help us fulfill the purpose of gaining a better understanding of CRM in e-Business. After presenting the conceptualization, we will provide a visualization of the emerged frame of reference.

#### 3.1 Conceptualization

Miles and Huberman (1994, pp.18) state that a conceptual framework: “explains, either graphically or in narrative form, the main things to be studied”. We will start by presenting theories that are connected to our first research question, *how can organizations CRM objectives be described?* This will be followed by theories connected to our second research question, *how do organizations manage their customer relationship?* Finally, previous research and theories that relates to our third research question, *how do organizations evaluate the effectiveness of their CRM?* are presented.

##### 3.1.1 CRM objectives

In this part, the conceptualization will focus on the first research question. The selected theories are of importance in order to be able to answer how organizations CRM objectives can be described. To make this research question more clear and easy to grasp, we have chosen to divide the first research question into three categories suggested by Burnett (2001): *cost saving*, *revenue enhancement*, and *strategic impact*.

To be able to find out how organizations CRM objectives can be described in terms of the first category, *cost saving*, objectives from the following sources will be utilized:

- Decreased general sales and marketing administrative costs (Burnett, 2001)
- Reduce cost of sales (Greenberg, 2001)
- Increase sales representative productivity (Greenberg, 2001)

To be able to find out how organizations CRM objectives can be described in terms of the second category, *revenue enhancement*, objectives from the following sources will be utilized:

- Win Rates (Burnett, 2001)
- Better information for better management (Byon et al., 2002)
- Acquiring new customers (Kim et al., 2003)
- Secure service (Kim et al., 2003)

To be able to find out how organizations CRM objectives can be described in terms of the third category, *strategic impact*, objectives from the following sources will be utilized:

- Improved customer satisfaction rates (Burnett, 2001)
- Improve global forecast and pipeline management (Greenberg, 2001)

- Service helps organizations to delight customers (Ryals & Knox, 2001)
- Improving channel management (Kim et al., 2003)
- Establishing relationships with customers (Kim et al., 2003)
- Building an attractive virtual community (Kim et al., 2003)

Our motive for using the above mentioned theories are due to the fact that they complement each other, discussing three important areas of CRM, and create a broad and fundamental basis for the objectives connected to CRM. The objectives stated by the different authors sometimes describe the same thing or the same objective in different words. For this reason, we have chosen to exclude some of the objectives from our frame of reference because of their similarity to one of the objectives mentioned above.

When it comes to the objectives stated by Burnett (2001) all of the objectives except from the second one are included. Continually, the objectives stated by Wilson et al. (2002) as well as the first objective stated by Bayon et al. (2002) is excluded. Furthermore, we exclude the first, third, fifth, and sixth objective stated by Greenberg (2001) as well as the first, second, and fourth objective stated by Ryals and Knox (2001). Finally, we exclude every objective stated by Kim et al. (2003) except from 1.2, 1.6, 2.3, 3.4, and 4.3 for the same reason as mentioned above. Finally, by introducing and adopting different theories by several authors our frame of reference becomes more extensive and covers several angles from which the objectives can be stated.

### **3.1.2 Management of customer relationships**

This part deals with the second research question. The selected theories are of importance in order to be able to answer how organizations manage their customer relationships. We have chosen to divide the second research question into three areas: *implementation*, *initiatives*, and *channel management*. The reason for this is that these three areas are to be found in most theories discussing the management of customer relationships and therefore can be seen as the three main areas of management of customer relationships.

When it comes to the first area, *implementation*, we have chosen to include the first, second, third, fourth, sixth, ninth, and tenth way to initiate or improve your CRM stated by Vinas (2003). These ways are relevant to our study because they are all applicable for CRM in e-Business. The seventh way to initiate or improve your CRM stated by Vinas (2003) is excluded because of its irrelevance to our study. The reason for this is that we are not investigating consultant and vendor relationships. The remaining two ways are excluded because of its similarity to theories included in the channel management part of the second research question and theories included in the third research question. The theories or parts of theories included for this part are stated below:

- Defining CRM (Vinas, 2003)
- Top management commitment (Vinas, 2003)
- Staff involvement (Vinas, 2003)
- Integration of CRM systems (Vinas, 2003)
- Long-term view (Vinas, 2003)
- Keep it simple (Vinas, 2003)
- Outsourcing (Vinas, 2003)

For the second area, *initiatives*, we have chosen to include all of the CRM initiatives stated by Dyché (2001) except from channel optimization, which is excluded because of its similarity to the third research question discussing channel management. The reason for why we include the remaining six initiatives stated by Dyché (2001) is that they show a variety of tactics for how organizations can increase customer value and loyalty. The theories or parts of theories included for this part are stated below:

- Cross-selling and up-selling (Dyché, 2001)
- Customer retention (Dyché, 2001)
- Behavior Prediction (Dyché, 2001)
- Customer profitability and value modeling (Dyché, 2001)
- Personalization (Dyché, 2001)
- Event-based marketing (Dyché, 2001)

For the third area, *channel management*, we have chosen to include the ideal CRM organization theory stated by Bradshaw and Brash (2001) except from the first bullet point, which is excluded because of its similarity to the fourth way to initiate or improve your CRM stated by Vinas (2003) which is included in the implementation part. We also include the whole Internet customer interaction theory proposed by Kotzab and Madlberger (2001), which discusses Web chat, Web callback, e-mail, and telephone. The reason for including this theory is that it discusses the ways by which an organization can interact with its customers. Furthermore, we include the multi-channel customer contact theory stated by Bradshaw and Brash (2001) because of that it also discusses mail as well as the importance of combining the different communication channels. The theories or parts of theories included for this part are stated below:

- Web chat (Kotzab & Madlberger, 2001)
- Web callback (Kotzab & Madlberger, 2001)
- E-mail (Kotzab & Madlberger, 2001)
- Telephone (Kotzab & Madlberger, 2001)
- Mail (Bradshaw & Brash, 2001)
- Multi-channel customer contact (Bradshaw & Brash, 2001)

### 3.1.3 CRM evaluation

In this part, the conceptualization will focus on the third research question. The selected theories are of importance in order to be able to find out how organizations evaluate the effectiveness of their CRM. To make this research question more clear and easy to grasp, we have chosen to divide the third research question into the four categories suggested by Kim et al. (2003): *customer knowledge*, *customer interaction*, *customer value*, and *customer satisfaction*.

When it comes to the first category, *customer knowledge*, we have chosen to include the customer knowledge part from the metrics of CRM effectiveness stated by Kim et al. (2003) as well as the Web site measures theory stated by Kellen (2002). The Web marketing, page views per day, and visits per day measures suggested by Kim et al. (2003) are excluded and replaced by the whole Web site measures theory stated by Kellen (2002). The reason for this is that this theory is more extensive and covers more measures relevant to our study. The

reason for why we use the remaining parts of the customer knowledge theory stated by Kim et al. (2003) is that it is extensive as well as recently published, which is of importance when covering a topic as new and unexplored as CRM evaluation. The theories or parts of theories included for this part are stated below:

- Collecting appropriate customer information (Kim et al., 2003)
- Analyzing customer data (Kim et al., 2003)
- Web site measures (Kellen, 2002)
- Improving CRM technique (Kim et al., 2003)
- Secure Service (Kim et al., 2003)

For the second category, *customer interaction*, we have chosen to include the customer interaction part from the metrics of CRM effectiveness stated by Kim et al. (2003) as well as the supply chain and logistics function measures stated by Kellen (2002). The objectives improving channels management and maximizing the effectiveness and efficiency of organizational operations stated by Kim et al. (2003) are excluded and replaced the supply chain and logistics function measures stated by Kellen (2002) The reason for this is that this theory is more extensive and covers more measures relevant to our study. The reason for why we use the remaining parts of the customer interaction theory stated by Kim et al. (2003) is that it is extensive as well as recently published, which is of importance when covering a topic as new and unexplored as CRM evaluation. The theories or parts of theories included for this part are stated below:

- Appropriate response to customer request (Kim et al., 2003)
- Integration of business processes (Kim et al., 2003)
- Supply chain and logistics function measures (Kellen, 2002)
- Customizing products and services (Kim et al., 2003)

For the third category, *customer value*, we have chosen to include the customer value part from the metrics of CRM effectiveness stated by Kim et al. (2003). The reason for why we use the customer value theory stated by Kim et al. (2003) is that it is extensive as well as recently published, which is of importance when covering a topic as new and unexplored as CRM evaluation. The theories or parts of theories included for this part are stated below:

- Improving customer retention (Kim et al., 2003)
- Profit increase (Kim et al., 2003)
- Improving customer service and support (Kim et al., 2003)
- Building an attractive virtual community (Kim et al., 2003)

For the fourth and final category, *customer satisfaction*, we have chosen to include the customer satisfaction part stated by Kim et al. (2003). The reason for why we use the customer satisfaction theory stated by Kim et al. (2003) is that it is extensive as well as recently published, which is of importance when covering a topic as new and unexplored as CRM evaluation. The theories or parts of theories included for this part are stated below:

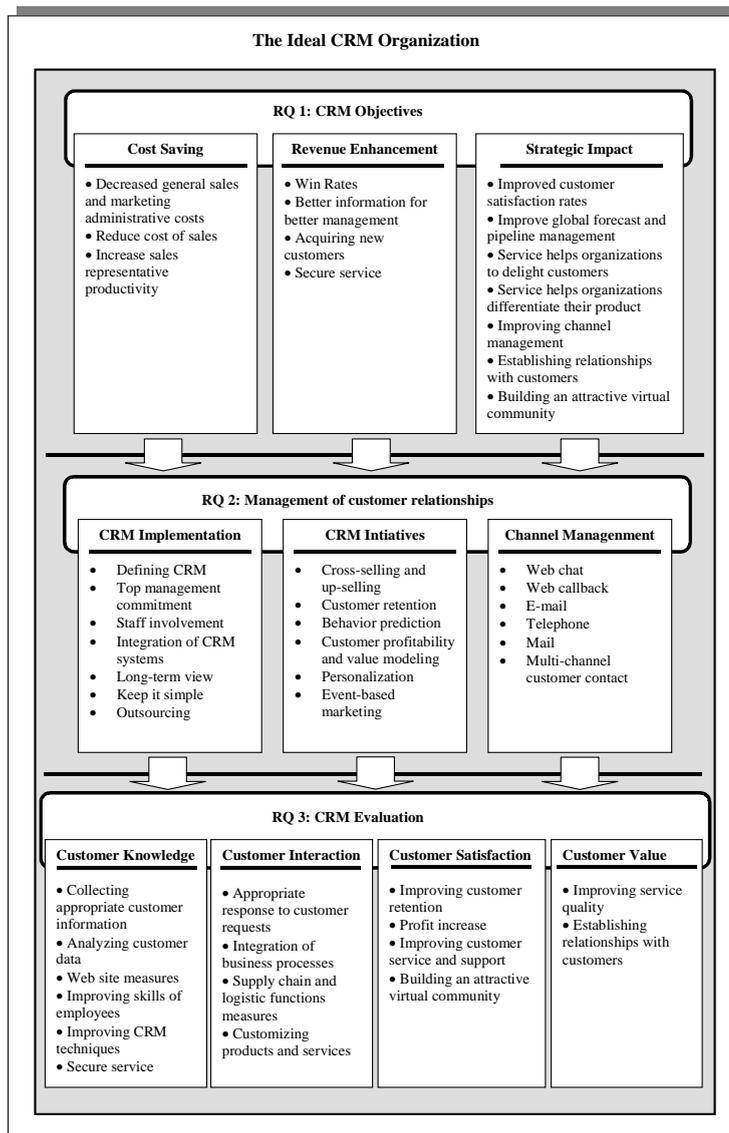
- Improving service quality (Kim et al., 2003)
- Establishing relationships with customers (Kim et al., 2003)

When it comes to the Web site as a measurement tool theory stated by Chaston (2001), we have chosen to exclude this because the different parts or steps in the theory are included in the theories mentioned above.

