Customer Retention in Service Firms
Three Case Studies of Companies in the Transport-Logistic Industry

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I, Mirela would like to take this opportunity to thank my family and closest friends for their never ending support and encouragements. Volim vas!

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Mirela Suljanovic                     Rebecka Isaksson
Customer retention has increasingly become the focus of many a company strategy. Through three case studies of Swedish companies in the transport-logistic industry this thesis investigates the extend companies within the service sector can enhance customer retention through customer relationship management. CRM is a business approach that focuses on ways companies build customer relationships with their customers. Companies may choose to apply different parts of CRM to their business: through technology and other means of communication with customers, various training programs and other resources devoted towards the employees of the company. Evaluating past and present customer behavior makes it possible for companies to adopt the most effective business strategy. Findings indicate that to be able to attract and keep customers, i.e., increase customer retention rate, companies have to adopt a proactive approach – devote time and resources to stay in touch with customers. In this way companies not only can increase their competitive advantage but install a sense of seeking benefits not just for the company but for their customers. A major conclusion of the study is that companies must recognize the impact of local culture and market conditions on companies’ business performance. Companies have to realize that they not only have to do the right things but have to do the things right: by listening to customers and adopting a strategy based on common grounds with customers a company stands better chance to outrank competitors and be more efficient in building strong relationships with their customers; hence increase customer retention.
SAMMANFATTNING

Vi har i denna uppsats undersökt till vilken grad företag inom service branschen och speciellt transport-logistik sektorn kan dra fördel av att använda sig av kund relations marknadsföring (CRM) i syfte att bygga relationer med sina kunder. CRM är en affärs inställning som fokuserar på olika sätt för företag att bygga relationer med sina kunder. Företag kan välja att implementera olika delar av CRM i deras affärsverksamhet, till exempel; teknologi och annan form av kommunikationsmedel mot kunder, olika träningsprogram och liknande resurser riktade mot de anställda i företaget. Utvärdering av forna och nutida kunders beteenden gör det möjligt för företag att utforma den mest effektiva affärsstrategin. Denna studie indikerade på att företag för att kunna attrahera och behålla kunder och därmed kunna hålla kvar kunder, måste dedicera tid och resurser att hålla kontakten med kunder. Genom att välja en pro-aktiv strategi kan företag inte bara öka sin konkurrensfördel men även instifta en känsla hos kunder att företaget söker att uppnå fördelar för dem båda parterna och inte bara för företag själva. Vi kom till en slutsats som vi tyckte var speciellt intressant; företag måste inse den påverkan som den lokala kulturen samt dess marknads förutsättningar har på företags affärsresultat. Företag måste inse att dem inte bara ska göra rätt saker utan även göra saker rätt. Genom att lyssna på kunder och anpassa en affärsstrategi baserad på liknande grunder som kunders preferenser, kan ett företag öka sina chanser att inte bara vara ett steg före konkurrenter men även vara mer effektiv i att bygga kundrelationer och därmed öka förmågan att hålla kvar kunder.
# Table of Contents

1 INTRODUCTION ................................................................................................................................. 1
   1.1 Background ........................................................................................................................................ 1
   1.2. Problem Discussion ........................................................................................................................ 3
   1.3 Conceptual Framework .................................................................................................................. 5
   1.4 Demarcations .................................................................................................................................... 5

2 LITERATURE REVIEW ......................................................................................................................... 6
   2.1 Advantages of Customer Relationship Management (CRM) ......................................................... 6
   2.2 Benefits of Customer Retention Strategies .................................................................................. 9
   2.3 Customer Retention programs and Business Performance ....................................................... 11
   2.3.1 Conceptual Framework ............................................................................................................. 17
   2.3.2 Conceptualization of Research Question 1 .............................................................................. 17
   2.3.3 Conceptualization of Research Question 2 ............................................................................. 18
   2.3.4 Conceptualization of Research Question 3 ............................................................................. 18
   2.4 Frame of Reference ....................................................................................................................... 20

3 METHODOLOGY .................................................................................................................................. 21
   3.1 Research Purpose ............................................................................................................................ 21
   3.2 Research Approach ........................................................................................................................ 22
   3.3 Research Strategy .......................................................................................................................... 22
   3.4 Data Collection Method ................................................................................................................. 22
   3.5 Sample Selection ............................................................................................................................. 23
   3.6 Data Analysis ................................................................................................................................ 24
   3.7 Quality Standards ............................................................................................................................ 25

4 EMPIRICAL DATA ................................................................................................................................. 26
   4.1 Case Study 1: DHL .......................................................................................................................... 26
   4.1.1 CRM AT DHL ............................................................................................................................. 26
   4.1.2 CUSTOMER RETENTION STRATEGY AT DHL ....................................................................... 28
   4.1.3 CUSTOMER RETENTION AND BUSINESS PERFORMANCE AT DHL ................................. 29
   Case Study 3: JetPak ........................................................................................................................... 29
   4.2.1 CRM AT JETPAK ...................................................................................................................... 30
   4.2.2 CUSTOMER RETENTION STRATEGY AT JETPAK ................................................................. 31
   4.2.3 CUSTOMER RETENTION AND BUSINESS PERFORMANCE AT JETPAK ......................... 32
   4.3 Case Study 3: Schenker ................................................................................................................ 33
   4.3.1 CRM AT SCHENKER ............................................................................................................... 33
   4.3.2 CUSTOMER RETENTION STRATEGY AT SCHENKER ......................................................... 35
   4.3.3 CUSTOMER RETENTION AND BUSINESS PERFORMANCE AT SCHENKER ................ 36

5 DATA ANALYSIS .................................................................................................................................. 38
   5.1 Within Case Analysis of DHL .......................................................................................................... 38
   5.1.1 ADVANTAGES OF CUSTOMER RELATIONSHIP MANAGEMENT ........................................ 38
   5.1.2 BENEFITS FROM USING A CUSTOMER RETENTION BASED STRATEGY ...................... 39
   5.1.3 DEVELOPING A CUSTOMER-RETENTION PROGRAM ...................................................... 40
   5.2 Within Case Analysis of JetPak ....................................................................................................... 41
   5.2.1 ADVANTAGES OF CUSTOMER RELATIONSHIP MANAGEMENT ........................................ 41
   5.2.2 BENEFITS FROM USING A CUSTOMER RETENTION BASED STRATEGY ...................... 42
   5.2.3 DEVELOPING A CUSTOMER-RETENTION PROGRAM ...................................................... 43
   5.3 Within Case Analysis of Schenker ................................................................................................ 44
   5.3.1 ADVANTAGES OF CUSTOMER RELATIONSHIP MANAGEMENT ........................................ 44
   5.3.2 BENEFITS FROM USING A CUSTOMER RETENTION BASED STRATEGY ...................... 45
   5.3.3 DEVELOPING A CUSTOMER-RETENTION PROGRAM ...................................................... 46
   5.4 Cross-Case Analysis ....................................................................................................................... 48
   5.4.1 ADVANTAGES OF CRM .......................................................................................................... 48
   5.4.2 BENEFITS FROM A CUSTOMER RETENTION BASED STRATEGY .................................. 50
   5.4.3 CUSTOMER RETENTION AND BUSINESS PERFORMANCE ........................................... 52
Table of Contents

6 FINDINGS AND CONCLUSIONS ................................................................................................................ 54
  6.1 How can the advantages of customer relationship management be described? ........................... 54
  6.2 How can companies benefit from using a customer retention-based strategy? ......................... 55
  6.3 How can companies develop a retention program and apply it to their business performances? 57
  6.4 IMPLICATIONS AND RECOMMENDATIONS ................................................................................. 58

REFERENCES ............................................................................................................................................... 61
List of Figures and Tables

List of Figures

Figure 1  The Spiral Effect of Relationship Building ...........................................8
Figure 2  A conceptual model of the satisfaction – retention relationship...............9
Figure 3  Relationship Measurement....................................................................14
Figure 4  Frame of Reference...............................................................................20

List of Tables

Table 1  Companies, industry and respondents included in this research..............23

Appendices

Appendix A  Interview guide English version
1 Introduction

The first chapter will introduce the study and give a background to the thesis. First, the background discusses the research area, followed by a problem discussion. Thereafter the statement of the research purpose as well as the research questions of this thesis will be presented, followed by demarcations of the study.

1.1 Background

Grönroos (1990) offers the following definition of marketing: “Marketing is to establish, maintain, and enhance relationships with customers and other partners, at a profit, so that the objectives of the parties involved are met. This is achieved by a mutual exchange and fulfilment promises”.

There are four key aspects of managing services: managing customer relationships, managing service quality, managing service productivity, and positioning services. Relationship marketing involves the shifting from activities concerned with attracting customers to activities focused on current customers and how to retain them (Jobber, 2001). The value that matters is the value in the customer’s experience not the value in the product or service (Khalifa, 2004).

Many companies today are racing to re-establish their connections to new as well as existing customers to boost long-term customer loyalty. Some companies are winning this race through the implementation of relationship marketing principles using strategic and technology-based customer relationship management (CRM) applications. CRM applications help organizations assess customer loyalty and profitability on measures such as repeat purchases, dollar spent, and longevity. CRM applications help answer questions such as; what products or services are important to our customers? And, how should we communicate with our customers? CRM has its roots in relationship marketing which is aimed at improving long run profitability by shifting from transaction-based marketing, with its emphasis on winning new customers, to customer retention through effective management of customer relationships. CRM is a more complex and sophisticated application that mines customer data has been pulled from all customer touch points, creating a single and comprehensive view of a customer while uncovering profiles of key customers and predicting their purchasing patterns. Acquiring a better understanding of existing customers allows companies to interact, respond, and communicate more effectively to significantly improve retention rates (Chen & Popovich, 2003).

According to Storbacka and Lehtinen (2000) a superficial customer focus can create a rigid organization and prevent positive competence development for the company. Organizations have for the last fifteen years tried to develop a more customer focused orientation but the general purpose of their focus has not been to develop a deeper understanding of the customers’ needs, these needs can be described as needs that the customer is not yet aware of having. The purpose of customer relationship management is to create relationship strategies that will refine relationships between the customer and the organization and in that way increase the value for both parties. The authors state that the only way to create a win-win situation is to look for products or services that will suit good customers instead of looking for customers to suit the products or services. The main goal of CRM should not be to maximize the profits; instead the goal should be to create lasting relationships. The product or service
should be seen as a process where the competence of the company serves as a component to
enhance customer value. The only way for the company to create stronger relationships is to
take responsibility and be the initiator to develop the relationship and offer the customer fresh
occasions to create their own value. A customer oriented organization’s activities should have
their starting point in concern with the customers’ needs (ibid).

Strategy in service business has taken new turn and key to success now lies with
concentrating on, and retaining, existing customers. Customers have always been the prime
focus for marketing activity but the way service companies view this relationship is changing.
The basis of relationship marketing philosophy is that the attraction of new customers is
merely the first step in the marketing process. The key is retaining that customer. Marketing
should not begin and end with securing the deal – it must also concern itself with keeping, and
improving, the relationship with the customer (Payne, 2004).

Meaningful customer relationships are those characterized by high level of emotional value,
which is created by more than functional and instrumental components; the company and the
customer should share something in common, it can be background, interests, values and
beliefs. For companies to be able to develop strategies leading to meaningful customer
relationships they have to gain a deeper understanding of the customers. This can be attained
by gaining knowledge about the customers, what role the brand plays in the customer’s life,
now and in the future, as well as being aware of the expectations of the customers. Real
meaning derives from anticipation and a company addressing issues that the customer does
not expect them to address (Barnes, 2003).

It is important for companies to view relationship from their customer’s perspective. The
relationship consists of more than just the customers buying product and services regularly.
This is due to customers being aware of the difference between; repeat buying, based on
convenience, non-emotive factors like price, or situations were the customers return repeated
times to the same company or brand because they have a special feeling for them. What a
brand or a company means to a customer is dependent on how it fits with the customers’
values (Barnes, 2003).

Managers need to recognize the importance of creating value for their customers in form of
experiences. Offering services alone is not enough; organization must provide their customers
with satisfactory experience (Berry et al, 1993).

The most frequent mistake companies make is ignoring the customer after sale. Aftermarket
reinforcement should be an automatic for everyone in direct marketing, which means a thank
you acknowledgement or a special cross-sell or up-sell offer. Customer retention is all about
knowing your customers personality through the company database. The company should
keep track of everything they buy and ask them if they were satisfied with their last purchase.
The customers should be seen as the most valuable assets of the service company because
they do not only pay for the service, if the company listens to them they will tell the company
how it can get them to spend even more (Geller, 1997).

Value is the single most contributor to the beginning of the process that leads from customer
satisfaction to retention and loyalty. The author claims that companies can create two forms
of value; functional value, which is related to the firm’s or brand’s ability to be convenient,
accessible, easy to use, and its ability to save the customer time and money, and; emotional
value which is the extent to which the firm and it’s employees make the consumer feel
important, valued and special (Barnes, 2003). Examples of some forms of values that firms can create to develop efficient, functional customer relationships could be such as; convenience, access, product quality, value for money, accuracy and communications, and other forms of values that are more central to the feelings and emotions of the customers such as; shared history, values, goals, reliance, intimacy and trust. If a firm or brand does more for the customer than anyone else does and more than the customer would normally expect from such a company or brand, the company is using a strategy for creating value which is intended to lead to long-term relationships (ibid).

1.2. Problem Discussion

Customer relationship management is a corporate level strategy, focusing on creating and maintaining relationships with customers. Repeat purchases rely on customer satisfaction, which in turn comes from a deeper understanding of each customer and their individual needs. CRM is an alternative to the "one size fits all" approach. In industrial markets, the technology can be used to coordinate the conflicting and changing purchase criteria of the sector. Interest in CRM has arisen from the realization that it is easier and cheaper to sell to existing customers than it is to acquire new ones. Products and services are often designed to or delivered from the frame of reference of the organization or the staff member. Organizations and their staff need not only to empathize with the customer, but they need to respond appropriately to his/her needs. Once that is apparent, they need to respond by providing what is necessary on time and at the expected cost. This can be much more difficult than meets the eye, since customers do not always have a clear idea of what they want and sometimes require the vendor or service provider to simulate their imaginations (Solomon, 1999).

The goal of CRM is to create as effective customer relationships as possible and during that time also develop future competences within the company. Although satisfied customers’ opinions make it easier to continuously improve the competences of the company, these are not enough. The company needs to detect the customers’ unexpressed needs, and primarily the customers’ future needs. The worst scenario that might occur for the company, when using these types of customer feedback activities, is that the company realizes that it needs to bring new innovations into their customer relationships (Storbacka & Lehtinen, 2000).

All good relationships are based on good communication which means asking questions, staying in touch, and being generous. Customer defections come about due to the lack of satisfaction which is not the same as dissatisfaction. Lack of satisfaction is simply the absence of any good reason for customers to stay around (Rieck, 2004).

