

Estonian Business School

BBA program

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**IMPLEMENTING CUSTOMER RELATIONSHIP MANAGEMENT
IN HANSA BUSINESS SOLUTIONS**

Bachelor Theses

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INTRODUCTION

Having good, developing and profitable relationships with customers guarantees the company continuing success in business and advantage in front of its competitors.

It is far more difficult and expensive to acquire new customers than it is to retain existing customers. Due to the over supply of products, customers have the control in business deals- they know they are important for business and therefore expect to receive excellent treatment. If they are satisfied with their first experience they will buy again. If not, there are several other vendors who can offer the same products and services probably with the same quality. When a company has managed to capture customer's attention and even more, when a customer is buying company's products, then the foremost thing is to try to retain that customer. By engaging customers to business, by finding more about their needs, company can offer personalized customer service. This shows customer he is important to company and is treated with respect. Through satisfying that customer in a longer term, company gains the loyalty of that customer. And this gives almost hundred per cent guarantee the customer is not going to competitor, but is staying loyal. What if the company had hundreds of such customers?!

The idea of this thesis is to show how important are existing customers and how to measure the relationships in order to raise the profitability of each and every customer.

The author is the initiator in working out new customer relationship management (hereinafter CRM) strategies for existing customers in the company she is working for. Therefore it was important for her to find out at first the idea lying behind CRM and different strategies and methods of how to implement CRM and then use them in the practical part of the thesis.

The basic implementing strategies, the author has used both in the theoretical and practical parts of the thesis are from the book "The Customer Marketing Method- how to implement and profit from customer relationship management". The reason, why the author chose this book as a basis, was firstly because it was one of the few books she read, which did not stress on the importance of CRM technology but on CRM as a business strategy. And as this book has been used as a basis in several companies around the world (in Estonia Ragn Sells) for implementing CRM effectively, the author decided to use it also, still taking every word in the book critically and adjust it according to needs.

The goal of this thesis is to work out an implementation plan for managing existing customer relationships in Hansa Business Solutions and if it is working effectively, put it into practice in other Hansa Business Solutions Ltd. daughter companies.

The thesis is divided into four parts. In the first part the author identifies the concept of customer relationships and points out the benefits received from the relations both for business and for customers. The author also writes about good customer service, as an inseparable part of profitable CRM.

The second part is dedicated to the concept of CRM and what do companies and customers gain from this 'new way' of managing customers.

In the third part the author describes the process of CRM- about the people, who are the essential part in the process to get the strategy to work and about technology which enables the company to manage and analyse customer information in order to make right decisions.

The fourth and the final part is the practical part of this thesis, where the author has used the knowledge gained from the theoretical part by first analysing the current customer relationships in Hansa Business Solutions and then working out an implementation plan for CRM in Hansa Business Solutions.

1. THE CONCEPT AND THE IMPORTANCE OF CUSTOMER RELATIONSHIP

The relationship between a company and its customers is a constantly moving process, starting from the day, a customer buys the product or service. Relationship is being formed, because both company and its customers reach their goals better and faster than without the relationship and the relationship should continue as long as the customer and the company profit from it.

The target of the relationship is therefore to create a win-win situation, in which both the company and the customer benefit. Customers will benefit from the relationship by using the products and services, which help them to satisfy their present and future needs. Company will benefit from: customers continual purchase requests; gaining the knowledge, which he can use in product and service development. The benefits enlarge with the development of the relationship. It has been proven that the longer a company can keep a customer, the more the customer comes to depend on the company and the less chance there is for the competitor to take the customer away.

Companies must spend far more money to get a new customer than to retain an existing customer. And for every best customer a company loses, they must recruit many more average customers to make up the sales and profit loss. It is far more expensive to win back customers after they have left than it is to keep them satisfied in the first place. The loyalty is not formed overnight- it can only be the result of long-term relationship if both sides are satisfied. "The loyalty of customers cannot be bought- it can only be given to you if you really deserve it" ¹

Dialog is the essence of relationship. If the only time customers hear from the company is when he is trying to sell them something, and the only time company hears from his customers is when they have complaints, that is not dialog. "Anyone with whom you've managed to build relationship, with whom you can meet socially and talk about things other than business is the one easiest to sell to. They feel they know you and trust you. Then the selling dialog, when it happens, is simple and direct. If they want or need your

¹ Newell, F. The new rules of marketing. How to use one-to-One Relationship Marketing to be the leader in your industry., New York, 1997, p. 139

product, they will buy it, and if they do not want it or need it, they know they can tell you why. The honesty of their response becomes a valuable and constructive feedback channel for your product development cycle".²

The liability developing customer relationship lies more on a company. The liability means, initiative should come from the company. Companies should not be selling products but their knowledge and know-how, which they can also gain from their customers. Learning new skills from customers it is possible to use them with other customers, for example on potential customers. Superficial approach to customer needs hinders development. It is important to think what the customer might need tomorrow and discover the needs, which are not even known to customers themselves (because of not having the full information about different opportunities). "If companies adjust too much to expressed needs of customers, they soon find themselves in arbitrary power of their customers".³

The way in which companies interact with their customers has changed dramatically over the past few years. A customer's continuing business is no longer guaranteed. As a result, companies have found that they need to understand their customers better, and to quickly respond to their wants and needs. In addition, the time frame in which these responses need to be made has been shrinking. It is no longer possible to wait until the signs of customer dissatisfaction are obvious before action must be taken. To succeed, companies must be proactive and anticipate what a customer desires.

1.1. THE IMPORTANCE OF GOOD CUSTOMER SERVICE IN CUSTOMER RELATIONSHIP

"A customer is the most important visitor on our premises. He is not dependent on us: we are dependent on him. He is not an interruption in our work; he is the purpose of it.

² Newell, F. The new rules of marketing. How to use one-to-One Relationship Marketing to be the leader in your industry., New York, 1997, p. 133

³ Storbacka K., Lehtinen J.R. Kas klientsuse reegild või tants klientide pilli järgi, Tallinn, 1997, p. 17

He is not an outsider in our business; he is part of it. We are not doing him a favor by serving him; he is doing us a favor by giving us an opportunity to do so".⁴

Surveys suggest that service-driven companies are able to charge up to 9 per cent more for the goods and services they offer and grow twice as fast as the average.⁵ These are powerful incentives for becoming the best customer-service company in any industry. Equally, poor service has a cost penalty.

Good customer care matters, because keeping existing customers is easier than finding new ones, and satisfied customers will do a lot of advertising for the company. Most people consider doing business with a certain company because of recommendation by a friend or acquaintance. Dissatisfied customers spread the bad news and undermine the business, which costs the company future sales and reputation. "The average person who has a bad-service experience tells at least nine others about it and 13 per cent of complaints relate their experience to more than 20 other people. In comparison, people who receive silent service only tell three or four others about it"⁶ Customer service has always mattered. But now that power has shifted to the consumer, it matters a great deal more. And one of the most effective and least expensive ways to market a business is through excellent customer service.

Today, customers are much more sophisticated than they were even five years ago. They are informed as to how products should perform and know that if they are dissatisfied with the service that they receive, there is probably someone else who also sells it and who will provide greater service. They may also expect that if they express their unhappiness with a situation, a positive result will occur. People are talking about the importance of customer service and go into the marketplace expecting to receive it. Customer service is in many cases the positive element that keeps current business coming back.

⁴ Harris E.K. Customer service. A practical approach. New Jersey, 1996, p. 1

⁵ http://www.businessburesu-uk.co.uk/growing_business/sales- Customer Relations

⁶ http://www.businessbureau-uk.co.uk/growing_business/sales_and%20- Research Institution of America

2. THE CONCEPT OF CUSTOMER RELATIONSHIP MANAGEMENT

The author has read about the concept of Customer Relationship Management (hereinafter CRM) from several resources. The basic idea is the same: CRM is about knowing your customers. It is about creating and growing relationships with your customers. It is about remembering customer preferences and forging long-term

relationships with them by delivering exceptional service and product offerings tailored to them. CRM is also having the ability to determine which customers are most profitable, determining what drives that profit, and ensuring that customer-specific business processes and practices maintain or increase that customer profitability. CRM is also having the ability to know which customers are not profitable, why they are not profitable, and being able to change tactics to ensure future profitability.

Hereby the author has selected some descriptions of CRM by different people who have a substantial influence on the CRM world and which support the authors knowledge of customer relationship management.

Jay Curry, an independent business consultant in New York, who has written a book about one of the most popular methodologies of implementing CRM “Customer Marketing method”, and which the author has used partially in the theoretical and practical parts of this thesis, describes CRM as follows: “CRM is a disciplined business strategy to create and sustain long-term, profitable customer relationships”.⁷

Scott Fletcher, the president of epipeline:at its core, CRM is an enterprise-wide mindset, mantra, and set of business processes and policies that are designed to acquire, retain and service customers.⁸

Robert Thomson, the founder of CRMGuru.com: Customer Relationship Management is a business strategy to select and manage customers to optimize long-term value. CRM requires a customer-centric business philosophy and culture to support effective marketing sales and service processes. CRM applications can enable effective Customer Relationship Management, provided that an enterprise has the right leadership, strategy, and culture.⁹

⁷ Curry J. Customer Marketing Method, New York, 2000, p.30

⁸ Greenberg P. CRM at the Speed of Light, California, 2001 p. 13

⁹ Greenberg P. CRM at the Speed of Light, California, 2001 p. 34

CRM as a business strategy is not a new idea. Before assembly-line production, mass distribution, and mass media advertising customers were engaged with business- there was a dialogue between a company and its customers. Selling was kinder, gentler process and it was based on the willing participation of the customer. Shopkeepers had no trouble understanding their customers and responding quickly to their needs. They would simply keep track of all of their customers in their heads, and would know what to do when a customer walked into the store. It was only the arrival of the mass production economy that changed all this. The modern economy was defined in terms of assembly-line production of standardized products, mass distribution of these products to customers in a wide geographic area, and mass media vehicles to carry standardized advertising messages. Under these conditions it became irresistibly easy and cost-efficient to broadcast the same message to every consumer, rather than bearing the cost of engaging any single consumer in a separate, individual dialogue.