### 3.2 Emerged Frame of Reference

In this section we will present our emerged frame of reference. Figure 2.4 visualizes our frame of reference, showing the organizations CRM objectives, the management of CRM, and finally, how organizations evaluate the effectiveness of their CRM. The three aspects are co-existing and thereby interdependent.

Figure 2.4: The Ideal CRM Organization



## 4 Research Methodology

*The previous chapter showed how the literature has been conceptualized in this study and provided a visual explanation of the emerged frame of reference. This chapter will cover the methodology used in this research. The selection of methodology is based on the research problem and stated research questions. Motivation and justifications for all adopted methodological choices will be given in each section.*

### 4.1 Research Purpose

There are many ways to carry out research. Most types of research can be classified according to how much the researcher knows about the problem before starting the investigation. (Yin, 1994) According to Reynolds (1971), Patel and Tebelius (1987), Aaker and Day (1990), Yin (1994), and Wiedersheim-Paul and Eriksson (1999) there are three classifications of research available when dealing with a research problem: *exploratory*, *descriptive*, or *explanatory*.

#### *Exploratory Research*

Here, research is designed to allow an investigator to just “look around” with respect to some phenomenon, with the aim being to develop suggestive ideas (Reynolds, 1971). The purpose is to gather as much information as possible concerning a specific problem. Exploratory research is often used when a problem is not well known, or the available knowledge is not absolute. The technique that is best suited for information gathering when performing an exploratory research is interviews. (Patel & Tebelius, 1987)

#### *Descriptive Research*

The objective is to provide a description of various phenomena connected to individuals, situations or events that occur (Ibid). The purpose might be to develop empirical generalizations. Once such generalizations begin to appear, they are worth explaining, which leads to theory development. (Reynolds, 1971) Moreover, descriptive research is often used when a problem is well structured and there is no intention to investigate cause/effect relations (Wiedersheim-Paul & Eriksson, 1999). Descriptive research is recommended when you search data, often secondary, in order to describe a few aspects of a clearly structured problem (Aaker & Day, 1990).

#### *Explanatory Research*

The goal here is to develop precise theory that can be used to explain the empirical generalizations (Reynolds, 1971). Based on this, the researcher formulates hypotheses that are tested empirically (Patel & Tebelius, 1987). According to Yin (1994) the study is explanatory when the focus is on cause-effect relationships, explaining what causes produced what effects. Aaker and Day (1990) state that the explanatory research approach must be used when it is necessary to show that one variable causes or determines the value of the other variables. A high level of flexibility characterizes an exploratory case study and it is suitable when a problem is difficult to demarcate. This kind of research is also appropriate when it does not exist a clear apprehension about what model that should be used and what qualities and relations that is important. (Wiedersheim.Paul & Eriksson, 1999)

The research purpose and research questions of this thesis indicate that this study is primarily descriptive, but also exploratory and explanatory. This study is descriptive since it is our intention to describe the area of research and draw some conclusions from the collected data.

However, the study is also somewhat exploratory, since the aim is to gather as much information as possible concerning a specific problem. When we answer our research questions in our findings we begin to explain the relationship between different variables. With this in mind, our study can also be classified as partly explanatory.

#### **4.2 Research Approach: Qualitative VS. Quantitative Research Approach**

The research approach is often either *quantitative* or *qualitative* (Patel & Tebelius, 1987). Selectivity and distance to the object of research characterize a quantitative approach whereas a qualitative approach is characterized by nearness to the object of research (Holme & Solvand, 1991). Both approaches have their strengths and weaknesses and neither one of the approaches can be held better than the other one. The best research method to use for a study depends on that study's research purpose and the accompanying research questions. (Yin, 1994)

A *quantitative* approach implies the search for knowledge that will measure, describe, and explain the phenomena of our reality (Patel & Tebelius, 1987). Quantitative research is often formalized and well structured. Quantitative research is usually associated with the natural science mode of research, data is quantitative, obtained from samples and observations seeking for relationships and patterns that can be expressed in numbers rather than words. (Tull & Hawkins, 1990)

*Qualitative* research is the search for knowledge that is supposed to investigate, interpret, and understanding the phenomena by the means of an inside perspective (Patel & Tebelius, 1987). Furthermore, Yin (1994) states that qualitative methods are often related to case studies, where the aim is to receive thorough information and thereby obtain a deep understanding of the research problem.

As a result of these explanations, we can decide that our research is qualitative. The research questions posed will provide answers that cannot be quantified or measured in numbers. Moreover, since the purpose of this thesis is *to gain a better understanding of CRM in e-Business*, a qualitative study is the method that suits us best.

#### **4.3 Research Strategy**

With the focus at qualitative research as a general approach the focus now turn to the research strategies available to collect the data. According to Yin (1994) there are five primary research strategies, in the social sciences: *experiments*, *surveys*, *archival analysis*, *histories*, and *case studies*. Each strategy has its own advantages and disadvantages depending on three conditions:

- *The type of research question posed.*
- *The extent of control an investigator has over actual behavioral events.*
- *The degree of focus on contemporary, as opposed to historical, events.*

Table 4.1 displays these conditions in each of the three columns and shows how each of the five strategies is related.

Table 4.1: Situations for Different Research Strategies

Research Strategy	Form of Research Question	Requires Control over Behavioral Events	Focus on Contemporary Events
<i>Experiment</i>	How/Why	Yes	Yes
<i>Survey</i>	Who/What/Where How many/ How much	No	Yes
<i>Archival/Analysis</i>	Who/What/Where How many/ How much	No	Yes/No
<i>History</i>	How/Why	No	No
<i>Case Study</i>	How/why	No	Yes

Source: Yin 1994, pp.6.

The purpose of this study is to gain a better understanding of CRM in e-Business. Due to this fact we do not require control over behavioral events. This rules out *experiment* as a research strategy. Furthermore we want to describe how organizations CRM objectives can be described, how organizations manage their customer relationship, and how organizations evaluate the effectiveness of their CRM nowadays. This leads to that *historical* strategy is not appropriate either. *Surveys* and *analysis of archival records* are advantageous when the research goal is to describe the incident or prevalence of a phenomenon or when it is to be predictive about certain outcomes (Yin, 1994). This is not what we are going to do. This leaves us with only one research strategy, the *case study*.

A researcher can choose to conduct research on a single case or to conduct multiple case studies. In a within case analysis, collected data will be compared with previous theory in order to identify differences and similarities. The aim of doing a cross case analysis is to be able to compare the single cases with each other and to increase generalization. In a cross case analysis, it is possible to observe if the collected data in the separate cases are diverse, typical, effective, ineffective, and etc. (Wiedersheim-Paul & Eriksson, 1999) Miles and Huberman (1994) further present matrices as good tools to visualize the collected data in order to make it easier to compare and analyze them. Systematically structuring the collected data in logical matrices has excellent consequences for understanding (Ibid).

In this research, both within case analyzes and a cross case analyzes will be conducted. First, each case will be analyzed separately and compared with previous theories. This analyzes will follow the same structure as the frame of reference. Second, the two single cases will be compared with each other in a cross case analyze, following the same structure as the frame of reference. Matrices, in the form of tables and figures, will be used in order to visualize the collected data for a better understanding for the reader, as recommended by Miles and Huberman (1994)

#### 4.4 Data Collection Methods

According to Yin (1994) there are six sources of evidence that can be the focus of data collection for case studies: *documentation*, *archival records*, *interviews*, *direct observations*, *participant-observation*, and *physical artifacts*. Each of these will be briefly explained in Table 4.2.

**Table 4.2: Sources of Evidence**

<i>Source of Evidence</i>	<i>Description</i>
<b>Documentation</b>	The different types of documents are for example, statistics, registrations, official publications, letters, diaries, newspaper, journals, branch literature, and brochures. Documents are mostly used for collecting secondary data
<b>Archival Records</b>	These can be, for example, service records, organizational records, maps and charts, survey data, and personal records. Archival records are often used in computerized form, also for collecting secondary data.
<b>Interviews</b>	The interviews mostly take the form of an <i>open-ended nature</i> , in which an investigator can ask key respondents for the facts of a matter as well as for the respondents' opinions about events. The interview can also take the form of a <i>focused</i> interview, in which a respondent is interviewed for a short period of time, an hour for example. Moreover, the interview can entail more structured questions, along the lines of a formal <i>survey</i> .
<b>Direct Observation</b>	This can involve observations of meetings, sidewalk activities, factory work, classrooms, and the like. Observational evidence is often useful in providing additional information about the topic being studied. To increase the reliability of observational evidence, a common procedure is to have more than a single observer making an observation, whether of the formal or the casual variety.
<b>Participant-Observation</b>	Participant-observation is a special mode of observation in which the investigator is not merely a passive observer, instead, the investigator may take a variety of roles within a case study situation and may actually participate in the events being studied
<b>Physical Artifacts</b>	A final source of evidence is a physical or cultural artifact – a technological device, a tool or instrument, a work of art, or some other physical evidence. Such artifacts may be collected or observed as part of a field visit and have been used extensively in anthropological research.

*Source: Adapted from Yin, 1994, pp.85-f*

Due to the fact that we are conducting a qualitative and not a quantitative case study, we are not able to utilize *archival records* as a source of evidence. *Direct observations* and *participant observations* are also ruled out as possible sources of evidence for this study, due to limitations regarding time and financial resources. We furthermore do not need insights into cultural features and technical operations, and therefore we choose not to use *physical artefacts* as a source of evidence. This leaves us with two sources of evidence, *interviews* and *documentation*.

According to Patel and Davidson (1994) there are three kinds of question methods: *questionnaires*, *telephone interviews*, and *personal interviews*.

*Questionnaires* are sent to the respondent who answers them without any explanations or influence from the researcher. Questionnaires cannot be too long or too exhaustive because this might lead to unanswered questions.

By conducting a *telephone interview* the interviewer can pose more complex questions and explain any misunderstandings. However, the time is often limited when using telephone interviews.

*Personal interviews* give an even better chance to explain the questions and to avoid misunderstandings and the duration of the interview can be rather long. (Ibid)

The type of interview that was used in this thesis was telephone interview. Before the interview, the organizations were briefly told about the purpose and the nature of this study. By conducting telephone interviews we as interviewers could explain the questions asked in a way that was understandable for the respondents and hence, receive detailed answers within a limited time (1 hour). Telephone interviews were also the most suitable alternatives because of the long distance between the respondents and the interviewers. Furthermore, before the telephone interviews were conducted an interview guide containing the main issues was developed, which was developed from our frame of reference (Appendix A). This guide was then used as a base for our questions during the interviews. Based on the reasoning above, it is fair to say that our interviews were focused interviews.

According to Patel and Davidson (1994) two types of data can be collected, primary and secondary data. Primary data is recognized as data that is gathered for a specific research in response to a particular problem through, e.g., interviews, questionnaires, or observations (Ibid). Whereas secondary data information can be obtained through various kinds of documents, e.g., research reports, annual reports, books, and articles (Wiedersheim-Paul & Eriksson, 1999). For the case studies we choose to use both primary and secondary data collection methods. As mentioned above telephone interviews were conducted as data collection method. This is a primary data collection method, which provided us with a deeper knowledge of the cases in this study. In this study documentation was also used as a source of evidence, secondary data such as press releases and organizational background gathered from the organizations Web sites, served as a compliment to the telephone interviews. Furthermore, secondary data was collected and used for the background information regarding the topic of CRM and organizations background. The secondary data sources have been academic articles, newspaper articles, and books relevant to the topic.