Customer satisfaction has gained new attention within the context of the paradigm shift from transactional marketing to relationship marketing. Satisfaction is often treated as the necessity premise for the retention of consumers, and therefore has moved to the forefront of relationship marketing approaches, but only a few researchers have investigated the nature and extent of the relation between satisfaction and retention itself. The authors find it necessary to critically examine the relationship between customer satisfaction and customer retention, and try to identify some of the causes for the lack of close link between the two (Henning-Thurau et al, 1997).
Companies are being increasingly confronted with the agonizing dilemma of trading-off the management of each service or customer event at minimum cost, whilst developing a long-term relationship or partnership with a hopefully satisfied customer. There is sufficient evidence that a two per cent improvement on customer retention has the same impact on profit as a ten per cent reduction in overheads; but in these painful days of reductions in layers of management, process re-engineering and unemployment, one sees remarkably little evidence of companies seeking increases in profitability from a genuine customer-driven, rather than an accountant-driven approach. What this customer retention approach demands is the answers initially to four key questions: what really are the drivers of customers’ satisfaction, what are customers’ expected and unacceptable levels of service and their perceptions of service offered by competitors, where should a company invest to improve quality in order to meet the needs of its customers, what is the likely return in terms of improved customer loyalty and increased market share, and what organizational changes are needed to drive forward a truly customer-focused organization (Jamieson, 1994).

A study by Eriksson and Löfmarck (2000) shows that customer retention depends on the relationship substance built up due to interaction between the parties. The authors also give emphasis to the fact that purchasing of most services is very irregular in organizations. One reason for the irregular purchasing frequency of services is that the customer is doubtful to the needs of the service and has heterogeneous purchasing habits. Consequently, customer retention therefore needs to be understood in relation to the situation in which the firm is embedded. Relationship development should be outlined in most service companies and it should be viewed as a process whereby gradual adaptations transform a series of discrete transactions into a business relationship with a deep level of coordination between the parties (ibid).

Not all service encounters have the potential for a long-term relationship, and the following questions should be asked before the use of relationship marketing activities; is there an ongoing or periodic desire for the service by the customer, can the customer control the selection of a service provider, and does the customer have alternatives from which to choose? Service suppliers need to understand why customers stay or leave, what creates value for them and their profile. Firms need to identify those customers with whom they wish to engage in a long-term relationship, those for whom a transactional marketing approach is needed, and those with whom they would prefer not to do business (Jobber, 2001).

Many of the problems within customer relationships that occur are caused because of the companies being unable to carefully analyze the customer relationship, and implement a unified way to examine the different relationship levels that take place when interacting with the customers. Sense of details should also be a quality that the company possesses in order for the customer relationship to develop successfully. The service supplier’s customer base consists of different customer relationships, a customer relationship, on the other hand, consists of is based on conventions that develop into different activities. Together, these two constitute a relationship structure. By identify the relationship structure the company can gain several advantages which can enhance the customer relationship (Storbakka & Lehtinen, 2000).

Jobber (2001) states that retention strategies vary in the degree to which they bond the parties together. There are three levels of retention strategies based upon the types of bond used to strengthen the relationship: at the first level the bond is primarily through financial incentives. The problem here is that the potential for a sustainable competitive advantage is low because
price motivations are easy for competitors to copy. The second level is based on building long-term relationships through social as well as financial bonds. Customers become clients and the relationship becomes personalized and the service customized. This type of relationship includes frequent communication with customers, providing the service through the same person or people employed by the service provider and in this way providing personal treatment for the customer. By placing this level of retention strategy into practice the company raises the potential for a sustainable competitive advantage. The third level, or the top level, of retention strategies is focused, not only on financial and social bond, but also on structural bonds. This includes providing solutions to customers’ problems that are designed into the service delivery system. For example, logistic companies often supply their clients with equipment that ties them into their system (ibid).

1.3 Conceptual Framework

The overall purpose of this thesis is to increase our understanding of customer retention by investigating the relationship between service providing companies and their customers, and the ways in which companies develop relationships in order to enhance customer retention.

- RQ1: How can the advantages of customer relationship management be described?
- RQ2: How can companies benefit from using a customer retention strategy?
- RQ3: How can companies develop a customer retention program and apply it to their business performances?

1.4 Demarcations

Customer relationship management is an area of research with many dimensions. The present study will specifically focus on customer retention aspects and the topic will be studied merely from the corporate perspective.
2 Literature Review

In the following chapter an overview of previous studies related to the problem area and more specifically to the research questions will be reviewed. The literature used is primarily based on research in the area of relationship marketing as well as customer management. The two research areas were chosen in order to provide us with a deeper insight of factors that influence customer retention. The chapter will also provide a developed conceptual framework of the described theories and a frame of reference for this study.

2.1 Advantages of Customer Relationship Management (CRM)

Customer Relationship Management

According to Payne (2006) Customer relationship management (CRM) is developing into a major element of corporate strategy for many organizations. CRM, also known by other terms such as relationship marketing and customer management, is concerned with the creation, development and enhancement of individualized customer relationship with carefully targeted customers and customer groups resulting in maximizing their total customer life-time value. Industry leaders are now addressing how to transform their approach to customer management. Narrow functionally-based traditional marketing is being replaced by a new form of cross functional marketing -CRM. The traditional approach to marketing has been increasingly questioned in recent years. This approach emphasised management of the key marketing mix elements such as product, price, promotion and place within the functional context of the marketing department. The new CRM approach, whilst recognizing these key elements still need to be addressed, reflects the need to create an integrated cross-functional focus on marketing- one which emphasises keeping as well as winning customers. Thus the focus is shifting from customer acquisition to customer retention and ensuring the appropriate amount of time, money and managerial resources are directed at both of these key tasks. The new CRM paradigm reflects a change from traditional marketing to what is now being described as “customer management” (ibid).

Payne (2006) also states that traditional marketing activities which emphasize customer acquisition are no longer sufficient because it does not, unlike CRM, recognize that marketing starts after the sale is over and not when the sale is completed.

Smith (2006) argues that to strategically understand CRM, we must learn from past project failures. These failures include: over stressing the functionality of CRM; not having a front-to-back CRM solution for customer service (this includes employee education on the benefits of CRM solutions and procedures on front line follow-up); and not having the corporate culture to support the implementation of CRM. Continually monitoring of customer satisfaction and behaviour and measuring successes with benchmarking, without expectations of immediate profits, will help ensure that the process continue to evolve in the best method.

Analysis of customer data is a key part of CRM. A solid analysis will provide companies with a clear picture of who their customer is and what their needs are. This information includes patterns and trends in consumer behaviour, customer preferences, migratory tendencies, lifestyle, and personal habits that will be used to predict and develop future business opportunities at a later stage (ibid).
The role of employees in CRM

Beaujean (2006) states that in recent years, mature companies with far-flung network of frontline sales staff have devoted a great deal of money and effort to retaining their current customers. The success of this strategy ultimately depends on expanding the breadth and depth of customer relationships and on translating the resulting loyalty into higher sales of goods and services, as well as a healthier bottom line. Although companies are investing records amount of money in traditional loyalty programs, in customer-relationship management (CRM) technology, and in general service-quality improvements, most of these initiatives end in disappointment. Business results anticipated from implementing CRM were not met. What is regularly missing is the spark between the customer and frontline staff members, the spark that helps transform wary of sceptical people into strong and committed brand followers. That spark and the emotionally driven behaviour that creates it explain how great customer service companies earn trust and loyalty during “moments of truth”: those few interactions when customers invest a high amount of emotional energy in the outcome. Superb handling of these moments requires an instinctive frontline response that puts the customer’s emotional needs ahead of the company’s and the employee’s agendas. In any industry that offers a service there are moments where the long-term relationship between a business and its customers can change significantly-for better or for worse. By supporting and developing the frontline emotional intelligence of its employees, it can ensure that more of these moments have a positive outcome.

The author above emphasises that companies might try standard responses to eliminate human error by using IT systems, mechanistic CRM approaches, for example. But pure technological solutions can never stoke the emotional connection between employee and customer-the kind of connection that characterizes positive moments in complex frontline situations. Senior executives can take coordinated action to increase the emotional intelligence of employees by taking necessary steps including working to give frontline jobs real meaning, aligning structures and processes, focusing on learning by experience, developing frontline leaders, and using them to serve as role models (ibid).

Levitan (2004) argues that CRM will not succeed if it is not clearly understood and properly practiced by managers and employees who directly interact with customers on the “front lines”, and no matter where the “customer moment” exists, at your employee, your website, or your information system, it has to provide the same consistent reliability, friendliness and accessibility.

Baker on customer relationship management

Baker et al. (1998) argue that it is more productive for organizations to consider customer relationship management (CRM) to be a third dimension of the existing transaction marketing in the company. Transaction marketing, the authors state, consists of two separate dimensions: dimension one is the marketing of products or services, and dimension two consists of marketing segments. The third dimension, relationships, is introduced as a spiral diagram that raises the customer above the first two dimensions, in doing so it generates a barrier to entry of competitive sellers. The authors argue that the marketing activities within the organization should remain fundamentally a transaction-based system because good relationships can exist without transactions taking place; but marketers cannot subsist without transactions. Marketing, in general, is seen by some as actively manipulating the 4Ps in order to make the customer buy, while the CRM approaches view marketing as an interactive process where relationship building represents an important cornerstone. Baker et al. (1998) describe the Nordic school approach to CRM as one that considers that the focal point of...
marketing is the relationship and the elements involved in the establishment and management of the relationship. Therefore the focus shifts from the products or services and firms as units to people, organizations and the social process that bind actors together in ongoing relationships. This orientation towards the process, rather than the function, leads to the spread of organization outside the area of the marketing department. CRM should include the promise concept, which should not only include the promise leading to customers reacting in a given way, but the promises should also be fulfilled. The presence of trust should also be the cornerstone of all aspects of corporation and bonding in order to develop long-term relationships. Investing in long-term relationships can involve extra cost and time for the company, therefore CRM is most appropriate where suppliers and buyers rely on each other, where the purchasing decision brings with it high risk, and where on-going loyalty leads to continued exchanges and profitability.

Baker et al. (1998) describe the development of the third dimension of CRM as walking up a spiral plane that consists of four alternatives available to the potential customer (see figure 2). First, the customer may choose to stay on the base plane and not be seduced by a special relationship with any single organization. Second, the customer can climb the spiral steadfastly to the top of the spiral. Third is to climb the spiral and persist up to a comfort level; rather than continue after this point, it may be more comfortable to retreat. The retreat means reducing the advantages offered by the single organization but increasing one’s choice and flexibility the nearer one returns to the base plane. The fourth possibility is not really a choice, but a situation where the customer, on the climb, experiences the forces of entropy and is drawn to the edge of the spiral plane and may fall over the edge of the precipice, this can be described as a catastrophe in the relationship. When this occurs, customers are most likely to shift loyalty to competing products. The idea of the model is to isolate customers from competitors by raising them above the plane and making direct contact by competitors very difficult. The spiral was chosen by the authors because related to with the isolation and building of a relationship in the increased risk of potentially destroying the relationship. The risks are ever-present when the customer, climbing the spiral, moves to the edge at risk of falling over the precipice.
authors point out that even if the customers stick to the centre of the path, there is a probability they will suffer from vertigo effect and refuse to climb higher. This indicates that the relationship marketer must keep the customer moving steadfastly up the spiral, avoiding the customer’s fear of the distance and height travelled so far, while holding to the centre of the path. The spiral effect is supposed to elevate the customer to be out of reach of competitors and increase customer retention and duration as well as building secure and stable networks (ibid.).

2.2 Benefits of Customer Retention Strategies

Customer satisfaction in relation to customer retention
Henning-Thurau et al. (1997) present a conceptual model that focuses on customer retention as the targeted variable in relation to customer satisfaction. Customer retention aims at repeat-purchase behaviour that is triggered by the marketer’s activities; therefore the conceptual model focuses on the managerial aspects within the organization. The model extends the portray view of an immediate and strong impact of customer satisfaction on customer retention (see figure 1). The model is based on satisfaction being considered as the initial construct and a widely accepted central objective in relationship marketing. The authors assert the importance of distinguishing compensatory (rewards) and non-compensatory (penalties) attributes and their different influence on the formation of satisfaction. The customer quality perception that is described in the model is tied to a particular, emotional product or service experience, and it is assumed to fade into a more stable, attitude like overall evaluation of the product or service.

![Figure 2. A Conceptual Model of the Satisfaction - Retention Relationship. Source: Henning-Thurau & Klee (1997), p. 742](image-url)
The quality perception may appear in three qualitatively different manifestations; resigned, stable, and progressive quality perception. Additionally, by considering the customer’s involvement, latent and manifest quality perceptions are distinguished. The combination of resigned, stable, and progressive quality perceptions on the one hand and manifest and latent quality perceptions on the other hand results in six different types of quality perception, which all have an individual and significantly different meaning for customer retention. The quality perceptions are interpreted as a component of the more complex construct relationship quality, which also includes the customer’s trust and his or her commitment to the marketer. Relationship quality finally serves as a potent predictor variable for customer retention. There also exist additional factors that may influence the repurchase decision of the customer. These are; intra-psychological, contextual, and situational factors, which are not necessary in every case but, should be seen as an optional part of the model.

A study by Liljander and Strandvik (1995) reveals that overall customer satisfaction is a better predictor of intentions to re-buy than overall or indirect service quality. A satisfied customer is supposed not to defect but to stay loyal to the company for a long period of time and to buy more and more often than other, not so loyal, customers do.

Baker (2006) furthermore states that “unfortunately the biggest killer for a customer is not bad service, they can forgive the odd mistake- the main reason why customers eventually choose a new supplier is indifference towards service.

Benefits of customer retention
Ahmad et al. (2001) identify the following six economic benefits of retaining customers: 1) savings on customers’ acquisitions or replacement costs, 2) a guarantee of base profits as existing customers are likely to have a minimum spend per period, 3) growth in per-customer revenue as, over a period of time, existing customers are likely to earn more, have more varied needs and spend more, 4) a reduction in relative operating costs as the firm can spread the cost over many more customers and over a long period of time, 5) free of charge referrals of new customers from existing customers which would otherwise be costly in terms of commissions or introductory fees and 6) price premiums as existing customers do not usually wait for promotions or price reductions before deciding to purchase, in particular with new models or versions of existing products. The organization should focus on existing customers because those are the ones who can not only provide feedback about products and services, but also work together with suppliers to add value to a particular service by improving the process. Structural bonds therefore help create value for customers by saving the costs of retaining or making a new investment with a new supplier. A provider of services should therefore focus on progressively closing the gaps between customer expectations and experiences of service quality. A standing point for the development of relationships and, hence, bonding in business to business marketing is to create interdependence between supplier and customer, because marketing to businesses involves managing interconnected relationships between buyers, sellers, competitors and third parties and, for this reason it is open to the possibilities of interconnected multi-interdependence.

