Internet and Customer Relationship Management in SME’s

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Abstract

The purpose of this thesis was to explore how the SME’s manage customer relationships. In this research two case studies were performed, where personal interviews were conducted with the marketing managers of the SME’s. The empirical study showed the SME’s in consideration are actively seeking long-term customer relationships with their customer. These firms also had customer retention, loyalty and profitability as their end goals. The investigation also showed the important of Internet and ICT for relationships and it was found that ICT for crucial for the business processes of these firms.
1. INTRODUCTION AND BACKGROUND

This Chapter will provide the reader with an insight to the research area. It begins with a background which is followed by a problem discussion. The problem discussion ends with the overall purpose of the study and specific research questions.

1.1 Customer Relationship Management

The term customer relationship management (CRM) gained widespread recognition in the late 1990s. Researchers and practitioners both in the academic area and the business field enthusiastically have shared their viewpoints and experiences in applying CRM (Anton, 1996). In less than a decade, customer relationship management (CRM) has escalated into a topic of major importance. Although the term only came into use to a significant extent in the latter part of the 1990s, the principles on which it has been based have existed for much longer. However, its origins which involve building relationships of mutual value between suppliers and customers have existed since the start of commerce (Grönroos, 1994 and Grönroos, 1996).

CRM builds especially on the principles of relationship marketing; the formal study of which goes back 20 years (Berry, 1983). CRM builds on the philosophy of relationship marketing. This emphasis on relationships, as opposed to transactions, is redefining how companies are interacting with their customers (Gummesson, 1999). Customer relationships have received considerable attention from both academicians and practitioners. The increasing emphasis of relationship marketing is based on the assumptions that building committed customer relationships results in greater satisfaction, loyalty, positive word of mouth, business referrals, references, and publicity. Intense competition for market share in today's market requires managers to attend to customer retention and the how's or why's of a patron returning and continuing to repurchase (Pritchard and Howard, 1997).

Several recent trends have impacted organisations' ability to build more enduring relationships, especially for those businesses with a large customer base. Amongst the most important ones are the following: the increasing power of computers; the decreasing cost of computers, in real terms; the increased storage capacity of computers; the significant reduction in the cost of storage of a megabyte of data; the availability of increasingly sophisticated tools to undertake data mining and data analysis; the rise of e-commerce and the ability to be able to target customers via the Internet at a much lower cost; an increased recognition of the importance of customer retention and customer lifetime value; and an increased sophistication in marketing approaches and the development of better ways of targeting customers, including one-to-one marketing (Peppers & Rogers, 1993), permission marketing (Godin, 1999), and mass customisation (Pine, 1993).

In an era of mature markets and intensive competitive pressure, more and more companies do realise that their most precious asset is the existing customer base (Athanassopoulos, 2000). The notion that value can be created by cooperation has led marketing managers to search for "win–win" positions as a way to enhance profitability through collaborative value creation (Anderson et al., 1994).

Until recently, companies focused on selling as many products and services as possible without any regard to those who bought them. The rapid development of information technology and the Internet, however, enables customers to have more choices than before regarding the purchasing of products and services. Emerging electronic commerce has also
changed many aspects of existing businesses, business opportunities, and processes. Existing companies are being challenged to reconsider basic business relationships with their customers (Pan & Lee, 2003).

Customer Relationship Management is a highly fragmented environment and has come to mean different things to different people (McKie, 2000). As the thought and approach to CRM is in the initial stages and not fully matured, one can find different perspectives and definitions of CRM. According to Gummesson (2002a), “CRM is the values and strategies of relationship marketing - with particular emphasis on customer relationships - turned into practical application”. Swift's (2001) states that Customer relationship management is an enterprise approach to understanding and influencing customer behaviour through meaningful communications in order to improve customer acquisition, customer retention, customer loyalty, and customer profitability.

Bose (2002) stated that Customer Relationship Management (CRM) is an integration of technologies and business process used to satisfy the needs of a customer during any given interaction. In brief, CRM is a process by which a company makes good use of customer information to enhance customer loyalty. Shaw (1999) proposed that the foremost objectives of CRM are to forge long-term sustainable relationships with selected customers, providing seamless customer service at every points of contact to get closer to them, and maximize company’s share of value from the interactions with the customers.

Another perspective offered by Hamilton (2001), interprets CRM as “The process of storing and analyzing the vast amounts of data produced by sales calls, customer-service centres and actual purchases, supposedly yielding greater insight into customer behaviour. CRM also allows businesses to treat different types of customers differently - in some cases, for instance, by responding more slowly to those who spend less or charging more to those who require more expensive hand-holding”. CRM can be seen as a term for methodologies, technologies, and e-commerce capabilities used by companies to manage customer relationships (Stone & Woodcock, 2001) and an application of one-to-one marketing and relationship marketing, responding to an individual customer based on what the customer tells you and what else you know about that customer (Peppers, Rogers, & Dorf, 1999).

Undoubtedly, customer relationship management (CRM) has gained its importance through the statement that acquiring a new customer is several times more costly than retaining and selling additional products to existing customers (B. Baesens, 2002). This simple rule-of-thumb has led to what many authors refer to as ‘the paradigm shift in marketing’ (Brodie, 1997), implying that brand strategies are being replaced by customer strategies (R.C. Blattberg and J. Deighton, 1996), and more and more voices rise to replace the traditional brand managers by customer (segment) managers (Peppers and M. Rogers, 1997). It has attracted such great attention because of the emphasis that it can give mutual benefit to both the customer and the company (Gronroos, 1996). For the company, it is said that customer retention can enhance profitability (Buchanan and Gillies, 1990). Using the concept of relationship marketing (RM) as the basis, it is stressed that this approach can create long-term value for customers (Gronroos, 1997).

1.2 The Internet and Customer Relationship Management

The Internet is a public and global communication network that provides direct connectivity to anyone over a local area network (LAN) or Internet Service Provider (ISP) (Turban et al.,
The Internet as a concept dates back to the Cold war. This concept was developed as a network of computers which were remotely linked by the US Department of Defence in order to counteract vulnerability to enemy attack. ARPANET was then established in the late 1960’s to network US government defence institutions, and the standards which were developed for this system remain at the core of the Internet (McGoey, 1998). Today, the Internet is an extremely complex network with thousands of geographically dispersed networks including more than 100,000 individual computer networks owned by governments, corporations, universities and non-profit groups. The Internet is, effectively, a free form of global communication resource (Sharp, 1998).

The Internet-driven information revolution is widely perceived to be transforming the way businesses operate (Doherty et al., 1999). The Internet's core advantage lies in its great capacity of fast, efficient, integrated, and interactive exchange of information. Thus, the Internet facilitates the information exchanges between organizations, concerning issues such as discovery of new customer needs, trends of the local and global markets, competitive moves, joint development of products, joint selling activities, etc (G Avlonitis & D Karayanni, 2000).

The Internet can be used to conduct marketing research, reach new markets, serve customers better, distribute products faster, solve customer problems, and communicate more efficiently with business partners. The Internet is also a useful tool for gathering intelligence on customers, competitors, and potential markets, as well as communicating information about companies and/or products (E Honeycutt, T Fluherty and K Benassi, 1998). The Internet has become a computer-mediated environment whereby businesses skew their marketing tactics towards an increasing emphasis on product differentiation and individualized service (Kambil, 1995).

Many applications exist on the Internet. However, it is the WWW which has the most significant capability and momentum in the commercial use of the Internet (Cockburn and Wilson, 1996). Among Internet applications, WWW functions as one of the most significant driving forces in the commercial usage of Internet technology (Cockburn & Wilson, 1996). WWW technology, including browser software such as Netscape, Internet Explorer, Mosaic, and Lynx, provides a business or an individual with instant access to an information ocean through hypertext links that can establish relationships among the otherwise unrelated bulk of information or messages. WWW has potential to support the redesign of information flows and organisational structures, help firms capture strategic advantages, establish new distribution channels, and create new information-based products (Schneider & Perry, 2000).

The Web is today the most used service on the internet and around 75 percent of all Internet traffic are today web traffic (Jacobson, 1998). Once simply a means of accessing information stored across various platforms, the Web is now a widely used medium for communication (Jackson, 1997). The present popularity of the WWW as a commercial medium (in contrast to other networks on the Internet) is due to its ability to facilitate global sharing of information and resources and its potential to provide an efficient channel for advertising, marketing and, even, direct distribution of certain goods and information services (Gaffin, 1994).

CRM is becoming a priority because information technology (IT), particularly, the Internet, is making it easier for customers to find alternate providers for products and services. However, when appropriately utilized, IT can help retain customers by building and managing the relationship (J.D. Wells, W.L. Fuerst and J. Choobineh, 1999). The explosive growth of the
Internet has also brought new meaning to building customer relationships. Greater customer access to the organization, such as online ordering and around the clock operations, has set the stage for a shifting paradigm in customer service. A recent report describes how successful Web sites are in building lasting relationships with "e-customers" by offering services in traditionally impossible ways (Peppers and Rogers, 2000). Customers expect organizations to anticipate their needs and provide consistent service at levels above their expectations. In return, customers are loyal to the organization for longer periods of time. For instance, the American Airlines Web site builds customized customer views in real time allowing two million frequent fliers to have a unique experience each time they log on (Peppers and Rogers, 1999).

Rayport & Sviokla (1995) argue that the Internet constitutes a veritable revolution in the way that key relationships can be managed. The interactivity offered by the Internet facilitates co-production between buyer and seller (Carrington et al., 1997) and provides an opportunity for one-to-one marketing (Peppers and Rogers, 1995) where this is appropriate. As such the Internet can nurture loyalty and provide scope to establish enduring relationships with customers and a wider network of contacts (Coupey, 2001).

The explosive growth of the Internet has led to a flood of customer and market data to marketers. The increased availability of individual consumer data opens the possibility of direct targeting of individual customers (Russel & Kamakura, 1994). Blattberg et al. (1995) argue that one of the key consequences of the information revolution is that firms will be able to identify individual buyers' needs and preferences thereby leading to the development of tailor-made products. If this does occur and each customer has a unique "relationship" with certain firms then each customer effectively becomes a segment in his or her own right (Blattberg et al., 1995).