#### **4.5 Sample Selection**

When conducting research, it is often impossible, impractical, or too expensive to collect data from all the potential units of analysis included in the research problem. Thus, a smaller number of units, a sample, are often chosen to represent the relevant attributes of the whole set of units, the population. Due to the fact that samples are not perfectly representative of the population from which they are drawn, the researcher cannot be certain that the conclusions will generalize to the entire population. (Graziano & Raulin, 1997)

In order to suit our research purpose, the sample collection followed some judgemental criteria. Our first sample criterion was that the selected organizations have to be involved in e-Business, mainly focusing on B2C retailing. Secondly, we wanted the organizations to do business in more than one country. The reason for this was that organizations having international operations are more likely to have widely faceted customer relationships. Our

third criterion was that the organizations have to be located in Sweden. This facilitates the contacting phase and eases the establishment of a good relation with the respondents in this study.

In order to find appropriate organizations for our study we started by qualifying the top five e-marketplaces in Sweden in September 2003 according to Nielsen Netratings (2003). By doing this we found two organizations, CDON.COM and Ginza.se, which matched our criteria and which also were willing to participate in our study.

According to Holme and Solvang (1991) the selection of respondent is crucial. If the wrong persons are being interviewed, the research may turn out to be invalid or worthless (Ibid). During the first contact call with each organization, the intention with the study was explained and the right person to interview was identified. In order to fulfil the purpose of this study it was of great importance to get in contact with the persons with the most knowledge and experience of working with CRM within the organizations. Since the chosen respondents within each organization were perceived to be the most appropriate person both by their organizations and themselves, we believe that this has been achieved. The chosen respondents were Marketing Director Pehr Boman at Ginza.Musik AB and Managing Director Mikael Olander at MTG Internet Retailing AB.

#### **4.6 Data Analysis**

The ultimate goal of analyzing data is to treat the evidence fairly, to produce compelling analytical conclusions and to rule out alternative interpretations. Data analysis involves turning a series of recorded observations into descriptive statements. Before data actually can be analysed, the researcher(s) carrying out a case study, can choose between two general analytical strategies: *relying on theoretical propositions* or *developing a case description*. (Yin, 1994)

Relying on theoretical propositions is the most common strategy. The result of this is that the collection of data is based on research questions taken from previous studies. The findings of the study will then be compared with the results/findings from previous studies. Developing a case description can be used as a strategy as well, but is less favourable and it should only be used when little previous research has been conducted. (Ibid) A lot of research has been conducted within our area of research and therefore our analytical strategy relies on theoretical propositions.

When writing qualitative data analysis the focus is on data in the form of words. Data analysis consists of three concurrent flows of activity. These three are *data reduction*, *data display*, and *conclusion drawing* and *verification*. Data reduction should not be considered to be separate from analysis, but a part of it. This reduction of the data helps to sharpen, sort, focus, discard, and organize the data in a way that allows for final conclusions to be drawn and verified (Miles & Huberman, 1994). Miles and Huberman (1994) further add that data can be reduced and transformed through such means as selection, summary, paraphrasing, or through being subsumed in a larger pattern. Data display is the second major stage that the researcher needs to go through. This stage includes taking the reduced data and displaying it in an organized and compressed way so that conclusion can be more easily drawn. As with data reduction, the creation and use of displays is not separate from the analysis, but a part of it. Conclusion drawing and verification is the third and final stage of the data analysis. It is in

this stage that the researcher starts to decide what the different finding means. Noting regularities, patterns, explanations, possible configurations, causal flows, and propositions does this. (Ibid)

The analysis of this study has followed the three steps suggested by Miles and Huberman (1994). The data reduction and the data display are combined in the data analysis chapter, and in the last chapter our conclusions are stated.

#### 4.7 Research Quality Criteria

There are two important concepts one should keep in mind when writing a report, *validity* and *reliability*. Validity is the ability of a chosen instrument to measure what it is supposed to measure. Reliability is the extent to which research results would be stable or consistent if the same techniques were used repeatedly. Moreover, the way the measuring is conducted and how the information is processed affects the reliability. (Wiedersheim-Paul & Eriksson, 1999)

The role of reliability is to minimize the errors and biases in a study (Yin, 1994). According to Yin (1994) the quality of empirical research can be judged by conducting four specific tests. Since case studies are a type empirical research, these four tests can also be applied when judging the quality of case study research. The four different tests will be presented below in Table 4.3.

**Table 4.3: The Four Tests**

<i>Tests</i>	<i>Description</i>
<b>Reliability</b>	Demonstrating that the operations of a study can be repeated with the same results.
<b>Construct Validity</b>	Establishing correct operational measures for the concepts being studied.
<b>Internal Validity</b>	Establishing casual relationships whereby certain conditions are shown to lead to other conditions, as distinguished from spurious relationships.
<b>External Validity</b>	Establishing the domain to which a study’s findings can be generalized.

*Source: Adapted from Yin 1994, pp.33*

In this study, we tried to map out the procedures involved in detail throughout the study. First, we tried to develop understandable research questions to guide the study. Secondly, the steps that have been taken in order to collect data on these research questions have been thoroughly described in this chapter. Furthermore, we informed the respondents in advance about the main topic of the interview to give the respondents the opportunity to prepare themselves, in order to provide us with accurate answers. An interview guide was developed, showing how we have conceptualized the research questions. Moreover, we have also showed our interview guide to other people to make sure that it was understandable. However, despite these attempts of maintaining a high reliability in this study, personal biases are always present to some extent when conducting interviews. Hence, we cannot be sure of the influence of attitudes and values of the respondents and ourselves in the study.

In relation to the constructed validity of this study, we have used multiple sources of evidence, interviews, and documentation to collect data. Furthermore, both notes and a tape

recorder were used when conducting the telephone interviews, by using a tape recorder we could avoid misinterpretations, but also double-check the answers afterwards and ask spontaneous attendant questions. The collected data at the interviews was translated into English. This data was sent back to the respondents to exclude misinterpretations. Also, this study builds upon existing theories related to our research questions, and follows this base throughout the study. Hence, the data collected on the research questions are derived from this base. However, in spite of our precautions, relevant literature can have been overlooked, which might have an impact on the validity.

According to Yin (1994) internal validity only concerns causal or explanatory studies, where an investigator is trying to determine whether an event leads to another event. Internal validity is inapplicable to descriptive or exploratory studies, which are not concerned with making causal statement. Since, this research is primarily descriptive, the test of internal validity will not be discussed in relation to this study. Furthermore, Yin (1994) states that external validity deals with the issue of knowing whether the findings from a case can be generalized; a single case study however is a poor base for generalizing. Yin (1994) notes that case studies do not rely on statistical generalization as with surveys, but analytical generalization. Analytical generalization is concerned with generalizing a particular set of results to some broader theory (Ibid). In this study, a cross case study of two organizations has been conducted, which might be considered to give a better base of generalization than a single case study.

## 5 Data Presentation

In the previous chapter, the methodology of the research was discussed. In this chapter, the empirical data collected from each of the organizations investigated will be presented. The two organizations investigated are Ginza.se and CDON.COM. In the empirical data presentation, the interviews will be referred to as the respondent, or by name, or by organizational name. The data is collected based on our frame of reference in chapter three. Each section will start off with a short background of the organization, and thereafter, the data collected from the interview will be presented. The empirical data is presented in a manner that addresses the three research questions of this study.

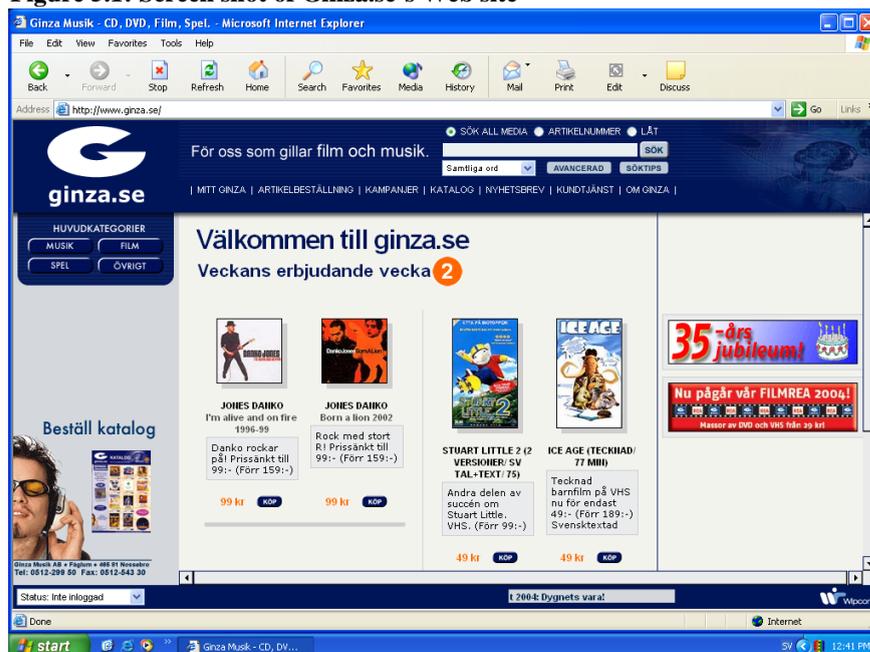
### 5.1 Case Study – Ginza.se

The telephone interview was conducted with Marketing Director Pher Boman at Ginza Musik AB. To be able to take on the convenient perspective that was needed throughout this interview, we asked the respondent to focus at Ginza.se.

#### 5.1.1 Company presentation

Ginza.se started up as a mail order company in 1968 but is now one of Sweden's and Norway's leading e-Business organizations. The Web site is owned and controlled by Ginza Musik AB which has 70 employees and had an annual turnover of SEK 350 Million in 2003. The company is located in a small village named Faglum in western Sweden and has approximately 280 000 unique visitors each month. Ginza.se offers more than 25 000 titles and products mainly focusing on music, movies, and computer games and video games. The screen shot shown below is a from Ginza.se's Swedish version.

Figure 5.1: Screen shot of Ginza.se's Web site



### **5.1.2 How can Ginza.se's CRM objectives be described?**

Ginza.se has three main objectives for their customer relationships, however, they are not broken down into any specific detailed CRM objectives. Instead Boman states that the CRM objectives are more or less general and that CRM is more included as a natural part of Ginza.se's strategy and that CRM is an important part of the organizations marketing and communication "thinking". The objectives are ease of use, speed, and low price. When it comes to ease of use the respondent views technology as very important. It is important to have the right capacity to be able to deal with a lot of customers at the same time. This is something that will become even more important in the future when most music will be downloaded from the Web site instead of delivered to the customers by mail. The Web site should be fast to download and navigate as well as simple when it comes to the buying process and Web site environment. Low price is also important to attract and acquire new customers and the customers should always be aware of that Ginza.se offers very low prices compared to many of their competitors.

The three objectives mentioned above are the ones that are officially stated. However, the respondent further states that other issues are of importance when it comes to the organizations' customer relationships. To build and maintain relationships is very important to make the customers loyal to Ginza.se. It is obvious that it is good to keep the customers and prevent them from leaving Ginza.se and instead purchase the products from one of their competitors. It is also more cost effective to keep the customers instead of having to find new ones all the time.

To improve the organizations knowledge about their customers is also of importance according to the respondent. By improving this knowledge Ginza.se can offer their customers products that are more in line with the customers needs. This also makes the marketing efforts more effective since the organizations will know what the customer wants and is searching for. By knowing what the customers want and will request also improve the organizations own logistics. This makes the stocks smaller and the stock holding becomes more effective. Ginza.se has stated that the products should be delivered to the customers within 2-4 working days in Sweden and within 2-4 weeks in Norway.