An article by Schepps (2004) describes the different approaches small and medium sized business can take towards increasing customer retention as compared to big businesses. The author states that small businesses should allow bigger ones to keep those customers that are only shopping for the lowest price since there are plenty more customers looking for service before price, the focus for small businesses should therefore be value- not necessarily offering the lowest price. The author also states that small businesses can have the advantage over big
businesses, if its management can understand the idea of having an upper hand in capturing market share through true customer retention and positive customer experience initiatives. The personal touch of a small business positively affects retention; the author states that this is why so many large businesses have chosen franchising for example, to sell their products or services, because what they are really doing is giving consumers and businesses a personal experience (ibid).

Ahmad et al. (2001) express that the overwhelming argument for customer retention is that it is cheaper to retain than to acquire new customers. The authors claim that a 5 percent increase in retention rate leads to an increase in the net present value of customers between 25 and 85 percent.

Henning-Thurau et al. (1997) agree and add that retaining customers opens up considerable cost-reduction potentials that have led to a strong emphasis of customer retention.

Ahmad et al. (2001) further state that customer retention management can be problematic if it is not defined in a way that is appropriate to the firm’s business. In some cases, suppliers are not capable to notice hidden defections of their customers. These defections occur when firms fail to recognize a slower growth in sales to a particular retained customer relative to the growth of the market. The author identifies ethical problems and involuntary factors as two causes of customer switching behaviour which providers of service are not able to have power over. The reasons for staying or leaving with one supplier vary from one customer to another.

2.3 Customer Retention programs and Business Performance

Technological advancement
Baker et al. (1998) state that technology has undoubtedly affected the process of marketing communications and enabled marketers to deal with people more selectively through enhanced two-way communication, thus helping to build relationships. The earlier phase of one-way process of communication was characterized by direct marketing, nowadays technological advances have enabled dialogue between sellers and marketers possible and provided the technological basis for interactive marketing and the building of relationships originating from the dialogues formed. It has made the communication process more efficient, and enabled more interaction than ever before. The more an organization is able to sharpen up on the specific needs of the customer, the more this will lead to the possibility of isolating the customer from competitors’ offerings. No matter which form of marketing is used, marketers have always considered the customer at the centre of any valid marketing model. It is a marketer’s job to ensure that everything is right so that the transaction can take place. When the authors discuss the inadequacy in the transactional approach, they point out that the centrality of exchange and customer are not in doubt in the approach but that there are situations where repeated transactions are unrealistic and where the short-term focus remains the general time perspective.

The Conversion Model
Richards (1996) describes the Conversion model as a way to optimize customer retention. The model provides an exact identification of the customer relationship and enhances diagnostics by identifying customers who are at risk more accurately, and, by identifying non-users who may be won to counterbalance losses, it provides a more complete instrument with which to
manage markets. The author claims that satisfaction measurement is important but that it falls short in two important areas. Firstly, it is not comprehensive enough to provide the optimum identification of customers who are at risk and therefore it provides only limited information when it comes to diagnostics and the ability to manage current customers for retention. Secondly, customer satisfaction measurement falls short in terms of ability to manage non-customers. All service providers and brands develop equity among non-customer. Conversion modelling is a validated approach to the total management of customers – both those who are currently customers and those who may become customers in the future. It adds the measurement dimensions to a customer management programme that customer satisfaction approaches seem to be missing. The model is generally used as a marketing tool to identify commitment to different brands of goods or services where the focus is put on the basis that it is not enough to have satisfied customers. The model is also used to give marketers an edge over their competitors by establishing what factors can be built on to retain disaffected customers while attracting disaffected users of competitive brands. The author claims that “satisfaction” is a poor predictor of behaviour when measuring customer retention. Because of the fact that satisfied customers will leave; and dissatisfied customers will stay, companies should implement the conversion model into their business strategy by focusing on customer commitment instead of customer satisfaction. By doing so, the organization is able to distinguish between customers who are at risk and those who are not. A person who is ambivalent may be poorly committed yet remain so without switching. By using customer satisfaction together with the three other sub-components, the conversion model provides an exact identification of the relationship that the consumer has with the brand. The segmentation during the process provides answer to the following four questions.

- How many people are in the segment, and how many of them are committed or uncommitted, how many of them are available or unavailable?
- How can the people of each segment be identified, are there distinguishing features of the committed compared to the uncommitted? If there are any distinctive features are they demographic, psychographic or something else?
- Can the switching patterns of the customers be analyzed, and if they can; to which alternatives are the uncommitted users going and from which alternatives are the available non-users coming? And;
- What is the motivation for the customers; what is undermining the commitment of uncommitted customers, and what are the barriers to getting the available customers to switch in? (ibid).

**Customer behaviour**

Ahmad et al. (2001) mention that one of the ways of knowing the loyalty of coefficients of customers is by analyzing customers past behaviour. In addition to measuring retention, firms should consider interviewing former customers in order to learn their reasons for defecting. As mentioned earlier, customer defections may have been caused not by the firm itself, but by factors beyond its control. The authors identify six types of defectors: 1) prices – for a lower price, 2) product – example for a superior product, 3) service – for a better service, 4) market – for a different market, 5) technological – the customer has converted from using one technology to another, 6) organizational – switches due to political pressure. The organization should also identify the customers switching behaviour by moving beyond resolving problems to learning from companies beyond the firm’s industry. Moreover, the authors identify eight causes of switching behaviour in service industries: price, inconvenience, core service
failures, failed employee responses to service failure, ethical problems, involuntary factors, competitive issues and service encounter failures. A strategy that can help firms deal with these identified switching behaviours is customer portfolio management. A customer portfolio could comprise several groups of customers each with different buying behaviours, such as the first-time buyers, repeat buyers, switched-away-then returned buyers and last-time buyers. It involves an analysis of the firm’s customer portfolio with a view to creating a specific balance of customer groups before recognizing the firm for customer retention. The authors study can be summed up as follows; reorganization for customer retention involves setting an acceptable target for customer turnover, establishing executive accountability for keeping customers and improving internal coordination by targeting promotional strategies towards repeat usage. All of this should be done under circumstances that are appropriate to their business; they should measure customer retention using appropriate methods, and they should implement strategies that are appropriate to their business context (ibid).

To retain customers it is vital to keep a dialog going and keep the customers in control. Using the web, a customer with a need can complete a form. Depending on how this form is completed, the solution finder processes the request. Depending on the mode of communication or need a customer gets a call back, a text message, or e-mail. Customers enjoy being in control of their relationship. With the information the customer provides, transactional information and a set of business rules, a company can choose various methods of customer contact (like e-mail and messaging), the timing and the message that is the most likely to connect to the customer. (Smith, 2006)

Organizations should measure their customer retention in relation to the nature of the business and, more specifically, on the repurchase cycle appropriate in the industry within which they operate. The calculation of customer retention can get even more complex if the customers have multiple suppliers, a few customers have a disproportionate spend relative to other customers, or if individual customers have several accounts with a single supplier (Ahmad et al. 2001).

According to Richards (1996) experience tells us that it is impossible to prevent some defections from taking place because there are always customers at the margin who will defect. Therefore, a complete customer management programme must include a strategy for acquisition to replace potential defectors. In the study, the author questions why satisfied customers leave and why dissatisfied stay? He claims that the answer must be that, no matter how deftly customer satisfaction is broken into sub-components, it is not the only factor that drives commitment. Other fundamental factors are: involvement in the brand and in the category, attraction of alternatives, and extent of ambivalence caused by the range of choices. Involvement is to be considered because the more involved people are in a choice, the more carefully they will choose. And once having chosen, they tend to stand with their choice. When dissatisfaction sets in, the primary stage of the dissatisfied but involved person is not to seek alternatives, but to try to fix the relationship. Attraction of alternatives is important because the level of dissatisfaction at which conversation will take place is obviously affected by the extend to which alternatives attract. If no alternatives are thought to be any good, then, as with high involvement, conversation may be delayed in spite of dissatisfaction. The impact of ambivalence is important because the advantages and disadvantages of each option have to be compared and assessed. When this happens, the customer is in a state of ambivalence – a state in which they will vacillate between staying and leaving.
Baker et al. (1998) state that the competition nowadays is not between what the produces or which services it offers, the competition is between what the companies add to the output in the form of packaging, services, advertising, customer advice, financing, delivery arrangements, warehousing, and other things that people value.

**Relationship Marketing effects on long-term relationships**

Baker et al. (1998) state that it is important for organizations to evaluate the value that the customers possess when developing a relationship marketing (RM) approach. This is done by the relationship measurement approach that is based on evaluating customer value by looking into three determinants: economic, strategic, and behavioural. The economic factor measures how value can be added by looking into costs and thereafter concurrently adding value by means of cost reduction so that it can lead to a relationship. The model also looks into adding value by means of the strategic determinants (see figure 3).

Here factors that involve competitive positioning are looked at. The behavioural factors measure the value of a relationship by the extent to which social bonding has occurred among key individuals, trust has developed, and national, organizational, or industry cultures are shared. The model includes an application of a questionnaire, largely based on attitude scale responses from relationship participants that measure potential relationship problem factors, together with respondent’s attitudes and perceptions regarding their relationship partners. The representation of the responses is subsequently plotted to develop relationship profile diagrams. The profile interpretation is based on the distance from zero value on the mesh towards the outside, accompanied by a positive score.

![Figure 3. Relationship Measurement Source: Baker, Buttery, & Richter-Buttery (1998) p.60](image)

The approach can be tailored to the specific needs of a relationship by developing a unique diagram. The authors state that the profile diagram can be used as a benchmarking tool capable of comparing core relationships as well as providing a valuable planning tool to improve relationships. The planned profiles can be used to identify the gaps, which need to be
Literature Review

overcome to ensure that target customers are lead to the top of the relationship spiral (see figure 2). To ensure that the new profile is accomplished the firm will need to develop marketing strategies and tactics which will improve its RM. According to the authors, the challenge to a marketing organization is to manage its relationships well, and this means paying attention to the fundamentals of marketing and the fundamentals of the relationship.

3-step customer retention program
Rieck (2004) presents a 3-step customer retention program that is used to help organizations satisfy their customers and retain their businesses. The first step, ask questions, involves the company to be the initiator in order to get feedback from the customer. The company can gain feedback in several ways for example; having a comment card in the fulfilment or a feedback from the Web site. The lines of communication should be kept open by direct customer service phones and special customer service e-mail address. The main objectives of the company should be to have a well trained customer service department, solve problems promptly and remind the customers that you care. The second step of the retention program involves staying in touch with your customers. An inexpensive newsletter that includes information about new products or services, company policies and anything interesting or relevant can help the company to maintain a friendly familiarity with your customers. Letters and e-mails can also be used to as a way to thank customers, for top customers the companies should consider a personal phone call just to say thank you. If the company manages to follow the customers buying habits it can be very effective to tailor their offers to the habits. The third step, be generous, emphasizes the fact that business is more than sales, it’s about relationships. Little acts of unexpected generosity can go a long way toward cementing your relationship with customers. If the company manages to develop and nurture the relationships through a commonsense communication programme, customer defections can be reduced and profit can increase (ibid).

The importance of employees
Storbacka and Lehtinen (2000) claim that the products or services that the company is offering should be treated as a continuously developing process. This is due to the fact that the customer does not obtain any value from purchasing the product or service it self, instead the value is created in every exchange moment that occurs between the customer and the company. The relationship should consist of the products or services that the organization offers as well as the emotional exchange that occurs during the relationship. Therefore the service that the company is offering should only be treated as a part of the relationship process. If the company is to create value for its customers, the exchange of feelings, knowledge and actions should be steady throughout the entire relationship. The selling activity should not be treated as an action to sell the service to the customer; instead the company should make sure the right competences are used in order to support the relationship during the time it lasts.

Ahmad et al. (2001) claim that if an organization is to be successful they should retain their customers, not just by focusing on customer retention, but also employee and investor retention. Disloyal employees are probably not able to build an inventory an inventory of loyal customers and disloyal investors do not support long-term relationship programs. Emphasis should be put on the need for maintaining a team of customers, employees and investors that share the same vision of a long-term relationship. At this point, it should be stressed that not all customers prefer long-term relationships, although there are those who prefer long-term relationships, inherently spend more, pay on time and require less service (ibid).
Lee (2006) states that few companies really devote enough amount of energy teaching employees techniques to do a better job of retaining customers. It costs far more in marketing costs to have to replace customers the company loses therefore the author suggests that companies should invest heavily in training their employees how to hold on the customers they have now. The author suggests the following fifteen ideas for companies in order to improve their customer retention rates:

- Measure customer retention by salesperson. This is to examine which salespeople are loosing the most customers
- Hire a professional to train the salespeople as well as all customer contact personnel on how to deliver customer care
- Teach all employees how to most effectively deal with an irritated customer
- Set a standard within the company for customer response time and monitor how well your people are doing against these standards
- Make it a policy to answer all phone calls on the third ring
- Install a policy to under promise and over deliver when making promises to customers. Without training, careful employees who are trying to please the customer will often do just the reverse
- When a customer complaint is unresolved, keep the customer informed. Call even if you have nothing to report – giving – customers before they call them an update on the status of the complaint
- Give the employees the flexibility to change the rules to serve the specific needs of individual customers
- Measure service! Measure in time delivery, backorders/fill rate, accuracy of deliveries, accuracy of billing, etc. improve your company’s credibility by using these numbers to support your service claims
- Follow up with customers to check their satisfaction level, especially when a customer is new to the company. Ask customers questions. Do not assume that they are happy with your quality and service
- Invest in quality people. When it comes to employees, you get what you pay for. Do not hesitate because of costs when hiring customer contact personnel. The quality of your people equals the quality of your company
- Empower your people to take whatever action is necessary to take care of a customer. If you are going to spend money, spend it to improve your rate of customer retention
- Do not ask for business from a customer until you are convinced that your company can meet his or her stated customer service expectations
- Make a list of each of the value added services your company offers. Ask each employee to commit it to memory
2.3 Conceptual Framework

The aim with this section is to develop a conceptual framework that will guide us in our study. The framework will be based on some models and theories presented earlier in this chapter. The theories used are related to our research questions so the conceptual framework will also serve as the basis of our data collection.

As defined by Miles and Huberman (1994), “a conceptual framework explains, either graphically or in narrative form, the main things to be studied – the key factors, constructs or variables –and the presumed relationship among them” (p18). By doing a conceptual framework we are forced to be selective – to decide which variables are most important, which relationships are likely to be most meaningful, and, as a consequence, what information should be collected and analyzed (ibid).

In our study the first research question describes how the advantages of Customer Relationship Management can be described, the second research question focuses on how companies benefit from using a customer retention-based strategy, and the third research question relates to the factors that can be included when companies are developing retention programs and applying these into their business activities.

2.3.1 Conceptualization of Research Question 1

The literature most relevant to answer the first research question concerning how the advantages of Customer Relationship Management can be described will be presented in this section. We chose to rely on the three studies presented below because we consider them to be descriptive and helpful to define which advantages can be gained by using Relationship Marketing strategies.

- **Customer Relationship Management (Payne, 2006)**
  The study was chosen because it describes CRM as a part of relationship marketing with the main focus on development and enhancement of individualized customer relationship with carefully targeted customers and customer groups. The author of the study emphasizes how it is becoming more than ever before important for industry leaders to address how to transform their approach to customer management, and how narrow functionally-based traditional marketing is being replaced by a new form of cross functional marketing- CRM. The staff of the company should put customer needs first. By supporting and developing the frontline emotional intelligence of its employees, it can ensure that most of these moments have a positive outcome.