So why the business world is suddenly talking so much about CRM? Firstly because the power has shifted to customers again. The customer is no longer just a commodity purchase machine, he is no longer molded and shaped to the product. It has been entirely reversed- customer demand supersedes product demand. And as the offer is higher than the supply, customers have freedom to decide which supplier to buy from and if necessary, switch to another vendor if they are not satisfied. And secondly only now are new and improved technologies (databases, datamining, Internet etc.) capable of tracking and managing customer profitability, behaviour, and satisfaction at a reasonable cost. And because of interactive technology it has become cost-efficient once again to conduct individual dialogues, even with millions of consumers- one customer at a time. As a result, 70 per cent of large companies in the world expect to implement CRM in some form during the next five years, according to a recent study published by the Economist Intelligence Unit and Andersen Consulting.¹⁰

But organizations need to understand that a good CRM solution is not necessarily the key to ensure that customers are going to be with them. As organizations, they need to:

- listen to their customers and try to understand what they are trying to tell

¹⁰ Curry J. Customer Marketing Method, New York, 2000, p. ix

- take care of their customers, by giving personalized attention, actively inform customer about new products and services and about their benefits and suggest if the product suits to the needs of the customer
- deal with their customers sincerely and honestly- this aspect plays a major role in developing a trust and bond, which will determine if the customer is going to be there for the company.
- know their customers- their needs, values, behaviour and satisfaction

a) the advantages for company

Today the most problematic about managing relationships lies behind the idea of how to exchange the information inside the company. Bigger companies have usually several channels through which they communicate with their customers. Because there is usually no integration between these different channels, the information gained from the customer is registered differently and into different databases. The company does not have a full overview about all of its customers. The customer is unhappy, because he gets different treatment and different information from different people in the company. With the help of successfully implemented CRM it is possible to put the customer in the center of company's business strategy and the customer feels satisfied.

With the successful implementation of CRM the company can:

- target the right prospects, customers, and partners and then effectively develop and run marketing campaigns
- reduce sales cycle time and get higher sales productivity per customer
- lower the internal costs
- raise the customer satisfaction
- shorten the response time to customers
- when a company has managed to win the favor of customer, he does not have to be afraid of that the customer might leave to competitor, because no other company knows about the customer as much.

b) the advantages for customer

When a company knows his every customer, he will be able to give personalized service, which is what customers expect. Customers are willing to pay more for the

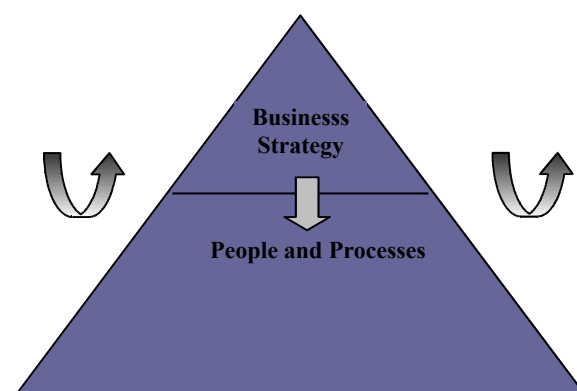
products and services, if it helps them to concentrate more on their main activity of business.

When customers have given the information about their needs and expectations, and company has learned how to use the information for customers' and his own benefit:

- customers will not be sent the information they have not expected, because they have told the company about their needs
- they will get better service and faster
- because being the part of companys' product and service development process, they know, their needs have been taken into account
- their are being treated as a good partner not just one customer out of thousands

3. THE PROCESS OF CUSTOMER RELATIONSHIP MANAGEMENT

CRM must start with a business strategy, which drives changes in the organization and work processes, which are in turn enabled by information technology. The whole process should work together. If there are any complications in any phase of the pyramid, previous processes should be overlooked.



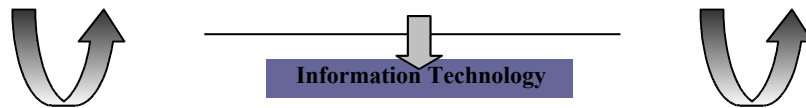


Figure 3.1. The CRM pyramid (Greenberg, P. CRM at the Speed of Light: Capturing and Keeping Customers in Internet Real Time, U.S.A, p. 37)

As a business strategy, CRM is new in that it:

- is customer rather than product focused
- requires changes in the processes, systems and culture
- embraces the 'front-office' functions of sales, marketing and customer service as well as back-office operations and new product development
- embraces all channels and media from the Internet to field sales
- embraces sales partners both up and down the supply chain¹¹

Business strategy can be defined as the way, things are done in the company. From customer service side, it is how customers and their relations with the company are being managed.

Today most of the companies want to be thought as customer-centric companies. It is very dangerous to be product-oriented nowadays, because the offer exceeds the supply in the market and customers are not looking for just a product. They are looking for a business partner, who is willing to invest in the relationship, both time and money and is able to satisfy both customer's present and future (not yet seen by the customer) needs.

Even though it is constantly talked about, how important it is to retain current relationships, because it is far more expensive to acquire new customers, companies still are not sure how to keep customers and which customers are profitable to keep.

The first step, what should be taken is to analyse the current customers and the relation with customers. The goal of analyzing customers is to find out customers with best potential for sales and profits. It is also important to find out customers opinion about

¹¹ www.microsoft.com/uk/business_technology. Making a compelling business case for CRM

the company, its products and services, and on the other side employees opinion on how customer relations are handled presently and what would be their view of how to improve the situation.

3.1. SEGMENTATION OF CUSTOMERS

The best way to get an overview of current and potential customers, is segmenting customers. Today, the most important variable for segmenting customers is purchase behaviour. The three primary principles of purchasing behaviour are recency, frequency and monetary: ¹²

- recency refers to when the customer last purchased. The most recent customer is, theoretically, a better customer and is most likely to be responsive to an offer. History has shown that if the company can keep a customer buying he will keep on buying.
- frequency is the number of times the customer buys in a defined time period. It is safe to say the most frequent purchaser is the most satisfied customer.
- monetary value tells us how much each customer spent in the measured time frame.

Not all customers should be targeted with the same sales and marketing activities. The segmentation of customers helps company to find out, which customers are creating the highest value for the company, where is the potential for future sales, and which customers are unprofitable and why.

The best visualizing way to segment the market is using customer pyramid ¹³, where the customers are divided into following groups from top to bottom:

- active customers- persons or companies that have purchased goods or services from company within a certain period, for instance last twelve months.
- inactive customers- persons or companies that have purchased goods or services in the past but not within the given period. Inactive customers are an important

¹² Newell, F. The new rules of marketing. How to use one-to-One Relationship Marketing to be the leader in your industry., New York, 1997, p. 58

¹³ Curry J. Customer Marketing Method, New York, 2000, p. 8

source of potential revenue and also a source of information about what company needs do to to prevent active customers from becoming inactive customers.

- prospects- persons or companies with whom company has some kind of relationship, but who have not yet purchased any goods or services. The prospects of course are expected to be upgraded to active customer status in the near future.
- suspects- persons or companies that might need the products and services of the company- but the company does not yet have a relationship with them.
- the rest of the world- persons or companies that simply have no need or desire to purchase or use company's products and services. While the company will never make any money with this group, it is important to visualize them to dramatize how much marketing time and money company spends on trying to communicate with people and companies with whom he will never do any business.

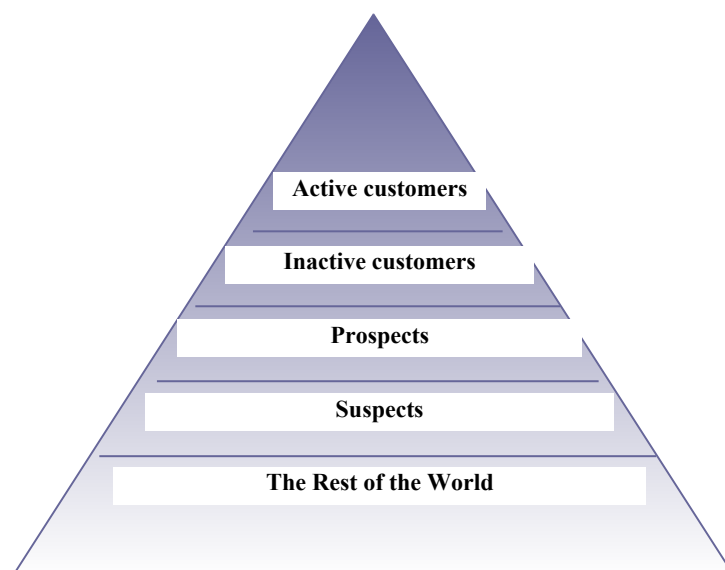


Figure 3.2. Basic elements of a customer pyramid (Curry, J. The Customer Marketing Method, New York, 2000. p. 7)

The value of customer pyramid increases when segmenting active customers into categories of behaviour critical to the success of company, like sales revenue, number of products purchased by customer, number of visits etc.

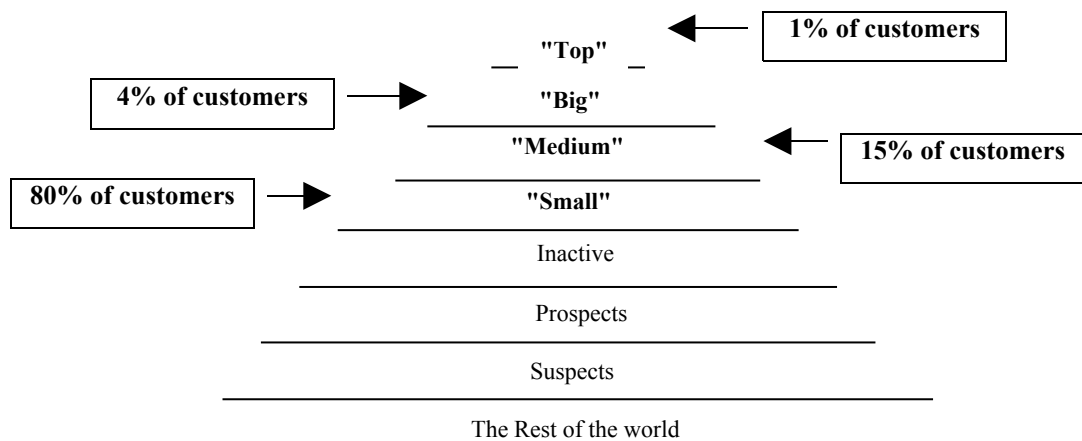


Figure 3.3. Standard customer pyramid (based on sales revenues) (Curry, J. The Customer Marketing Method, New York, 2000. p. 9)

- "Top" customers- the top 1 per cent of active customers in terms of sales revenue
- "Big" customers- the next 4 per cent of active customers in terms of sales revenue
- "Medium" customers- the next 15 per cent of active customers in terms of sales revenue
- "Small" customers- the remaining 80 per cent of active customers in terms of sales revenue

The lessons learned from customer pyramids ¹⁴:

- The top 20 per cent of the customer deliver 80 per cent of revenues (proves the validity of the 80/20 Pareto Principle)
- The top 20 per cent of the customers deliver more than 100 per cent of profits
- Existing customer deliver up to 90 per cent of revenues. This is an important note because it reminds about the fact of life that companies can stay in business only with a base of customers.