Since the potential target market for Ginza.se's products are very large, segmentation becomes important. Therefore, it is important to segment the customer into groups and learn how each group of customers want to interact with Ginza.se when it comes to issues such as channel management and product preferences. The issue of secure payment is not of very high priority to Ginza.se. The reason for this is that only ten percent of their customers pay with a credit card and the remaining ones pay by cash on delivery. However, the issue of privacy is somewhat important according to the respondent. Therefore, Ginza.se will keep the collected customer information secret and not exaggerate the flow of information to the customers.

### **5.1.3 How does Ginza.se manage their customer relationships?**

The respondent states that how CRM is defined are of importance to Ginza.se because they try to break down the information flow from their customers to get it as cost effective as possible. Since Ginza.se is a quite small organization, the top management is involved every time Ginza.se is implementing new CRM objectives, sometimes are also customer service or other employees that are affected of the implemented CRM involved. However, even though the decisions come from top management Ginza.se try to have a keen ear of their employees' opinions according to the new implementation. The employees that come into contact with the new implemented CRM would also be educated even though Ginza.se aims to keep it as simple as possible.

Boman further tells that Ginza.se always have a long-term view for their implementation of CRM, both externally and internally to get the best possible return on investment. However the respondent says that it hard to keep it alive, due to the fact that in the beginning it is of importance but as time goes by it has a tendency to become less important. The respondent further say that Ginza.se view CRM as a natural business connection by having both back office and front office integrated when they implement CRM, this are done so that the implemented CRM would be as cost effective as possible. Ginza.se aims to keep full control of the interaction with their customers since they are an organization that conduct business at distance and need to react fast to their customers' demands, therefore Ginza.se conducts all CRM by themselves within the organization.

The respondent states that when Ginza.se conducts new campaigns it is done by their media department. The media department choose which customers that should be targeted and which media forum they gonna utilize for promoting the new offers. Boman further says that Ginza.se sends the mail catalogue to their customers every month, except to those that have made the choice not to receive a catalog. This and the fact that Ginza.se sends their news e-mail to their customers are Ginza.se's strategy to make their existing customers to buy more. At the moment Ginza.se don't give their customers offers according to what they have purchased before, this is something that Ginza.se have thought of doing, but they haven't found the software that can combine those offers in a satisfying way and since Ginza.se only sell products that are the same wherever the customers buy it they don't have any up-selling.

To be able to understand why Ginza.se's customers sometimes abandon Ginza.se for one of their competitors is something that the respondent claims could be investigated more even though it is of importance that Ginza.se tries to keep their customer by selling products at low price as well as always having the products in stock. Boman further states that since Ginza.se only sells low-margin products they can not do too much and have too many offers if they are going to keep the business being cost effective. However, the respondent further states that Ginza.se controls their customers' behavior by investigating how the customers purchase and how the customers navigate on Ginza.se's Web site. All this are done so that Ginza.se are able to predict what the customers would like to purchase but Boman also states that much are done by feeling and from experience of the industry instead of using the latest technique.

The respondent states that Ginza.se divide their customers into different purchase intervals based on how profitable they are. This information is collected from statistics that Ginza.se gets from the customers past purchase history and those customers that end up into a specific interval are given special offers by Ginza.se in order to purchase more products, to get better a discount or a cheaper delivery agreement. However, Ginza.se does not deny anyone to buy from them even though the customer might not be profitable for Ginza.se. Boman moreover states that Ginza.se has investigated the possibility of introducing a loyalty program to their customers. However, Ginza.se can not implement it with current margins on the products they sell. Boman furthermore states that Ginza.se does not want to divide their customers and this is the reason why Ginza.se does not give their customers any offers when it comes to loyalty programs. This and to the fact that the products sold are the same wherever the customers chose to buy them, Ginza.se instead tries to compete by offering low prices and short delivery time.

At the moment the personalization features at Ginza.se are under construction. Today the customer can tailor made the news e-mail that are sent to them and the respondent states that this is something that Ginza.se view as quite important.

The respondent states that Ginza.se view Web chat, Web callback, and telephone as communication channels that are not cost efficient because of the extra time it takes for Ginza.se to interact with their customers through these channels. Today Ginza.se views e-mails that are sent to approximate 130 000 customer each week and their mail-catalogues that are sent to approximate 250 000 customers every month as the two important communication channels. However, Ginza.se chose to utilize the communication channels that customers demands so if the customer wants to interact through Web chat or Web callback this is something that Ginza.se will do in order to please the organizations customers. Boman also states that if a customer have sent an e-mail and then later on calls the customer services, this e-mail will be visible for the customer services employee so that the customer does not need to repeat the same question or questions again. This is the reason why Ginza.se views telephone as an communication channel they need to have even though it is not cost efficient.

The respondent further states that event-marketing is of importance to Ginza.se. The events that Ginza.se are associated with are for example, Hultsfred Rock Festival and Rockbjörnen. These events must have a natural connection to Ginza.se line of business. When these events are approaching, tickets, VIP packets, and backstage pass are raffled out on the Web site to customer that Ginza.se believe are interested of that specific event, the information Ginza.se utilize to do this selection comes from the customers past purchases.

#### **5.1.4 How does Ginza.se evaluate the effectiveness of their CRM?**

Boman states that in the perfect world everything that Ginza.se does should be evaluated into the smallest detail but since Ginza.se has limited resources the organization is not able to do this. Today Ginza.se evaluates their different campaigns and the offers that are sent out by measuring how they affect sales. The respondent further state that Ginza.se

views it as important to measure how many products that are sold to the campaign price and how many that are sold to regular prices but does not measure assets and profits towards their employees.

Boman further states that the information Ginza.se collects about their customers are especially important because the more the organization knows about the customers the better and more efficient Ginza.se can be to meet the customers expectations. The Web site is especially important due to the fact that Ginza.se sell 90 percent of the products through the Web site. On the Web site Ginza.se measure and evaluate the number of customers, the number of retained customers, what they do on it, what they bought, where they came from, where in the buying process they chose to drop out if they do not conduct the purchase, how many visitors that are registered at the Web site, total time a visitors spend at the Web site, and what products they have put in the cart. However, Boman furthermore states that Ginza.se only analyze approximate 5-10 percent of why their customers have chosen to not conduct the purchase even though they have put products in the cart. Boman also states that Ginza.se measure how fast and easy their Web site is to navigate.

The respondent adds that Ginza.se sends the news e-mail to approximate 130 000 customers every week and therefore recently started a measurement system to investigate how many customers that open the e-mails and how many that chose to delete the e-mails without opening it. The customers that open the e-mails are then checked if they click on the proposed links and if they actually conduct the purchase of those products. Boman tells that approximate 30-35 percent of the customers that received the e-mails chose to delete it without open it, the respondent think that the reason for this are that the news e-mails are too general and not enough tailor made to fit each customers needs. Boman further adds that since Ginza.se are an organization that conduct business online and via mail and therefore don't speak with the customers on a daily basis. Therefore, it is of importance for Ginza.se to have the latest products in stock and to be flexible to customer requests. Boman also adds that Ginza.se doesn't measure secure service.

## **5.2 Case Study – CDON.COM**

The telephone interview was conducted with Managing Director Mikael Olander at MTG Internet Retailing AB. To be able to take on the convenient perspective that was needed throughout this interview, we asked the respondent to focus at CDON.COM.

### **5.2.1 Company presentation**

CDON.COM is the address to the electronic online market place run by MTG Internet Retailing AB. CDON.COM today sells entertainment products in 16 countries and has 28 employees. The annual turnover for 2003 was SEK 202 Million. The organization MTG Internet Retailing is based in Malmo, Sweden, and is a part of MTG (Modern Times Group). MTG is a leading media group in the Nordic countries and the Baltic States and operates within TV, radio, newspapers, electronic retailing and other media related

services. MTG is listed on the Stockholm stock exchange's O-list and on the NASDAQ stock exchange in NYC. CDON.COM offers more than 100 000 titles in four product categories which are music, movies, books, as well as computer games and video games. The screen shot shown below is a from CDON.COM's Swedish version.

Figure 5.2: Screen shot of CDON.COM's Web site



### 5.2.2 How can CDON.COM's CRM objectives be described?

According to the respondent the term CRM is not used when discussing customer relationships within the organization. However, CDON.COM is a customer oriented organization that focuses on the customer's needs. Just because the term CRM is not used in the daily work it does not mean that CDON.COM does not practice CRM as defined in this study. CDON.COM would not exist without their customers and therefore the organization must focus on the customers' needs and interests at all levels of the organization. This means that every organizational objective also can be seen as a CRM objective according to the respondent. However, the most important thing is not to have a lot of different objectives. The most important thing is what you actually do and how you act when interacting with the customers. CDON.COM has three main objectives or areas where they constantly are trying to improve. These objectives or areas are price/campaign, product diversity, and ease of use.

The first objective is very important when it comes to attracting customer to the Web site. Because of the fact that CDON.COM sells the same products as their competitors, price is a very important factor when trying to attract customers to the Web Site. This combined with massive marketing campaigns to build awareness among potential customers is absolutely crucial for the organization to survive in the comparatively new and competitive e-business market. The second objective means that CDON.COM should be an interesting and a potential retailer for almost every person that are interested in the offered product categories CDs, movies, and games. However, the respondent states that not all potential customers are worth going for because of cost reasons but that they are trying to reach as many as possible.

The third objective is simplicity and ease of use which basically means that when a customer visits the Web Site he or she should be able to buy or search for whatever he or she wants without experiencing any problems or delays. How fast a visitor is able to download and navigate the Web site is much more important than having a lot of animations and 3D graphics that would add value to the Web site but also make it a lot slower for many of the users. It is also important that it is easy to log in and shop at the Web site as well as that delivery works as promised to the customers. When it comes to customer service CDON.COM has stated that incoming e-mails should be answered within 24 hours.

The reason why these three objectives are especially important is because this is what is most important when conducting e-business for the products that CDON.COM offers according to the respondent. The respondent further states that other objectives also are of importance to CDON.COM. However, these objectives are not stated due to cost and time reasons but would be important if the members of the organization had more time to deal with these kinds of issues.

One objective that is of importance is knowledge about the customers. By collecting and analyzing as much data as possible about the customers the organization can make better strategic choices in the future and avoid making mistakes when it comes to almost all business areas. By doing this CDON.COM gets more satisfied and loyal customers and then hopefully customers that spend more money at their Web site. This is best done by the help of technology but also by the persons working and interacting directly with the customers can help CDON.COM become more effective. Another important issue when it comes to customer relationship management in e-Business is security. It is important to convince the customers that it is not more dangerous to pay with a credit card on-line than it is in a regular store. Privacy could also be an issue according to the respondent. However, the products that CDON.COM sells are not very sensitive ones when it comes to privacy so this is not very important to CDON.com. Another issue that also could be of importance is channel management. Some organizations might find it very helpful to collect information from customers about which channel they prefer but this is not an issue or objective for CDON.COM according to the respondent. However, when it comes to logistics CDON.COM has stated an objective to deliver the products within 2-6 working days.

### **5.2.3 How does CDON.COM manage their customer relationships?**

According to the respondent CDON.COM was one of the first in its industry to treat five important business areas as equally important. These areas are marketing, campaign, the Web site, logistics, and customer service. All of these business units should be aware of each other and what the different units are doing. The reason for this integration of business units is to improve the flow of products and services and to be able to correct and avoid mistakes more easily. As mentioned above CRM as a term is not used, instead the respondent views the whole organization as customer oriented.