- **CRM and Customer service: strategic asset or corporate overhead? (Smith, 2006)**
  This study was chosen because the author mentions the impact of CRM on customer retention. Here CRM is described as continually monitoring of customer satisfaction and behaviour and measuring successes with benchmarking, without expectations of immediate profits, which will help ensure that the CRM process continue to evolve in the best method. Analysis of customer data is a key part of CRM. A solid analysis will provide companies with a clear picture of who their customer is and what their needs are.

- **The moment of truth in customer service (Beaujean, Davidson & Stacey, 2006)**
  This study was chosen because it focuses on employees as a part of a retention program. The authors of this study claim that the senior executives can take coordinated action to increase the emotional intelligence of employees by taking necessary steps including working to give
frontline jobs real meaning, aligning structures and processes, focusing on learning by experience, developing frontline leaders, and using them to serve as role models.

2.3.2 Conceptualization of Research Question 2

In order to describe and get an extensive picture of how companies can benefit from using a customer retention-based strategy we have chosen to rely on the following three studies.

- **The Impact of Customer Satisfaction and Relationship Quality on Customer Retention: A Critical Reassessment and Model development (Henning-Thurau & Klee, 1997)**
  This study was chosen because it is based on a conceptual model that focuses on customer retention and its relation to customer satisfaction. The study is based on different factors that might affect customer satisfaction and furthermore improve the quality of the relationship which can lead to the company being able to influence the repurchase decision of their customers. One example of such a factor could be special treatment for customers.

- **Customer Retention: a potentially potent marketing management strategy (Ahmad & Buttle, 2001)**
  The reason we chose to rely on this study is because it brings up factors that can help us get out information concerning the benefits of customer retention. According to the authors the organization should focus on existing customers because those are the ones who can not only provide feedback about products and services, but also work together with suppliers to add value to a particular service by improving the process. Structural bonds therefore help create value for customers by saving the costs of retaining or making a new investment with a new supplier. A provider of services should therefore focus on progressively closing the gaps between customer expectations and experiences of service quality.

2.3.3 Conceptualization of Research Question 3

The following studies are used to allow for more description and detail of possible rationales that will help us view how companies can develop a retention program and apply it into their business performances.

  This study was chosen to help us understand if technological advancement can be used in order to enhance the communication between companies and their customers. According to the authors increased two-way communication can enable companies to be more coherent to customers and their needs. The authors bring out that the purpose of relationship marketing is to develop long-term relationships which may in turn lead to enhancing customer retention.

- **Customer Retention: a potentially potent marketing management strategy (Ahmad & Buttle, 2001)**
  This study was included in the conceptual framework because it describes the importance of evaluating customers past behaviour when developing a customer retention program. The authors state that in addition to measuring retention, firms should consider interviewing former customers in order to learn their reasons for defecting. The authors state that customer defections may have been caused not only by the firm itself, but also by factors beyond the company’s control.

The study also includes the strategy of using a customer portfolio in order to comprise several groups of customers each with different buying behaviours, such as the first-time buyers, repeat buyers, switched-away-then returned buyers and last-time buyers.
How to Enhance Customer Retention (Lee, 2006)
The reason this study was included in our conceptual framework was because according to the author few companies really devote enough amount of energy teaching employees techniques to do a better job of retaining customers. The author suggests fifteen different ideas for companies in order to improve their customer retention rates therefore we would like to investigate if the companies included in our case studies are using any of these implications.
2.4 Frame of Reference

Our conceptualization is summarized in the frame of reference below which includes the structure of concepts by means of which we will evaluate our data.

<table>
<thead>
<tr>
<th>RQ1. Advantages of Customer Relationship Management</th>
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<tbody>
<tr>
<td>• Transform business approaches to CRM</td>
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<tr>
<td>• Customer knowledge through interaction</td>
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<tr>
<td>• Analysis of customer data</td>
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<table>
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<tr>
<th>RQ2. Benefits from a Customer Retention Based Strategy</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Customer satisfaction related to customer retention</td>
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<tr>
<td>• Focus on existing customers</td>
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<tr>
<td>• Improvement of the buying process</td>
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<table>
<thead>
<tr>
<th>RQ3. Customer Retention programs and Business Performance</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Technological advancement</td>
</tr>
<tr>
<td>• Evaluate customers’ past behaviour</td>
</tr>
<tr>
<td>• Attention to customers’ needs</td>
</tr>
<tr>
<td>• Training of front-line staff</td>
</tr>
</tbody>
</table>

**Figure 4.** Frame of reference Source: Authors’ own construction.
3 Methodology

In this chapter we will discuss and justify the methodological choices we have made for our research. The figure 3.1 below provides an overview of the headings of the chapter and how these fit together.

Figure 5. Methodology Overview

Source: Adapted from Foster (1998), p.81

3.1 Research Purpose

According to Yin (1994) and Wiedersheim-Paul and Eriksson (1998), research can be classified into one of the following three different purposes: exploratory, descriptive or explanatory research. Furthermore, these classifications can be based on how much knowledge the researcher has in the initial state of the research, in addition to what kind of information that is required in order to deal with the purpose of the thesis. (Reynolds, 1971).

Exploratory research aims to formulate and define a problem. It is useful when the problem is difficult to demarcate, when the perception of which model to use is unclear and what qualities and relations that are important are diffuse. (Widersheim Paul & Eriksson, 1998) Therefore, the purpose of an exploratory study, according to Patel & Tebelius (1987), is to collect as much information as possible about a specific problem. Furthermore, Reynolds (1971) claims that in an exploratory study the researcher gain a better understanding of the research area. Descriptive research is suitable when the purpose is to correctly describe a phenomenon and when the problem is well structured. Explanatory research is employed to analyze causes and relationships, explaining which causes produce which relationships (Yin, 1994). Furthermore, this also includes the explanations of a certain purpose, when investigating if one specific factor affects another (Wiedersheim-Paul & Eriksson, 1998).

In this study we primarily describe and explore how service providing companies can enhance customer retention by constantly developing their business strategy. This includes looking into several variables such as; relationship marketing, customer relationship management (CRM), and the influence of such factors as customer and front-line staff relationships. The purpose of this thesis is exploratory, as no identical research approach has been made before and the aim with the study is to gain as much information as possible, thus, aiming to gain a better understanding of the research area. Finally, our research purpose is somewhat explanatory, as we are beginning to explain the results that we have gained in the two previous stages, by drawing conclusions that are answering our research questions.
3.2 Research Approach

This study will use a qualitative approach, as Yin (1994) states, qualitative method is used to gain a better and profound understanding within the research area, and focuses mainly on describing an event with the use of words. The best approach to use for a study depends on the purpose of the study and the accompanying research questions (ibid). As a result of this explanation, the emphasis of this study is qualitative, due to the fact that we aim to gain a deeper understanding on how service providing companies can take use of relationship marketing and customer relationship management in order to enhance customer retention, which in turn requires a more detailed investigation. Furthermore, we aim to draw conclusions from our findings.

3.3 Research Strategy

The most appropriate research strategy for this study is thought to be a case study. Zigmund (2000) states that a case study is a technique that intensively investigates one or a few situations similar to the researcher’s problem. An advantage with performing a case study is that an entire organization or entity can be investigated in depth. This enables that the researcher may study for example the order of events or the relationship among functions or individuals. However, the results from a case study should be seen as tentative and since most situations are typical in some sense it is dangerous to make generalization based on the result (ibid). Yin (1994) states that case studies have a profound association with “how” questions, not involving the need to control the chain of events, and are based on contemporary events. A multiple case study is also applied to this thesis, based on Yin’s (1994) statement that a multiple case study has the benefit of being more reliable and convincing than a single case study regarding the researcher’s generalizations and conclusions.

3.4 Data Collection Method

For this study interviews were used as the primary data collection method. According to Yin (1994) interviews are an essential source for case study research information, which allows researchers to to focus on the cases study topic. The most appropriate types of interviews for this thesis is focused interviews since the topic of the discussion is already set, and it allows the researcher to have informal conversation based on pre-determined topics (ibid).

An interview guide (Provided in appendices A-B) was used in order to discuss a limited number of issues connected to the conceptual framework in chapter two. This allowed the respondents to respond with flexibility, and to confirm or dismiss certain facts in a conversational matter.

Two of the three interviews included in this study were conducted by telephone. According to Yin (1994) telephone interviews are less costly and time consuming. However telephone interviews have disadvantages to them like; visual cues risk to be absent, and other disadvantages such as difficulties recording data, less ability to control the pace of the
interview, and difficulties developing complex questions may follow. One of the interviews was conducted face-to-face. That type of interview can be carried out longer than telephone interviews and include questions that are more complex, allowing a better feedback from the respondent (Yin, 1994).

The interviews were furthermore conducted in Swedish, as it is the mother tongue of the respondents. The phone interviews were recorded on the cellular phone used, in order to register the empirical data, which also enabled double-checking after the interviews. In addition to the recording, notes were taken during the entire interviews. The interview guide was sent to the respondents one day prior to the interviews, in order for the respondents to prepare for the interview and hence answer the questions as accurately as possible. The interview took about one hour each to conduct. Immediately after the interview sessions, we tried as much as possible to listen and read through all the data gathered. This is because we wanted to keep it close to our mind and memory; we did not want time to pass which could make the analysis of the data even more difficult and sometimes not trustworthy.

Finally, we have used documentation in order to collect secondary data relevant to the study. This has been conducted by visiting the websites of the companies and other material on the web.

### 3.5 Sample Selection

As it would be too impractical, too expensive, if not impossible to collect data from all potential units included in a research problem, a smaller number of units, a sample is often selected as a representative of the entire population (Zikmund, 2000).

According to Holme & Solvang (1991), it is of great importance that the selected cases are relevant to the purpose of the study, and that the respondents have abundant information on the studied phenomenon when performing the case studies. We have followed the advice of Holme and Solvang and selected three case studies as our samples, as we chose to conduct a multiple-case study.

The first step in choosing our sample selection was investigating which companies were suitable for our research purpose. Due to the purpose of this study to investigate how companies in the service and specifically in the logistic industry can enhance customer retention by using a strategy based on relationship management and applying this to their businesses through customer relationship management (CRM), we started to list logistic companies that were the most active ones on the local market and the top-three in regards to market share. We also chose to focus on the logistic industry since it is an industry segment were the services often are very similar to each other and where companies industry have a hard time retaining customers. The amount of information available along with the easy access to it also influences the specific choice of companies. The companies in question were DHL, Jetpak and Schenker.
### Methodology

<table>
<thead>
<tr>
<th>Company</th>
<th>Industry</th>
<th>Respondent</th>
</tr>
</thead>
<tbody>
<tr>
<td>DHL (owned by Deutsche Post)</td>
<td>Logistic &amp; Transport</td>
<td>➢ Sales manager</td>
</tr>
<tr>
<td>JetPak (Franchisee)</td>
<td>Logistic &amp; Transport</td>
<td>➢ Manager</td>
</tr>
<tr>
<td>Schenker (owned by Deutsche Bahn)</td>
<td>Logistic &amp; Transport</td>
<td>➢ Head of Customer Service</td>
</tr>
</tbody>
</table>

*Table 1 Companies, industry and respondents included in this research.*

#### 3.6 Data Analysis

According to Yin (1994), research projects should begin with a general analytic strategy providing the researcher with a system by which he or she can set priorities for what to study and why. Two general analytical strategies are available when performing a case study, namely relying on theoretical propositions and developing a case description. Relying on theoretical propositions is the favoured strategy, and also the strategy used in this study (ibid). Using this strategy, the data collection is based on the research questions taken from previous studies. The findings of the research will then be compared with the findings from previous studies.

Miles and Huberman (1994) further state that the process of analysing qualitative data concentrates on data in forms of words and the processing of these words is an aspect of the analysis procedure. The procedure consists of three activities:

- **Data reduction** is viewed as the process of selecting, simplifying and transforming the data in an arranged way that final conclusions can be drawn and verified.

- **Data display** refers to the presentation of the reduced data in an organised way in order to simplify the process of drawing conclusions.

- **Conclusion drawing/verification** is the ultimate analytical where the researcher evaluates the significance of the findings by noting regularities, explanations, patterns, casual flows and propositions (ibid).

When the data in this study was analyzed the three steps suggested above were followed. The authors suggest two types of analysis regarding qualitative data; within-case analysis and cross-case analysis. Firstly, for each research question included in the study the empirical findings have been compared to the literature and theories featured in our conceptual framework, in order to first make a within-case analysis for each case. Secondly, the data gained from the three case studies is compared by using a cross-case analysis, in order to finally draw conclusions of the patterns of similarities and differences in the data display.
3.7 Quality Standards

Yin (1994) suggests four different tests a researcher can use to test the quality of a study, namely construct validity, internal validity, external validity, and reliability. In our research we chose to use the two tests explained below.

Construct validity refers to the establishment of correct operational measures for the concepts being studied, by using tactics such as multiple sources of evidence, establishing a chain of evidence, and having the draft study reviewed by key informants. In order to increase construct validity, both interviews and documentation were used as sources of evidence. A chain of evidence is established by referring to used secondary data, by presenting the primary data, linking together the purpose, research questions, frame of reference, interview guide, and findings, and by referring to methodological procedures (Yin 1994).

External validity deals with the problem of knowing if it is possible to draw general conclusions from the findings of the case study. Multiple-case studies are generally a stronger basis for generalization than a single-case study, and as case studies rely on analytical generalizations, meaning to attempt to generalize findings with theory, the external validity might not be quite so high (Yin 1994).

In this study multiple interviews were applied to increase validity in the forms of being able to compare the results which will hopefully lead to a better analysis.
4 Empirical Data

This chapter will present the empirical data of this thesis in the form of three case studies. The data collected was based on our conceptual framework and our frame of reference in chapter two. In each of the cases the company will be introduced, its activities and the respondents and then the empirical data in each of the three research questions will be presented.

4.1 Case Study 1: DHL

DHL is the global market leader in international express, overland transport and air freight. It is also the world's number one in ocean freight and contract logistics. DHL offers a full range of customised solutions - from express document shipping to supply chain management. DHL was founded by Adrian Dalsey, Larry Hillblom and Robert Lynn, their names also represent the first letters of the company name. DHL was founded in 1969, when the three partners took a step that would have a profound impact on the way the world does business. The founders began to personally ship papers by airplane from San Francisco to Honolulu, beginning customer clearance of the ship’s cargo before the actual arrival of the ship and dramatically reducing waiting time in the harbour. With this concept a new industry was born: international air express, the rapid delivery of documents and shipments by airplane. The DHL Network continued to grow at an incredible pace. The company expanded westward from Hawaii into the Far East and Pacific Rim, then the Middle East, Africa and Europe. By 1988, DHL was already present in 170 countries and had 16,000 employees. At the beginning of 2002, Deutsche Post World Net became the major shareholder in DHL. By the end of 2002, DHL was 100% owned by Deutsche Post World Net. 2003, Deutsche Post World Net consolidated all of its express and logistics activities into one single brand, DHL. The DHL brand was further strengthened by Deutsche Post World Net's acquisition of Exel in December 2005. The DHL expertise is pooled from a number of companies acquired by Deutsche Post World Net. DHL in Sweden currently has around 5300 employees.