The impact of Information Technology and particularly the Internet and World Wide Web is considerable on Small and Medium-Sized enterprises. Despite the widespread acceptance of Internet use in corporate environments, the extent of Internet use continues to vary widely among small- and medium-sized enterprises (SME’s). Whereas some SME’s benefit from rapid Internet growth, selling over the Internet or experimenting with new business models, others are barely interested in the medium. Existing explanations of these differences rely on firm or market characteristics as is common in innovation diffusion models (see NERA, 1998 and Forrester Research, 1998).

The Internet is predicted to provide "unparalleled" new opportunities for those SMEs that are entrepreneurial enough to recognize and take advantage of highly profitable new niche markets (Forster, 2000). Small and medium-sized businesses can also achieve global competitiveness despite their limited physical size by building virtual assets such as information skills, digital resources, and competencies for managing inter-firm collaborations (Tetteh and Burn, 2001). As the markets become more mature and products become standardised it is increasingly becoming difficult to achieve sustainable competitive advantage. SME’s can harness the power of Internet to build effective and sustainable relationships with their customers thus creating value in relationships. Internet can help SME’s in accurately targeting their customers and can help in the retention of profitable customers. Thus Internet can become an indispensable tool and channel for the SME’s with regards to Customer relationship Management.
1.3 Definition of SME’s

Zimmerer and Scarborough (1994) stated that this century would dawn with the greatest number of small businesses ever and, as predicted, over the past 17 years, new small to medium-sized enterprises (SMEs) have been identified by most western governments as significant components of economic strategies for job and wealth creation (Holmund and Kock, 1998). SMEs bring a broad range of benefits beyond growth of national income, providing important opportunities for employment and as the Council Decision of the European Commission have pointed out: ‘SMEs are an important engine for economic growth and employment throughout the European Union’ (CEC, 1989). In general, smaller firms are important. SMEs account for over 95% of businesses, create roughly 50% of total value added worldwide and, depending on the country, generate between 60% and 90% of all new jobs (OECD, 1997).

The European Commission has adopted a Recommendation (Commission Recommendation of 3 April 1996 concerning the definition of Small and Medium-sized enterprises (SMEs), OJ L 107 of 30.4.1996, p. 4.) concerning the definition of SMEs which now provides a clear global framework for all the measures directed towards micro-, small and medium-sized enterprises.

![SME definition table](http://europa.eu.int/comm/enterprise/library/enterprise-europe/issue8/articles/en/enterprise04_en.htm)

**SME’s and Marketing**

It is well documented that SMEs have unique characteristics that differentiate them from conventional marketing in large organisations (Carson, 1990). Rather it is acknowledged that small to medium-sized businesses have their own particular characteristics which affect the way they operate and which largely determine their preoccupations and concerns (Carson and Cromie, 1989). In a debate on small firms' marketing activities, Rhys (1989) suggests that the small firm pursues its marketing function in a way which aims at insulating it as much as possible from direct competition with more efficient producers. He points out that, as a consequence, small firms are left with strategic options such as exploiting niches left by larger firms.

Though the basic tenets and principles of marketing are universally and equally applicable to both large and small businesses, academic research into such firms has been addressed only relatively recently (Davis et al., 1985). Cannon (1991) makes the point that research into small
businesses has been a little thin on the ground. Siu and Kirby (1995), for example, summarise the state of research into the marketing orientation of such firms, suggesting that there is insufficient knowledge about marketing per se in the SME. They cite Cannon (1991), who states that there is no solid body of evidence that refers to marketing in small firms, and what there is has been generated in an ad hoc manner due to the general absence of a systematic approach to the subject.

In addition, SME marketing is haphazard and informal because of the way an owner-manager does business; they make most decisions on their own, respond to current opportunities and circumstances and so decision making occurs in a haphazard and apparently chaotic way, according to personal and business priorities at any given point in time (Scase and Goffee, 1980). Carson et al. (1995) suggest that the small scale of SME operations means that such ventures have little impact on their surroundings and have limited power to modify environmental forces to their advantage. However, SMEs usually have more capacity than larger companies when it comes to adapting to changes in the environment (Sroufe et al., 2000).

Huang and Brown (1999) also show that the areas of marketing with the most frequent problems in SMEs were promotion and market research. The reasons given for this were that SMEs lacked the financial resources to employ specialists, that the resource constraints limited the ability of the company to search for information and that a lack of a management information system limited the use of data already held within the organisation.

Research has indicated that planning is a problem for small firm management which tends to be reactive in style (Stoner, 1983). The management style in small firms often means there is little or no marketing planning and many small business failures result from deficiencies in marketing (Bruno & Leidecker, 1988). Moreover, today it is widely accepted that small businesses are not just "little big businesses". Rather it is acknowledged that small to medium-sized businesses have their own particular characteristics which affect the way they operate and which largely determine their preoccupations and concerns (Carson and Cromie, 1989).

1.4 Problem Discussion

New market conditions sharpen competition. The number of competitors rises inexorably while at the same time the services and products available on the market differ less and less at their core. This has resulted in decreasing rates of customer retention and increasing costs to do business. For most business Customer Relationship management is emerging as an important tool and an innovative way to add value to their products and services. Effective customer relationship management (CRM) has become a strategic imperative for companies in virtually every business sector. Companies are moving closer to their customers, expending more effort in finding new ways to create value for their customers, and transforming the customer relationship into one of solution finding and partnering rather than one of selling and order taking (El Sawy and Bowles, 1997).

Managing customer relationships effectively and efficiently boosts customer satisfaction and retention rates (Jackson, 1994). Organizations have discovered and research studies have shown that retaining current customers is much less expensive than attempting to attract new ones (Desatnick, 1988). Companies have come to realize that in order to develop successful, long-term, relationships with customers they should focus on the "economically valuable"
customers, while keeping away and eliminating the "economically invaluable" ones (Romano, 2000). Proper CRM practices can potentially impact customer satisfaction ratings and can potentially lead to increased customer retention (Karimi, Somers, & Gupta, 2001).

The rapid development of new technology, especially the Internet, has changed the ways of communication, work, shopping and entertaining. Despite claims by Rutledge (2000) that: “An Internet growth strategy will work for only one or at most two companies in an industry” the general consensus is that the Internet offers a win-win platform for firms and customers alike (Van Niekerk et al., 1999). The explosive growth of the Internet has also brought new meaning to building customer relationships. Company relationships with customers can be greatly improved by employing information technology (IT) (Karimi et al., 2001). With the emergence of the Internet and continued advances in technology, CRM has entered a new era. Most commentary on the impact of the Internet and information technology on customer relationship marketing (CRM) is anecdotal, offering exaggerated speculative forecasts of its future potential (Hart et al., 2000). Most published work is biased to e-commerce, sales and marketing (van Hoek, 2001).

To survive in the global market, focusing on the customer is becoming a key factor for companies big and small. Parallel to the big companies, Small and medium-sized enterprises can take advantage of customer relationship management to build effective relationships with their customers. Usually SME’s try to excel and target a niche market and try to forge closer relationship with customers in this market. Here CRM can be an indispensable tool for the SME’s. Ballantine et al. identified unique characteristics of SMEs as lack of business and IT strategy, limited access to capital resources, greater emphasis on using Information Technology and Information Systems to automate rather than inform, influence of major customers, and limited information skills.

It is known that it takes up to five times more money to acquire a new customer than to get an existing customer to make a new purchase. Therefore, customer retention and loyalty is in particular important to SME’s because of their limited resources. A second aspect of CRM is that knowing the customer and his /her problem allows acquiring new customers more easily and facilitates targeted cross-selling. Moreover SME’s have unique characteristics and research done on large business cannot be generalized. In one sense, there is lack of research that provides insight into how SME’s are using Internet strategically to develop effective relationships with their customers.

1.5 Research Purpose

From the problem discussion above, the purpose of this study is to explore customer relationship management in Small and medium-sized enterprises (SME’s). In order to reach our purpose the following research questions are stated: -

Research Questions: -

RQ1. How can the Customer Relationship management in SME’s be described?
RQ2. How can the role of Internet in facilitating Customer Relationship Management in SME’s be described?

1.6 Demarcations

The research problem will be confined to exploring and describing internet and customer relationship management in SME’s. Further this study will be limited to the investigation of SME’s that engage in manufacturing of product and services. Moreover due to the time and financial constraints the study is limited to SME’s in Luleå, Sweden.

1.7 Outline of the Study

This thesis will include seven chapters. The first chapter provides the background, with the aim of introducing the reader to the research area, problem, questions and the focus of the study, and guides the reader into the subsequent chapters. This will be followed by a literature review in chapter two, where the use of the Internet by small firms will be further outlined. In chapter three, a frame of reference will be presented. In chapter four, the research method will be outlined, including the sample selection. This will be followed by the empirical presentation in chapter five. In chapter six, the analysis of the empirical data from chapter five will be presented and in chapter seven the conclusions will be drawn from the study. Chapter seven will also include implications for future research.
2. Literature Review

This chapter is based on the previous introduction and the problem area presented in chapter one. The previous chapter provided the background and research purpose for this study. In this chapter, the literature which is relevant to the problem area will be presented.

2.1 Customer Relationship Management

To survive in the global market, focusing on the customer is becoming a key factor for companies big and small. It is known that it takes up to five times more money to acquire a new customer than to get an existing customer to make a new purchase [12]. Therefore, customer retention is in particular important to SME’s because of their limited resources. A Second aspect of CRM is that knowing the customer and his /her problem allows to acquire new customers more easily and facilitates targeted cross-selling (Hubert, 2002).

The essence of the information technology revolution and, in particular, the World Wide Web is the opportunity to build better relationships with customers than has been previously possible in the offline world. By combining the abilities to respond directly to customer requests and to provide the customer with a highly interactive, customized experience, companies have a greater ability today to establish, nurture, and sustain long-term customer relationships than ever before. The ultimate goal is to transform these relationships into greater profitability by increasing repeat purchase rates and reducing customer acquisition costs.

Romano (2003) stressed on developing sustainable long-term relationship with economically valuable customers and avoiding and eliminating the economically invaluable ones. The need to better understand customer behaviour and focus on those customers who can deliver long-term profits has changed how marketers view the world. Traditionally, marketers have been trained to acquire customers, either new ones who have not bought the product category before or those who are currently competitors’ customers. This has required heavy doses of mass advertising and price-oriented promotions to customers and channel members. Today, the tone of the conversation has changed from customer acquisition to retention. This requires a different mindset and a different and new set of tools at the top of which stands CRM. Broadly speaking CRM is a combined term for methodologies, software, applications and internet capabilities which help businesses in managing customer relationships in an organized manner.