When it comes to the management of customer relationships the respondents views top management involvement and staff involvement as crucially important. All members of the staff must have the customer in mind when decisions are made and to make this work the top management must be good role models. All departments have access to the collected customer data, which leads to shorter decision making time and also make the staff feel more involved. It is also important to have a long-term view to retain the customers for a long time. However, this can sometimes be hard when selling commodities such as DVDs and CDs where price is very important. To keep thing simple is also very important when managing customer relationship according to the respondent. This is especially true in e-Business where you have to be prepared for technological changes and improvements but you must also look at the costs involved. It is not always worth the costs to make your customers more satisfied and you can not possibly please all of your customers. It is also important to keep things simple when it comes to the Web Site. Speed is much more important than for example providing a very flashy Web site. What people want to do is to be able to log in and search for and buy products without hassle and then receive them in time. This is much more important than providing an exciting Web experience which makes the buying process slower according to the respondent.

CDON.COM conducts all of their customer service by themselves and would never consider outsourcing of this area as an option. According to the respondent it would be unwise to outsource something which is that important to the organization. CDON.COM only has one customer service department which they want to control totally. By doing this they are as close to the customers as they can be and can benefit from feedback from the customers to people that they trust within the own organization. By having their own customer service department they also get feedback from their customers much faster than they would if someone else handled these issues located at a place far from the headquarter.

CDON.COM recently invested in a new improved search engine and technology which will improve the organizations knowledge about their customers as well as help predicting their future behavior. The organization is today able to predict, or at least try to predict, what the individual customer is going to buy next based on past purchases and the information the customer provided in an optional form when registering at the Web site for the first time. This new technology also simplifies the process of selling more

products to existing customers both related and non-related to previous purchases. One example of this is that if you buy the new James Bond movie you get a discount if you buy the soundtrack. CDON.COM also offer a service named order status where a customer can find a full overview over all of his or her orders and for example find out if the ordered product have been sent or not.

CDON.COM will also implement a newsletter that will be unique for each customer and they will be able to segment their customers on an individual basis. A customer interested in heavy metal will not receive any information about for example a new Britney Spears album which sometimes was the case before. Receiving a lot of information about movies and artist that you are not interested in will only give the customer a negative perception of the organization and make them reluctant to shop at the Web Site. By improving this CDON.COM hopes to get loyal customers that are aware of that they will not be let down when new and important products of interests to the customers are released. This kind of personalization initiatives is something that the respondent views very positively. However, when it comes to personalization initiatives like greeting customers by their first name when they log in the respondent is not very positive. According to the respondent this is just a waste of time and money and something that the customers do not request or care for.

If you are a loyal customer and frequently purchase products from CDON.COM you can become a VIP member and get discounts for some of their products. According to the respondent this is a good way to reward loyal customers. However, this can not be made too much and too often since the organization already competes with low prices and therefore can not afford much discounts. Another CRM initiative that CDON.COM uses is event marketing where special offers are offered to their customers in connection with a certain event. An example of this can be discounts on the different Madonna CDs for the Swedish customers when she is performing in Sweden.

CDON.COM only uses one communication channel to interact with its customers. This communication channel is e-mail which is the most effective and appropriate one according to the respondent. By using e-mail the staff at the customer department service can handle many customers at the same time which is very cost effective. Since the customers and the staff are not in direct contact when using e-mail it also excludes a lot of noise such as discussions about other things than the real issue. Web chat, Web callback, and telephone could also be used according to the respondent. However, the reason why these communication channels not are of importance is because of the above mentioned noise and that every issue would take longer time to handle by using these channels. When sending an e-mail to the customer department the customer is asked to provide his or her telephone number but the customers are only contacted by telephone in very special and complex occasions. Using all of the so far mentioned communication channels would be a nice service for the customers but would not be cost effective. Using mail as a communication channel is not an option. It simply takes too long time according to the respondent.

### **5.2.3 How does CDON.COM evaluate the effectiveness of their CRM?**

According to the respondent CDON.COM evaluate some of their customer relationships. However more could absolutely be done but this is a question of resources as well as a somewhat complex issue. The organization do measure the average number of products sold per purchase and the percentage of customers which shop more than once to be able to evaluate if the customers only buys one product at the time and if they come back after the first purchase experience. CDON.COM also frequently measures the speed of downloading and navigating the Web site to make sure that for example layout changes does not make the Web site any slower. Furthermore, CDON.COM measures how many customers that pay with a credit card which is something the organization strive for and the average number of e-mails sent per day to the customer service department. However, CDON.COM does not measure the security level when it comes to customer payment.

E-mails sent to the customer service department are the most important variable when evaluating the effectiveness of the CRM for CDON.COM. By analyzing the customers' requests, suggestions, and complaints the organization receives a lot of feedback and valuable information on how to improve their business. Also the quality of the staffs' answers of the e-mails are controlled and evaluated to find out if they satisfies and solves the customers' requests and problems. Furthermore, a survey is sent out to the customer every sixth month where the organization is trying to find out what the customers like and dislike about the Web site when it comes to product mix, navigation of the Web site, and the Web site environment. However, the e-mails sent to the customer department are much more valid when it comes to evaluation of CDON.COM than the survey results according to the respondent.

CDON.COM also evaluates some logistic measures to be able to find out if they keep their promises to their customers when it comes to delivering the products within 2-6 working days and to be able to find out what they need to do to improve their logistics. The respondent further states that CDON.COM frequently check that their technological capacity is enough to serve their customers which is connected to the downloading and navigation time measures of the Web site. Marketing efforts are also evaluated when it comes to cost per acquired customer but no awareness measures or brand image measures are yet measured and evaluated. However, this will be done in the future according to the respondent.

CDON.COM measure how many people that visits the Web site when it comes to unique visitor count as well as how many people that registers as customers. These measures is also tied to net sales, profit increase, and market share which shows how much CDON.COM grows from time to time when measured which is very important at this stage for CDON.COM according to the respondent.

## **6 Data Analysis**

*In the previous chapter, the data collected in this study was presented. In this chapter the data will be analyzed. First, a within case analysis are conducted where the data from each organization are separately compared with the frame of reference to investigate whether it is in accordance to theory or not. Secondly, a cross case analysis are provided, where the data collected from the two cases will be compared with each other. We will also during the analysis process beginning to explain and discuss possible reasons, patterns, and tendencies that are found in the empirical data. The analyses are presented in a manner that addresses the three research questions of this study.*

### **6.1 Within Case Analysis of Ginza.se**

In this part a within case analysis of Ginza.se will be presented. Hence, the data obtained from the organization will be compared with the frame of reference.

#### **6.1.1 The objectives of CRM in Ginza.se**

When it comes to the first category, *cost saving objectives*, the collected data is in accordance to our frame of reference when it comes to decreased general sales and marketing administrative costs. The reason for this is that Ginza.se values good knowledge about its customers and thereby is able to use their resources more effectively. The collected data is also in accordance to our frame of reference when investigating the reduced cost of sales objective. This is true due to the fact that the respondent considered technology to be of importance to make Ginza.se more efficient. The collected data for the increased sales representative productivity objective in this category can also be seen as being in accordance to our frame of reference since Ginza.se view efficiency when it comes to sales and marketing as important.

For the second category, *revenue enhancement objectives*, the collected data is in accordance when it comes to win rates. This is true due to the fact that Ginza.se wants to improve their knowledge about their customers to become more effective. This also makes the collected data for better information for better management to be in accordance to our frame of reference. Furthermore, ease of use and low prices should attract new customers to Ginza.se, which is in accordance to theory when it comes to acquiring new customers. According to the respondent, secure payment was not a major priority for the organization. However, privacy was something that they had in mind and focused more on. Therefore, the collected data is to some extent in accordance to our frame of reference for the secure service objective.

When analyzing the third category, *strategic impact objectives*, the collected data is in accordance to our frame of reference when it comes to improved customer satisfaction rates as well as for improved global forecast and pipeline management. The reasons for this are that Ginza.se wants to offer products more in line with customers specific needs and also wants to improve the effectiveness to improve the organization's ability to close

deals. Establishing relationships with customers and improving channel management when it comes to stocks as well as keeping their delivery promises are of importance to Ginza.se. Therefore, the collected data is in accordance to our frame of reference.

Due to the fact that Ginza.se wants to improve customer satisfaction and loyalty and offer multiple channel communications with customers as service the collected data is in accordance to our frame of reference when it comes to service helps organizations to delight customers and service helps organizations differentiate their product. When it comes to the final objective within this category, building an attractive virtual community, the collected data can be seen as to some extent in accordance to our frame of reference. The reason for this is that Ginza.se does not want a flashy Web site but want to keep things simple and easy to use which in a way can be seen as an attractive virtual community to some people. The obtained information from Ginza.se is presented in Table 6.1 as well as their relative importance.

**Table 6.1: Within case analyze of Ginza.se’s CRM objectives**

<b>Importance of CRM objectives</b>	<b>Minor</b>	<b>Medium</b>	<b>Major</b>
<i>Cost Saving Objectives</i>			
Decreased general sales and marketing adm. costs			X
Reduce cost of sales			X
Increase sales representative productivity			X
<i>Revenue Enhancement Objectives</i>			
Win rates			X
Better information for better management			X
Acquiring new customers			X
Secure service		X	
<i>Strategic Impact Objectives</i>			
Improved customer satisfaction rates			X
Improve global forecast and pipeline management			X
Service helps organizations to delight customers			X
Service helps org. differentiate their products			X
Improving channel management			X
Establishing relationships with customers			X
Building an attractive virtual community		X	

### **6.1.2 Ginza.se management of customer relationship**

When it comes to the first area, *implementation*, the collected data is in accordance to our frame of reference when it comes to defining CRM and top management commitment. The reasons for that is that Ginza.se break down the information flow from their customers and that top management is always involved. The collected data on the staff involvement is to some extent in accordance to our frame of reference because the staff is sometimes involved but not always.

When it comes to integration of CRM systems, long-term view, and keeping it simple, the collected data is in accordance to our frame of reference. The reason for this is that Ginza.se view CRM as a natural business connection by having both back office and front office integrated when they implement CRM. Ginza.se always has a long-term view with their CRM implementation even though it has a tendency to become less important over time and that it should be kept as simple as possible.

When analyzing outsourcing of the CRM the collected data is not in accordance to our frame of reference. Since this is done by Ginza.se to keep full control of the interaction with their customers.

For the second area, *CRM initiatives*, the collected data are in accordance to our frame of reference when it comes to event-based marketing. The reason for this is that tickets, VIP packets, and backstage passes are raffled out on the Web site to customer that Ginza.se believe are interested in the specific events. The collected data on cross-selling and up-selling is to some extent in accordance to our frame of reference. Ginza.se sends their mail catalogue and news e-mails in order to get customers to buy more. However, since Ginza.se does not conduct any up-selling the collected data is to some extent in accordance to our frame of reference.

For customer retention and behavior prediction the collected data is in accordance to our frame of reference. The reasons for this are that Ginza.se through statistics gets information about the customers in order to understand their behavior. Ginza.se also tries to please their customer by selling the products at a low price as well as always having the products in stock. When it comes to the collected data on personalization and customer profitability and value modeling it is in some extent in accordance to our frame of reference even though Ginza.se divides their customers in different intervals in order to influence them to buy more. However Ginza.se does not deny anyone to buy from them even though the customer might not be so profitable for Ginza.se. When it comes to personalization features Ginza.se does not offer very much and this is perceived as something that might disturb their customers' private life.

When it comes to the third area, *channel management*, the collected data is in accordance to our frame of reference when discussing e-mail and mail. Because Ginza.se sends approximately 130 000 e-mails each week and their mail-catalogue are send in approximately 250 000 copies every month. When it comes to the collected data according to telephone it is to some extent in accordance to our frame of reference because Ginza.se does view the telephone as a channel they need to have even though it is not cost efficient. The collected data on multi-channel customer contact is to some extent in accordance to our frame of reference since Ginza.se utilizes some channels but not all of them.