¹⁴ Curry J. Customer Marketing Method, New York, 2000, p. 17

- The bulk of marketing budgets is often spent on noncustomers. Although every company gets about 90 per cent of their revenues from existing customers, most companies spend much (60-80 per cent) of their marketing money communicating with noncustomers. Of course it takes much more time, effort, and money to make a sale to a noncustomer than to an existing customer, because a sale to a noncustomer means the creation of a customer. And customer creation often requires a lot of persuasion, not just to sell the product or service but to overcome the doubts and fears that prospects and suspects have when considering whether or not to spend money with a new supplier.
- Between 5 per cent and 30 per cent of all customers have the potential for upgrading in the customer pyramid. A number of “Small” customers have the potential to move quickly to the top of the pyramid. Not necessarily because their needs of products and services will increase dramatically, but because “the share of customer” is low. In other words, the “Small” customer in one company's pyramid may be a “Top” customer in the pyramid of competitor. And it is not just “Small” customers than can be upgraded. A number of “Medium” and “Big” customers may have a need for additional products and services- but the company may not have yet bothered to do any cross-selling.

3.2. CUSTOMER SURVEY

Customer survey is one of the most important marketing and sales activities, because company will discover the real needs and problems of each customer. Armed with this knowledge

- company will be able to tailor precisely his offers and products and services to meet the customer’s needs and solve his problems.
- company will find out what aspects of his business are not satisfying each customer- and what things he is doing right. Company can then immediately act to fix the problem for the individual customer and with the aggregated

information, improve aspects that seem to be less than satisfactory for many customers.

- company will be able to determine the current and future potential of each customer
- company will deepen his relationship with each customer.

3.3. MEASURING CUSTOMER RELATIONSHIP

It is almost impossible to manage relationships, if they cannot be measured. There are different kinds of customer-related success factors that can be measured and managed, these are:

- customer value
- customer behaviour
- customer satisfaction
- customer loyalty
- organization
- communications
- information

3.3.1. CUSTOMER VALUE

Most companies have no idea what it costs to acquire new customer, and do not worry much when the customer leaves. Calculating customer value can raise the awareness of the critical importance of customer retention. The trend today is to recognize the importance of current customers, who have already made the commitment to do business with company and to create an environment that encourages those customers to continue to work with company. The result of customer retention is that customers will be so satisfied by a company that they are not motivated to seek other opportunities.

Customer value is a measurement of what a customer is projected to be worth over a lifetime. There are substantial number of factors that will determine the final customer

value like actual customer retention rate, the number of orders per customer per year, the costs of customer acquisition, other direct and indirect costs, profit per order, and net present value (NPV) considerations. The way how to calculate the value and which period to use varies with different companies, depending on the company and the business activity.

How the value of customers is generally calculated? ¹⁵

- Determining operational profit- this number is a reflection of company performance based on transactions with customers
- Identifying all company's marketing and sales costs- these are usually the highest costs in CRM and have a major impact on the profitability of a customer as a revenue and margin per customer.
- Calculating the average turnover and profit per customer by dividing revenue and profit by the number of active customers.
- Calculating the average ROI (return on investment) for marketing and sales by dividing profit by all marketing and sales costs. The primary function of this ROI calculation is to provide a baseline measurement against which to judge improvements.
- Allocating margins and costs to customer pyramid segments.
- Analysing customer value per customer pyramid segment.
- Calculating the profitability of individual customers.

a) customer competence value

Even though it is important to keep customers, who are profitable in financial terms, there are customers who are profitable because they give the knowledge and know-how, what the company does not have itself. These customers are important, even if they take more time and need lot of attention, because through them company can predict the future needs of the market. Of course there are customers, who are both financially profitable and provide essential know-how for the company.

b) customer reference value

¹⁵ Curry J. Customer Marketing Method, New York, 2000, p. 113

Customer has often reference value on the market. If the company and the customer have very close relationship, the customer recommends the company also to other new potential customers. Customers believe the information coming from other customers more than the information coming straight from the company. This is also another reason, why it is important to value current customers and raise their satisfaction.

3.3.2. CUSTOMER BEHAVIOUR

Customer value is to a large extent determined by customer behaviour. Customer behaviour is usually measured in terms of revenue- either monetary or volume of products or services ordered over a period of time. Positive customer behaviour means that a customer is a customer- he buys from company in the first place. A second customer behaviour parameter is customer lifetime, or the average length of time, measured in months or years, that the average customer does business with company. A third and important customer behaviour factor is “customer share”- the extent to which a customer meets his needs for the kinds of products or services he wants by doing business with company.

3.3.3. CUSTOMER SATISFACTION

In today’s competitive environment with high production and service standards, people expect all their suppliers to perform at a satisfactory level.

Customer satisfaction is the customer's overall feeling of contentment with customer interaction. Customer satisfaction recognizes the difference between customer expectations and customer perceptions. Happy and satisfied customers behave in a positive manner. They will buy a lot from company and will give the company a large share of their business. Customer satisfaction is derived largely from the quality and reliability of products and services. But customers, who are just reasonably satisfied often defect to the competition for a slightly more attractive proposition.

The major goal in satisfying customer should be to achieve “preferred supplier” status with as many customers as possible. “Preferred supplier”¹⁶ status means that a customer formally or implicitly makes the policy known within the organization that whenever possible, any purchases of goods and services in company's category will be supplied by that particular company.

"Collating the results from InfoQuest's surveys on behalf of some 20 000 companies in 40 countries, some interesting generalisations emerge, including that:

a 'totally satisfied' customer contributes 2.6 times as much revenue as a 'somewhat satisfied' customer, and 17 times as much as a 'somewhat dissatisfied' customer; and a 'totally dissatisfied' customer decreases revenue at a rate equal to 1.8 times the positive revenue contribution made by a 'totally satisfied' customer.¹⁷

If the customers are satisfied, they will:

- recommend the company to colleagues, family, friends- there is no better promotional message than a recommendation from a satisfied customer.
- buy more, even if the prices are somewhat higher than the competition's.
- be willing to invest their time and effort to help the company to develop and improve new products and services. And the best part of this is as the customer becomes involved in business, he tends to become better customer.
- make the company as the “standard” for the organization of family- all products must be bought from that particular company.
- also use support, service and other facilities of the company.

3.3.4. CUSTOMER LOYALTY

¹⁶ Curry J. Customer Marketing Method, New York, 2000, p. 6

¹⁷ Fearnley H. Finance and Management, November 2000, p. 9

Loyal, repeat customers can form a significant competitive advantage for a business in many ways. Truly loyal customers form a marketing share base that is unassailable to the competition. The cost of sales for existing customers is far less than the cost of generating market awareness, acquiring new customers, and establishing a business relationship with them.

The more the customer is engaged with company, the more he has collaborated with company to fashion the service company is rendering or the product it is selling- the more likely the customer will remain loyal, rather than going to the trouble of switching this collaborative activity to one of company's competitor.

Keeping customers loyal can have a profound effect on per-customer profitability. A customer who stays loyal is a customer who is still a customer years later when the relationship is the most profitable for the company. The loyal customer has no new costs of sales or marketing, and because a good relationship has been established between the customer and the company, the customer is willing to pay a premium for the excellent service that he is familiar with from the company.

Customer loyalty is built upon customer satisfaction, and each successful transaction with customer builds greater trust. Raising the satisfaction level, company also raises the loyalty of customers.

3.3.5. ORGANIZATION

Most of the customer relationship management projects fail because it is not made certain that everyone in the company understands the new approach towards customers. When a company changes its focus to the customer, management's past practices are affected and much of the company culture will change. This requires understanding at all levels within the organization. The moment of truth arrives when the customer meets front-line employees.

It is usually thought, that customer relationship management is something that only marketing, sales and service department should carry out. It is very important to involve the whole organization in the process, because everybody are somehow connected to

customers and everyone can improve or decrease customer profitability, behaviour or satisfaction.

The questions that should be asked:

- do all employees understand the importance of customers to the health and continuity of the company?
- are they aware of their role in identifying, creating, keeping customers?
- do they have the experience and know-how, how to play that role successfully?
- have they access to the customer information they need?

It is important to find out, how employees, who deal with customers daily, think of current status of customer relationships, what is their attitude towards the customers and what would they improve. They are usually more aware of customers complaints and therefore know, how everything can be done better. Usually the company assesses his customer focus higher than customers and here it is interesting to compare, how big is the gap between the two evaluations.

One way of evaluating the current customer focus of both management and employees, is composing a questionnaire on different aspect of business, which are related to customer focus and ask all employees to fill it in. The results help company to decide whether there are changes to be made and to what extent they are needed.

a) management

Management involvement in creating and sustaining good relationships with customers is very important. They are also the part of the process. Management should set an example itself by budgeting enough time and money for customer process improvement.

Besides customers, management should also pay attention to employees, who are making the customer relationships work for the company. If employees are not satisfied with their working environment, the level of motivation, the result can be seen in customer performance, what is not that the management wants.

b) employees

Most of the authors of CRM books and the CRM consultants talk about only the importance of external customer. External customers are customers company does business with outside the organization.¹⁸ But nobody talks about the importance of internal customers- the people, who are serving and satisfying those external customers.

The author thinks it is important to recognize the importance of both external and internal customers because both contribute to the customer service of organization. Internal customers are important to success in providing to external customer with what they need and raising customers awareness of company's products and services. Therefore management has an important role in creating an environment that recognizes the importance of internal customers.

Employees need to be trained on CRM, otherwise they can substantially harm a CRM implementation. Employees need to possess necessary customer care skills and experience. They need to have a customer care attitude and they must work in teams with others in the company who have customer contacts.

3.3.6. COMMUNICATION

a) contact logistics

Customer communications should be well planned on time, with no sloppiness in execution. Promises must be kept if they are made- this is one of the important aspects customers take into consideration, while evaluating the company.

It is very important that the company knows, what kind on information customers want and how often. And who are the right persons at the customer side to whom to aim the relevant information. This can be asked in the customer survey, to whom what kind of information to send, through which channel and how often. The result of surveys should then be taken into consideration, when making the contact plans for different customers in every year.

¹⁸ Harris E.K. Customer service. A practical approach. New Jersey, 1996, p. 6

b) methods/media/messages.

Different customers need different approach. Some customers prefer to have personal face-to-face contacts with the company. Others prefer privacy and use the opportunity to contact the company, when they want it themselves.