Our respondent at DHL, Luleå was Ingela Ylinenpää, who works within the sales department at the company. In presenting the empirical data, the respondent at DHL will be referred to as I.Y.

4.1.1 CRM at DHL

Transform business approaches to CRM

Regarding DHL’s attitude towards building customer relationships, the respondent claimed that it is important for the company to have strong relationships with their customers. The company uses long-term relationships as their tactic where they base their building of the relationships on information. The information the company gains from the customers is considered to be just as important as the information that the customer receives from the company. Emphasis is put on information because the company is aware of how easy misunderstandings can come about if the information is not received in the right way.

The marketing activities of the company are decided by the headquarters. On the local level of each DHL office the local operation managers have shared responsibility of maintaining the
Empirical Data

customer relationships. Inside DHL, certain things are ruled by the headquarters to a hundred per cent while other things are handled completely by the local operational managers.

If the employees of DHL notice that a service could have been performed in a better the matter is taken very seriously. Complaints are evaluated on a regular basis and are at the end handled by the person responsible in the company. For DHL Luleå meetings occur once a week for the managers, and once a month the entire office gathers for a meeting to share feedback and make decisions.

The company uses several different ways to initiate contact with their customers; Internet advertisement, billboards and telemarketing. It occurs that customers are contacted before, during and after the delivery.

*Customer knowledge through interaction*

There are distinctions when DHL come in contact with the following types of customers;

New customers are given a lot of information and useful advices about for example how to do their orderings, get in contact with employees of the company and packing.

Frequent customers are as far as possible treated like the rest of the customers.

If DHL recognize that their customers have recently hired new staff or made changes within their organization, they offer to do a customer visit.

Customers that once have used DHL’s services and return to use them again are registered in the company’s database and are given a new introduction of the services being offered.

DHL uses individually adjusted methods to build customer relations, for example sales personnel that travel around to meet customers and that can be reached through e-mail or phone.

Lately no special events have occurred between DHL Luleå and their customers except for a lunch gathering where all the customers were invited. According to the respondent this is due to deficiency of time.

There is no specific special treatment offered to certain customers because DHL has the policy of treating each customer well.

*Analysis of customer data*

DHL have a directory that consists of information about the customers’ purchases and is sorted by geographic areas and the personnel that are responsible for each customer. To increase their sales, DHL focuses on extending the amount of information that they receive from the customer and that customers receive from the company, as far as possible.
4.1.2 Customer Retention Strategy at DHL

Customer satisfaction related to customer retention

DHL measures customer satisfaction continuously and it is done by the company calling up the customers by phone or contacting them through their website. The results the company gains are later analysed and discussed during the company’s sales meetings.

Focus on existing customers

A lot of emphasis is put on keeping existing customers within DHL. The reason is that DHL realize that the existing customers bring along great benefits because they are familiar with how the company functions. DHL offer a wide selection of standard services to their customers, but deviation can be made to adjust the services to the customers’ needs.

DHL view retaining customers as important because these customers are familiar with the way the company operates and they do not demand certain procedures that the company usually has to go through with new customers.

DHL realize the importance of feedback from retaining customers. Continuous meetings occur amongst the local operation managers, and other employees, where a dialogue takes place about information, complaints and updates. In their customer directory, DHL also register all complaints from customers that come about.

When it comes to special treatment for customers, DHL offer the customers the choice of selecting the employees they prefer to work with and there is also the possibility of providing 24 hours a day services by for example providing the staff of DHL with keys.

Improvement of the buying process

DHL have an outsized range of services and therefore the difficulty of finding a solution does not have to occur often.

When it comes to customer needs, DHL’s outlook is that the need of the customer should meet the services that the company offers as far as possible. In certain situations it occurs that a customer asks for a specific service but, if the employees of DHL see that another of their services would suit the customer better, this is mentioned to the customer. By these means emphasis is put on making an agreement that suits both parties.

Of course there are customers that demand different services. DHL try to follow their standards as far as possible, but if it is necessary to deviate from the standard services to make the customer satisfied it can be done.
4.1.3 Customer Retention and Business Performance at DHL

Technological advancement

The customers of DHL can get in contact with the company in several ways because access is provided by e-mail, fax, phone and also a chat-function available on DHL’s website. The phone lines of DHL are available 24 hours a day where customers can ask for help and advice.

Evaluate customers past behaviour

Regarding the question if DHL analyse the causes behind a customer leaving them I.Y. answered that they do that, but that she could not give any specific examples of reasons that they found for customers not choosing their services.

Attention to customers’ needs

DHL offer delivery according to a time schedule, that guarantees a delivery at the time stated according to the schedule. If it occurs that the deliveries of customers collide, DHL contact the customers to further investigate their needs because an urgency and “as soon as possible” for one customer might not be the same for another.

Training of front-line staff

The employees of the company have a lot of responsibility because they are seen as the face of the company. The chauffeurs, for example, meet the customers every day and there the company sees a great opportunity to build close customer relationships. Recently DHL performed a large survey where the results showed that the personnel of DHL Luleå got top points in customer treatment.

Recently hired personnel are provided both theoretical training within the company, through for example courses, and practical training, by working side to side with an experienced worker of DHL. Internally, DHL provide e-learning for their employees. The e-learning is based on the employees using tests available on the company website in order to practice their skills about for example products. The purpose of the e-learning is to make sure that the DHL acts like a constantly developing company.

Case Study 3: JetPak

JetPak Group is a Nordic company headquartered in Stockholm that offers door-to-door express deliveries, primarily within 12 hours throughout the Nordic region. From focusing mainly on ad hoc – door to door deliveries – the company is increasingly providing systemized and customer-specific door to door express delivery solutions for time critical and high value products like high tech, automotive spare parts and medical equipment.
JetPak commands a Nordic network comprising more than 140 locations, franchise based ground transportation with access to 700 vehicles and access to an extensive air route network of more than 2,600 flight departures 24 hours a day. The group employs 242 people, but through cooperation with franchisees and agents there are more than 1500 people engaged within the JetPak network. JetPak holds strong market positions in Sweden and Norway and is pursuing a development strategy in Denmark and Finland. The company is owned by Polaris Private Equity, Accent Equity and the company’s management.

Our respondent at JetPak, Luleå was Lars Holmgren, who is the manager of JetPak Luleå. In presenting the empirical data, the respondent at JetPak will be referred to as LH.

4.2.1 CRM at JetPak

*Transform business approaches to CRM*

The company considers the maintaining of good customer relationships as very important mainly because of agreements that exist between the company and its loyal customers.

JetPak Luleå is a franchise, they have a local list of customers and there is independence on the local level when it comes to certain actions but there are specific actions that have to be approved by the headquarters before they can be performed.

If the employees of JetPak notice that a service could have been performed in a better way the company always try to analyse it as a part of their flexibility concept. The respondent states that the company is very aware of the challenge of handling information as well as the existence of lack of information. The company tries to work on a constant basis with being in touch with existing as well as potential customers. JetPak feel that they must promote the services they offer so that the customers are aware of their wide selection.

JetPak in Luleå do not market themselves through newspapers but they are currently planning a local marketing campaign which will include radio commercials. JetPak often perform customer visits and gatherings in order to strengthen customer relationships. The marketing manager of the company has the closest contact with the customers.

*Customer knowledge through interaction*

There are distinctions when JetPak come in contact with the following types of customers;

New customers are treated more carefully and the company makes sure that they can gain a lot of information from the customers. JetPak also try to make sure that the customers are given a serious image of the company.

Frequent customers are easier for the company to handle because they are familiar of the procedures and because the company has information about the customers in their database.
Empirical Data

With customers that once have used JetPak’s services and come back JetPak make sure that they welcome them back and not criticizing them. Here the respondent also comments that the majority of the local customers are very loyal. In general, all purchases that occur are registered in the customer database.

According to our respondent, L.H, at JetPak, JetPak in Luleå offer certain special treatment for their customers for example; presentations and invitations to certain sport activities. If it is necessary the company can choose to prioritize regular customers, although this is a situation that rarely occurs.

Analysis of customer data

On the local level JetPak Luleå has a customer directory, which mainly serves for the company to be able to analyse the profitability.

JetPak believe that there is always room for improvement and therefore they are trying to work retroactively. By working retroactively they are strive to increase sales. Once contact with customers emerges the company puts a lot of effort into meeting the customers’ needs.

L.H states the following attitude regarding customer needs; we can not make the customers purchase a service that they do not need. Here the respondent refers to the local office in Luleå where a lot of customers have access to their private trailers and solve their deliveries in more traditional ways.

4.2.2 Customer Retention Strategy at JetPak

Customer satisfaction related to customer retention

Customer satisfaction is measured by JetPak once a year, where the company selects specific segments to analyze. This is a part of the company’s quality measurements with the purpose of investigating certain factors such as customer treatment, accounting and prices. The analysis is based on a ten point scale and, according to the respondent; the last measurement showed that JetPak Luleå is doing well by getting the result of 89 per cent.

Focus on existing customers

A lot of emphasis is put on keeping existing customers. The reason, according to L.H, is that it is difficult for the company to get customer that they once lost back.

The big challenge for the company in this situation is being “on top of the mind” for the customers because one of the main problems for the company is their customers irregular buying behaviour.

JetPak views retaining customers as customers that carry along a lot of advantages. Retaining customers cost the company less, recognize the company’s procedures and are familiar with the prices that the company demands for their services.
Empirical Data

Feed back from retaining customers is received in a positive way. L.H states that received critique is seen as an opportunity that can improve the company, but simultaneously the company is aware of the fact that adjustment towards customers should not diverge too much from their offerings.

Improvement of the buying process

JetPak offers a wide range of standard services but they are willing to be flexible in certain circumstances. According to L.H the company puts attention to and analyses the customers’ specific needs when receiving a demand for a service. Depending on the service, JetPak are willing to make certain adjustments if needed. In regards to the staff working close to the customers the respondent is satisfied with their performance and even though he feels that customer needs should be prioritized he is aware of the risk of own-interest getting in the way.

4.2.3 Customer Retention and Business Performance at JetPak

Technological advancement

L.H states that the market within the industry they function in has changed quite a bit during the last years but that the company tries mainly to focus on their own business strategy and not getting affected to much by the changes.

JetPak offer several communication possibilities for their customers such as fax, phone and e-mail. Orders, feedback and complaints can be done by phone and the company’s website. If some problems can not be handled on the local level, these are then handed over to the headquarters.

Evaluate customers past behaviour

Regarding the question if JetPak analyse the causes behind a customer leaving them L.H answered that they try to but sometimes the real cause is hard to find out. The respondent also mentioned that the most common reason they found for customers not choosing their services, on the local level, is the price.

Attention to customers’ needs

The company puts attention to and analyses the customers’ specific needs when receiving a demand for a service. Depending on the service, JetPak are willing to make certain adjustments if needed.

L.H states the following attitude regarding customer needs; we can not make the customers purchase a service that they do not need. Here the LH. refers to the local office in Luleå where a lot of customers have access to their private trailers and solve their deliveries in more traditional ways.
Training of front-line staff

The employees of JetPak are considered to have big responsibility when it comes to nurturing customer relationships. The respondent claims that this is due to the fact that the employees are considered to be representing the company and because they take part in all the activities that occur.

Recently hired personnel at JetPak get an introductive training that lasts one to two days. Thereafter individual experience is gained by direct contact with the customers.

To be aware of the competitors’ activities and status on the market is important for the company. Here the respondent states that internal information is the fastest way of knowing the status of competitors, this can for example be done by maintaining a dialogue with the chauffeurs who are interacting with the customers on a daily basis. The emphasis is put on treating the customers well and, if possible, trying to exceed their expectations.

4.3 Case Study 3: Schenker

Schenker is one of the leading international providers of integrated logistics and it is owned by Deutsche Bahn. Schenker support the global exchange of goods between industrial and trading organisations by offering worldwide air and sea freight and the associated logistics services. The company has over 39,000 employees at about 1,100 offices around the world which makes it one of the leaders on the market. In Sweden, the company has 4200 employees and access to 4000 vehicles. There are also contracts with over 42000 customers. Schenker in Luleå has 22 employees.

Our respondent at Schenker, Luleå was Andreas Westerlund, who is the manager of the sales department at the company. In presenting the empirical data, the respondent at Schenker will be referred to as A.W.

4.3.1 CRM at Schenker

*Transform business approaches to CRM*

Schenker view customer relationships as very important and try to keep their customers as close as possible; this concerns the sales staff especially. If the customer is considered to be important to the company, the employees of Schenker have the responsibility to adjust as far as possible to meet the customer’s needs.

If any unordinary situations occur with the customers, the local offices have the responsibility to solve this.

According to our respondent, A.W, the headquarters of the company are mainly responsible for the marketing activities of the company.

The customers of Schenker are able to get in contact with the company in several ways, for example by phone, and by logging into a specific service offered on the company’s website called “My Schenker”. My Schenker is a data base that stores information useful to the
customer; here for example the business agreements and invoices are registered. Through the website the customer can also send a request where they state their area code and are later contacted by the personnel most suitable to handle the customer’s needs.

Increasing sales are constantly an important factor for the company and therefore they focus on proactive customer care.

*Customer knowledge through interaction*

A.W states that there are distinctions when the company interacts with different types of customers;

If hesitation occurs when relationships are created with new customers the employees of Schenker usually take advice from their colleagues from other offices around the country.

Relationships with loyal customers are usually evaluated during sales meetings and if there are customers that choose to leave Schenker the causes behind this are evaluated during the meetings also.

A.W also stated that the benefit of having local offices is the possibility of having big meetings when it is necessary so that problems can be discussed and solved.

Schenker performs customer visits on a regular basis aimed at constantly enhancing the customer relationships. Schenker sets the price on their services after performing an analysis of the customers’ needs and position.

When it comes to initiating contact as well as keeping in touch with the customers A.W states that Schenker has different ways of doing so. For example through gossip, newspapers and that their drivers asks around if they happen to notice something. After a service has been delivered to a first-time customer the Customer Service at Schenker always calls up the customer. The information being attained from the call is delivered to the local office.

Repeated customer visits are a standard procedure for Schenker.

*Analysis of customer data*

In order to increase their sales, the personnel of the company try to find the solutions that they believe will suit the customers’ needs the best. This proactive way of meeting customer needs, together with the bonus system, increases customer value.

A lot of focus is put on finding out the needs of the most important customers. This includes the fact that the company in certain situations choose to work beyond usual procedures.