According to the respondent the collected data on Web chat and Web callback is not in accordance to our frame of reference since those are channels that Ginza.se does not use at the moment. The obtained information from Ginza.se is presented in Table 6.2 as well as their relative importance.

**Table 6.2: Within case analyze of Ginza.se’s CRM management**

Importance of CRM management	Minor	Medium	Major
<i>Implementation</i>			
Defining CRM			X
Top management commitment			X
Staff involvement		X	
Integration of CRM systems			X
Long-term view			X
Keep it simple			X
Outsourcing	X		
<i>Initiatives</i>			
Cross-selling and up-selling		X	
Customer retention			X
Behavior prediction			X
Customer profitability and value modeling		X	
Personalization		X	
Event-based marketing			X
<i>Channel Management</i>			
Web chat	X		
Web callback	X		
E-mail			X
Telephone		X	
Mail			X
Multi-channel customer contact		X	

### 6.1.3 Ginza.se CRM evaluation

When it comes to the first category, *customer knowledge*, the collected data is in accordance to our frame of reference when looking at collecting appropriate customer information and analyzing customer data. The reasons for this is that Ginza.se measure what the customer have bought, the number of customers, where they came from, where in the buying process they chose to drop out if they do not conduct the purchase, how many visitors that are registered with the Web site, total time a visitor spent on the Web site, and what products they have put in the cart. When looking at the collected data according to Web site measures and improving CRM technique this is to some extent in accordance to our frame of reference even though Ginza.se measures a lot on their Web site they do not measure everything. According to the respondent, Ginza.se does not measure secure service which is not in accordance to our frame of reference.

When it comes to the second category, *customer interaction*, the collected data is in accordance to our frame of reference according to integration of business processes. The reason for this is that Ginza.se investigates what happens with the eventually increased activity via Ginza.se’s e-Business and that the organizations business system are closely connected together to get the best possible results to analyze. According to the collected data on appropriate response to customer request, supply chain and logistics function

measures, and customizing products and service it is to some extent in accordance to our frame of reference. The reason for this is that their customers can customize the product information they receive. Ginza.se also tries to keep the most popular products in stock and also measure the number of unfilled orders.

When it comes to the third category, *customer value*, the collected data is in accordance to our frame of reference when looking at improving customer retention and improving customer service and support. The reasons for that are that Ginza.se does measure the number of retained customers and that Ginza.se measure a lot on their Web site to investigate how effective it is. The collected data on building an attractive virtual community and profit increase are to some extent in accordance to our frame of reference. The reasons for this is that the Web site should be easy to use and fast but do not need to be attractive. Ginza.se does measure net sales and ordinary sales but does not measure asset and profit against their employees.

When it comes to the fourth category, *customer satisfaction*, the collected data is to some extent in accordance to our frame of reference when it comes to improving service quality and establishing relationships with customers. The reasons for this are that Ginza.se tries to measure customer satisfaction but have not broken down it as our frame of reference does and that Ginza.se measure the number of daily inquires but does not measure brand image and service level. The obtained information from Ginza.se is presented in Table 6.3 as well as their relative importance.

**Table 6.3: Within case analyze of Ginza.se’s CRM evaluation**

Importance of CRM evaluation	Minor	Medium	Major
<i>Customer Knowledge</i>			
Collecting appropriate customer information			X
Analyzing customer data			X
Web site measures		X	
Improving CRM technique		X	
Secure Service	X		
<i>Customer Interaction</i>			
Appropriate response to customer request		X	
Integration of business processes			X
Supply chain and logistics function measures		X	
Customizing products and services		X	
<i>Customer Value</i>			
Improving customer retention			X
Profit increase		X	
Improving customer service and support			X
Building an attractive virtual community		X	
<i>Customer Satisfaction</i>			
Improving service quality		X	
Establishing relationships with customers		X	

## **6.2 Within Case Analysis of CDON.COM**

In this part a within case analysis of CDON.COM will be presented. Hence, the data obtained from the organization will be compared with the frame of reference.

### **6.2.1 The objectives of CRM in CDON.COM**

For the first category, *cost saving objectives*, the collected data is in accordance to our frame of reference when it comes to decreased general sales and marketing administrative costs as well as reduced cost of sales. The reason for this is the collection and analysis of data to get to know the customers better and to make wiser strategic choices in the future. This also has to do with the tracking and quoting of customer data with integration of sales capabilities across the organization. Since, CDON.COM is trying to become more effective in this area by both using their staff and technology this is also in accordance to our frame of reference.

When it comes to the second category, *revenue enhancement objectives*, the data collected is in accordance to our frame of reference for the objectives win rates and better information for better management. Improved knowledge about the customers to avoid making strategic mistakes improves the win rates and increased knowledge about the customers as well as focusing on the right customers gives better management.

The respondent stated that attracting new customers to the Web site was an important objective which is in accordance to our frame of reference. When it comes to the objective secure service the respondent stated that it is important to convince people that it is not more dangerous to pay with a credit card on-line than it is in a regular store which is in accordance to theory. However, the respondent also stated that the matter of privacy was not of importance to CDON.COM which is not in accordance to our frame of reference. Therefore, the collected data for the secure service objective can be seen as to some extent in accordance to our frame of reference.

For the third category, *strategic impact objectives*, the collected data is in accordance to our frame of reference when it comes to improved customer satisfaction rates and establishing relationships with customers. By interacting with the customer and analyzing them CDON.COM wants to be able to offer products more in line with their specific needs and create relationships with them to make them loyal. The collected data for the objective improve global forecast and pipeline management is also in according to our frame of reference due to the fact that CDON.COM wants to improve its information access and avoid mistakes. By offering a variety of products for a lot of people CDON.COM wants to delight their customer which is in accordance to our frame of reference. However, they do not listen to their customers when it comes to channel management, therefore the service helps organizations to delight customers can be seen as to some extent in accordance to theory.

Continually, the respondent stated that ease of use and navigation was very important objectives. However, a flashy Web site was not an objective according to the respondent and therefore the objective building an attractive virtual community can be seen as to some extent in accordance to theory. To improve their channel management by the help of the customers was not an issue to CDON.COM which is not in accordance to our frame of reference. They have on the other hand stated an objective to deliver their products within 3-6 working days to customers. Therefore, the improving channel management objective can be seen as to some extent in accordance to our frame of reference. Furthermore, CDON.COM is not interesting in listening to their customers when it comes to channel management and they only communicate with their customers through e-mail. Because of this, the collected data when it comes to the service helps organizations differentiate their products objective is not in accordance to our frame of reference. The obtained information from CDON.COM is presented in Table 6.4 as well as their relative importance.

**Table 6.4: Within case analyze of CDON.COM's CRM objectives**

Importance of CRM objectives	Minor	Medium	Major
<i>Cost Saving Objectives</i>			
Decreased general sales and marketing adm. costs			X
Reduce cost of sales			X
Increase sales representative productivity			X
<i>Revenue Enhancement Objectives</i>			
Win rates			X
Better information for better management			X
Acquiring new customers			X
Secure service		X	
<i>Strategic Impact Objectives</i>			
Improved customer satisfaction rates			X
Improve global forecast and pipeline management			X
Service helps organizations to delight customers		X	
Service helps org. differentiate their products	X		
Improving channel management		X	
Establishing relationships with customers			X
Building an attractive virtual community		X	

### 6.2.2 CDON.COM management of customer relationships

When it comes to the first area, *implementation*, the collected data is in accordance to our frame of reference when it comes to top management commitment and staff involvement. All members must focus on the customer for every decision they make and the top management act as role models to show that this matter really is of importance. All departments at CDON.com have access to the same information and customer data which according to the respondent leads to shorter decision making time and higher involvement. This is in accordance to our frame of reference when it comes to integration

of CRM systems. To keep things simple and be able to respond to technological changes in the e-Business world is also important according to the respondent which is in accordance to our frame of reference.

CDON.COM does not use the term CRM in their daily work which is not in accordance to our frame of reference. However, they view themselves as customer oriented and puts the customer first when it comes to strategic issues which is in accordance to our frame of reference. Therefore, the collected data are to some extent in accordance to our frame of reference when it comes to defining CRM. It was also of importance to focus on the long-term when dealing with the customers according the respondent However, he further stated that this was not always possible when selling commodities on-line where pricing is very important. This makes the collected data being to some extent in accordance to our frame of reference when it comes to having a long-term view.

When looking at considering outsourcing of the CRM the collected data is not in accordance to theory. According to the respondent, this is something that CDON.COM would never do. He further stated that it would be unwise to outsource something that important to the organization and that CDON.COM wants to control this area totally without any involvement from parts outside the organization.

For the second area, *CRM initiatives*, the collected data is in accordance to our frame of reference when it comes to cross-selling and up-selling as well as customer retention. Cross-selling and up-selling is simplified by the organizations new search engine but also somewhat by the unique electronic newsletter and the VIP club. These initiatives are also of importance when it comes to customer retention as well as the feedback CDON.COM receive from its customer service department. The investments in new technology and the new search engine which will help predicting the customers' future behavior are also in accordance to our frame of reference as well as the fact that CDON.COM use event-based marketing to retain and attract new customers.

The fact that the respondent does not believe all customers is worth going for and keeping and that they have a VIP club for their best customers is in accordance to our frame of reference. However, CDON.COM does not score their customers on his or her relative worth to the organization over time which not is in accordance to our frame of reference. Therefore, the collected data for customer profitability and value modeling can be seen as to some extent in accordance to our frame of reference. This is also the case when it comes to personalization. The unique newsletter is in accordance to our frame of reference and something that the respondent views to be very positively. However, personalization initiatives like greeting the customers by their first name when they log in are just a waste of time and money according to the respondent and this is not in accordance to our frame of reference.

When it comes to the third area, *channel management*, the collected data is in accordance to our frame of reference when discussing e-mail. The respondent considers e-mail to be the most effective and appropriate channel for CDON.COM and this is the only channel the organization use when interacting with its customers. Furthermore, the respondent

also considers Web chat, Web callback, and telephone to be appropriate communication channels for CDON.COM but do not use them because of cost reasons. By analyzing these statements the collected data can be seen as to be not in accordance to our frame of reference for these communication channels.

According to the respondent mail is not an option for communication with the customers which is not in accordance to our frame of reference. The fact that CDON.COM only uses e-mail to communicate with its customer rules out multi-channel customer contact, which is not in accordance to our frame of reference. The obtained information from CDON.COM is presented in Table 6.5 as well as their relative importance.

**Table 6.5: Within case analyze of CDON.COM's CRM management**

Importance of CRM management	Minor	Medium	Major
<i>Implementation</i>			
Defining CRM		X	
Top management commitment			X
Staff involvement			X
Integration of CRM systems			X
Long-term view		X	
Keep it simple			X
Outsourcing	X		
<i>Initiatives</i>			
Cross-selling and up-selling			X
Customer retention			X
Behavior prediction			X
Customer profitability and value modeling		X	
Personalization		X	
Event-based marketing			X
<i>Channel Management</i>			
Web chat	X		
Web callback	X		
E-mail			X
Telephone	X		
Mail	X		
Multi-channel customer contact	X		

### **6.2.3 CDON.COM CRM evaluation**

When it comes to the first category, *customer knowledge*, the collected data is in accordance to our frame of reference when looking at collecting appropriate customer information. The reason for this is that CDON.COM measures and evaluates the number of new registered customers they gain. The collected data for analyzing customer data is also in accordance to our frame of reference since CDON.COM keeps track of how many registered users and customers they have.