The media, through which customers choose to communicate with company, is different. Even though most of the information is sent by e-mail nowadays, it is not the channel everyone favors. Mostly because of the viruses spreading with e-mails. It is also nice, if the employees inform customers, before they send the information. This helps the customer to prepare himself and the results company expects from sending out the information can be more efficient.

The messages company sends out, should stress the benefits customers get from messages. Otherwise they do not bother to read the message and react to it.

3.3.7. INFORMATION

The information about customers can come from a variety of sources. The important thing is that customer data is relevant for company, updated and complete. There are three main types of data that are being used for CRM: ¹⁹

- describing who the customer is- this information can be acquired from customer surveys, which should be contacted at least once a year, besides the contacts company has with the customer in every-day business throughout the year,
- describing what marketing and sales promotions were made to the customer,
- describing how the customer reacted to those promotions carried out by the company.

It is important that the company has up-to-date information about its customers, because it helps to build trust and loyalty between a customer and a company. Customer knows, that every contact he has with the company is registered, so if he wants to get a

¹⁹ Curry J. Customer Marketing Method, New York, 2000, p. 33

statistical overview of their relationship he knows where to get it. The customer also knows, that the company can take better care of his needs and knows his expectations.

Customer information systems should also be effective, flexible and user-friendly. The information system should be set up, so the company can get all the relevant data to perform customer contacts, sales and marketing promotions. Because there are many contacts in the company from customers side, it is important that all contacts with the customer are registered. There is no irrelevant information about the customer- every contact may contain information, what can be used to improve products, service or generate additional sales. The system should be flexible enough, so if the business environment changes it is possible to make necessary amendments and improvements into the system.

3.4. CUSTOMER RELATIONSHIP MANAGEMENT MODEL

There is clearly a direct correlation between Customer Focus and Customer performance. By improving customer focus, company instantly improves customer performance. Putting Customer Performance and Customer Focus together it is possible to view the model of CRM:

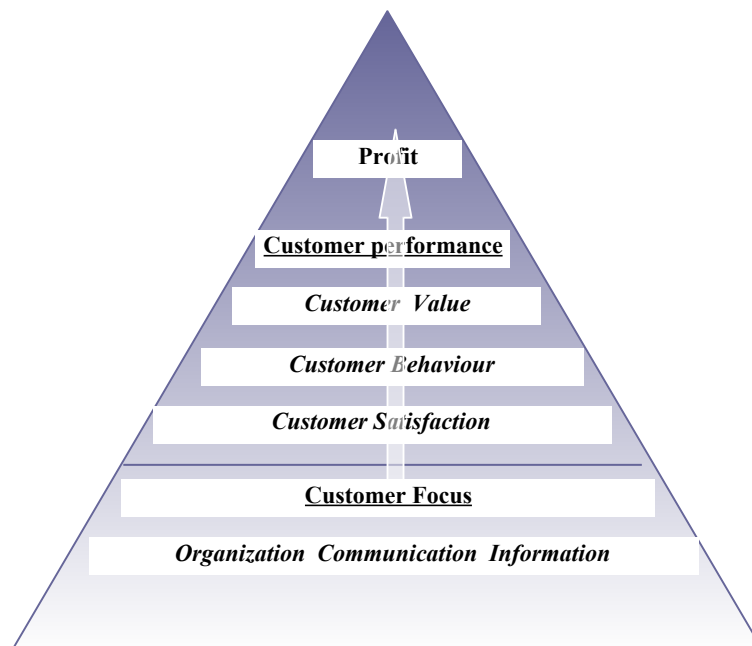


Figure 3.4. A Customer Relationship Management Model (Curry, J. *The Customer Marketing Method*, New York, 2000. p. 35)

The model represents the idea that if company's internal customer focus is strong, the customers will be very satisfied. And if the customers are satisfied, they will give the company a large part of their business, often without any major marketing and sales effort or demand of price reduction. The positive customer behaviour will lead to higher customer value and therefore more operational profit.

3.5. CUSTOMER RELATIONSHIP MANAGEMENT TECHNOLOGY

As the author already stressed CRM must start with a business strategy, which drives changes in the organization and work processes, which are in turn enabled by information technology. The idea is not to go very deep into technology, but just to give an overview what is CRM technology and why it is needed. Before investing into CRM technology, company must know what is important to the customer and what is critical for making the company a success in the marketplace.

What are CRM systems?

There are three types of CRM technology²⁰, these are: 1) operational, 2) analytical, 3) collaborative.

Operational CRM is the customer-facing application of CRM including horizontally integrated business processes like sales force automation, enterprise marketing automation, customer touch-points, customer-service automation, call centres.

Analytical CRM encompasses the analyses created by the operational CRM. It integrates customer data coming in from various channels into a single system to provide a decision making platform. Customer relationship analytical tools can provide a 360- degree view of customers, helping to understand what customers are telling, who they are, what they need, and more importantly, what they may do in the future. It is far cheaper to retain and satisfy current customers than to acquire new ones.

²⁰ Berson A., *et al.* . *Building Data Mining Applications for CRM*, USA, 1999, p. 45

However it is not profitable to try to hang onto every customer. Some customer segments buy in low volumes, while others have high service requirements and high return rates. Customer relationship analytics will help distinguish whether customers are part of high-profit or high-maintenance segments. For more detailed information see the Appendix 1.

Collaborative CRM. It is the communication centre including e-mail, personalized publishing, e-communities, and similar vehicles designed to facilitate interactions between customers and organizations.²¹

CRM system must be able to help people throughout the enterprise make smarter decisions faster. CRM system must also be accessible to every person in the enterprise that is involved in processes that shape customer experiences. It doesn't help to have wonderful system that nobody uses.

Spending on CRM initiatives needs to result in changed business processes as new systems are installed. This must involve changing the roles, responsibilities and measures of success for individuals and groups in an organization as well as changing what they do, how they do it and why they do it. The bottom line is that unless business processes change, most of CRM initiatives will go unnoticed by customers.

Benefits to customers from CRM systems include²²:

- improved response time to customer requests for information
- delivered product meets customer requirements
- reduced costs of buying the product/service
- reduced costs of using the product/service
- immediate access to order status
- greater breadth of solution options
- more responsive technical support

²¹ Greenberg P. CRM at the Speed of Light, California, 2001 p. 39

²² www.microsoft.com/uk/business_technology. Making a compelling business case for CRM, p.1

3.5.1. THE FUTURE OF CUSTOMER RELATIONSHIP MANAGEMENT TECHNOLOGY

As customers play the major role in business success, the future will not be very different from present. Successful enterprisewide CRM requires still adoption of customer-centered business principles, including customer life-cycle management, and a balanced CRM technology system.

By 2003/04, the majority of global companies will effect organizational changes that elevate CRM to a business strategy that is independent of traditional lines of business (e.g., sales, marketing, service). By 2005, most companies will adopt a cyclical CRM process that builds a panoramic customer view through an iterative process of successive technology and business process projects. By 2003/04, organizations will find that investing in CRM will indirectly build exit barriers that discourage customers from switching to competitors. This will occur through the use of CRM techniques such as loyalty programs, portals, personalization, and collaboration. However, companies should prioritize their CRM investments according to the value of customer segments.

To realize maximum value of CRM, organizations must adopt customer life-cycle management as a new business discipline and devote resources to life-cycle activities comparable to those devoted to product and technology life-cycle management activities.

Customer Life-Cycle is a three-domain syndicate comprising: 1) the customer life cycle (engage, transact, fulfill, service); 2) customer related business processes; and 3) a CRM technology system. The customer life cycle becomes the point of optimization for businesses to realize the full potential of CRM.²³

²³ <http://www.metagroup.com/cgi-bin/inetcgi/search/displayArticle- Principles of CRM>

4. IMPLEMENTING CUSTOMER RELATIONSHIP MANAGEMENT IN HANSA BUSINESS SOLUTIONS

4.1. THE OVERVIEW OF BUSINESS SOFTWARE MARKET IN ESTONIA

Before starting to analyse the customer relationships in Hansa Business Solutions (hereinafter HBS), the author decided to give a brief overview of the development of Estonian business software market, where HBS has been operating and which has been influencing its business in the past and which will also have effect on in the future. As there is nobody known, who has done any deep research of software market, mainly because it is changing so quickly, the information below is based on the knowledge of the author, which is supported by the data searched from Internet.

Estonia's business software market is rather young. Only in 1991, there were no commercial accounting softwares in Estonian market. Commercial softwares started to appear on the market in 1993. It was difficult to sell accounting software during those years. There was no standard program, every organization had its own system, which was programmed and held in the state computing centres. In 1995, the launch of Windows 95 operation system changed the market- the real software market started to develop.

Currently there are about 60 business software vendors on the Estonian market, from which it is possible to draw a conclusion that the competition is fierce. The market can be divided into two: local products and international products. The main difference between them is that local products are made taking more into consideration the local market needs. Out of those 60 softwares there are many local specialized programs for specific operations like rent calculations, budgeting programs, POS (Point of Sales) systems etc.

The most well known local accounting softwares are:

- SAF with ~ 1500 installations
- Hansa Raama with ~1400 installations
- Verp with ~ 900 installations
- Eeva with ~ 800 installations
- Merit with ~ 700 installations

The above numbers are from December 2000, so the figures are probably different today.

As Hansa Business Solutions is an international software vendor, and the business is mainly influenced by other international software producers, the author is not going to go into more detail describing local softwares.

Last year there were following international softwares on the Estonian market (in the brackets there is number of installations in Estonia- data from again December 2000):

- Hansa Financials (~400)
- Scala (~90)
- Concorde (~40)
- Solomon (~30)
- Oscar (~25)
- Unicco (~15)
- Navision (~10)
- Exact (~7)
- Agresso (~5)
- Baan (1)

The market is changing very quickly. Solomon has changed its owner, Concorde and Navision vendors have merged. So the products being offered today on the market are different from last year's and probably different from next year's.

International softwares are becoming more popular among middle and large enterprises. When companies merge around the world, they usually want the same business software to be used in all companies inside the corporation, in order to set similar standards and policies inside the group, which makes the corporation easier to

administer. International software companies are also developing faster than the local software companies and are therefore offering more innovative solutions.

Besides accounting systems, together with the increasing need to effectively manage customer relationships, CRM systems have been brought on the market. Some international software companies like HBS have integrated CRM system with their financial system and sell the software as one solution for the whole enterprise. Other companies sell CRM software separately, but which can be connected with their financial system.

There are few major vendors in CRM software market. The most well known and used CRM systems are SalesLogix, Siebel and Pivotal. But the market seems not to be fully developed yet.