Important ingredients in building long-term customer relationships are effective communication trust, commitment between the relationship participants. Every interaction and communication between the relationship participants leads to a trail of transaction and non-transaction data. The integration of this data is important and essential in making the future interactions with the customers powerful. This data is very vital for any business in reducing transaction costs and providing differentiated products and services at lower prices (Wells et al., 1999).

According to Bose, (2002) most organisations are avail the benefits by implementing CRM. He proposes that those companies who collect and accumulate large amounts of customer data and whose customers are wants and need are highly differentiated avail most of the benefits of CRM. In contrast to this those companies who have very less interactions with their customers
and who are prone to high customer turnover are less likely to be at advantage by using CRM. Therefore, the effective management of information and knowledge is central and critical to the concept of CRM for (Dimitris et al., 2002):-

- Tailoring products/services in relation to customer needs, wants & characteristics
- Providing a consolidated view of customer throughout the company
- Calculating value of the customer to the company
- Establishing a strategy for a multi-channel based communication with the customer
- Designing and developing personalized transactions

A CRM strategy uses the combined power and effectiveness of marketing, operations, sales, customer service, human resources and ICT to maximize the profitability of customer interactions. On the other side customer are greatly helped by customization, simplicity, convenience, seamless service regardless of the channel used for interactions by them. Various channels and touch points through which the customer interacts with the organisation are internet, email, call centres, fax, sales personnel, direct mail, telemarketing operations etc. CRM integrates these touch points with applications that link front office and back office functions so that the customers are treated with the same level of customer service throughout these touch points.

CRM can play an important role in understanding and tracking customer behaviour through the help of centralized customer contacts. This helps in forecasting future trends in customer tastes and preferences and coming up with accurately targeted products and services. As the global competition increases and products/services become more commoditized, organisations today must differentiate themselves on the basis of effective communication, better services and personalized products/services which delights the customer (Chen & Popovich, 2003). Figure 1 demonstrates the relationship between customer touch points with front and back office operations:-

![Figure 1: CRM applications, supported by ERP/data warehouse, link front and back office functions](image)

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2.2 Goals and Objectives of CRM

Different authors and researchers have stressed different goals and objectives of CRM. Providing a general overview of the objectives of CRM, Dimitris et al., 2002 state four objectives:

- Moving the company towards customer orientation
- Focusing on customer retention rather than on customer acquisition
- Providing superior value to the customer the efficiently managing different business processes.
- Effectively and efficiently using technology in managing the customer data & knowledge

Looking more specifically at the objectives of CRM, Swift (2001) proposes that CRM can increase opportunities for business by improving the communication process with the customers, developing and targeting the precise and accurate offer to the customer, providing the right offer through the right channel for each customer, and providing the right offer at the right time for each customer. Ryals & Knox (2001) highlight that CRM systems and applications help in operational flexibility, improvement and facilitate long-term success of the business by providing the opportunity to capture and closely analyse the customer behaviour and data in real time.

Customer Orientation

The origins of customer orientation can be traced to the development of the marketing concept, which is basically a business philosophy or policy statement which holds that the ultimate goal of an organisation is to fulfil customer needs for the purpose of maximising business profits. In this era of intense competition and fight for the share of customer’s wallet maintaining business profitability and competitive advantage is becoming increasingly difficult. This change in management perspective of the customer has been propelled by an increasingly competitive global business environment, accelerating technological developments which have shortened product life cycles and the difficulty of many organisations in sustaining superior performance.

Customer orientation has been defined and explained by different ways in the literature by the researchers. It has been associated with various terms like market orientation, marketing concept, and customer first slogans. When closely analysed, all this definitions have an implicit thrust upon the goal of putting customer at the centre of all marketing activities. It implies the dissemination of information about customers throughout an organisation, formulation of strategies and tactics to satisfy market needs inter-functionally and achievement of a sense of company-wide commitment to these plans. When applied to the whole organisation it entails the creation of necessary behaviours for the creation of superior value for buyers (Hajjat & Mahmood, 2002). Customer orientation forms an important part of
the CRM philosophy and its successful implementation. People who are the prospective users of the CRM system/applications play an important role in successful use and implementation of CRM. Thus improving the customer orientation of the employees is an antecedent for a successful implementation of CRM systems in any organisation.

Customer Retention

As the technologies evolve and the customer becomes more informative and sophisticated it is becoming more difficult for the business to get new customer. Business are realising that it is becoming more profitable to maintain relationships with the existing customer rather than look for new customers. The Boston Consulting Group estimates that it costs $6.80 to market to existing customers via the Web, versus $34 to acquire a new Web customer (Hildebrand, 1999). A recent Deloitte Consulting survey of more than 900 executives across different industries also revealed that manufacturers that set goals for improving customer loyalty are 60 percent more profitable than those without such a strategy (Saunders, 1999). A CRM strategy can play a role in retaining these profitable customers. Most Customers can be divided into distinct groups according to their profitability. Conversely, customer data analysis and profiling also enables an organization to identify the customers it does not want to serve. The Pareto rule suggests that 80 per cent of profits are generated by 20 per cent of customers.

Reichheld, (1996) proposes five reasons why retained customers are more profitable than new customers: -

- As new customers incur costs in their acquisition by the business in the form of sales and marketing cost, they many not become profitable unless they remain as a customer for more than one year.

- There will be a stream of profits from the customer in each year after acquisition costs are covered;

- As the relationship with the customers becomes old they tend to buy more and become less price sensitive. This results in more profits and less costs for the company.

- Retained and satisfied customers become a source of profit and revenue generation for the company because these customers refer other potential customers and positive word of mouth.

- The relationship has a value to the customer too, so that retained customers tend to become less price-sensitive.

Newell (2000) proposes that there are three types of customer relationships: the top, middle and lower groups. He defines the customers in top group which are 10% of the whole customers as the most profitable and who have the highest levels of loyalty to the organisation. He proposes that CRM can focus in retaining this customers by providing them excellent service and avoiding the defection of this customers to the competitors. Middle group customers (next 40-50 per cent) are ones delivering good profits and who show good potential for future growth and loyalty. These are the customers who are probably giving some of their
business to competitors. The idea is to use CRM to target middle group customers effectively as they are the greatest source of potential growth. Lower group relational (bottom 40-50 per cent) customers are those who are only marginally profitable. Some may have potential for growth but the expense and effort involved in targeting such numbers, hinders the effectiveness of servicing existing relational customers in the top and middle groups. CRM should be used to identify this group and seriously consider the response required. Transactional customers contribute either nothing or have an adverse effect on profitability. The consensus therefore is that CRM needs to identify transactional customers to help organisations respond appropriately.

**Customer value and satisfaction**

Customer value is considered as to be an important constituent of a successful business-customer relationship and the ability of a business to provide superior value to its customers is regarded as successful competitive strategy. Researchers define customer value to be the customer's overall assessment of the utility of a product/service based on the perception of what is received and what is given. Some define it as the customer’s perception of value representing a trade-off between the quality or benefits they receive in the product and the sacrifice they perceive in paying the price.

Customer value is a strategic weapon in attracting and retaining customers and has become one of the most significant factors in the success of both manufacturing businesses and service providers. By adding more value to the core product (the product quality is improved, supporting services are included into the offering, etc.) companies try to improve customer satisfaction so that the bonds are strengthened and customer loyalty thereby achieved. Traditionally customer value was defined and understood in terms of product/service quality and low prices. But today this is changing because of commoditization and shorter life cycle of products/services. Business are continuously searching and exploring different ways to provide customer value (Wang et al., 2004).

Delivering superior customer value has become an ongoing concern in building and sustaining competitive advantage by driving customer relationship management (CRM) performance. Researchers characterize CRM as an integrated approach to managing customer relationships with re-engineering of customer value through better service recovery and competitive positioning of the offer. It can help organisations deliver the highest value to customers through better communication, faster delivery, and personalized products and services. Since a large percentage of customer interactions will occur on the Internet rather than with employees.

Customer satisfaction is also influenced by customer value. Some researchers see these two terms as interrelated as customer value contributes to an improvement in customer satisfaction and customer satisfaction is a consequence of unique customer-perceived value. A satisfied customer will show a strong tendency to be loyal and repeat the purchase of the goods or services, and thus increase a firm's market share and profits, which signifies its significance to successful competition in customer-centred era. Furthermore, it is likely that a satisfied customer will spread positive word of mouth among his or her acquaintances. A CRM strategy can provide high level of satisfaction by optimizing the business processes and
making every interaction with the customer more customer centric (Hansemak & Albinsson, 2004).

2.3 Benefits of Customer Relationship Management

According to Swift (2001) companies can gain many benefits from CRM. He states that the benefits are commonly found in one of these areas:-

- **Reduced costs of Customer Acquisition**: The cost for recruiting customers will decrease since there are savings to be made on marketing, mailing, contact, follow-up, fulfilment, services, and so on.

- **No Need to recruit many customers**: The need to recruit many new customers is reduced to maintain the sales volume and profitability because of customer retention.

- **Reduced costs of Sales**: As the relationship with the customers becomes long-term there is a reduction in cost of sales. This will be because the business becomes more familiar with the tastes and preferences of the customers. Thus the business has to spend less on sales, advertising and marketing activities.

- **Higher Customer Profitability**: As the relationship with the customer develops and grows older it results into increased profits for the business. This is because of the probability of increased purchases, reduced transaction cost, up-selling, cross-selling and referrals.

- **Increases customer retention and loyalty**: The customer retention increases since customers stay longer, buy more and buy more frequently. The customer does also more often take initiatives, which increase the bounding relationship, and as a result the customer loyalty increases as well.

- **Assessing Customer Profitability**: By implementing CRM the business in a position to assess which of its customers are profitable and which are not. This is essential because ones it is decided which customers are profitable then the business can focus in the retention of these customers.