For the Web site measures and improving CRM technique under this category the collected data is to some extent in accordance to our frame of reference. The reason for this is that when it comes to Web site measures CDON.COM measures how many unique person which have visited the Web site as well as how many visitors that have registered with the Web site which are in accordance to our frame of reference. However they do not measure and evaluate things such as breakage, duration, and click stream which not is in accordance to our frame of reference. Furthermore, CDON.COM does not do much when it comes to measurement and evaluation of their CRM techniques which is mostly not in accordance to our frame of reference. One thing that they do in this area is to measure and evaluate the time it takes to download and navigate at the Web site which can be seen as in accordance to our frame of reference. Furthermore, CDON.COM views secure service as important but do not measure and evaluate this. Therefore, the collected data is not in accordance to our frame of reference.

For the second category, *customer interaction*, the collected data on appropriate response to customer request are to some extent in accordance to our frame of reference. The reason for this is that CDON.COM measure and evaluate their marketing campaigns but are not in accordance to our frame of reference since the frequency of content updates are not measured and evaluated. The collected data for integration of business processes under this category is in accordance to our frame of reference. The reason for this is the measurement and evaluation of payment methods and their efforts to get people to use credit cards when paying. The data collected on supply chain and logistics function measures are to some extent in accordance to our frame of reference. The reasons for this is that delivery time is measured and evaluated which is in accordance to our frame of reference. However, most stated supply chain and logistics functions are not measured and evaluated which is not in accordance to our frame of reference. When it comes to measurement and evaluation of customizing products and services some of the collected data is in accordance to our frame of reference because of what is collected in the surveys that are conveyed every sixth month. However, variables such as timeless sales in popular products is not measured and evaluated and is therefore not in accordance to our frame of reference.

For the third category, *customer value*, the collected data on improving customer retention, improving customer service and support, and building an attractive virtual community is in accordance to our frame of reference due to the fact that CDON.COM measure and evaluate the number and retained customers they have. They are also trying to evaluate and improve their customer service and support as well as their virtual community by paying attention to feedback from customers received by e-mail as well as carry out surveys every six months which is in accordance to our frame of reference. The collected data on profit increase can be seen as being to some extent in accordance to our frame of reference. The organization measure and evaluate net sales which is in accordance to our frame of reference. However, they do not measure and evaluate asset per employee and profit per employee which is not in accordance to our frame of reference.

When it comes to the fourth category, *customer satisfaction*, the collected data for improving service quality is to some extent in accordance to our frame of reference due to the fact that CDON.COM measure and evaluate the number of daily inquiries that are sent to their customer service department. On the other hand, they do not measure and evaluate brand image and service level which is not in accordance to our frame of reference. The collected data on establishing relationships with customers is also to some extent in accordance to our frame of reference. The reason for this is that customer satisfaction is measured and evaluated through the surveys and from the received e-mails to the customer service department which is in accordance to our frame of reference. However, this information is not quantified and divided into subcategories which are not in accordance to our frame of reference. The obtained information from CDON.COM is presented in Table 6.6 as well as their relative importance.

**Table 6.6: Within case analyze of CDON.COM's CRM evaluation**

<b>Importance of CRM evaluation</b>	<b>Minor</b>	<b>Medium</b>	<b>Major</b>
<i>Customer Knowledge</i>			
Collecting appropriate customer information			X
Analyzing customer data			X
Web site measures		X	
Improving CRM technique		X	
Secure Service	X		
<i>Customer Interaction</i>			
Appropriate response to customer request		X	
Integration of business processes			X
Supply chain and logistics function measures		X	
Customizing products and services		X	
<i>Customer Value</i>			
Improving customer retention			X
Profit increase		X	
Improving customer service and support			X
Building an attractive virtual community			X
<i>Customer Satisfaction</i>			
Improving service quality		X	
Establishing relationships with customers		X	

### **6.3 Cross Case Analysis**

This second part of the chapter deals with cross case analysis. The two cases will be compared with each other in order to try to investigate tendencies and identifying causes for possible outcomes.

### 6.3.1 Analyzing CRM objectives

When analyzing the first category, *cost saving objectives*, no differences could be found between Ginza.se and CDON.COM. Both organizations viewed the objectives decreased general sales and marketing administration costs, reduced cost of sales, and increased sales representative productivity to be of major importance. This was also the case when analyzing the second category, *revenue enhancement objectives*, where no differences were found when it comes to the win rates, better information for better management, acquiring new customers, and secure service objectives.

When it comes to the third category, *strategic impact objectives*, no differences could be found when analyzing the improves customer satisfaction rates, improved global forecast and pipeline management, establishing relationships with customers, and building an attractive virtual community objectives. However, Ginza.se value the service helps organizations to delight customers, service helps organizations differentiate their products, and improving channel management higher than what CDON.COM does. The reasons for this difference is that Ginza.se offer multiple channel communications with customers as service where as CDON.COM do not provide this option for their customers. Another reason for this are that CDON.COM doesn't improve their channel management with the help from customers which is something that Ginza.se does. The obtained information from the cross case is presented in Table 6.7 as well as their relative importance.

**Table 6.7: Cross case analyze of CRM objectives**

Importance of CRM objectives	Ginza.se	CDON.COM
<i>Cost Saving</i>		
Decreased general sales and marketing administrative costs	Major	Major
Reduce cost of sales	Major	Major
Increase sales representative productivity	Major	Major
<i>Revenue Enhancement</i>		
Win rates	Major	Major
Better information for better management	Major	Major
Acquiring new customers	Major	Major
Secure service	Medium	Medium
<i>Strategic Impact</i>		
Improved customer satisfaction rates	Major	Major
Improve global forecast and pipeline management	Major	Major
Service helps organizations to delight customers	Major	Medium
Service helps organizations differentiate their products	Major	Medium
Improving channel management	Major	Medium
Establishing relationships with customers	Major	Major
Building an attractive virtual community	Medium	Medium

### 6.3.2 Analyzing the management of customer relationships

When it comes to the first area of how Ginza.se and CDON.COM manage their customer relationships, *implementation*, no differences could be found when analyzing top management commitment, integration of CRM systems, keeping it simple, and outsourcing. However, Ginza.se view defining CRM as more important than what CDON.COM does. The reason for this is CDON.COM does not use the term CRM in their daily work where as Ginza.se break down the information flow from their customer on a daily basis to be as cost effective as possible. Ginza.se also considers long-term strategy as more important than CDON.COM does. The reason for this is that Ginza.se always have a long-term view when they implement CRM where as CDON.COM states that this is something that are not always possible to do when selling commodities online. CDON.COM view staff involvement as more important when implementing CRM than what Ginza.se does. The reason for this is that CDON.COM's involve their staff in every decision that has to do with their customers which is something Ginza.se does not always do.

For the second area of how the organizations manage their customer relationships, *CRM initiatives*, no differences could be found when analyzing customer retention, behavior prediction, customer profitability and value modeling, personalization, and event-based marketing. One CRM initiative could be found where the investigated organizations do not totally agree. This CRM initiative is cross-selling and up-selling which CDON.COM viewed as more important than what Ginza.se does. The reason for this is that CDON.COM utilizes both cross-selling and up-selling by the organizations new search engine but also somewhat by the unique electronic newsletter and the VIP club meanwhile Ginza.se does not conduct any up-selling.

When looking at the third area of how Ginza.se and CDON.COM manage their customer relationships, *channel management*, no differences could be found when it comes to Web chat, Web callback, and e-mail. However, Ginza.se view telephone, mail, and multi-channel customer contact as more important than CDON.COM does. The reasons for this is that telephone and mail is not an option for CDON.COM whereas Ginza.se's customers can use the phone to interact and Ginza.se send their mail-order catalogues to approximate 250, 000 customers every month and that Ginza.se utilize more communication channels than CDON.COM does. The obtained information from the cross case is presented in Table 6.8 as well as their relative importance.

**Table 6.8: Cross case analyze of CRM management**

Importance of CRM management	Ginza.se	CDON.COM
<i>Implementation</i>		
Defining CRM	Major	Medium
Top management commitment	Major	Major
Staff involvement	Medium	Major
Integration of CRM systems	Major	Major
Long-term view	Major	Medium
Keep it simple	Major	Major
Outsourcing	Minor	Minor
<i>Initiatives</i>		
Cross-selling and up-selling	Medium	Major
Customer retention	Major	Major
Behavior prediction	Major	Major
Customer profitability and value modeling	Medium	Medium
Personalization	Medium	Medium
Event-based marketing	Major	Major
<i>Channel Management</i>		
Web chat	Minor	Minor
Web callback	Minor	Minor
E-mail	Major	Major
Telephone	Medium	Minor
Mail	Major	Minor
Multi-channel customer contact	Medium	Minor

### 6.3.2 Analyzing CRM evaluation

For the first category of CRM evaluation, *customer knowledge*, no differences were found when analyzing collecting appropriate customer information, analyzing customer data, Web site measures, improving CRM technique, and secure service. This was also the case when it comes to the second category, *customer interaction*, were no differences could be found when investigating appropriate response to customer request, integration of business processes, supply chain and logistics function measures, as well as customizing products and services.

When analyzing the third category of CRM evaluation, *customer value*, no differences were found when it comes to improving customer retention, profit increase, and improving customer service and support. However, the only difference between Ginza.se and CDON.COM when it comes to CRM evaluation was found within this category. The reason for this is that CDON.COM value evaluation of the building of an attractive virtual community as more important than what Ginza.se does. Finally, when looking at the fourth category of CRM evaluation, *customer satisfaction*, no differences were found and both Ginza.se and CDON.COM view improving service quality and establishing relationships with customers as equally important. The obtained information from the cross case is presented in Table 6.9 as well as their relative importance.

**Table 6.9: Cross case analyze of CRM evaluation**

<b>Importance of CRM evaluation</b>	<b>Ginza.se</b>	<b>CDON.COM</b>
<i>Customer Knowledge</i>		
Collecting appropriate customer information	Major	Major
Analyzing customer data	Major	Major
Web site measures	Medium	Medium
Improving CRM technique	Medium	Medium
Secure Service	Minor	Minor
<i>Customer Interaction</i>		
Appropriate response to customer request	Medium	Medium
Integration of business processes	Major	Major
Supply chain and logistics function measures	Medium	Medium
Customizing products and services	Medium	Medium
<i>Customer Value</i>		
Improving customer retention	Major	Major
Profit increase	Medium	Medium
Improving customer service and support	Major	Major
Building an attractive virtual community	Medium	Major
<i>Customer Satisfaction</i>		
Improving service quality	Medium	Medium
Establishing relationships with customers	Medium	Medium

## 7 Findings and Conclusions

*The previous chapter provided an analysis of the data collected in this study. In this chapter, conclusions will be drawn from the findings in the analysis in order to answer the three research questions stated in chapter one. In the final part of this chapter we will give our recommendations to management of the organizations in this study. We will also give recommendations for theory and for further research within the area studied.*

### 7.1 Conclusions

The results drawn from this study should be viewed in the light of the research methods employed and is valid for these samples. The study provides substantial support as to the applicability of the many variables and respective conceptualisations provided in theory to the study of CRM in organizations. The frame of reference was also shown to be well suited to the investigation of how organizations utilize CRM.

#### 7.1.1 How can organizations CRM objectives be described?

The research demonstrates two interesting findings regarding CRM objectives in e-Business. The first finding is that both organizations have very similar CRM objectives. However, the second finding is that both organizations do not divide those into any specific detail objectives instead they view CRM objectives as a part of their daily work.

Hence, when answering our first research question it can be concluded that the following objectives are the most important for CRM in e-Business. For the first category of CRM objectives, *cost saving objectives*, we can conclude that e-Business organizations focus on the decreased general sales and marketing administrative costs by having specified and good knowledge about its target segment customers and thereby using their resources better when no effort is a waste of money or time. We can also conclude that e-Business organizations focus on the reduced cost of sales and on the increase sales representative productivity by utilize new technologies to lower the cost of deploying sales automation solutions and by tracking and quoting customer data with integration of sales capabilities across the organization.