In certain situations, the employees of Schenker act as consultants to the customers. If problems occur with the customers, Schenker try to work proactively in order to solve it. Example of proactive means of solving a problem could be finding a price that suits the customer better, or if there is a demand that Schenker can not handle there is the possibility of offering a lower price for the customer.
Schenker has a customer record and view special treatment of large customers as normality. Customers are segmented in groups that consist of A- to E-customers. A-customers are the largest customers and usually receive about two visits per month. E-customers are customers that order services for less than 5000SEK per year, and these are usually not entitled to any customer visits by the personnel.

The company also uses a bonus system where the customers receive additional benefits if they are frequent buyers of Schenker’s services.

### 4.3.2 Customer Retention Strategy at Schenker

**Customer satisfaction related to customer retention**

Customer satisfaction is measured by Schenker two times a year. The company uses a procedure that consists of over 3000 questions. The survey includes questions such as; what the customers think about the chauffeurs, invoices, the selling department, and if the company performed as promised. The survey is performed for all Schenker offices in Sweden and is later divided specifically for the local offices. The results are used to develop an extensive analysis in order to see where improvement within the company needs to be made.

**Focus on existing customers**

A.W stated that Schenker view retaining customers are easier to work with because of several factors for example; the customer is familiar with the company’s procedures, the customers recognize the chauffeurs, costs are rarely discussed, and there is also no need of discussing the goods that are being delivered because they have a customer directory that contains of background information about each buyer.

Schenker perform customer visits on a regular basis aimed at constantly enhancing the customer relationships.

If the customers have demands that Schenker can not meet up to, they are willing to offer a lower price for the services performed.

**Improvement of the buying process**

Schenker sets the price on their services after performing an analysis of the customers’ needs and position. If any unordinary situations occur with the customers, the local offices have the responsibility to solve this.

According to A.W, the company has the outlook that competitors are not the main factor to focus on. Because Schenker feel secure about their business strategy they believe that knowing what their competitors are doing would not be much of a help. Schenker are also aware of the fact that the customers are the ones making the calls; therefore the aspect they focus mainly on is developing close relationships with their customers.
Schenker offer both standardized and customized services. The first aim for the company is to try and sell the standardized services to most customers, but there is the possibility of meeting both larger and smaller customers’ needs with customized services, though customized services cost more.

4.3.3 Customer Retention and Business Performance at Schenker

Technology advancement

The customers of Schenker are able to get in contact with the company in several ways, for example by phone, and by logging into a specific service offered on the company’s website called “My Schenker”. My Schenker is a data base that stores information useful to the customer; here for example the business agreements and invoices are registered.

Evaluate customers past behaviour

All cases of customers being lost is brought up at Schenker’s sales meetings and the reasons are evaluated and analyzed.

The reasons behind a customer preferring not to choose the company’s services, can vary by region. In the case of Luleå, A.W states that the price is the most common factor, many local road carriers for example use foreign labour force and other large companies might choose to lower their prices to keep customers. Schenker also have a record where it clearly appears that locally in Luleå it is all about customers being traditional with a perception of “... this is what we have done for years and it is working for us”.

Attention to customers’ needs

When it comes to meeting customer needs there are standard solutions available that suits most requests due to the reason that the company has changed a lot in the last ten years. If needed, the local office can also adopt a service from for example the head office in Stockholm. To make small adjustments to the existing services are also possible. For the really large customers it is possible to come up with complete new services.

The employees at Schenker try to confirm the needs of the customers to the utmost extent so that the customer is aware of the cost regarding express deliveries, as an example. The employees can also recommend the customer to turn to another company, in case that the other companies offer a less expensive price for a particular service. The purpose of this is that Schenker does not want its customers to feel like the company is taking advantage of the customers to which they have a relationship with.

Training of front-line staff

Schenker has a lot of internal education program for their staff and each employee has an individual work-plan. Newly hired staff receives a basic training for six days, it is also
Empirical Data

included a number of days per year for each employee to receive internal training. Experience among employees is also very highly valued at Schenker.

The local office in Luleå is not big but their employees are left with a big responsibility in regards to the customers. The majority of the staff often has their own specific clients to attend to; the local managers also work closely with their employees.

Schenker recently has started to view customer relations as a mean of staying ahead of their competitors since they realized that the factors of price and speed no longer are sustainable competitive factors. There have also been changes made in the way they handle large customers. These days Schenker priorities to work together with the customers, for example the customers can choose specific staff that they prefer to work with. An important thing is to have a relationship where experiences and preferences are exchanged between the parties.

The employees have their own specific customers, the employees then have the responsibility to stimulate the customer to repurchase. The employees should also constantly seek confirmation for the relationship between the company and the customer. In this answer A.W also commented that no matter how much responsibility the employees takes on and no matter how well they do their job the customer, can still in the end unfortunately let the price be the most decisive factor.

A.W who is Head of Customer Service at the local office states that it is his responsibility to be constantly aware if something is not working, and he makes sure of to follow up on those things. At the same time, all employees have an obligation to report if something is not working by posting it on the company’s internal website.
5 Data Analysis

This chapter will present an analysis of the empirical data that was outlined in chapter four in accordance with each research question. It will include a within case analysis, which signifies that we will go within our findings and compare them to the theories we earlier presented.

5.1 Within Case Analysis of DHL

5.1.1 Advantages of customer relationship management

*Transform business approaches to CRM*

As stated by Baker et al. (1998) the technological advancement existing today enables companies to be more coherent to customers and their needs. By using customer relationship management to develop long-term customer relationships the companies can in the long-run gain several benefits.

The data collected from the interviews performed provided us with the information that all three companies are well aware of this technological development, which can be used to develop long-term relationships with the customers.

DHL focus on creating long-term relationships with their customers based on both the information that they receive from the customers as well as the information they provide for the customers. The local operational managers have shared responsibility of maintaining customer relationships.

Complaints and mistakes that come about are evaluated on a regular basis within the company.

DHL initiate contact with customers by using billboards, through telemarketing and the Internet. They also provide contact by e-mail, fax and phone, as well a chat function on their website which enables their customers to easier access to information and support.

The customers are usually contacted by the company before, during and after the delivery. Individually adjusted methods can also be used to build customer relationships.

*Customer knowledge through interaction*

Ahmad and Buttle (2001) state the only way for companies to gain deeper knowledge about their customers is by maintaining long-lasting relationships with them through customer relationship marketing.

There is no specific special treatment offered by DHL to certain customers because DHL have the policy of treating each customer well. DHL try to follow their standards as far as possible, but if it is necessary to deviate from the standard services to make the customer satisfied it can be done.
Distinctions are made when DHL interact with different types of customers; new customers are given more information and advices about for example orderings, contact with employees and packing, frequent customers are as far as possible treated like the rest of the customers.

DHL offer to do visits if any changes have occurred within the customers’ companies.

Customers that once have used DHL’s services and return to use them again are registered in the company’s database and are given a new introduction of the services being offered.

There is no specific special treatment offered by DHL to certain customers because DHL have the policy of treating each customer well. Of course there are customers that demand different services. DHL try to follow their standards as far as possible, but if it is necessary to deviate from the standard services to make the customer satisfied it can be done.

**Analysis of customer data**

Payne (2006) describes CRM as a part of relationship marketing where the focus is put on developing individualized customer relationships.

DHL have a directory that consists of information about the customers’ purchases and is sorted by geographic areas and the personnel that are responsible for each customer. To increase their sales, DHL focuses on extending the amount of information that they receive from the customer and that customers receive from the company.

### 5.1.2 Benefits from using a customer retention based strategy

**Customer satisfaction related to customer retention**

The study by Henning-Thurau et al. (1997) is based on different factors that might affect customer satisfaction and furthermore improve the quality of the relationship which can lead to the company being able to influence the repurchase decision of their customers. One example mentioned, and that we had the possibility to investigate, was special treatment for customers.

DHL measures customer satisfaction continuously and it is done by the company calling up the customers by phone or contacting them through their website. The results the company gains are later analysed and discussed during the company’s sales meetings.

**Focus on existing customers**

According to Ahmad and Buttle (2001) the organization should focus on existing customers because those are the ones who can, not only provide feedback about products and services, but also work together with suppliers to add value to a particular service by improving the process. Structural bonds therefore help create value for both the customers and the company by saving the costs of retaining or making a new investment with a new supplier.
A lot of emphasis is put on keeping existing customers within DHL. The reason is that DHL realize that the existing customers bring along great benefits because they are familiar with how the company functions. DHL offer a wide selection of standard services to their customers, but deviation can be made to adjust the services to the customers’ needs.

Improvement of the buying process

Smith (2006) describes CRM as continually monitoring of customer satisfaction and behaviour and measuring successes with benchmarking, without expectations of immediate profits, which will help ensure that the CRM process continue to evolve in the best method. Analysis of customer data is a key part of CRM. A solid analysis will provide companies with a clear picture of who their customer is and what their needs are.

DHL try to meet the needs of the customers by offering the standard services as far as possible. In certain situations it occurs that a customer asks for a specific service but, if the employees of DHL see that another of their services would suit the customer better, this is mentioned to the customer. By these means emphasis is put on making an agreement that suits both parties.

5.1.3 Developing a customer-retention program

Technological advancement

Beaujean et al. (2006) state that senior executives can take coordinated action to make employees a part of the retention program.

The customers of DHL can get in contact with the company is several ways because access is provided by e-mail, fax, phone and also a chat-function available on DHL’s website. The phone lines of DHL are available 24 hours a day where customers can ask for help and advice.

Evaluate customers’ past behaviour

Ahmad and Buttle (2001) describe the importance of evaluating customers past behaviour in order to develop a customer retention program. The study also includes the strategy of using a customer portfolio in order to comprise several groups of customers each with different buying behaviours, such as the first-time buyers, repeat buyers, switched-away-then returned buyers and last-time buyers.

Regarding the question if DHL analyse the causes behind a customer leaving them the respondent answered that they do that, but that she could not give any specific examples of reasons that they found for customers not choosing their services.

Attention to customers’ needs
Data Analysis

There are also distinctions when DHL come in contact with the following types of customers; new customers are given a lot of information and useful advices about for example how to do their orderings, get in contact with employees of the company and packing. Frequent customers are as far as possible treated like the rest of the customers. However if DHL know that their customers have recently hired new staff or made changes within their organization, they offer to do a customer visit. Customers that once have used DHL’s services and return to use them again are registered in the company’s database and are given a new introduction of the services being offered.

*Training of front-line staff*

Lee (2006) states that few companies devote enough time teaching the employees techniques to retain customers.

Recently hired personnel are provided both theoretical training within the company, through for example courses, and practical training, by working side to side with an experienced worker of DHL. Internally, DHL provide e-learning for their employees. The e-learning is based on the employees using tests available on the company website in order to practice their skills about for example products. The purpose of the e-learning is to make sure that the DHL acts like a constantly developing company.

**5.2 Within Case Analysis of JetPak**

*5.2.1 Advantages of customer relationship management*

*Transform business approaches to CRM*

As stated by Baker et al. (1998) the technological advancement existing today enables companies to be more coherent to customers and their needs. By using customer relationship management to develop long-term customer relationships the companies can in the long-run gain several benefits.

JetPak considers the maintaining of good customer relationships as very important mainly because of agreements that exist between the company and its loyal customers. If the performance of a service has gone deficiently, the company tries to analyze this when discovered.

They keep a local list of their customers and there is independence on the local level when it comes to certain business actions.

The company tries to work on a constant basis with being in touch with existing as well as potential customers. JetPak feel that they must promote the services they offer so that the customers are aware of their wide selection.

JetPak in Luelå do not market themselves through newspapers but they are currently planning a local marketing campaign which will include radio commercials. The local marketing manager of the company has the closest relationship with the customers.
Customer knowledge through interaction

Ahmad and Buttle (2001) state the only way for companies to gain deeper knowledge about their customers is by maintaining long-lasting relationships with them through customer relationship marketing.

JetPak often perform customer visits and gatherings in order to strengthen customer relationships. The marketing manager of the company has the closest contact with the customers.

JetPak provide their customers with access to information by phone and e-mail. When commenting their technological development the respondent from JetPak claimed that they try not to be too affected by all the technological development and instead they focus on their own business strategy.

Analysis of customer data

Payne (2006) describes CRM as a part of relationship marketing where the focus is put on developing individualized customer relationships.

On the local level JetPak Luleå has a customer directory, which mainly serves for the company to be able to analyse the profitability.

JetPak Luleå acts as a franchise, they have a local list of customers and there is independence on the local level when it comes to certain actions but there are specific actions that have to be approved by the headquarters before they can be put into practice.

5.2.2 Benefits from using a customer retention based strategy

Customer satisfaction related to customer retention

Smith (2006) describes CRM as continually monitoring of customer satisfaction and behaviour and measuring successes with benchmarking, without expectations of immediate profits, which will help ensure that the CRM process continue to evolve in the best method. Analysis of customer data is a key part of CRM. A solid analysis will provide companies with a clear picture of who their customer is and what their needs are.

Customer satisfaction is measured by JetPak once a year, where the company selects specific segments to analyze. This is a part of the company’s quality measurements with the purpose of investigating certain factors such as customer treatment, accounting and prices. The analysis is based on a ten point scale and, according to the respondent; the last measurement showed that JetPak Luleå is doing well by getting the result of 89 per cent.
Focus on existing customers

According to Ahmad and Buttle (2001) the organization should focus on existing customers because those are the ones who can, not only provide feedback about products and services, but also work together with suppliers to add value to a particular service by improving the process. Structural bonds therefore help create value for both the customers and the company by saving the costs of retaining or making a new investment with a new supplier.

A lot of emphasis is put on keeping existing customers. The reason, according to L.H., is that it is difficult for the company to get customer that they once lost back. A lot of emphasis is put on keeping existing customers within JetPak also.

Improvement of the buying process

Smith (2006) describes CRM as continually monitoring of customer satisfaction and behaviour and measuring successes with benchmarking, without expectations of immediate profits, which will help ensure that the CRM process continue to evolve in the best method. Analysis of customer data is a key part of CRM. A solid analysis will provide companies with a clear picture of who their customer is and what their needs are.

JetPak put attention to and analyses the customers’ specific needs when receiving a demand for a service. Depending on the service, JetPak are willing to make certain adjustments if needed. In regards to the staff working close to the customers, the respondent is satisfied with their performance and even though he feels that customer needs should be prioritized he is aware of the risk of own-interest getting in the way.

JetPak in Luleå offer certain special treatment for their customers for example; presentations and invitations to certain sport activities. If it is necessary the company can choose to prioritize regular customers, although this is a situation that rarely occurs.

5.2.3 Developing a customer-retention program

Technological advancement

Ahmad and Buttle (2001) describe the importance of evaluating customers past behaviour in order to develop a customer retention program. The study also includes the strategy of using a customer portfolio in order to comprise several groups of customers each with different buying behaviours, such as the firs-time buyers, repeat buyers, switched-away-then returned buyers and last-time buyers.

JetPak offer several communication possibilities for their customers such as fax, phone and e-mail. Orders, feedback and complaints can be done by phone and the company’s website. If some problems can not be handled on the local level, these are then handed over to the headquarters.
**Data Analysis**

*Evaluate customers’ past behaviour*

Beaujean et al. (2006) state that senior executives can take coordinated action to make employees a part of the retention program.