2.4 Characteristics of CRM

According to Xu et al., 2002, CRM has four characteristics:

- **SalesForce Automation**: CRM applications can help sales force by effectively managing information about the customer, deals, products and competitors. The customers' sales process is configured into the application. The order placement and tracking are integrated, so that each customer's sales cycle can be monitored and tracked. This provides a singular view of each customer which contains all contact information and sales history, available to everyone who has access to the system. Besides, sales force has the access to product, pricing, promotion and discount information and how to make those marketing campaigns successful. Sales force productivity is greatly enhanced with the tools of e-mail, Internet access, etc. Therefore sales force automation greatly empowers sales.
• **Customer Service and Support:** CRM improves the customer retention rate by real-time tracking, monitoring and measuring the levels of customer service. It also helps the organisation in incorporating exemplary customer service. It also makes it possible for the company to assign each query to the appropriate expert, who can resolve the customer call once the query from the customer comes up. Customer problems can be solved efficiently through proactive customer support.

• **Field Service:** By using the CRM system, remote staff can quickly and effectively communicate with customer service personnel to meet customers' individual expectations. Customers' requests are logged, assigned, monitored and traced to ensure the qualities of customer services. Available and skilled engineers are quickly assigned to each problem. During the assignments, skill sets, availability, workload, geography, and parts and tools availability are all sufficiently taken into consideration. The knowledge base and detailed instructions for problem solving are all instantly available on the first service call. CRM also helps the company to reduce the service inventory cost to the lowest possibilities by automating fulfilment, replenishment, and cycle-counting functions.

• **Marketing Automation:** With the help of CRM systems marketing automation is possible. These results into right message being send to right customer, at the right time, and through appropriate channel. CRM provides the most up-to-date information on customers' buying habits so that the most effective marketing campaigns to cross-sell to current customers and attract new customers can be achieved. Various technologies offered by CRM systems like database, data mining, interactive communication and market intelligence can be combined to enable companies to better address customers' individual needs. This results in value innovation and capture of the market before the competitors.

2.5 Elements of CRM

Customer Relationship Management is a combination of people, processes and technology that combine to understand a company’s customer. CRM success requires the seamless integration of every aspect of business that touches the customer—including people, process, and technology—revolutionized by the Internet. Each component presents significant challenges, but it is the ability to integrate all three that makes or breaks a CRM system:

**People:** Implementing applications like CRM requires a change to the organisational structure and culture. Organisational employees are the building blocks of organisational success and they play an important role in building relationships. Top management commitment is an essential element for bringing an innovation online and ensuring delivery of promised benefits. The people component is the most difficult component given the sensitivity of users to change. CRM systems, which support and/or automate integrated customer processes, often, imply changes in the way users do their day-to-day jobs. Users who have not properly understood the reasons for the change, who did not participate in formulation of the change, who did not receive sufficient information about the change, or who did not get sufficiently trained on the change will often be adverse to that change. Customer-centric management requires top management support and commitment to CRM throughout the entire CRM implementation. Without it, momentum quickly dies out. CRM implementation requires full-time attention and
commitment from representatives from sales, marketing, manufacturing and other units of an organisation. CRM initiatives require vision and each and every employee must understand the purpose and changes that CRM will bring.

**Process:** The process component of CRM is the most delicate because inappropriate automation of the CRM business process will only speed up the errant process. While most companies do have customer-facing business processes in place (i.e., processes that directly interface with the customer during the purchase, payment, and usage of the company's products and services), many times these business processes need to be updated or even replaced. To realize effective process change, a company needs first to examine how well existing customer-facing business processes are working. Then the company needs to redesign or replace broken or non-optimal process with ones that have been created and/or agreed upon internally.

![Diagram showing relationships between People, Process, and Technology]

*Source: Adapted from Chen & Popovich, 2003, page 5*

**Technology:** IT has been recognised as the key enabler to the redesign of business processes thus improving and enhancing the overall organisational performance. It can help redesign the business processes by facilitating changes in business practices and innovative methods of value creation. When applied in CRM it can facilitate the collection and analysis of customer data, interpret customer behaviour, develop predictive models, respond with timely and effective customized communications, and deliver product and service value to individual customers.

Chen & Popovich, 2003 propose that “using technology to "optimize interactions" with customers, companies can create a 360 degree view of customers to learn from past interactions to optimize future ones”. Innovations in network infrastructure, client/server computing, and business intelligence applications are leading factors in CRM development. CRM solutions deliver repositories of customer data at a fraction of the cost of older network technologies.
Functional Categories of CRM Technology

Trepper (2000) categorises CRM into three interrelated functional categories:-

- **Operational CRM**: Customer-facing applications that integrate the front, back, and mobile offices, including sales-force automation, enterprise marketing automation, and customer service and support.
- **Analytical CRM**: Applications that analyze customer data generated by operational tools for the purpose of business performance management. Analytical CRM is inextricably tied to a data warehouse.
- **Collaborative CRM**: Collaborative services such as personalized publishing, E-mail, communities, conferencing, and Web-enabled customer interaction centres that facilitate interactions between customers and businesses. Collaborative CRM is used to establish the lifetime value of customers beyond the transactions by creating a partnering relationship.

2.6 The CRM Process

CRM is concerned with the creation of market intelligence that firms can leverage to build and sustain a profit-maximizing portfolio of customer relationships. Thus, to develop a more refined understanding of CRM, it is imperative to consider not only the specific set of activities that firms undertake to create that intelligence but also how they utilize it to achieve the intended process objective. The CRM process consists of sub-process like knowledge management and interaction management which have their own sub-processes. Knowledge management is an important and integral part of the CRM process. The required intelligence is generated by the successful execution of knowledge management process. Knowledge and interaction management are posited as the major sub processes of the CRM macro level process which are depicted in figure below:-

![The Customer Relationship Management Process](image-url)
Knowledge management

Knowledge management is an essential part of Customer Relationship management. It can be referred to the process that is concerned with the creation, storage and retention, retrieval and transfer, application and utilization of knowledge. Satisfying and delighting today’s customers largely depends upon the effective and creative use of the knowledge and data about the desirability of prospects, needs and preferences of customers, defection, profitability of customers and market intelligence. Thus, from a CRM standpoint, the knowledge management process is concerned with all of the activities directed towards creating and leveraging the market intelligence that firms need to build and maintain a portfolio of customer relationships that maximizes organizational profitability. Smooth execution of the knowledge management process greatly depends upon the technological and human capabilities of the organisation. On the technology side CRM systems provide the required databases that store the huge amounts of data and provide the tools to derive and disseminate the intelligence throughout the organisation.

As indicated in the figure above knowledge management consists of three sub-processes namely data collection, intelligence generation and intelligence dissemination.

- **Data collection** refers to activities like collection and capture of information about customer and market. It can involve recording details about a particular interaction, obtaining data from secondary sources, or querying customers about their satisfaction with the firm.

- **Intelligence Generation** refers to the process of converting the data collected into useful and actionable information. This involves employing traditional analysis techniques, as well as data mining and modelling methods, to identify trends and patterns related to customers' behaviour and general market conditions.

- **Intelligence Dissemination** refers to the spreading of intelligence generated throughout the organisation and employees so that it can influence the decisions taken by them.

Interaction Management

Interaction in the context of business refers to the exchange of the values between two parties. The exchange can be of products, services, information, social exchange or combination of these. Researchers propose that interactions between two parties do not exist in isolation but occur in the context of previous and preceding interaction. Thus every interaction should be actively managed for the growth of any relationships and interactions in future. As depicted in figure 2, Interaction management helps in leveraging the available intelligence to strengthen the relationship by enhancing the quality of interactions. It also helps in evaluation and prioritization of customer relationships which is an important activity of CRM process thus
help making informed assessment of the current state of relationships. As an important part of the CRM process it enables firms to develop highly targeted marketing campaigns. In addition, it provides buyers and sellers with the opportunity to interact on a much more frequent basis through the use of customized extranets, e-mail, web chats, and so forth.

- **Interaction consistency** refers to the extent to which an interaction varies from and builds upon the preceding stream of buyer–seller interactions. Thus, an interaction is consistent if it does not vary significantly from preceding interactions in regard to things such as product and service quality, delivery time, methods of communication and ordering procedures. Moreover, consistency in interactions shows suppliers commitment to the relationship and also enhances the effectiveness of sales process.

- **Interaction Relevancy** refers to the degree to which an interaction creates value within the context of a buyer–seller relationship. It is often cited in the literature as a highly desirable interaction attribute. It is given a status of targeted communication and can help the consumer in taking decision and reduce the information overload of the consumer. Moreover in the online environment where there is high levels of interactivity, relevancy can result into desired level of outcomes. Examples of interaction relevancy in online environment can be the customization of messages to the customer and personalization of online content.

- **Interaction appropriateness** refers to the level to which an interaction maximizes the customer value as well as the long-term return for the business on its investment. Stated differently, an interaction is appropriate if it provides customers with an optimal amount of net benefits, given their lifetime value to the firm. Researchers have highlighted the importance of interaction appropriateness and stressed that customer satisfaction and retention largely depends on the provision of right product/service to the right customer.

### 2.7 Internet and Customer Relationship Management

The Internet is an unending source of information about customers, some is self-identified by the customer providing information, other information is provided by the self service applications and simply monitoring what the customer does within our web sites. It is knowing what products were looked at, what was downloaded and what sections of a web-based storefront were visited. The Internet is a micro-marketers dream comes true. It is a world where customers express their interests, preferences and propensities with every click of their mouse (Doug Tanoury).

CRM is becoming a priority because information technology (IT), particularly, the Internet, is making it easier for customers to find alternate providers for products and services. However, when appropriately utilized, IT can help retain customers by building and managing the relationship (Wells et al., 1999).

Customer Relationship Management (CRM) is evolving from a staff intensive business strategy based on specialized applications to a web-based strategy for massive customization both in web site presentation, e-Mail communication and promotional
banner and pop-up advertisements. It is an evolution that is enabled by web-technology that will allow the creation of micro-segments, precision targeting and full view of the customer across all the contact points across an enterprise (Doug Tanoury).

The Internet empowers the customer (Chaston, 2001). The Internet user has the opportunity to switch the suppliers with several mouse clicks, to compare price and products on a worldwide basis and to select without external pressure the best available offer.

The marketing perspective on CRM hinges on its potential to offer better customer service, and to improve marketing effectiveness through better focus (McDonald, 1999). IT can help improve customer service in a number of areas, including reliability, efficiency, and communications as well as quality control and service monitoring (Berkley and Gupta, 1994).