4.2. BACKGROUND OF HANSA BUSINESS SOLUTIONS

Hansa Business Solutions AS is a daughter company of an international software company in Europe Hansa Business Solutions Ltd. The mother company was established in 1989 in Sweden by Karl Bohlin (current managing director). Today the different solutions of HBS are being used by over 48 000 in 40 states and programs are available in 19 languages. There are 14 daughter companies in the concern, employing 110 people at the moment. In addition there are several distributors and dealers selling HBS solutions.

In Estonia Hansa Business Solutions (hereinafter HBS) has been operating since 1991. During ten years the company and its products have changed a lot. HBS started by selling accounting software to small and medium-sized businesses. Between 1991-1994 HBS sold only one product on the market, it was called MacHansa. The price of the software was rather high, compared to others, especially to local softwares. Because of the demand from the market for different products for different sizes of companies, in 1994 HBS brought different products on the market and defined the potential users as follows:

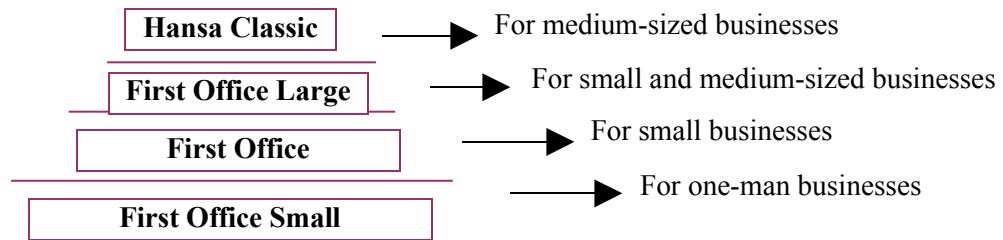


Figure 4.1. The products and market of Hansa Business Solutions in 1994 (the author's view)

In 1995, Hansa Financials, the current biggest solution, which HBS is selling, was added to the top of the pyramid, which aimed for medium and large size of businesses. Today the product pyramid is different from 1994.

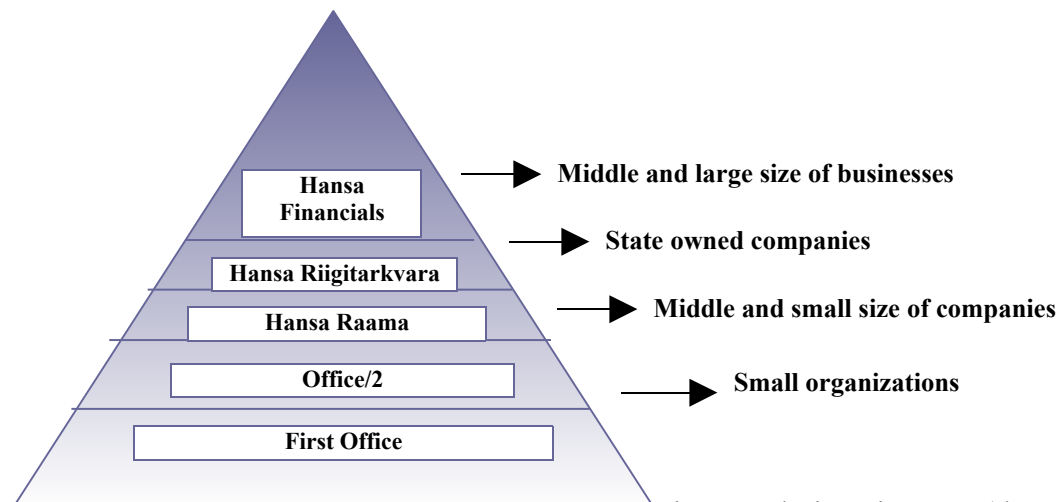


Figure 4.2. The products and market of Hansa Business Solutions in 2001 (the author's view)

The total number using Hansa Business Solutions Ltd. products in Estonia is over 4000, which makes the company a market leader.

The advantage of being HBS customer is that if the business of the customer grows, it can upgrade to the next level of product, paying only the price difference. Therefore HBS has many customers from 1994, who started using the smallest product First Office and because of the business growth, are using Hansa Financials today.

In 1998, HBS international took off from the market the most popular and best selling product Hansa Classic. The development and sales of the product was ceased, which had quite serious negative short-term effect on company's financial results.

Since the beginning of 1999 HBS has been selling only the largest system in the product group, Hansa Financials. The reason was because the number of customers had grown very quickly and it was difficult to manage them. So the distribution of smaller products was handed over to local software vendors GT Takvara and Ratioma-R.

4.3. THE ANALYSES OF CURRENT CUSTOMER RELATIONSHIPS IN HANSA BUSINESS SOLUTIONS

The author has been working in HBS for five years already, and has seen how the software market has changed. Most of the companies, especially middle and large sized, already have accounting system, which satisfies their needs. As Hansa Financials is orientated to medium and large-sized of businesses, the market for this section seems to be saturated. The only ways to get new customers, is either to find companies, who are not satisfied with their current system, find the market niche, which is not saturated yet, or try to find potential from HBS smaller product users. And the other problem is, some of other international software product producers are trying to persuade HBS biggest customers to use their products and services, and it has happened more frequently during the last years. The previous market situation shows, how important it should be for HBS to take care of its current customers.

To get an overview, how many new Hansa Financials customers HBS has inquired in every year since the beginning of business, the author analysed HBS sales reports and got the following figures. It can be seen that the number of new customers is declining:

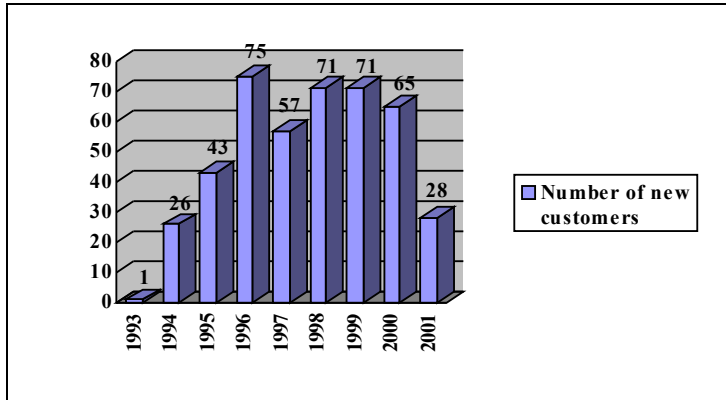


Figure 4.3. Number of new customers of Hansa Business Solutions (customer reports)

Today HBS has approximately 390 customers to manage. The management includes firstly every-day customer consultation, customer training, sending customers information about product's new features and organizing seminars. At a first glance there appears to be no problems, customers seem to be happy, they are getting answers to their questions, the product is developed quickly and some of the customers have not even called to HBS after their first purchase. Still when the author has been calling to customers recently, there are so many unanswered questions, so much potential sales. Some customers, who had bought Hansa Financials from HBS dealer, had no idea about even HBS existence. This cannot be called right customer management.

The weak sides the author found in current HBS customer relationship management are following:

- HBS does not know its customers
- all customers are being treated equally, even though some customers have more value for the company
- the customers who stop using HBS products and services are registered, but there is no analyses done about the reasons
- the contact channels through which HBS has been send information has been chosen by HBS, so the information may not have reached the customer. HBS has sent information by mail and by fax, but the channel most customers prefer, is actually by e-mail.
- the satisfaction of customer was last measured four years ago

The first step, the author took, she searched for the information, how much revenue each customer has generated. Because there are three main different articles in the HBS pricelist, software, maintenance fee and services, the author composed a report, from where it is possible to see, how much each customer has paid for product, services and maintenance contract during the relationship.

The positive side HBS has with current customer relationship is that, HBS employees have entered almost all activities with customers (wishes, problems, agreements, phone calls, customer visits etc.) into central database since 1993. It is possible to take a quite good report about contacts with customer. But the system is not used so, that the inserted information can be analysed, for instance taking a report about wishes that customers have for certain part of the product. The next step from this thesis is therefore reorganization of HBS current information system.

The managers and all employees of HBS have understood, that they should start to take more care about their current customers.

The goal of HBS is to offer personal and quality service to different segments of customers and this already in the near future.

What the author wants to accomplish with this practical part of the thesis is:

- to get an exact overview of the current situation of customers, their value, their satisfaction level, their behaviour etc.
- and to work out a CRM implementation plan for HBS, which partly will be put into practice already during this thesis is being written

4.3.1. HANSA BUSINESS SOLUTIONS CUSTOMER PYRAMID

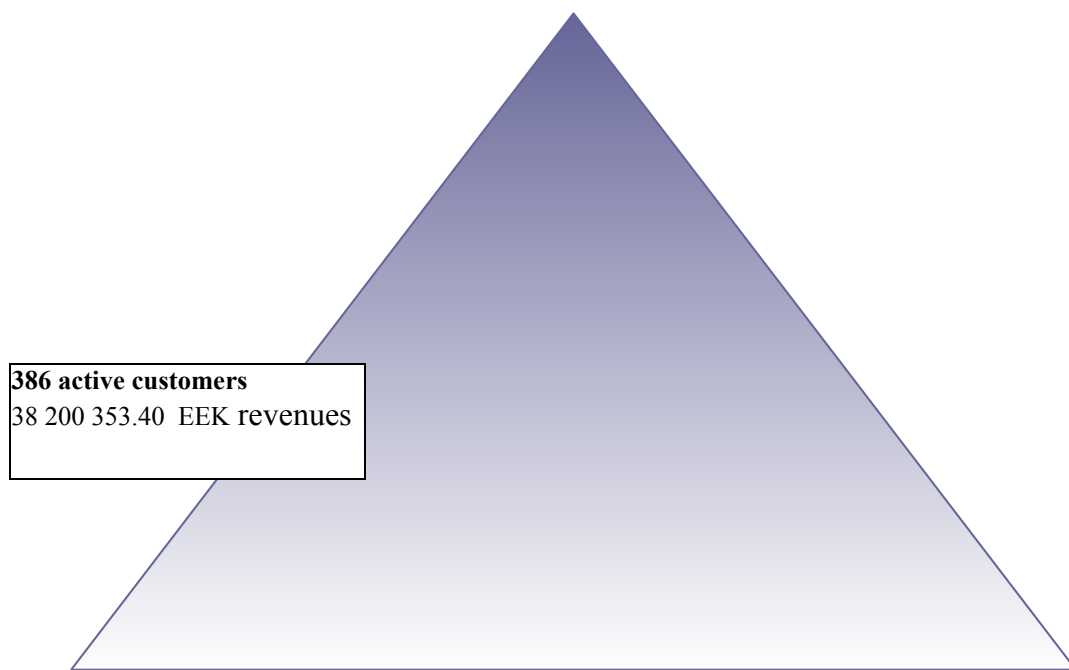
There are different variables, which the author pointed out in the theoretical part, and which are taken into consideration while wanting to segment the customers. With HBS customers, the most appropriate variable seems to be the revenue. The period for all the statistical data, the author has used is from the beginning of 1993 till the end of August 2001. The reason is because the revenue per customer is created during the period, customer uses and buys HBS products and services.