JetPak try to analyse the causes behind a customer leaving them but sometimes the real cause is hard to find out.

*Attention to customers’ needs*

Ahmad and Buttle (2001) describe the importance of evaluating customers past behaviour in order to develop a customer retention program. The study also includes the strategy of using a customer portfolio in order to comprise several groups of customers each with different buying behaviours, such as the first-time buyers, repeat buyers, switched-away-then returned buyers and last-time buyers.

There are distinctions when JetPak come in contact with the following types of customers; new customers are treated more carefully and the company makes sure that they can gain a lot of information from the customers.

*Training of front-line staff*

Lee (2006) states that few companies devote enough time teaching the employees techniques to retain customers.

The employees of JetPak are considered to have big responsibility when it comes to nurturing customer relationships. The respondent claims that this is due to the fact that the employees are considered to be representing the company and because they take part in all the activities that occur.

Recently hired personnel at JetPak get an introductory training that lasts one to two days thereafter individual experience is gained by direct contact with the customers.

### 5.3 Within Case Analysis of Schenker

#### 5.3.1 Advantages of customer relationship management

*Transform business approaches to CRM*

As stated by Baker et al. (1998) the technological advancement existing today enables companies to be more coherent to customers and their needs. By using customer relationship management to develop long-term customer relationships the companies can in the long-run gain several benefits.

Schenker try to keep their customers as close as possible. The sales-staff of the company has the main responsibility of developing close customer relationships. Increasing sales are constantly an important goal for the company and therefore they focus on proactive customer care.
All complaints are brought up on the company sales meetings and are later passed over to the personnel responsible. For the most part the local offices have the main responsibility to handle customer complaints and solve the problems.

The company head office is mainly responsible for the marketing activities of Schenker. The customers of Schenker are able to get in contact with the company in several ways, for example by phone, and by logging into a specific service offered on the company’s website called “My Schenker”. My Schenker is a data base that stores information useful to the customer; here for example the business agreements and invoices are registered. Through the website the customer can also send a request where they state their area code and are later contacted by the personnel most suitable to handle the customer’s needs.

*Customer knowledge through interaction*

Ahmad and Buttle (2001) state the only way for companies to gain deeper knowledge about their customers is by maintaining long-lasting relationships with them through customer relationship marketing.

Before setting the price for a service, Schenker analyze the customers’ needs to make sure that the customers get the service that is appropriate according to their needs.

Schenker do not put a lot of effort into arranging special events and gatherings in order to interact with their customers but repeated customer visits are a standard procedure for Schenker.

*Analysis of customer data*

Payne (2006) describes CRM as a part of relationship marketing where the focus is put on developing individualized customer relationships.

Schenker segment their customers into groups from A-customers to E-customers. The company also uses a bonus system where the customers receive additional benefits if they are frequent buyers of Schenker’s services. In order to increase their sales, the personnel of the company try to find the solutions that they believe will suit the customers’ needs the best. This proactive way of meeting customer needs, together with the bonus system, increases customer value.

**5.3.2 Benefits from using a customer retention based strategy**

*Customer satisfaction related to customer retention*

Smith (2006) describes CRM as continually monitoring of customer satisfaction and behaviour and measuring successes with benchmarking, without expectations of immediate profits, which will help ensure that the CRM process continue to evolve in the best method. Analysis of customer data is a key part of CRM. A solid analysis will provide companies with a clear picture of who their customer is and what their needs are.
Customer satisfaction is measured by Schenker two times a year. The survey is performed for all Schenker offices in Sweden and is later divided specifically for the local offices. The results are used to develop an extensive analysis in order to see where improvement within the company needs to be made.

**Focus on existing customers**

According to Ahmad and Buttle (2001) the organization should focus on existing customers because those are the ones who can, not only provide feedback about products and services, but also work together with suppliers to add value to a particular service by improving the process. Structural bonds therefore help create value for both the customers and the company by saving the costs of retaining or making a new investment with a new supplier.

Schenker view retaining customers as easier to work with because of several factors for example; the customer is familiar with the company’s procedures, the customers recognize the chauffeurs, costs are rarely discussed, and there is also no need of discussing the goods that are being delivered because they have a customer directory that contains of background information about each buyer.

**Improvement of the buying process**

Smith (2006) describes CRM as continually monitoring of customer satisfaction and behaviour and measuring successes with benchmarking, without expectations of immediate profits, which will help ensure that the CRM process continue to evolve in the best method. Analysis of customer data is a key part of CRM. A solid analysis will provide companies with a clear picture of who their customer is and what their needs are.

If the customer is considered to be important to the company, the employees of Schenker have the responsibility to adjust as far as possible to meet the customer’s needs. Schenker performs customer visits on a regular basis aimed at constantly enhancing the customer relationships. Schenker sets the price on their services after performing an analysis of the customers’ needs and position. If any unordinary situations occur with the customers, the local offices have the responsibility to solve this.

**5.3.3 Developing a customer-retention program**

**Technological advancement**

Ahmad and Buttle (2001) describe the importance of evaluating customers past behaviour in order to develop a customer retention program. The study also includes the strategy of using a customer portfolio in order to comprise several groups of customers each with different buying behaviours, such as the first-time buyers, repeat buyers, switched-away-then returned buyers and last-time buyers.

There are distinctions when Schenker interact with different types of customer. If hesitation occurs when relationships are created with new customers the employees of Schenker usually take advice from their colleagues from other offices around the country.
Evaluate customers’ past behaviour

Beaujean et al. (2006) state that senior executives can take coordinated action to make employees a part of the retention program.

All cases of customers being lost is brought up at Schenker’s sales meetings and the reasons are evaluated and analyzed. The reasons behind a customer preferring to not chose the company’s services, can vary by region.

Attention to customers’ needs

Ahmad and Buttle (2001) describe the importance of evaluating customers past behaviour in order to develop a customer retention program. The study also includes the strategy of using a customer portfolio in order to comprise several groups of customers each with different buying behaviours, such as the first-time buyers, repeat buyers, switched-away-then returned buyers and last-time buyers.

The employees at Schenker try to confirm the needs of the customers to the utmost extent so that the customer is aware of the cost regarding express deliveries, as an example. The employees can also recommend the customer to turn to another company in the case of other companies offering a less expensive price for a particular service. The purpose of this is that Schenker does not want its customers to feel like the company is taking advantage of its customers to which they have a relationship with.

Schenker also perform customer visits on a regular basis aimed at constantly enhancing the customer relationships. Schenker sets the price on their services after performing an analysis of the customers’ needs and position. If any unordinary situations occur with the customers, the local offices have the responsibility to solve this.

When it comes to meeting customer needs there are standard solutions available that suits most requests due to the reason that the company has changed a lot in the last ten years. If needed, the local office can also adopt a service from for example the head office in Stockholm. To make small adjustments to the existing services are also possible. For the really large customers it is possible to come up with entire new services.

Training of front-line staff

Lee (2006) states that few companies devote enough time teaching the employees techniques to retain customers.

The employees are left with a big responsibility in regards to the customers. The majority of the staff often has their own specific clients to attend to; the local managers also work closely with their employees. The employees of Schenker have their own individual work-plans. Newly hired staff receives a basic training for six days, it is also included a number of days per year for each employee to receive internal training. Experience among employees is also highly valued at Schenker.
5.4 Cross-Case Analysis

In this section we will compare and analyze the within-case analyzes of DHL, JetPak and Schenker. The findings will first be displayed in a table and later compared concerning the similarities and differences for each research question.

### 5.4.1 Advantages of CRM

<table>
<thead>
<tr>
<th></th>
<th>DHL</th>
<th>JetPak</th>
<th>Schenker</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>CRM business approaches</strong></td>
<td>Long-term relationships are important</td>
<td>Maintaining customer relationships is important</td>
<td>Close customer relationships are important</td>
</tr>
<tr>
<td></td>
<td>Customers are contacted before, during and after sales</td>
<td>Focus is put on existing as well as potential customers</td>
<td>Customers are sometimes contacted before and after the sale</td>
</tr>
<tr>
<td></td>
<td>Individually adjusted methods are used</td>
<td>Customer opinions are important</td>
<td>Uses a proactive customer approach</td>
</tr>
<tr>
<td></td>
<td>Local operational managers have responsibility to maintain customer relationships</td>
<td>Local marketing manager has the closest relationship with customers</td>
<td>The sales-staff have the main responsibility in maintaining customer relationships</td>
</tr>
<tr>
<td></td>
<td>Complaints and mistakes are evaluated regularly</td>
<td>Performed services that go wrong are analyzed by the company</td>
<td>The local offices solve complaints and problems during regular sales-meetings</td>
</tr>
<tr>
<td><strong>Customer interaction</strong></td>
<td>Social gatherings do not take place</td>
<td>Social gatherings do take place</td>
<td>Social gatherings do not take place</td>
</tr>
<tr>
<td></td>
<td>Customer visits occur although not on a regular basis</td>
<td>Customer visits occur sporadically</td>
<td>Customer visits are a part of the standard procedures</td>
</tr>
<tr>
<td><strong>Customer data</strong></td>
<td>A customer directory exists</td>
<td>A customer directory exists</td>
<td>A customer directory exists</td>
</tr>
<tr>
<td></td>
<td>Customers are segmented after geographical areas and the staff responsible for them</td>
<td>Customers are not segmented</td>
<td>Customer are segmented into groups and included in a bonus system</td>
</tr>
</tbody>
</table>

**CRM business approaches**

DHL, JetPak and Schenker are all focused on building and maintaining strong relationships with their customers. Although JetPak seem to take a less active role since they, unlike the others do not contact the customers before, during and after sales.
JetPak and DHL, unlike Schenker, do not to a great extent apply changes to services derived from customer opinions.

All three companies believe in giving the local staff the main responsibility to handle customer relationships.

DHL and Schenker evaluate customer opinions on a more regular basis and in a more proactive way than JetPak.

Customer interaction

At JetPak social gatherings of the company and its customer is a mean of building customer relationships. Whereas at DHL and especially Schenker social gatherings do not take place, instead they perform visits to its customers. At Schenker, customer visits is even a standard procedure.

Customer data

All three companies keep a customer directory although JetPak do not segment their customers unlike DHL and Schenker.

DHL divide their customer based on geographical area and information about the staff in charge of handling the customer. Schenker segment their customers into different groups based on their purchase behaviour along with a bonus system that Schenker applies to big customers.
### 5.4.2 Benefits from a customer retention based strategy

<table>
<thead>
<tr>
<th></th>
<th>DHL</th>
<th>JetPak</th>
<th>Schenker</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Customer satisfaction</strong></td>
<td>Customer satisfaction is measured continuously</td>
<td>Customer satisfaction is measured once a year</td>
<td>Customer satisfaction is measured two times a year</td>
</tr>
<tr>
<td><strong>Existing customers</strong></td>
<td>A lot of emphasis is put on keeping existing customers</td>
<td>A lot of emphasis is put on keeping existing customers</td>
<td>A lot of emphasis is put on keeping existing customers</td>
</tr>
<tr>
<td></td>
<td>Existing customers bring along great benefits because they are familiar with how the company functions</td>
<td>Existing customers are important to take care of because it is difficult to get back customer that they once lost</td>
<td>Existing customers bring along many advantages, therefore the company work hard at retaining customers</td>
</tr>
<tr>
<td><strong>The buying process</strong></td>
<td>Customers are firstly offered standard services</td>
<td>Customers are firstly offered standard services</td>
<td>Choose how far to adjust to meet customer needs depending on the</td>
</tr>
<tr>
<td></td>
<td>Agreements that suit both parties can be found</td>
<td>Customer needs are prioritized to a certain degree</td>
<td>Customer needs are prioritized as far as possible</td>
</tr>
<tr>
<td></td>
<td>All customers are as far as possible treated the same</td>
<td>All customers are as far as possible treated the same</td>
<td>Customers can be treated differently</td>
</tr>
<tr>
<td></td>
<td>Deviation from standard services can occur</td>
<td>Deviation from standard services can occur</td>
<td>Deviation from standard services occur often</td>
</tr>
<tr>
<td></td>
<td>The services offered have already fixed prices</td>
<td>The services offered have already fixed prices</td>
<td>The price for a service is set according to customer needs</td>
</tr>
</tbody>
</table>

**Customer satisfaction**

At DHL customer satisfaction is measured continuously within the company whereas JetPak measures customer satisfaction two times a year in the purpose of increasing customer profitability. Schenker on the other hand performs an extensive survey two times a year where the information is analyzed and later divided up and sent to local office in question. The survey aims at enabling Schenker and its local offices to make changes and enhancements where needed.

**Existing customers**

All three companies put emphasis on keeping existing customers. JetPak argues that existing customers are important to take care of because it is difficult to get back customer that they once lost. Whereas DHL and Schenker work hard to keep existing customers because they feel like those customers bring along great benefits since they are familiar with how the company functions.
The buying process

DHL and JetPak try as far as possible to offer customer standard services in contrast to Schenker, that has a very open mind towards adjusting services to the utmost to suit the specific customer.

JetPak states that customer needs are prioritized to a certain degree unlike DHL who have experience of being willing to come up with agreements that suits both the customer and the company. Schenker on the other hand prioritizes customer needs as far as possible in order to come up with an ultimate solution for the customer.

Schenker also try to handle and treat customer differently depending on what type of customer they are dealing with, unlike DHL and JetPak which try as far as possible to treat all customer in the same way.

The occurrence of deviating from standard services on behalf of a customer, are found at both DHL and JetPak, but it is a more frequent phenomenon at Schenker. In regards to what a customer is supposed to pay for a specifics service, both DHL and JetPak follows a more fixed price system unlike Schenker which determines the price of a product based on the customer in question.
### 5.4.3 Customer retention and business performance

<table>
<thead>
<tr>
<th></th>
<th><strong>DHL</strong></th>
<th><strong>JetPak</strong></th>
<th><strong>Schenker</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Technological advancement</strong></td>
<td>Contact is provided through fax, e-mail, 24h/day telephone access and a chat-function via the website.</td>
<td>Contact is provided through e-mail, fax and telephone.</td>
<td>Contact is provided by e-mail, telephone and by logging into a specific service on the company website where information is stored.</td>
</tr>
<tr>
<td><strong>Customers’ past behaviour</strong></td>
<td>The reasons why customers leave are analyzed but no specific reason to why customers choose not to use their services can be given</td>
<td>The reasons why customers leave are tried to be analyzed although the real cause can be hard to find out</td>
<td>The reasons for customers not choosing their services varies geographically. Evaluation of customer behaviour is performed and brought up at sales-meetings</td>
</tr>
<tr>
<td><strong>Customer needs</strong></td>
<td>Distinctions occur when being in contact with following types of customers; new, loyal and returned customers</td>
<td>Distinctions occur when being in contact with following types of customers; new and returned customers</td>
<td>Distinctions occur when being in contact with the following types of customers; new, loyal, returned and recent customers</td>
</tr>
<tr>
<td></td>
<td>The employees sometimes act as consultants for the customers so that they will find a service to fit their needs</td>
<td>---------------------------*</td>
<td>The employees can act as consultants and might recommend the customer to turn to another company that they know offers a certain service cheaper</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>The company can make adjustments to their services and for their really large customers, new services can be created</td>
</tr>
<tr>
<td><strong>Front-line staff</strong></td>
<td>Employees are offered both practical and theoretical training. The company also provides e-learning for their employees</td>
<td>Recently hired personnel get an introductory training that lasts one to two days before handling customers</td>
<td>Newly hired staffs receive a basic training for six days. Internal training for all employees is offered every year</td>
</tr>
</tbody>
</table>

* = no information was received by the respondents

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**Technological advancement**

All three companies enable their customers to come in contact with them through standard communication channels such as e-mail, fax, and phone. DHL has 24/7 customer assistance. Schenker has also taken a further step towards increasing access for their customers by developing a special system on their website where relevant information is stored.
Data Analysis

Customer’s past behaviour

Both DHL and JetPak try to evaluate customers’ behaviour but both companies could not state any specific reason to why customers choose to not use their services. Schenker have found out that reasons to customer behaviour varies by region and the company after performing an evaluation the issue is brought up and discussed during company sales-meetings.