The gathering of Internet information about customers allows messages to be finely targeted via email and web based ads. No longer do inappropriate products or ads annoy them, but rather they are intrigued and enticed by what they see as communications that is meaningful. As a customer has been in contacts via a variety of communications channels, the greater the depths and breadth of knowledge that we are able to accumulate. As we gain greater knowledge, it allows us to increase the height of our customized messages and communications to the consumer. They are flattered that we know enough about them to send them information, even if it is a pitch, that is personally meaningful and caries the message that it has been customized directly for them (Doug Tanoury).

For the information technology domain, as key enabler of CRM, there has been active discussions on the implementation of relationship management package, customer information system, customer database, decision support application. Still, many companies have difficulty in implementing an effective CRM program because they allow software vendors to drive their approach to customer management, or retrofit a customer strategy to match the CRM technology they have purchased. Namely, most of them mistake CRM technology for a marketing strategy, forming a barrier in implementing a successful CRM project (chung & Young, 2003).

Communication when the customer wants and in the manner that they prefer is key to energizing the service delivery. Communications technologies as well as Customer Relationship Management (CRM) applications seem to be converging on the Internet. These include:

- Telephone
- Fax
- Interactive Dialog/Chat Window
- Forum/Chat Room
- Newsgroup
- E-Mail
- Online Meeting/e-Conference
- Video Teleconference
- Video Messaging
- Voice Messaging
Customers communicate via the channel they prefer and companies now can communicate with their customers via channels that the customers prefer.

### 2.8 ICT and Small and Medium-Sized enterprise

A major component of all economies is small-and medium-sized enterprises (SMEs) (Werber and Zupancic, 2002). SMEs have been increasing their use of information technology (IT) (Lau et al., 2001); however, only a small number of publications exist about their IT management (Weissbach, 2002). Small- and medium-sized businesses often have limited IT resources as well as limited IT expertise. These limitations often culminate in SMEs being incapable of exploiting their use of IT to its full potential or developing all the information systems (IS) they need (Chan and Chung, 2002).

The use of ICT by SMEs is increasingly common according to survey for OECD countries. A Eurostat survey on e-commerce shows that nine out of ten SMEs were equipped with computers at the end of 2000/early 2001. Internet access is also commonplace among SMEs. While Internet penetration is generally higher in larger enterprises, the gap between larger firms and SMEs is narrowing. In most OECD countries, Internet penetration rates for medium-sized firms (50-249 employees) are the same and sometimes higher than for larger firms (more than 250 employees), with penetration rates of over 80%, although there are exceptions. Small firms (10-49 employees) have a slightly lower penetration rate, between 60% and 90% (Figure 1). Even in micro-enterprises, the penetration rate is nearly 60% in most countries and in Denmark 85% have Internet access (OECD, 2004).

Previous studies in the area of SME adoption of ICTs suggest that the motivations for adoption are based on opportunistic reasons, i.e. those relating to cost. In particular, managers in SMEs have identified the time and effort to incorporate telecommunications in their business as principal barriers to adoption of information technology (Chappell and Feindt, 2000). Furthermore, limited capital has also been used to explain a relative lack of investment in ICTs by SMEs (La Rovere, 1996).

In SMEs, there is often insufficient sharing of business information between managers and employees and among employees in part because the personnel’s daily routine tends to be extremely busy. To improve a firm’s responsiveness to customers, client feedback and information on employees’ professional experience, such as know-how for winning a contract, can be electronically stored and thus available to be shared within the company. Some SMEs have exploited ICT effectively to improve internal communications and have improved their reputation through swift responses to customers’ complaints and an ability to capture clients’ (hidden) needs (OECD, 2004)

ICT offers benefits for a wide range of business processes. At firm level, ICT and its applications can make communication within the firm faster and make the management of the firm’s resources more efficient. Seamless transfer of information through shared electronic files and networked computers increases the efficiency of business processes such as documentation, data processing and other back-office functions (e.g. organising incoming orders and preparing invoices). Increasingly sophisticated ICT applications such as KMS (Knowledge Management System) and ERP (Enterprise Resource Planning) allow firms to
store, share and use their acquired knowledge and know-how. For example, customer databases with a history of client-specific correspondence help managers and employees to respond more effectively to customers (OECD, 2004).

Poon and Swatman (1997) postulate that the entry point for SMEs to use the Internet is for them to start with the inter-organisational dimension only. Integration with their business processes occurs subsequently, with full Internet-to-internal process integration ultimately presenting the greatest benefit to a company. These authors acknowledge that these benefits would only be achieved following significant organisational process adjustment within a company and also across the business sector it operates in. A more critical view of the impact of the internet on small firms vis-à-vis large firms is offered by Samiee (1998), who argues that, despite the internet, small firms will always be at a disadvantage compared to large firms which, by virtue of their greater resources and network of operations, will continue to be better known.

Moreover the ability to be flexible to environment is crucial for small firms in the information age. Introducing some of the new challenges created by the internet, Hsieh and Lin (1998) warn that the ability to change is even more critical when a firm has an on-line presence, since in the market space of the internet, things change much faster than in the traditional marketplace. The rapid, and somewhat unexpected, adoption of internet by businesses as a commercial medium had forced firms to experiment with new ways of marketing and doing business with existing and potential customers. Use of Internet can provide small firms with an efficient way to expose the firm and the products to a wide range of viewers.
3. Frame of Reference

Chapter one outlined the background of the research area, discussed the focus of the study and provided the research problem and research questions. Depending on the research problem appropriate literature review was provided in chapter two. The purpose of this chapter is to define a frame of reference based on the survey of the literature provided in chapter two. The emerged frame of reference will help organize and direct data collection.

3.1 Frame of Reference

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” (Miles & Huberman, 1994). Broadly speaking it explains what will be studied or will not be studies as part of the research work. As stated in first chapter the purpose of this study is to explore the “use of Internet by SME’s for Customer Relationship Management”. Taking the research problem two questions were proposed as below:

- How can the Customer Relationship management in SME’s be described?
- How can the role of Internet in facilitating Customer Relationship Management in SME’s be described?

Question 1

How can the Customer Relationship management in SME’s be described?

Small and medium-sized enterprises can take advantage of customer relationship management to build effective relationships with their customers. To survive in the global market, focusing on the customer is becoming a key factor for companies big and small. While answering this Question we will specifically look at how SME manage relationships with their customers, how interactions are managed, goals and objectives of CRM, various benefits, characteristics of CRM in SME’s and the CRM process in SEM’s.

For most business Customer Relationship management is emerging as an important tool and an innovative way to add value to their products and services. Effective customer relationship management (CRM) has become a strategic imperative for companies in virtually every business sector. Swift (2001) proposes that CRM can increase opportunities for business by improving the communication process with the customers, developing and targeting the precise and accurate offer to the customer, providing the right offer through the right channel for each customer, and providing the right offer at the right time for each customer.

For this research we will take the definitions of CRM by Bose (2002) where he states that Customer relationship management is an integration of technologies and business processes used to satisfy the needs of a customer during any given interaction with the ultimate aim of customer retention and loyalty. Moreover Shaw (1999) proposed that the foremost objectives of CRM are to forge long-term sustainable relationships with selected customers, providing
seamless customer service at every points of contact to get closer to them, and maximize company’s share of value from the interactions with the customers.

As part of our first research questions we will look at how SME’s build relationships and manage interactions with their customers. In this regards Wells et al., (1999) propose that the important ingredients in building long-term customer relationships are effective communication, trust, commitment between relationship participants. Moreover he states that every interaction and communication between the relationship participants leads to a trail of transaction and non-transaction data. The integration of this data is important and essential in making the future interactions with the customers powerful. This data is very vital for any business in reducing transaction costs and providing differentiated products and services at lower prices. Further Romano (2003) stressed on developing sustainable long-term relationship with economically valuable customers and avoiding and eliminating the economically invaluable ones. It was highlighted in the research that today marketers view of their customers is changing and businesses are increasingly focusing on customers who deliver long-term profits.

Coming to the Goals & objectives of CRM in SME’s we will use theory provided by Dimitiris et al., (2002) where propose four objective as moving the company towards customer orientation, focus on customer retention & acquisition, superior value to the customer through efficient process management and the efficient use of ICT in Knowledge management about customer. Apart from this the objectives provided by swift (2001) and Ryals & Knox (2001) will also help us get more insight. While looking at the benefits provided by CRM, we will use the benefits provided by swift (2001) like, reduced costs of customer acquisition, no need to recruit many customers, reduced costs of sales, higher customer profitability, increased customer retention and loyalty, and assessing customer profitability. As the research in CRM in the SME’s context is scare, we will try our level best to look at other benefits unique to the SME context.

Next the characteristic of CRM in SME will be identified. For this we will use the CRM characteristic provided by Xu et al., (2002) where he identifies four characteristics as Sales force automation, customer service and support, Field service, and Marketing automation. Lastly we will look at the CRM process in SME’s. Here we will use the CRM process described by Zabalah et al., which consists of various sub-processes like Knowledge management and Interaction management and the various micro-process like data collection, Intelligence generation, Intelligence Dissemination, Interaction consistency, Interaction Relevancy and Interaction appropriateness.

Question 2

How can the role of Internet and ICT in facilitating Customer Relationship Management in SME’s be described?

CRM is becoming a priority because information technology (IT), particularly, the Internet, is making it easier for customers to find alternate providers for products and services. The explosive growth of the Internet has also brought new meaning to building customer relationships.
Customer data gathering and analysis form an important part of the CRM process. While answering this question the researcher will look at whether SME’s are taking the advantage of Internet and ICT with their ability to collect and analyze data on customer patterns, interpret customer behaviour, develop predictive models, respond with timely and effective customized communications, and deliver product and service value to individual customers. Specifically will try to find the various CRM technologies and applications being used by the SME’s in achieving the above objectives.

ICT has long been recognized as an enabler to radically redesign business processes in order to achieve dramatic improvements in organizational performance. Looking at how SME’s are using in redesigning their business process will be interesting. Moreover, in SMEs, there is often insufficient sharing of business information between managers and employees and among employees in part because the personnel’s daily routine tends to be extremely busy. Use of ICT can greatly help SME’s leapfrog these barriers. We will look at how ICT and internet help improve a SME’s responsiveness to customers through online client feedback and how ICT is being used to automate internal business processes.