The idea of the practical part of the thesis is to work out a customer management strategy for current customers of HBS, that is why the prospects, suspects and the rest of the world are being left out from the pyramids. The next step from implementation of CRM on current customers is to work out a plan how to capture new customers, which this is thesis does not comprise.

With the help of customer pyramid, the author gets an overview how are customers divided, and which customers create the greatest value for the company currently.

The author defines HBS active customers as follows:

- "Top" customers- the top 1 per cent of customers in terms of sales revenue
- "Big" customers- the next 4 per cent of active customers in terms of sales revenue
- "Medium" customers- the next 15 per cent of active customers in terms of sales revenue
- "Small" customers- the remaining 80 per cent of active customers in terms of sales revenue



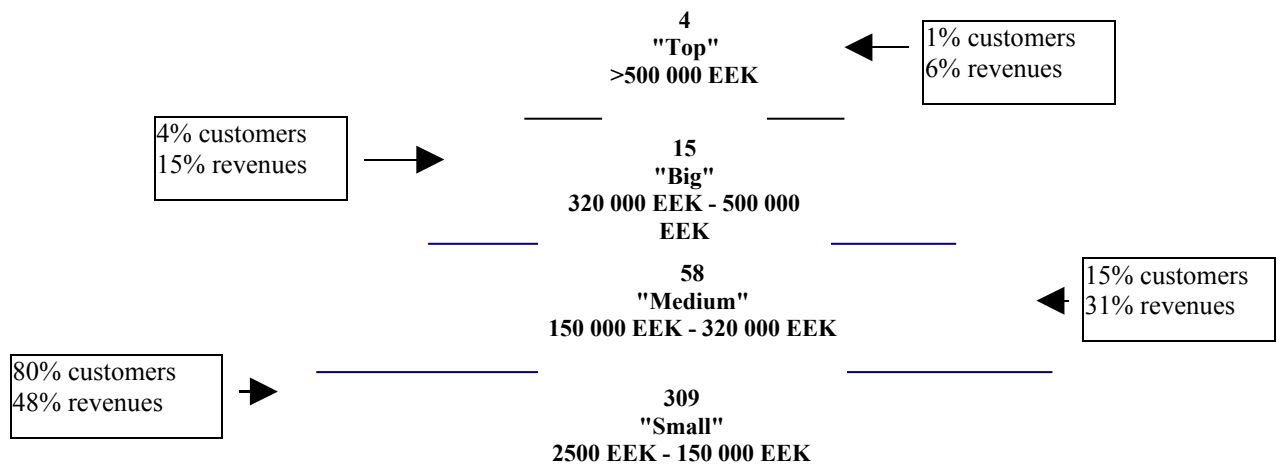


Figure 4.4. Customer pyramid of Hansa Business Solutions (sales reports)

What could be learned from this pyramid:

- The top 20 per cent of customers deliver 52 per cent of revenues (which does not prove the validity of the 80/20 Pareto Principle)
- Out of 20 per cent, top 19 customers has generated 21 percent of total revenues, which is rather high.

Customer pyramid is for getting the first impression about current revenue delivered by each customer.

4.3.2. HANSA BUSINESS SOLUTIONS CUSTOMER SURVEY

Before the author started to compose the customer survey, she phoned to 200 current customers to find out, whether they are willing to participate in customer survey, who is the right person to whom the survey should be addressed to and what is the most convenient method, they prefer answering the survey, by post, by phone, face to face or by e-mail.

90% of the customers preferred to answer the survey through Internet, because then they can choose the most appropriate time, when to fill in the questionnaire, they don't need to download any files and there is no paper, which could get lost in the piles of papers on their working-desk.

The author then together with the web-designer and programmer of HBS developed a webpage for the customer survey. The questionnaire was the groupwork of HBS employees.

The information about the request to fill in the questionnaire was first sent out to 75 customers out of 200 the author had been talked over the phone.

Among these 75 customers there were:

- All "top" 4 customers
- 10 from "big" customer segment
- 20 from "medium" segment
- 41 from the "small" customer segment

The reason, why the author did not sent the questionnaire to all Hansa Financials customers, was to find out how this new developed system worked and how customers reacted to it and whether they give any feedback how to change the system, and find out their overall acceptance of the questionnaire. The target though is to get all Hansa Financials customers to fill in the customer survey.

The feedback has been quite effective so far, 46 out of 75 customers have replied.

Among these 46 replies there were:

- 4 customers from "big" segment
- 7 customers from "medium" segment
- 35 customers from "small" segment

Beneath all the feedback used in analyses is based on these 46 replies and the therefore the conclusions made may not show the full picture, but still give some overview.

The purpose of HBS customer survey is to:

- discover the real needs and problems of each customer
- find out what aspects of HBS business are not satisfying each customer
- be able to determine the current and future potential of each customer
- deepen relationship with each customer
- generate additional sales revenues immediately and in longer term

The customer survey can be found from the Appendix 2.

4.3.3. DIAGNOSING THE VALUE OF CUSTOMERS

It is not possible to calculate the customer value, as it was described in the theoretical part of this thesis and as it is done generally, because as the author already wrote the revenue per HBS customer is created during the period, customer uses and buys HBS products and services. The author should use the financial reports for the same period as she has taken the sales reports, but there is no accurate data, because the financial system in the whole HBS corporation has been changed few times during these eight years. Calculating customer lifetime value is therefore left out from customer analyses.

a) customer competence value

Customers are one of the primary source for HBS gaining information for product development. The more customers are involved into the development process, the better the product will be and this will also influence positively customer satisfaction with the company and the product.

HBS needs constantly test customers for products, whose assignment is to inform HBS about the errors occurring in the new versions and to make propositions for making changes or adding new functions into the system. Test customers are therefore paid more attention, and they also have more advantages in front of other customers.

The author included therefore the question concerning test customer status also in the questionnaire. The result was not what was expected. Most of the customers do not even seem to be aware of, what a test customer means. But the positive side is, they are interested in getting more information. The results are seen in the Appendix 3.

b) customer reference value

Besides test customers, HBS needs reference customers, because potential customers believe the information coming from other customers more than the information coming straight from HBS. Some current customers are eager to be on the reference list, because they have gained business partners for themselves by being on the reference

list. Naturally, reference customers must be satisfied with HBS and its products and they should have quite long and thorough experience working with Hansa Financials before they are added into the list.

The feedback from customer survey, concerning reference customers was following:

	Profession of the respondent	Satisfaction level	Would they recommend HBS (definitely)	Would they recommend HBS (probably)	Would they recommend HBS (neutral)	Would they recommend HBS (probably not)
Alarmtec AS	Financial mngr	3,7	x			
GMP Investeeringud AS	Accountants	4,1	x			
Semetron AS	IT manager	3,1		x		
Neiseri Grupp AS	Financial mngr	3,7		x		
Rapla Tarbijate Ühistu	Accountants	4,1		x		
Beweship Eesti AS (Onako)	Financial mngr	4,8	x			
Klinkmann Eesti AS	Manag dir.	2,9				x
Maanteeamet. Välisabi- ja laenubüroo	Head analyst	3,8			x	
Haanpää OÜ	Accountant	3,8		x		
Eesti Õigustölke Keskus	Accountant	4,3	x			
Biomix AS	Financial mngr	4,1		x		
M.S.I. Grupp AS	IT projectmngr	3,8		x		
DDB & Co Eesti AS	Accountant	4,1	x			
Tikkurila Coatings	Accountant	3,8	x			

Figure 4.5. Willingness to be in the reference list (HBS customer survey, Tallinn, 2001)

14 above-named customers out of 46 are willing to be in the reference list, but most of them need extra information, from which it is possible to conclude again that they are not exactly aware what is the meaning of reference customer and what do they gain from the status. But having analysed their satisfaction level, only six have their average above 4,0. And to include the question, whether they would recommend HBS to others, only 4 could be thought of including in the reference list out of 14, considering current situation.

4.3.4. DIAGNOSING THE BEHAVIOUR OF CUSTOMERS

The variables for measuring customer behaviour were also described in the theoretical part, which were: monetary or volume of products or services ordered over a period of time; the average length of time, measured in months or years, that the average customer does business with company; and the extent to which a customer meets his needs for the kinds of products or services he wants by doing business with company.

In HBS case the author included besides the revenue and the length of relationship also the number of employees in order to find out the gap between the number of employees of the company and the number of employees, who are using HBS software in the customer company. This helps HBS to find more sales potential.

What conclusions can be drawn from the analyses on customer behaviour?

- The average length of relationship of the respondents and HBS is 4,4 years.
- The highest average satisfaction level is 4,8 scores and the lowest 2,7 scores.
- There is more potential to sell each company additional users, in order to get the more employees in customer's company to use Hansa Financials.

What was surprising and on the other made the author worry, most of the respondents do not plan technology into their every year budget.

In the next year's customer survey, the author will include the question about, how much customers have spend on information technology in a previous year. This helps HBS to find out, what is his share in the customer's total spend for technology and can then take actions to increase the share if it is too low.

The different rates of customer behaviour are seen in the Appendix 4.

4.3.5. DIAGNOSING THE SATISFACTION OF CUSTOMERS

In order to measure, manage and improve customer satisfaction, and to get accurate reading on customer appreciation of HBS, the author divided the satisfaction into three groups, delivery of products, services and relationship factors.

	Satisfaction	Importance	Gap
Reliability of software	3,9	5,0	1,1
Development of software	3,4	4,5	1,1
Ease of use	4,2	4,7	0,5
Functionality of software	3,7	4,6	0,9

Product summary	3,8	4,7	0,9
Speed of service	3,7	4,5	0,8
Availability of service	3,9	4,5	0,6
Service diversification	3,7	4,0	0,3
Service summary	3,8	4,3	0,6
Understand customer's business	3,6	4,3	0,7
Come up with ideas	3,3	4,4	1,1
Complaint handling	3,3	4,2	0,9
Meet agreements and deadlines	3,3	4,5	1,2
Proficiency of attendants	3,9	4,9	1,0
Customer-friendliness of attendants	4,5	4,5	0,0
Relationship summary	3,7	4,5	0,8
Total	3,7	4,7	0,8

Figure 4.6. Hansa Business Solutions value propositions: satisfaction vs. importance (HBS customer survey, Tallinn, 2001)

The average satisfaction with HBS is quite good.