For the second category, *revenue enhancement objectives*, we can conclude that e-Business organizations focus on win rates which will improve since organization will purchase products that customers demand and the right amount of those products. We can also conclude that e-Business organizations focus on better information for better management and to acquiring new customers by implementing targeted campaigns to get better returns on marketing investments.

For the third category, *strategic impact objectives*, we can conclude that e-Business organizations focus on the improved customer satisfaction rates and establishing relationships with customers by sending their custom made news e-mail with offers in line with customers' specific demands and create relationships with them to make them loyal. Finally we can conclude that e-Business organizations focus on improved global forecast and pipeline management by improving their information access and avoid mistakes.

To summarize our first research question it can be concluded that the valid objectives when it comes to CRM in e-Business are:

- Decreased general sales and marketing administrative costs
- Reduce cost of sales
- Increase sales representative productivity
- Win Rates
- Better information for better management
- Acquiring new customers
- Improved customer satisfaction rates
- Improve global forecast and pipeline management
- Establishing relationships with customers

### **7.1.2 How do organizations manage their customer relationships?**

The research showed two interesting findings regarding managing customer relationships in e-Business. The first finding is that both e-Business organizations do not view outsourcing of their CRM as an option because they want to control this area totally without any involvement from parts outside organizations. The second finding is that both e-Business organizations do not view Web chat and Web callback as an important communication channel when interacting with the customer since it is not cost efficient.

Hence, when answering our second research question it can be concluded that the following management of customer relationships variables are the most important ones for CRM in e-Business. For the first area, *implementation*, we can conclude that e-Business organizations focus on the top management commitment due the fact that every CRM strategy are sanctioned by their top management. We can also conclude that e-Business organizations focus on integration of CRM systems by integrating their back office and front office to get real time access to the right information. Furthermore, we can conclude that e-Business organizations focus on keeping it simple so that the implemented CRM systems add value both to users and organizations.

For the second area, *CRM initiatives*, we can conclude that e-Business organizations focus on customer retention to get a better understanding of why their customers sometimes chose to leave the companies. We can also conclude that e-Business organizations focus on behavior prediction to get a better understanding of which products a particular customer is likely to purchase and also to predict what product a customer is likely to buy next. Furthermore, we can conclude that e-Business organizations focus on event-based marketing based on a clearly defined set of high-profiled events in near real-time with the ambition to get the customer to visit their Web site and to buy products.

For the third area, *channel management*, we can conclude that e-Business organizations focus on e-mail due to the fact that their customer service can handle more e-mails per hour than they can handle telephone calls and therefore e-mail is more cost-effective.

To summarize our second research question it can be concluded that the following variables are valid when it comes to the management of customer relationship in e-Business:

- Top management commitment
- Integration of CRM systems
- Keep it simple
- Customer retention
- Behavior Prediction
- Event-based marketing
- E-mail

### **7.1.3 How do organizations evaluate the effectiveness of their CRM?**

The research showed two interested findings regarding evaluation of CRM effectiveness in e-Business. The first finding is that both organizations evaluate the effectiveness very similar to each other and secondly none of the organizations measure and evaluate secure service.

Hence, when answering our third research question it can be concluded that the following variables are the most important to evaluate the effectiveness of CRM in e-Business. For the first category, *customer knowledge*, we can conclude that e-Business organizations focus on collecting appropriate customer information since they measure and evaluate the number of new registered customers. We can also conclude that e-Business organization focus on analyzing customer data since they measure and evaluate visitor count, page hits, duration, click-through-rate, registered users, and breakage.

For the second category, *customer interaction*, we can conclude that e-Business organizations focus on the integration of business processes since their business system are closely connected together to get the best possible result to evaluate. For the third category, *customer value*, we can conclude that e-Business organizations focus on improving customer retention since they measure and evaluate the number of retained customers. Furthermore, we can conclude that e-Business organizations also focus on improving customer service and support by measuring and evaluating their customer service and support as well as their virtual community by paying attention to customer feedback.

To summarize our third research question it can be concluded that the following variables are valid when it comes to how organizations evaluate the effectiveness of CRM in e-Business:

- Collecting appropriate customer information
- Analyzing customer data
- Integration of business processes
- Improving customer retention
- Improving customer service and support

### **7.1.4 Overall conclusions**

From conducting this study some main findings have been found. Firstly, e-Business organizations' CRM objectives exist within three categories, cost saving, revenue enhancement, and strategic impact objectives. However, they are not divided into specific detailed objectives, instead e-Business organizations view CRM objectives as a part of their

daily work. Secondly, e-Business organizations concentrate in three areas when managing their customer relationships. These areas are implementation, initiatives, and channel management even though strategies might not be same for the different organizations and that e-Business organizations do not view outsourcing of their CRM as an option. Thirdly, we have found that e-Business organizations evaluate the effectiveness of their CRM in four areas, customer knowledge, customer interaction, customer value, and customer satisfaction and that none of the organizations measure and evaluate secure service. Finally, e-Business organizations state that improved customer satisfaction rates and establishing relationships with customers are of major importance but only measure and evaluate fragments of it.

## **7.2 Recommendations for Management**

After concluding this study, we have come up with a number of issues we feel can be beneficial to managers interested in receiving knowledge in this area. These recommendations are listed below:

*Customer retention.* Managers must understand why customers leave. Analyzing customer attrition operates on the aphorism that keeping an existing customer is far more cost effective than acquiring a new one.

*Web chat.* Managers must understand that this allows organizations to offer customers one-to-one contact with a representative without them having to disconnect from the Web, which is important for households that use the same telephone line for Web access and voice calls. As representatives can often conduct more than one chat session simultaneously, providing Web chat can also save businesses money in comparison with staffing a conventional call center.

*Multi-channel customer contact.* Managers must understand the importance of providing their customers with different communication channels, this is especially important in today's world where customers expect to be able to choose which channel they want to utilize.

*Secure service.* Managers must understand that security has been a serious issue concerning online purchases and an impediment to the acceptance of the e-channel. Many customers are concerned about the amount of personal information that is contained in databases and how it is being used.

*Customer service.* Managers must understand the importance of customer service as a way to retain and acquire customers. This is true, especially in e-Business where most organizations competes with low prices and therefore other incentives such as customer service becomes important as a differentiator.

*Customer satisfaction.* Managers must understand that customer satisfaction represents a modern approach for quality in organizations, and serves the development of a truly customer-focused management and culture. Measuring customer satisfaction offers an immediate, meaningful, and objective feedback about customer preferences and expectations. This is also important since customer satisfaction is direct linked to an organization's profits. Service delivery via various channels of IT applications has emerged as an important attribute in satisfying customers. Proper CRM practices can potentially impact customer satisfaction ratings and can potentially lead to increased customer retention.

### **7.3 Recommendations for Theory**

In the analysis chapter we were able to see how well the literature agrees with the findings in our study. The literature corresponds rather well with what we have been able to find out, but we do have findings that constitute our implications for theory. We formulated our purpose and research questions based on previous studies by numerous authors. We have in this study described, explored, and begun to explain how e-Business organizations utilize CRM. We have studied the objectives, the management, and how the organizations evaluate the effectiveness of CRM.

This study contributes to theory in the way that it provides an empirical investigation as to how established theory regarding customer relationship management relates with how CRM is utilized in e-Business. Due to the fact that CRM is a fairly new term, limited amount of research focusing on how CRM objectives can be described in e-Business and CRM exist, this study provides a foundation from which further studies may be conducted.

Furthermore, this study also contributes to theory since there are limited amount of studies focusing on how to manage customer relationships in e-Business, this study provides a foundation from which further studies may be conducted. Finally, since there are very limited amount of studies focusing on how the effectiveness of CRM is measured and evaluated not only in e-Business, this study provides a foundation from which further studies may be conducted.

### **7.4 Recommendations for Further Research**

One topic for further research is to conduct an investigation based on quantitative data. Quantitative research would make it easier to get a clear picture of what direction the CRM framework is striving towards in a larger setting. Another data collection method that could be utilized is participant observation. To participate in an organization's interaction process for a certain period of time could provide the researcher with an in depth understanding of how customer relationships are managed in practice.

When we conducted this study another topic was found to be interesting for further research. Since we had a lot of variables in this study it would be possible to concentrate on one variable within CRM evaluation and investigating it in depth. By investigating a single variable in depth one might be able to obtain a more detailed picture of CRM evaluation of that variable.

Finally, it would be interesting to study the outcome of CRM in a customer relationship in terms of brand image, value, and trust. When conducting this study, a number of different issues have come up, which we feel would be interesting to investigate further. For this reason, we will now present a list of suggestions for future research, which we think are suitable topics for a future studies.

- Conducting the same study for Business to Business (B2B) organizations.
- Investigating CRM in e-Business from a customer perspective.
- Comparing on-line and off-line CRM efforts.

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# Appendix A

## Interview Guide

### General Information

Name of the organization:

Number of employees:

Name of the respondent:

The respondent's position:

### **RQ 1: How can organizations CRM objectives be described?**

1. Does your organization have any CRM objectives? If no, why? If yes, continue.
2. What is/are your organizations objective/s with CRM?
3. Why is/are these objective/s important for your organization?
4. How important are the following CRM objectives for your organization?

#### *Cost saving objectives:*

- Decreased general sales and marketing administrative costs
- Reduce cost of sales
- Increase sales representative productivity

#### *Revenue enhancing objectives:*

- Win Rates
- Better information for better management
- Acquiring new customers
- Secure service

#### *Strategic impact objectives:*

- Improved customer satisfaction rates
- Improve global forecast and pipeline management
- Service helps organizations to delight customers
- Service helps organizations differentiate their products
- Improving channel management
- Establishing relationships with customers
- Building an attractive virtual community

5. Does the respondent have anything else to add according to CRM objectives?

## **RQ 2: How do organizations manage their customer relationships?**

1. What is/was of importance for your organization when implementing CRM?
2. Why is/was this of importance?
3. How important are/were the following factors when implementing CRM?
  - Defining CRM
  - Top management commitment
  - Staff involvement
  - Integration of CRM systems
  - Long-term view
  - Keep it simple
  - Outsourcing
4. Describe your organizations CRM initiative/s?
5. Why is/are you conducting this/those initiative/s?
6. How important are the following CRM initiatives for you organization?
  - Cross-selling and up-selling
  - Customer retention
  - Behavior Prediction
  - Customer profitability and value modeling
  - Personalization
  - Event-based marketing
7. Which or what communication channel/s do your organization use for customer interaction?
8. Why do you use this/those communication channel/s?
9. How important are the following communication channels for your organization? See table below.
  - Web chat
  - Web callback
  - E-mail
  - Telephone
  - Mail
10. If your organization use more than one communication channel. Are they integrated? If yes, why? If no, why not?
11. Does the respondent have anything else to add according to how his/her organization manage their customer relationships?

### **RQ 3: How do organizations evaluate the effectiveness of their CRM?**

1. Does your organization evaluate the effectiveness of your CRM? If no, why not? If yes, continue.
2. Which or what of your organizations CRM is/are evaluated?
3. Why does your organization evaluate your CRM?
4. What or which measurement/s does your organization evaluate?
5. How important are the following categories when evaluation CRM in your organization?

#### *Customer knowledge:*

- Collecting appropriate customer information
- Analyzing customer data
- Web site measures
- Improving CRM technique
- Secure Service

#### *Customer interaction:*

- Appropriate response to customer request
- Integration of business processes
- Supply chain and logistics function measures
- Customizing products and services

#### *Customer value:*

- Improving customer retention
- Profit increase
- Improving customer service and support
- Building an attractive virtual community

#### *Customer satisfaction:*

- Improving service quality
- Establishing relationships with customers

6. Does the respondent have anything else to add according to how his/her organization evaluate the effectiveness of their CRM?