Customer needs

At Schenker understanding and attending to customer needs is a big part of their business philosophy and therefore they segment their customer in more various forms than DHL and especially JetPak do. Both DHL and Schenker, unlike JetPak, also apply to their employees to serve as consultants to their customer. Due to Schenker’s strive to be able to offer services that are individually adjusted to suit their customers specific needs, the company might even recommend their customers to look to another company for a service that Schenker feels that they can not offer the customer for a reasonable price. Schenker as a company aims at constantly looking out for what is in the best interest of the customer.

Front-line staff

At JetPak newly hired employees receive one to two days of introductive training and after that they send their employees to gain practical experience by direct contact with customers. In contrary, both DHL and Schenker view training of new employees as an extensive and ever continue commitment that demands a lot of investment from the companies’ side. At DHL new employees receive both practical and theoretical training and in addition the company also provides e-learning for all their employees in the form of tests on-line. The e-learning method has the purpose of making sure that DHL acts as a constantly developing company. Schenker as a company, provide their newly hired employees with a six days basic training. Schenker also have a number of days every year set off for employees to receive internal training in order for them to always be updated on new services and procedures of the company.
6 Findings and Conclusions

This chapter will provide conclusions drawn from our research. In order to do so, we will restate each of the research questions posed in chapter one and try to answer them, based on our conducted research. We will also give some overall conclusions before presenting implications for management, theory and future research.

6.1 How can the advantages of customer relationship management be described?

From our study we may now draw some conclusions as to which advantages can gained by using a customer relationship management strategy.

Our study shows that the companies are being increasingly aware that they can develop closer customer relationships by using different means of technology available. This could be for example the increased use of communication with customers over the internet and through the company website. The results from the interviews showed that the companies use different approaches in order to get in contact with their customers and that they have different priorities when following the new trends of communication with customer.

The companies all agreed that customer relationships should be prioritized, though they had different approaches on the matter. One company feels that they have a well developed strategy and therefore try to focus on customer relationships rather than putting all focus on the competitors. Another company stated that they are very secure of their business and that it is working well for them, therefore they do not need to compare themselves to much with the competitors. The third company takes competitors seriously and prefers to be aware of the changes that within the market they operate in. From this we may draw the conclusion that being aware of what the competitors are doing is important to companies but the degree to which companies let it be a part of their strategy varies. Some companies choose to simply mimic their competitors to keep the same standard of service, while other companies’ tries to develop their own strategies based on their customers’ needs.

Measurement of customer satisfaction is a commonly used practice within all the companies. The methods used differ between the companies. For example, one company has an extensive poll done two times a year where a questionnaire of 3000 questions is sent out to customers around the country. The investigation is later followed by a deep analysis of the results that serve as a base for the companies coming strategies. Therefore it is clear that the effort and time dedicated to find out if customers are satisfied is related to whether a company genuinely believes in building and maintaining strong customer relationships. The companies that had well developed methods of measuring customer satisfaction as well as wanting to know what the customer thinks also stated repeatedly during the interview that the goal for them is to have a close relationship with their customers. So the conclusion here is that in order for companies to keep their customers they have to constantly work on it in the form of, for example, regular contacts with customers. For a customer to chose a specific company’s services they have to foremost be aware of the services being offered as well as perceiving the service to be something that they could benefit from. The companies that keep in touch with their customers before, during and after sales increases their chances of not only offering services that the customer seeks but also services that the customer is not yet aware of.
Findings and Conclusions

needing. This is due to companies being able to receive feedback as well as getting to know a customer well and therefore simply understand which services suits which customer and later on also can promote this service effectively to the customer. Our study makes no correlation between having a well developed customer relationship management strategy and being one of the most favored actors on the market. However, it seems likely that by having a well developed customer relationship management strategy helps to increase a company’s chance of succeeding to attract and keep a loyal customer basis.

All the companies involved in our case study are under the restriction of their headquarters. Here we may draw the conclusion that the companies’ customer relationships are affected. The conclusion is drawn because; by not being able to operate freely on the respective local markets and applying a customized marketing strategy the companies can not always approach and handle customers as they would like. Although, two of the companies had well developed customer relationship strategies which enabled them to adjust to customer needs, instead of just adapting to the market they, in order to be really effective on a local market, requires all aspects of their business being adjusted to the local conditions. This can for example be the ways that companies market themselves through a specific brand-name, logo etc. The companies being studied was all under restrictions especially in regards to the marketing aspect so maybe this is something that limits their success on the local market. From the interviews we may also draw the conclusion that if companies dedicate more resources to integrate the local culture into their customer retention program. We may also conclude that this is why some of the smaller actors on the market manage to survive the benefits of scale from the bigger actors.

*We might draw the following conclusions from our findings:*

- **Companies should recognize technology as an important tool for them to keep in touch with customers.**
- **Devoting time and resources to follow up on customers’ satisfaction and opinions is important in order to keep customers.**
- **The strategy of a company should be adapted to local cultural and market conditions in order for companies to appeal to customers.**

6.2 How can companies benefit from using a customer retention-based strategy?

If using different strategies to develop close customer relationships it can lead to benefits for the company. By having close customer relationships the work procedures are easier to handle. This is due to the fact that both the company and the customers are familiar with each other which create the possibility of interdependence between the company and the customer. The dialogue enhances the chances for the company gaining cost benefits in the long run, such as the customers choosing to stay with a company even though another company offers a lower price. The switching-costs for the customers rise as a relationship between a company and it customers evolve.

There are different strategies in building close customer relationships, which was shown in the interviews. One company tries not to make distinction between different types of
customers whereas another company does not mind giving special treatment to their most
loyal customers, in the forms of for example invitation to social events. The third company is
devoting a lot of time exchanging experiences and preferences with the customers and
thereafter making adjustments if necessary, for example price adjustments. One company was
using a pro-active approach to customers, which means that they try to develop a close
relationship from the start. Another company uses a re-active approach, which means that
once a problem has occurred they try to find a solution. All the companies offer special
treatment to their customers in the form of making customer visits regularly. One company
differentiates in this matter because they are only making customer visits to larger customers.
In regards to the companies that have adopted a pro-active approach to customers we may
draw the conclusion that they by doing so are staying a of competition as well as increasing
their chances of staying "top of the mind" among customers since they are reaching out to
customers in an early stage and not waiting for the customers to come to them and also
risking loosing customers to competitors.

Our study shows that every one of the companies realizes the importance of existing
customer. Two of the companies put a lot of emphasis on finding out the customers’ real
needs and at the same time finding out needs that the customers might not be aware of at the
moment. The employees of the companies are in certain situations acting as consultant to the
customers in trying to find the service appropriate for their needs. For one of the company it
has even occurred that they recommended one of their competitors to the customer, this is due
to the fact that the company wants to reflect an image as a company that puts customer needs
first. The conclusion that can be drawn here is that for companies to be able to increase their
customer retention rate they have to take care of their existing customers in an active way to
such as reaching out to the customer not merely in purely business approach but also one who
reflects intention of putting value to the customers and the relationship between the company
and the customers. This relationship is what makes the company special to the customers.

All the companies, more or less, keep track of their customers. All the companies provide
their customers a service on their website where the customers can keep track of their orders
and past purchases. One company offers a chat function and phone service where access to
communication is offered around the clock. Complaints can also be expressed through these
functions. One company has a point-system established where retaining customers get
rewards for using the company’s services. The conclusion here is that customers have to feel
that the company are giving something back to them, this can come in different forms such
providing the customers access to information and support when needed. Bonus systems are
also a clear example of customers coming to terms that it can pay off to do business with a
certain company.

Importance of retaining customers is well recognized in all the companies. All the companies
share the opinion that retaining customers are easier to work with and that a lot of vital
feedback can be gained from these customers. One of the companies uses the feedback from
retaining customers and hold continuous dialogues about the feedback they gained on their
meetings, in order to improve their company. Two of the companies also offer retaining
customers the opportunity of choosing which employee they prefer to work with. We may
draw the conclusion here that both parties can benefit from having an on-going
communication with each other, the company will know better what the customer seeks and
the customer will in return feel more secure that company can be able to satisfy their needs
and therefore is worth doing business with.
Findings and Conclusions

We might draw the following conclusions from our findings:

♦ Adapting a proactive approach is important for companies to stay competitive.

♦ Focus on existing customers is vital to keep customers.

♦ Companies should keep track of all their customers to be able to keep business with them.

♦ Exchange of information between the company and the customer is vital to keep the relationship.

6.3 How can companies develop a retention program and apply it to their business performances?

Each company included in our case study are aware of the responsibility that their employees carry when interacting with customers. One respondent stated that their employees have the responsibility of evaluating how services are performed and taking the matter seriously. The company also handles complaints on a regular basis and these complaints are handed over to the person responsible. Complaints are evaluated on a regular basis and are at the end handled by the person responsible in the company. Another respondent stated that the managers within the company have the responsibility of looking into if the employees and the customers are interacting appropriately. Two of the companies stated that as it is important to place customer needs first, it is just as important for the customers to follow the rules of the company. Here we came to the conclusion that with today’s competitive market companies can not afford not to put customer needs first, this does not mean that companies have to necessarily drastically lower the price on their products. They can meet customer needs in so many more constructive ways like building relationships that transcend the companies genuine strive to see to what is best for the customer. To build relationships with customers is also a long-term strategy for keeping customers.

One of our studies emphasized on the importance of evaluating customers’ past behaviour in order to develop a customer retention program. The results from our interviews enabled us to do the following conclusions; all of the companies try to find out the reason for loosing customers but it is not always certain that the right reason is revealed. The only reason one company can think about is due to the market they operate on. In this geographic are of Sweden a lot of people are used to handling their deliveries themselves, by for example using private trailers. As a conclusion we have drawn that companies have to recognize the impact of local customs on business practices as well as customer behaviour, by adapting more to these conditions through internal training of staff or by listening more extensively to customers, companies can increase their understanding as well as predicting customers future behaviour.

All companies are using different approaches when dealing with different types of customers. The results of our interview show that new customers regularly get more information from the
company. Frequent customers are as far as possible treated as the rest of the customers. Customers that return to the companies after some time are welcomed back, and two of the companies register this occurrence in their customer databases. One of the companies has the custom of offering customers visits in order to train their staff, or if the customer has newly employed these is offered an introductory education in order to learn how to use the services that the company provides.

This study has made us sure about the importance of employees and our findings show significant differences in time when companies are training their employees. One of the companies provides e-learning in order to maintain the skills of the employees. There are distinctions regarding the time that the companies use to train new employees. Two of the companies give both courses and learning through experiences to their recent employees. The third company only offers learning through experience and the time given is nearly a fifth of the time the other companies offer. The conclusion we may draw here is that the company have to recognise the importance of not only offering support top their customers but also to their employees since they are the ones who will implement the company’s strategy and therefore it is important that they receive the support and training to do their job as efficiently as possible,

*We might draw the following conclusions from our findings:*

- **Company staff should recognize the importance of handling customers correctly.**
- **Evaluating customers past behaviour is important to be able to create the right customer strategy for companies.**
- **Companies should adopt their business strategy to suit various customers.**
- **Investing in their employees benefits the companies in the form of handling customers more efficiently.**

### 6.4 Implications and Recommendations

To finalize this thesis, we will now present a number of implications within three different areas, where this thesis may contribute in some way. These areas are implications for management, theory and future research.

#### 6.4.1 Implications for Management

This section contains suggestions that we feel can be beneficial to the corporate manager. The implications are based on the empirical data, analysis and conclusions conducted during this study.

- Managers should continuously keep track of the relationship between their employees and their customers.
- Resources and effort should be put in to developing long-term relationships with the customers.
Personalized treatment should be offered if necessary in order to improve the customer relationship.

Information about customers should be stored and later used so the company can get feedback and evaluate their working processes.

Proper training of employees should be seen as a necessity in order to develop a customer retention program.

6.4.2 Implications for theory

We have deductively formulated our purpose and research questions, based on previous studies by numerous authors. We have in this thesis, explored, described and begun to explain how service companies can use customer relationships management in order to enhance customer retention. We have explored, in three different case studies, the different strategies companies can take on to build customer relationships as well as the different people involved in those processes.

Furthermore, we have described our findings drawn conclusions upon it, thus beginning to explain how service companies can enhance customer retention by using a customer relationship management approach. The discussion of commonalities and differences between theory and empirical data as well as some areas of special interest that existing theories have not mentioned adds to the theory in general. This will serve as a basis for future research in the area of customer relationship management and customer retention, as in some instances there were some agreements and contradictions between theory and empirical data or findings.

6.4.3 Implications for future research

In writing this thesis, a number of different issues have come up and we feel that many of these make interesting propositions for other researches and therefore they have been included as implications for future research.

• To perform the same study on a larger sample of companies.

• To perform the same study on different companies in a different line of business.

• To investigate what impact culture has on various methods of building customer relationships.

• To perform the same study from the customers point of view.

• To investigate how the issue with increasing sales over the internet will alter the ways in which customer relationships are build.

• To investigate to what extend local companies are affected by the restrictions of their headquarters in the process of developing customer relationships.
References


References


Websites:
www.dhl.se
www.jetpak.se
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Appendix A

Interview guide (English version)

**RQ1: Advantages of customer relationship management**

- Strategy in order to build customer relationships
- Changes within the company lately when it comes to customers and customer relationships?
- Communication channels
- Independence for the offices
- Customer interaction

**RQ2: Customer retention strategy**

- Customer satisfaction within the company
- Special treatment given to certain customers
- Keeping existing customers
- Customers real needs
- Standardized services vs. customized services
- Register or segment the customers
- Advantages with returning customers

**RQ3: Customer retention and business performance**

- Methods that can simulate repeated buying behaviour
- Responsibility of the employees
- Attitude of the employees
- Evaluation of customer relationships
- Change of performances if needed
- Differences when it comes to treatment of different type of customers
- Training of employees