The problems customers have:

- HBS does not understand their business
- suggesting different solutions
- complaint handling
- software development
- meet agreements and deadlines

These problems can all be solved, if HBS gets to know its customers better.

Software development can only be improved with customer's participating more in it.

Analyzing the awareness of HBS products, customers do not know about all offered functions, which could solve some of the current problems customers have. HBS task is to organize more often seminars for customers, where new possibilities in products are introduced.

Product satisfaction

The average product satisfaction was 3,5, which is not good and not very bad. The next step is to take the feedbacks, and one by one call to customers in order to find solutions for their problems.

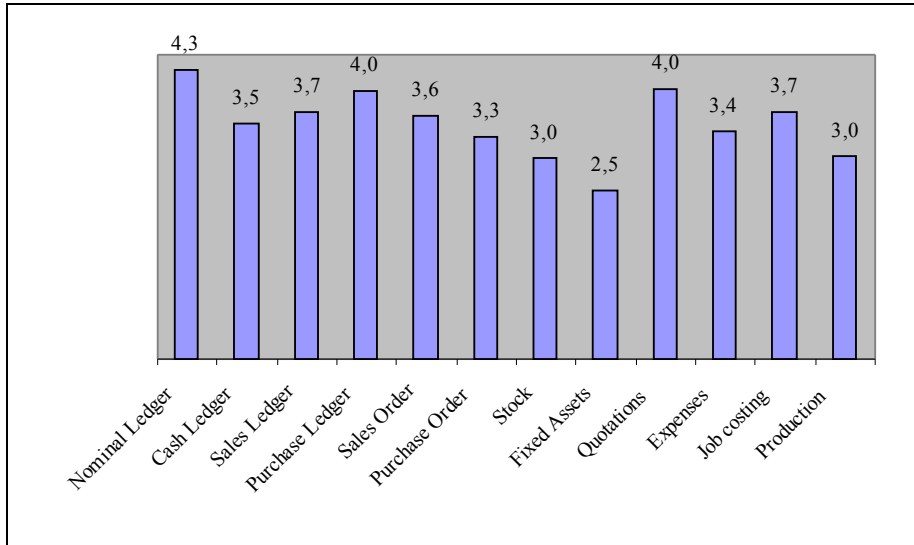


Figure 4.6. Satisfaction of different Hansa Financials modules (HBS customer survey, Tallinn, 2001)

The goal for measuring customer satisfaction in HBS was to learn:

- which customers are not satisfied and then start immediately solving their problems.
- which customers are satisfied and can immediately start getting more of their business.
- which customers do not know HBS full range of products and services and can immediately start educating them.

4.3.6. DIAGNOSING CUSTOMER LOYALTY

With satisfaction the author found also important to analyse the customer loyalty by asking them in the customer survey: 1) would they recommend HBS to others, 2) how would they describe HBS supplier status for similar range of products and services.

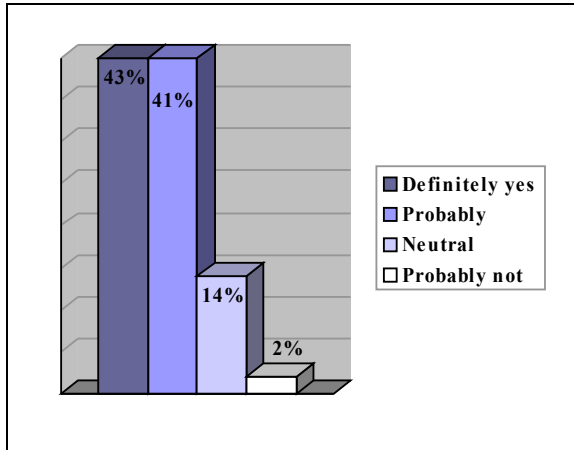


Figure 4.7. Would you recommend HBS to others? (HBS customer survey, Tallinn, 2001)

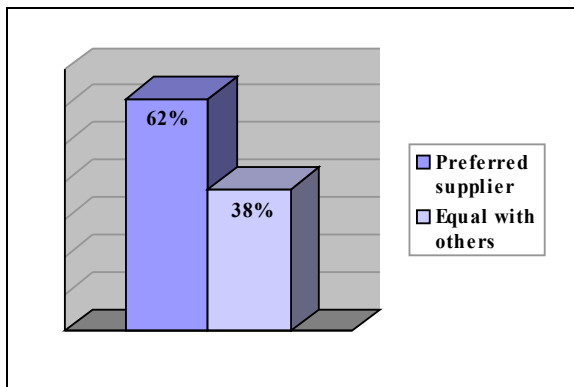


Figure 4.8. How would you describe HBS supplier status for similar range of products and services? (HBS customer survey, Tallinn, 2001)

Looking at these results HBS has quite good reputation among its customers. Certainly by asking all customers to fill in the questionnaire, the result may change.

4.3.7. DIAGNOSING CUSTOMER FOCUS

Because employees are the ones, who are going to implement CRM in HBS, it was also necessary to find out their opinion of current customer relationships. The author therefore composed a questionnaire and asked all 14 HBS employees to fill it in.

Employees were asked to evaluate the current situation and put their priorities, what should be improved. The questionnaire can be found from the Appendix 5.

The results are displayed on the following graph.

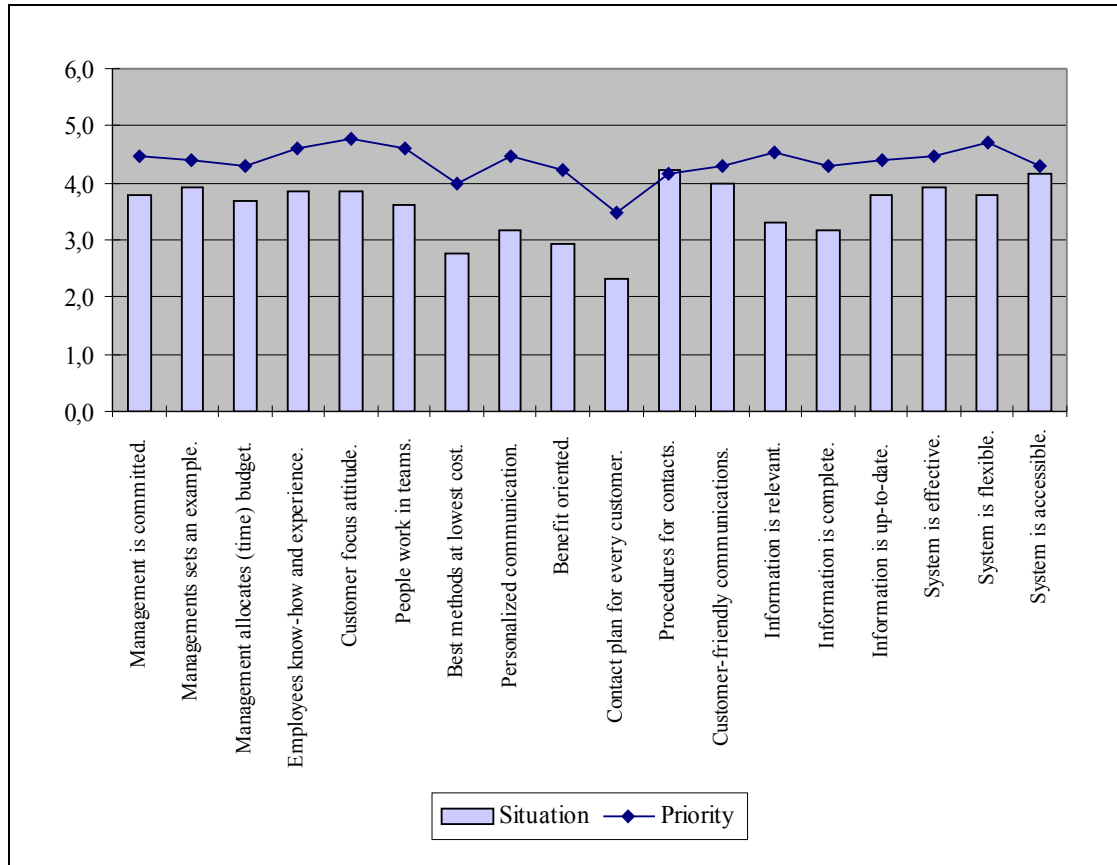


Figure 4.8. Hansa Business Solutions Customer Focus Gaps (HBS customer focus analyses, Tallinn, 2001)

The author made a table, where she points out the improvement priorities considering these results, which can be found in the Appendix 6.

The major improvement effort is needed in communication. Employees admit that while communicating with customers, HBS should stress more on the benefits of products and services rather than describing their features, what customer expect. They also assent that HBS is not customer-focused enough by paying more attention to each customer as individuals. And in addition, employees also agree that every customer should be made a communication plan, which helps employees themselves as well to devide their time resources.

After having analysed HBS current customer relationships the following conclusions can be made:

- the number of new customers is declining, which stresses the importance of taking good care of existing customers
- in order to raise the satisfaction, loyalty level and offer better customer service HBS has to get to know its customer more deeply and more personally.
- customer behaviour should be measured constantly- how many active customers has HBS lost, why customers have decided to end the current relationship; what is the share of HBS products in customer's total spend for similar products and services
- customer surveys should be carried out more frequently- at least once a year. Surveys give feedback on with what aspects customers are not satisfied, with what are they pleased with, and where should be made improvements. Feedback also helps HBS to have updated information about its customers
- HBS should educate its customers more by organizing seminars on different subjects, what customers are interested in. Hansa Financials users club can be one of these affairs. The first affair of the club took place in 1999. The idea is to gather Hansa Financials users together into non-business environment, let them to get to know each other and HBS employees, and share information what is important for customers and HBS. The author got an affirmation from the customer feedback, that this kind of reunion is important for customers.
- customers should be more involved into product development. By constantly encouraging the customer to give more information, HBS can offer more products.

4.4. CUSTOMER RELATIONSHIP MANAGEMENT IMPLEMENTATION PLAN FOR HANSA BUSINESS SOLUTIONS

1. Introducing the new idea of customer relationship management

The author will held a meeting in HBS for all employees, where she introduces the concept of how to better manage existent customers- talking about the importance of improving the relationships with existent customers by showing the statistics of how many new customers HBS has acquired during the last years and pointing out that the number is declining.