### 3.2 Emerged Frame of Reference

The frame of reference of this research work is schematically shown in figure below. It represents various variables used in the research questions. It summaries the goals and objectives of CRM which are achieved through the CRM process and sub-processes like knowledge management and Interaction management. It also represents the Information technology factory which supports the CRM process.
4. Research Methodology

This chapter deals with the methodology followed in conducting this research. It starts with the intention of applying research methodology in this study, followed by a brief outline of some common research approaches and the associated methods and techniques used for the collection of relevant data. The appropriate research methodologies were then selected for this thesis.

4.1 Introduction

Research is a systematic investigation to find answers to a problem. It can also be seen as an act with an objective. The act necessitates the researcher seeking for, enquiring about, investigating, and exploring, repetitively, carefully, closely, some specific topic or subject of the research. In order to derive appropriate remedies for a problem, researchers are expected to employ suitable methodologies. Undoubtedly, this particular research also deserves a carefully selected methodology.

4.2 Research Purpose

According to Robson (2002) in Saunders, (2003) Enquires can be classified in terms of their purpose as well as by the research strategy used. Yin (1994) proposes that there are three classifications of research available when dealing with a research problem: Exploratory, Descriptive, or Explanatory.

Exploratory Studies

Robson (2002) in Saunders, (2003) highlights that the Exploratory studies are a valuable means of finding out “what is happening”, to seek new insights, to ask questions and to assess phenomena in a new light. They aim at exploring something, and are appropriate when the research problem is difficult to delimit. It is particularly useful if one wishes to clarify his understanding of a problem. There are three principal ways of conduction exploratory research:

1. A search of the literature
2. talking to experts in the subject
3. Conducting focus group interviews

Descriptive Studies

The object of descriptive research is “to portray an accurate profile of persons, events or situations” (Robson, 2002). This can be thought of as an extension of, or a forerunner to, a piece of exploratory research. It is necessary to have a clear picture of the phenomena on which you wish to collect data prior to the collection of the data.

Explanatory Studies

Studies that are used to establish causal relationships between variables may be termed explanatory studies. The emphasis here is on studying a situation or a problem in order to explain the relationships between variables (saunders, 2003).
Marshall and Rossman (1999) advanced that “exploratory and descriptive research is suitable strategy that builds rich descriptions when the phenomena under the study are not well understood”. They further argue that research usually starts with an exploratory phase to assess what the study should be about and then evolves into a descriptive or explanatory phase dependent on the objective of the study. As for as this research is concerned, there is lack of knowledge regarding SME’s and Customer Relationship management. In this study we would like to both explore and describe how SME’s use Customer relationship management to forge relationships with their customers.

4.3 Research Approach

The traditional view is that quantitative enquiry examines data which are numbers, while qualitative enquiry examines data which are narrative. Inherent in this difference is the view that quantitative enquiry generally adopts a deductive process, while qualitative enquiry generally adopts an inductive process. While this distinction is true in general, it will be argued that this does not fully nor accurately describe the processes adopted by quantitative and qualitative researchers in practice. The traditional view is that quantitative researchers subscribe to a positivist paradigm of science, while qualitative researchers subscribe to a relativist paradigm (Hyde, 2000).

Inductive and deductive processes

There are two general approaches to reasoning which may result in the acquisition of new knowledge, namely inductive reasoning and deductive reasoning. Inductive reasoning is a theory building process, starting with observations of specific instances, and seeking to establish generalizations about the phenomenon under investigation. Deductive reasoning is a theory testing process which commences with an established theory or generalization, and seeks to see if the theory applies to specific instances. Research in business & marketing has historically emphasized deductive processes - in many cases, applying these processes prematurely, before an adequate understanding of the concepts operating has been developed (Hyde, 2000).

Quantitative approach

Quantitative research methods usually involve large randomized samples, more application of statistical inference, and few applications of cases demonstrating findings. Kumar describes the characteristics of quantitative research as if information is gathered using predominantly quantitative variables, and if the analysis is geared to ascertain the magnitude of the variation. The objective of quantitative research is to determine the relationship between one thing (an independent variable) and another (a dependent or outcome variable) in a population. Quantitative research designs are either descriptive or experimental. A descriptive study establishes only associations between variables. An experiment establishes causality. Quantitative methods involve statistical, numerical data, where the aim is to be able to generalize the results and where the researcher needs distance from the source (Sekaran, 2000). According to (Svensoon, 2003), qualitative methods are often employed for surveys and broad studies, i.e., few variables on many units. Further, Quantitative methods are often used within natural science, and the aim is usually explanatory- to explain causal relationships, to facilitate generalization, and also to predict the future.
**Strengths of Quantitative Approach**

The main strengths of this approach lie in precision and control. Precision is reached through quantitative and reliable measurement and control is achieved by the sampling and design. Furthermore, hypotheses are tested via a deductive method and the use of quantitative data to allow statistical analysis (Gorard, 2003).

**Limitations of Quantitative Approach**

The key limitation of quantitative approach is that the results provide less detail on human behavior, attitudes and motivation. Although response of opinions and perceptions can be converted into digitized results, it mainly leaves no meaning to the researchers. Accordingly, many researchers are concerned that the quantitative approach denigrates human individuality and ability to think (Gorard, 2003).

**Qualitative Approach**

Qualitative methods, on the other hand, focus on providing a complete picture of the situation with the aim of increasing the understanding of social processes and interrelations. Qualitative methods are often related to case studies and in-depth studies where the objective is to access a lot of information from few units (Svensson, 2003).

Qualitative research is generally defined as research that utilises open-ended interviewing to explore and understand the attitudes, opinions, feelings, and behaviour of individuals or a group of individuals. Qualitative research can take many forms; typical are focus groups, in-depth interviews, mini-groups, dyads, and triads. According to Garson (2002), “Qualitative research designs strive for in-depth understanding of subjects through such techniques as participant observation or narrative analysis, or they may strive for in-depth understanding of texts through such methods as exegesis or deconstruction”.

**Strengths of qualitative approach**

Qualitative research is best used acquire a depth of information about a problem area. Qualitative research is the best research method for discovering underlying motivations, feelings, values, attitudes, and perceptions of the context and problem under study. Additionally, the qualitative approach is characterized by closeness to the source of information and provides abundant information and prerequisites that will yield deeper knowledge of a complex situation (Svensson, 2003).

**Limitations of qualitative approach**

The primary limitation is that, unlike quantitative research, the findings are not statistically projectable to the population under study. This limitation is created by two facts: recruiting is rarely completely representative; and, the very nature of qualitative research necessitates small sample sizes.

According to Marshall and Rossman (1999), the choice of research approach depends upon the questions posed. In this study, the purpose is to explore and describe how SME’s use the internet in managing the customer relationships. Based on the problem definition, the research purpose best suited for this thesis is qualitative. This study is aimed at gaining deeper
understanding of the phenomenon under investigation and acquiring richer knowledge of a situation/phenomenon.

### 4.4 Research Strategy

According to Yin (1994), qualitative research can be conducted using several approaches, including experiments, surveys, histories, analysis of archival information and/or case studies. Each strategy had advantages and drawbacks and the boundaries between the methods are not always clear and sharp, and often overlap. Yin(1994) further argues that each strategy can be used for all three purposes: explanatory, descriptive and exploratory. The following conditions should determine which strategy is appropriate: 1) the type of research questions posed, 2) the control an investigator has over actual behavioural events, and 3) the focus on contemporary versus historical phenomena. Table 4.1 below, illustrates all three conditions that need to be addressed when deciding on a strategy.

**The table below shows a matrix with relevant situations:**

**Relevant Situations for Different Research Strategies:**

<table>
<thead>
<tr>
<th>Strategy</th>
<th>Form of research question?</th>
<th>Requires control over behavioural events?</th>
<th>Focus on contemporary events?</th>
</tr>
</thead>
<tbody>
<tr>
<td>Experiment</td>
<td>How, Why</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Survey</td>
<td>Who, What, Where, How many, How much</td>
<td>No</td>
<td>Yes</td>
</tr>
<tr>
<td>Archival Analysis</td>
<td>Who, What, Where, How many, How much</td>
<td>No</td>
<td>Yes/No</td>
</tr>
<tr>
<td>History</td>
<td>How, Why</td>
<td>No</td>
<td>No</td>
</tr>
<tr>
<td>Case Study</td>
<td>How, Why</td>
<td>No</td>
<td>Yes</td>
</tr>
</tbody>
</table>

Source: Yin 1994, p.6

This study will be based on the use of case studies, which will be explained and more thoroughly discussed in the next section.

Qualitative research is often associated with case studies as a research strategy (Yin, 1994) and case studies represent investigations where the interest is focused on detailed and in-depth descriptions, and analysis of individual cases. Case study refers to the collection and presentation of detailed information about a particular participant or small group. Case studies typically examine the interplay of all variables in order to provide as complete an understanding of an event or situation as possible.

Case studies have often been viewed as a useful tool for the preliminary, exploratory stage of a research project, as a basis for the development of the ‘more structured’ tools that are necessary in surveys and experiments.

Yin (1994) p.13 defines a case study as an empirical inquiry that:

- Investigates a contemporary phenomena within its real life context, especially when
• The boundaries between phenomenon and context are not clearly evident.

This statement emphasizes that an important strength of case studies is the ability to undertake an investigation into a phenomenon in its context; it is not necessary to replicate the phenomenon in a laboratory or experimental setting in order to better understand the phenomena. Thus case studies are a valuable way of looking at the world around us.

The use of the case study as a research strategy best suits the nature of this study, primarily because the purpose of this thesis closely resembles the form of research questions how and why as seen in Table above. This choice is further motivated by the fact that the researcher has no control over the behaviour of the subjects under study, and is dealing with a contemporary event. Furthermore, the objective is to gain a comprehensive view of the phenomena that includes detailed information of Customer relationship Management in SME’s, which points to the case study approach as the most appropriate research strategy.

Some benefits of using case studies are (Yin 1994):

• It may aid the researcher in getting a holistic view of an event or situation, a view that includes the context as well as the details.
• It is rich in detail and may therefore lead to a more complete understanding of some aspect of a person, group, event or situation. Case studies can satisfy the three parts of a qualitative method: describing, understanding and explaining.
• It may aid in getting affective information that cannot otherwise be collected
• By using exploratory case studies the researcher may identify hypotheses that may be tested, and aid in finding a more precise research question

Some of the reasons why case studies have sometimes been viewed with skepticism are (see e.g. Yin 1994):

• Many case studies are sloppy and the results have been formed by biases (the same however goes for e.g. surveys). This is partly due to the fact that there is a limited body of literature on case study research
• People have confused case study teaching with case study research (in teaching, material may be altered to serve a purpose)
• It has been argued that case studies provide poor basis for scientific generalization. The same goes for experiments, though, since these must be carried out under different conditions in order to provide generalization. Case studies are generalizable to theoretical propositions and not to populations or universes (just like experiments). In order to make more scientific generalizations, multiple case studies might be needed
• Subjective element. Often, case study research is considered as flawed because it involves less rigorous methods than in “hard” sciences. Further, if only one researcher conducts it, it is very much exposed to researcher bias.
• Case studies take too long and result in massive documents. Often, this has been the case, but does not have to be
• Case studies are sometimes expensive to conduct

A researcher can choose to conduct research on a single-case study or on multiple case studies. According to Yin (1994), the single case study is appropriate when the single case represents 1) the single critical case, meeting all of the conditions for testing a formulated theory, 2) an
extreme or unique case, or 3) a revelatory case. A multiple-case design, which has been increasingly employed in recent years, involves more than a single case. Multiple Case studies have the advantages of providing evidence that is considered to be more compelling and more robust, but they are also more expensive and time-consuming. The validity increases with the number of cases selected. Multiple case studies were chosen since this research is not dependent on a single, critical, extreme case. Additionally, multiple case studies will provide more compelling and robust information about the research problem and will also increase the validity of the research and findings.

4.5 Sample Selection

The unit of analysis is the basis for the case. It may be an individual person (such as a business leader, or someone who has had an experience of interest), or an event, (such as a decision, a program, an implementation process or organizational change), or an organization or team or department within the organization. It can sometimes be difficult to identify the boundaries of the unit of analysis. A key issue is that the case study should only ask questions about the unit of analysis, and any sub-units; sources of evidence and the evidence gathered are determined by the boundaries that define the unit of analysis (Rowley, 2002).

Selecting the unit of analysis, or the case is crucial. Case selection must be determined by the research purpose, questions, propositions and theoretical context, but there will also be other constraints that impact on case selection. These include accessibility (whether the data needed can be collected from the case individual or organization), resources (whether resources are available to support travel and other data collection and analysis costs), and time available and if time is limited, it may be easier to analyze a small business rather than a large business, or to identify a unit of analysis within a large organization, rather than seek to study the organization in its entirety (Rowley, 2002).

Keeping in sense the purpose of this study, the sample selection followed some criteria. As indicated in the chapter one, this study is about customer relationship management in SME’s, and it leads us to the first criteria i.e., the firms should be SME’s. For selecting the SME’s this research follows the definition of European commission for SME’s. Secondly, as this study is about exploring CRM in SME’s it leads us to the second criteria and that is the SME’s in the sample should be active in managing relationships with their customers. Thirdly due to constraints like finance and time this study is confined to the SME’s in Luleå, Sweden. Internet was used in searching and selecting the SME’s.

4.6 Data Collection methods

Data collection, and in general the execution of a good case study, depend crucially upon the competence of the researcher. Unlike, with say, a questionnaire, the evidence to be gathered is defined as it is collected, and the researcher is an active agent in the process. This means that the researcher undertaking data collection needs to be able to ask good questions, to listen and to interpret the answers. This involves having a sound grasp of the questions and propositions of the case study, and being able to approach the study in an unbiased, and flexible manner (Rowley, 2002).
According to Yin (1994), data for case studies can come from six different sources: documents, archival records, interviews, direct observation, participant-observation, and physical artifacts. Each of these different sources require different approaches to their interrogation, and are likely to yield different kinds of insights. Each source has its strengths and its weaknesses, and the richness of the case study evidence base derives largely from this multi-faceted perspective yielded by using different sources of evidence (Rowley, 2002). Using multiple sources of data is advantageous as it increases the external validity of the research (Yin, 1994).

Interviewing is the technique of gathering data from humans by asking them questions and getting them to react verbally (Potter, 1996). There are several ways of characterizing interviews. For example, interviews can be conducted by telephone or face-to-face, formal or informal, and structured or unstructured. Interviews have several strengths, and are useful when one needs to get large amounts of data quickly. In addition, the interview process allows the researcher to gather a wide variety of information from a larger number of subjects than would be possible if the study were confined to fewer participants. Furthermore immediate follow-up and clarifications are possible. According to Marshall and Rossman (199), interviews have disadvantages in that they involve personal interaction in which cooperation is essential, and in some cases the interviewee might be unwilling or untruthful in his or her responses. The interviewer might lack the expertise or the knowledge of the local language, or might not fully understand the responses or the various elements of the conversation. However, the interview process offers the advantage of allowing the interviewer to be in control during a conversation. The whole conversation is an exchange of knowledge and experience and by conducting face-to-face interviews, the researcher is able to gather a large amount of data in the shortest possible time.

In this study, secondary data was collected from websites and primary data was collected by conducting interviews. Face-to-face interviews with the appropriate people in the investigated firms were the primary source of data collection in this study. The decision to conduct interviews was motivated by the fact that interviews provide a great deal of in-depth information about the firms involved and allow follow-up on the questions. It was decided to conduct a focused, half-structured respondent interview. A focused interview preserves the flexibility required in qualitative studies. Supplementary questions were asked in order to obtain clarification or avoid misunderstandings. The Interview guide consisted of open-ended questions and it was tested with the supervisor. The objective here was to understand the respondent's point of view rather than make generalisations about behaviour. Additional questions that were prompted by the interviewee’s responses were asked during the interview. A tape recorder was used to tape the interview and each interview covered a period of 35 to 40 minutes.

4.7 Data Analysis

Analysing case study evidence is not easy. Typically a case study database will include a multitude of different evidence from different sources. Data analysis of this rich resource is based on examining, categorising and tabulating evidence to assess whether the evidence supports or otherwise the initial propositions of the study. The preferred strategy for analysis is to use the propositions that encapsulate the objectives of the study, and which have shaped the data collection (Rowley, 2002).
In exploratory case studies that typically do not start with propositions, an alternative approach needs to be adopted. Here an alternative analytic strategy is to develop a descriptive framework for organizing the case study. Thus a framework of sections reflecting the themes in the case study are developed and evidence is gathered within relevant themes, and analyzed and compared in these categories, in order to achieve a description of the case study that can be corroborated from multiple sources of evidence (Rowley, 2002).

In general, there are no cookbook procedures that have been agreed for the analysis of case study results, but good case study analysis adheres to the following principles (Rowley, 2002):

- The analysis makes use of all of the relevant evidence
- The analysis considers all of the major rival interpretations, and explores each of them in turn
- The analysis should address the most significant aspect of the case study
- The analysis should draw on the researchers prior expert knowledge in the area of the case study, but in an unbiased and objective manner

In qualitative studies, data collection and analysis typically go hand in hand to build a coherent interpretation of the data (Marshall & Rossman, 1999). Analyzing the data collected in qualitative studies is, according to Johansson Lindfors (1993) in Sevensson (2003), more time-consuming and complex than in quantitative studies. The reason is that in qualitative studies, all structuring and organizing of information must be done after that the data-collection is completed, i.e. before analyzing the empirical data, it must be translated into some understandable form.

4.8 Quality Criteria

No agreed-upon standard exists for assessing the quality of Quantitative research. According to Potter (1996), several standards or quality criteria can be applied when conducting qualitative research. There are four criteria that are used to assess the quality of the research, i.e., internal validity, external validity, reliability and objectivity. The four different criteria’s are presented in the table below:-

<table>
<thead>
<tr>
<th>Tests</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Construct Validity</td>
<td>Establishing correct Operational measures for the concepts being studied</td>
</tr>
<tr>
<td>Internal validity</td>
<td>Establishing causal relationships whereby certain conditions are shown to lead to other conditions, as distinguished from spurious relationships.</td>
</tr>
<tr>
<td>External Validity</td>
<td>Establishing the domain to which a study’s findings can be generalized</td>
</tr>
<tr>
<td>Reliability</td>
<td>Demonstrating that the operations of a study can be repeated with the same results.</td>
</tr>
</tbody>
</table>

Source: Adapted from Yin, 1994

Validity and Reliability

Researchers employ different terms in describing the degree to which findings correctly map the phenomenon in questions, e.g., truth value, credibility, construct validity, internal validity and authenticity, which can be seen in the table above, and several methods are proposed to
increase the validity. Construct validity refers to the degree to which inferences can
legitimately be made from the operationalizations in your study to the theoretical constructs
on which those operationalizations were based. Like external validity, construct validity is
related to generalizing. It seeks agreement between a theoretical concept and a specific
measuring device or procedure.

To increase the internal validity in this research, i.e., the degree to which findings correctly
map the phenomenon in question, multiple sources of evidence, namely documentation,
interviews and archival records have been used. In order to further increase the reliability and
quality of our research, established literature has been used to define and conceptualize the
concepts used and to construct the frame of reference for the research questions, which, in
turn, provided a base for developing the interview guide for the data collection. The interview
guide was tested and reviewed by our supervisor.

During the interview, some general rules for improving the validity were followed. The first is
talking little and listening lot. By letting the respondent speak freely without interrupting
him/her, it was possible to receive detailed answers. The interviews were conducted in an
informal manner so that the interviewee comes out what is in his mind.
5. Empirical Data Presentation

This aim of Chapter five is to present the empirical data collected from the SME’s selected. The two SME’s investigated are GTC Print AB and Abelko Innovation AB. The data is collected based on the conceptual frame of Reference presented in Chapter three. It starts with a short background of the SME followed by the data collected from the interview will be presented. The empirical data is presented in a manner so that it addresses the proposed research questions in the study.

5.1 Case 1: ABELKO Innovation AB

Abelko Innovation is an electronics company that was established in Luleå, Sweden in 1970. Abelko markets its solutions in the form of total concepts including hardware, software and service commitments. The organisation structure of Abelko is divided into various transparent units such as marketing and sales, development, production and finance. It has presently 18 employees working at Abelko out of which 6 employees work for the development of software and hardware with in electronics, 9 employees work with production and 2 work with sales and marketing and 1 for the finance. It has both the administrative and manufacturing facility located in Luleå. Abelko has a turnover of 20 million Swedish Kroners. The Company has got its own website which offers information about it and its business areas and is available in both Swedish and English.