2. As there is no statistics done in HBS, how much revenue each customer has generated, it will be interesting for HBS employees to see, which customers are creating the highest value for HBS. For this, the author will use the customer pyramid segmentation and revenues per customer.
3. The author will demonstrate the results of customer survey gained so far and invites everybody to make suggestions for improvements.
4. Several of those customers who had sent back the survey had problems, from which HBS had not been aware of. The feedbacks will be divided among employees and everybody is asked to go through them once again and call customers to try to solve the problems themselves or with the help from others.
5. The customer survey will be carried out on the rest of Hansa Financials customers, either asking customers to fill in the questionnaire in the Internet or sending by post, whichever channel is more suitable for the customer.
6. Analyzing the rest of the feedbacks and formulating the final reports on customer satisfaction, value, behaviour and loyalty.
7. Rest of the customer feedbacks will be divided among employees in order to get more information on customer's present dissatisfaction level and find solutions for their problems and questions.
8. The different segments on customer pyramid will be analysed, comparing them with the feedback coming from customer surveys. The goal is to find out, what would be the customer potential for HBS and find out functions, where customer is using other suppliers, but at the same time those functions can be connected to Hansa Financials.

9. Setting goals for each customer. Both the management and employees will determine where they want each and every customer to end in customer pyramid at the end of the planning period. This helps HBS to focus on customers with real potential.

9. Every customer is made a contact plan, taking into account the propositions customers presented in the feedback (the results can be found from the Appendix 8) This contact plan should contain a mix of methods and media in order to increase customer profitability and achieve the goals at a minimum cost.

There are various methods, media and technologies (face-to-face, telephone, mail, and electronic) that are delivered on an individual, one-on-one basis or are delivered to specific groups. Usually face-to-face and individual contacts have the highest effect- and also the highest cost. But the author can say from her own experience that telephone calls are one of the most profitable selling methods to existing customers.

The primary idea is to combine different methods of communication. The history will also show, which of them is the most effective one.

10. All Hansa Financials customers should be divided among employees. The idea is not to assign customer managers for each customer, because HBS does not want that customers come too addicted to one employee. If the employee decides to leave, it might have a negative influence on that customer satisfaction level, because the customer has got used to communicating with only that certain person from the company. The idea is to get all customers informed about HBS new products, seminars, affairs etc. and one person cannot communicate with all customers. So the easiest solution is to divide customers among employees and the responsibility is also therefore divided.

11. The personal sales visits should not get the highest priority at first and it is seen also from customers feedback, customers are not expecting it. The author thinks, HBS should try at first to catch customers attention by organizing seminars more often, organizing Hansa Financials Users club, which idea is already well welcomed by customers.

12. Monitoring the results of the implementation quarterly or in every six month. The idea is to evaluate what has been accomplished vs. what was planned and whether there is a need to make changes.

HBS present information system will be analysed (the relevance, completeness, and timeliness of information that HBS has on his customers at the moment and the performance of the system) and set up according to new strategies during the implementation process of CRM. The current information system lacks mostly the analytical part of CRM, which components the author has pointed out in the Appendix 1.

The time spent on the implementation is hard to predict. The first four steps will be carried out in October, November and December of 2001. Contact plans and customer goals for each customer is probably made at the beginning of January 2002. The author does not think HBS should try to make the system work in as less time as possible- this may lead to unwanted results. One step should be taken at the time.

CONCLUSION

The goal of bachelor thesis was to work out an implementation plan for customer relationship management (hereinafter CRM) in Hansa Business Solutions (hereinafter HBS).

The author defines CRM as a business process, where using customer focused business strategy the employees manage customer relationships in a way, it raises the satisfaction and loyalty level of customers and on the other hand helps the company to generate long-term profits from customers.

It is getting more and more difficult and also more expensive to acquire new customers. It is far easier to sell new products to existing customers than to new customers. Because of that, it is essential in today's highly competitive market to have a base of customers, who know and trust you and keep coming back because they know you can satisfy their needs.

Not every customer should be targeted though with the same strategy. There are customers, who are more profitable to company than others. There are customers who have high competence value and therefore need to be kept, because they provide the company knowledge and know-how the company does not have itself, even if they take more company's time and generate less profit. There are also customers, who have reference value for the company. Having those customers and keeping them satisfied is essential, because they will recommend the company to others. The best marketing method is said to be word-of-mouth marketing, because potential customers take the opinion of other customers recommending the company more seriously than the opinion expressed by the vendor itself.

So customers with different values for company should be given different approach.

Many of today's CRM implementations fail, because companies start by setting up the technology at first and only then start to think how to use the technology for managing right customers in a right way. CRM applications can enable effective CRM, provided that an enterprise has the right leadership, strategy and culture.

Therefore the author started the CRM implementation process with customer analyses, in order to find out which customers create the highest value for the company, where is the potential, what is the current satisfaction level of customers and how well customers know HBS, its products and services. The author found out that the satisfaction level is not so high as it was assumed; the knowledge about HBS and its products is inadequate and that there is more potential sales that can be generated in the near future. Even though the satisfaction level was not so high, over 70 per cent of the respondents have been stayed loyal to HBS for over more than three years. This gives the company a

strong basis, on which to start to build more satisfying and profitable relationships with existing customers.

Existing customers should be given more attention. By constantly analysing their needs, values, expectations and behaviour and taking them into account in everyday business while making decisions, the company can offer more personalized service, can meet more easily market present and future needs and generates itself constant profit, because his customers are loyal to him.

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RESÜMEE

Antud bakalaureuse töö eesmärgiks oli välja töötada plaan olemasolevate kliendisuhete efektiivsemaks juhtimiseks Hansa Business Solutionsis (edaspidi HBS).

Autor defineerib kliendisuhete juhtimist (inglise keeles Customer Relationship Management- ehk lühidalt CRM) kui klientide võitmise, hoidmise ja kasumlikuks muutmise protsessi, mis keskendub kvaliteetsele klienditeenindusele, väärtustades iga klienti personaalselt ja luues kliendi lojaalsuse.

Omades pikaajalisi häid ja tulusaid kliendisuhteid, tagab firma endale edu tänases ja tulevases konkurentsitihedas äriühiskonnas.

Uute klientide leidmine on muutumas aina keerulisemaks, aeganõudvamaks ja kulukamaks. Kuna turul on pakkumine suurem nõudlusest, on võim klientide käes. Kliendid teavad, et nad on eluliselt olulised firmadele ja seetõttu teavad nad ka, et neile ollakse nõus pakkuma parimat. Kui klient on rahul saadud teenusega, läheb ta seda uuesti otsima samast kohast. Firma ülesanne on klient ära tunda ja pakkuda talle täiendavaid lahendusi võttes arvesse kliendi eelmisest ostuprotsessist välja tulnud soovid ja ootused. Klient tunneb tõsist rahulolu ja on nõus isegi kõrgemat hinda teenuse eest maksma, kui ta on kindel et saadud teenus vastab tema vajadustele ja ootustele. Nii

kujuneb firmale lojaalne pikaajaline klient. Omades palju samalaadseid personaalseid kliendikontakte, garanteerib firma endale kindla ja püsiva tulusa tuleviku äri.

Samas peab tõdema, et kõik kliendid ei oma firma jaoks ühesugust väärtust. Mõned kliendid toovad firmale suuremat rahalist tulu kui teised. On aga kliente, kes ei oma firmale just suurt rahalist väärtust, küll aga jagavad nad firmaga oma teadmisi ja oskusi. Antud klientidel on firma jaoks suur väärtus, kuna nende abiga saab firma rahuldada paremini turuvajadusi nii täna kui ka homme.

Bakalaureuse töö autor tahab rõhutada oma töös olemasolevate klientide tähtsust, pakkudes välja strateegiaid, kuidas mõõta kliendisuhteid, et selgitada välja millised kliendid omavad firma jaoks suurimat tähtsust ja millistel klientidel on potentsiaalne tulevikuväärtus.

Analüüsides pidevalt oma kliente, nende rahulolu, käitumist, väärtusi ja lojaalsust, saab firma ennustada ette millist tulu ta järgnevatel perioodidel oma erinevatelt klientidelt saab.

Kuigi klientide rahulolu on oluline, on üksnes rahulolust lähtuv kliendisuhete juhtimine vale, kuna see võib osutada firma arengule piduriks. Kliendi rahulolu on tema hetke arvamus firmast ja tema toodetest. Enamik kliente on oma loomult konservatiivsed, mis tähendab et nad ei ole eriti agarad pakkuma firmale ideid uuelaadsete toodete arendamiseks, nad on rahul olemasolevaga. Siinjuures peab firma olema initsiaator. Otsides klientide abiga aina uusi võimalusi kuidas olemasolevat toodet täiendada ja pakkudes uusi tooteid aitab see firmal hoida kõrgel oma kompetentsusväärtust ja seeläbi rahuldada suuremat osa kliendi vajadustest.

Olles rakendanud teooria osas välja toodud kliendianalüüsi strateegiaid praktilises osas, leidis autor mitmeid seniteadmata aspekte olemasolevate klientide kohta. HBS ei ole seni veel oma kliente analüüsinud, mis tähendab ei ole ülevaadet: millised kliendid on firma jaoks olulised; millist rahalist käivet üks või teine klient on tekitanud; milline on klientide rahulolu ja teadmised HBS ja tema toodete osas. Autor koostas seetõttu

kõigepealt põhjaliku ülevaate HBS olemasolevatest klientidest. Esimese etapina segmenteeris autor kliendid vastavalt müügikäivetele gruppidesse, paigutades rahaliselt suurimat käivet tekitanud kliendid kõige kõrgemale, saades niimoodi ülevaate kuidas on müügikäibed klientide vahel jagatud ja millised on suurimat tulu sisse toonud kliendid. Seejärel viis autor teatud valimi klientide hulgas läbi kliendiuuringu, et saada tagasisidet klientide rahulolu kohta ja tuvastada nende teadmiste taset HBS'i ja tema toodete osas. Uuringu tulemustest on HBS'il paljugi õppida ja tööd jätkub pikemaks ajaks. Peamised kliendisoovid olid, et nendega tegeletaks rohkem, et neid informeeritaks tihedamini ja õigeid kanaleid pidi uutest võimalustest.

Samuti viis autor läbi küsitluse HBS'i töötajate hulgas, et selgitada välja milline on nende arvamus praegusest klienditeenindamisest ja milline on nende nägemus, mida tuleks parandada.

Eelnevate analüüside põhjal koostas autor kava, kuidas ellu viia uut kliendisuhete juhtimise strateegiat. Oluline on eelkõige klientidega järjepidev suhtlemine, et välja selgitada nende rahulolu ja vajadused ning et hoida kliente kursis HBS'i ja tema toodetega toimuvatest muudatustest ja uuendustest.

Olemasolevate klientide väärtus tõuseb kui firma oskab olemasolevaid suhteid õigesti juhtida. Selle tulemusel kasvab firma väärtus turu silmis, mis aga aitab meelitada ligi uusi potentsiaalseid kliente.