Abelko is a company which believes in the power of innovation and there is continuous work going on in developing new products. It follows the mixed strategy of in-house production of its own products and complements it core products with outsourcing the specialised products on a sub-contract basis. Its core competence areas are Internet technologies, M2M measurement and monitoring systems, control and automation, communication and control via radio or wire line, and medico-technical equipment.

Abelko looks to build long-term relationships with its customers and partners in co-operation. The company assumes responsibility for development, manufacturing and support. Its strategy is to market its own product via its own sales organisation and that of its co-operative partners, and to find products that complement their own through joint ventures with other companies. The company has a solid experience of training, sales support and technical support in many countries.

More than 70% of the production is exported to various countries like India, Korea, Netherlands, Turkey and others. The Strategy of Abelko is to sell through the resellers and exporters who are situated throughout Sweden who work as intermediaries between Abelko and its end customers. However the GM of Ableko Innovations Mr Anders Lindgren tells that they are looking to increase their sales directly to the end consumers in the forerun. Some of Abelko’s clients are ITT Flygt, SKF, The Swedish railways, Ljungberg&Kögel, Kryotherm and IDAB-WAMAC.

Business areas and Products
Energy

Abelko started with the energy sector and has now got almost 25 years of experience in designing control systems for controlling direct electrical heating in small homes, multifamily dwelling, public buildings and industrial premises. This business area includes many customs and specially OEM-products for control and automation, for example, control systems, for air conditioning units, heat exchangers, and heated railway switches.

Automation

In the field of automation, Abelko is having vast experience in designing advanced measurement and monitoring systems, for repetitive, continuous or occasional measurements. Here the company manufactures IMSE webmaster which is a unique TCP/IP system for monitoring, measurement and control.

OEM

Here Abelko is providing a technical platform with hardware and software suitable for customer applications for automation. Abelko’s AeA is a perfect start for the companies, who wants to develop new products or wants to adopt their products to web technology.

Machine 2 Machine (M2M)

It is an expansive area, in which one of Abelko’s products, a simple poesac radio-based system, Multicall offers excellent value. This product is perfect for anyone, such as municipal property managers, public utilities providers, etc., who needs effective remote control, for example of lighting, heating and security systems.

Medico-Technical

For many years Abelko has been manufacturing equipment for medical use in blood banks the world over. The company collaborates closely with Ljungberg & Kögel AB, who markets and exports their medico-technical products. Abelko develops and manufactures the products, as well as providing world wide support. Among other products, the company make blood mixers used in blood collection, and high-frequency sealers for sealing blood tubing and bags.

In addition to a range of standard and custom products, Abelko Innovation complements its offerings with detailed specification work on new development projects, development of hardware and software, EMC and CE marking, Documentation, Manufacturing with extensive testing, training of technical and sales staff, support and service, joint sales.

CRM at Abelko Innovation AB

Ableko Innovation is a company which believes in forging long-term business relationships with its customers. The company looks for those customers who’s needs closely match the competences of the company. Usually customers approach Abelko with an offer for development of new products. The company with the co-operation of its customer identifies the exact needs of the customers and then Abelko comes up with a prototype of the product.
Abelko tries to be unique in some areas and ahead of the competitors. Embedded internet systems are one of the areas where the company is unique to its customers.

As the company depends on the resellers who are intermediaries between Abelko and its end-consumers managing relationships with them forms an important part of its marketing activity. Although Abelko has been customer focused since its inception it is since the last 5 years that it has become more and more customer oriented. Presently the company is working on a plan to have close relationship with 15 to 20 resellers throughout Sweden which are crucial to its enhanced sales in long-term.

Mr. Anders Lindgren says that Customer Relationship management helps Abelko in having a close relationship with its strategic customer and helps in identifying their needs as soon as they arise. It increases its sales and ultimately effects it’s bottom-line. He also states that knowing the customers need earlier than their competitors they can fully satisfy the customer and ultimately prevent the competitors from grabbing their customers. Being close to the customers also help Abelko in coming up with new innovative products thus improving its product line. Lastly Abelko is well aware that its competitor’s strategy and that they are also forging close relationship with the clients and this was also a reason for CRM at Abelko.

As Abelko is in the business of complicated and Knowledge products which require customization according to the individual customer needs, CRM has not much helped the company in reducing the sales and marketing costs. Products are developed with comprehensive discussion and co-operation of its customers. Usually selling Abelko products requires personal selling and travelling expenditures.

Customer Satisfaction is a key to successful relationship with customers at Abelko. Difficulties in implementing CRM at Abelko come in the form of a new need arising with the customer. Mr. Lindgren says that the sales team has to keep a constant check with the customers and occasionally they have to meet personally or talk through telephone to know whether the customer is satisfied or not. Asked whether Ableko has a formal CRM process, he declined that their was no formal CRM process implemented at Abelko but they had to keep a constant check on customer and how satisfied are they.

Abelko understands the need of Customer oriented culture in the organisation. When asked about whether Abelko’s employees are customer oriented, MR Lindgren told that Abelko takes the help of outside consultants to give training to the employees. This is done every one and half year. He also stressed the importance of customer orientation for employees who work on production side but he thinks that the co-operation from all parts of the company are essential for the success of relationships. CRM helps Abelko in identifying exactly what its customer needs and this information help it providing customers with suitable technical solution. Another advantage Abelko has with this information is that it can be applicable to other clients also. Having close relationships with customer also leads to information about the competitors products thus helping Abelko in planning its marketing activities.

Abelko has small software which was built in house by its employees. Customer Data is like contact details, order details and status, information from the sales process etc are stored in the database for retrieval in the future. Apart from this they don’t have any software purchased from outside or a formal CRM process for managing customer relationships.
The company also understands the importance of customer retention and believes that the key to customer retention is fully satisfying the customer. They also believe that this requires the cooperation of all the employees who can produce the synergy effect for sustainable customer relationships rather than working on individual basis.

Customer Feedback is an important source of information from its customer and Abelko tries to get it as much as possible. As the products are complicated this comes in the form of personal meeting with the customer or interaction on the telephone. Another source of market information is trade fairs and seminars where Abelko has the chance of meeting many customers at a time and also discussing new development in the market.

After sales service forms an important part of Ableko’s marketing activites. Usually after sales service is provided by the resellers to the end customer. Many times in the medico-product line due to the complexity of the product, the resellers send the product for service to Abelko. Usually the resellers are given training in after sales service by Abelko’s technician.

ICT is also used for Internal communication and transfer of document at Abelko. Majority of orders for the product are received through FAX or when Abelko’s employees meet personally with their customers, a small percentage of the total is received through Internet. Moreover Internet forms an important channel for providing after-sales service to the customers. Abelko tries to give as much information as possible through its website and also through product sheet deliverable through email. Presently Abelko is working on its enhanced website through embedding various modules like frequently asked Questions etc. Moreover some of the Ableko's products require custom software and the company is also coming up with the idea of uploading this software on the website so that its customers get the latest software ready to be downloadable through its website.

5.2 Case 2: GTC Print AB

GTC Print AB was established in 1876 in Luleå, Sweden. As the name implies, it is in the business of printing. It prints magazines, advertisements, catalogues, Brochures and other promotional and advertising material for businesses throughout Sweden. It has got its administrative office and production facility in Luleå. Since its inception it has successfully amalgamated number of other business in the same field making itself one of the major players in the market.

The annual turnover of GTC print AB is 40 million Swedish Kroners and has 25 employees working for it. Presently GTC is not listed in the stock exchange as it has less turnover to be listed. It has customers all over Sweden. In total it has a solid network of almost 400 customers. 10 to 15% of its customers are international customers. 65% of the turnover is from the southern part of the Sweden as most of the business and SME’s are situated in the south of Sweden. Currently GTC is also exporting to Norway and Finland and 5% of the turnover is from these countries. Major competitors of GTC are Luleå Grafska, Luleå AllTryck AB and TryckPoolen AB. Luleå University is one of the major customers of GTC. Peak business time is in the month of March till June and again from September till December.

GTC has sales and marketing department and production department and have their own directors respectively. There are 5 salesmen in marketing department. One salesman works
towards acquiring new customers. Another works with current customers. The remaining three works with both new prospects and current customers.

**CRM at GTC Print AB**

GTC print AB consciously pursues long-term relationships with its customers. All customers are treated equally. GTC has got its own business system and database which contains the complete purchase history and profile of its customers and is used since 1997. This System was developed by the employees of GTC.

While developing relationships with its customers, care is taken that no customer forms more than 5% of the turnover. Once a new customer is selected, Telephone is used to approach it. Higher Cost was indicated as the main reason for contacting through telephone rather than meeting the client personally. If the customer is big enough then the salespeople personally contact him. Word of mouth by the old customers greatly helped GTC in acquiring new clients.

Customer interactions are crucial to the success of the company and satisfaction of the customer. Usually this takes the form of telephonic conversation or communication via the email. Talking to customers help the company in understanding exactly what they want with regards to the quality and quantity of the products. There is no need for after-sales service regarding the product due to its nature. However once the products are delivered to the customers the company takes a feedback regarding the quality of order delivery.

The CRM system helps GTC in simplifying the work with customer orders, status, pricing etc. With the help of this system GTC doesn’t have to put all the papers related to the customer and their orders on the desk and make the work more complicated. Rather everything is available in the computer and presented in a very simplified manner. Other benefit GTC is getting from this system is that they can get the statistics regarding the volume of the orders, details of customers like their address and contact details. Briefly it has helped GTC in working more efficiently with its sales and marketing. But they don’t think that it has reduced the Sales and Marketing Cost.

When bringing the CRM system in use, one of the difficulties faced by GTC was to make its employees familiar with how to use the system. Another difficulty was to convert the data and information available on paper to the electronic form. According to Mr Marcus Rehnström the system is very simple and can be modified with no difficulty and when ever a need arises he modifies it to suit the current requirement.

Speaking about the CRM process he tells that by using the system one can add new customer and enter data about him like address and contact details, after that the an offer is made to the customer and when the customer accepts the offer, the system is used to make an order and confirmation of the order and it is send to the customer with complete details like sale value etc. The system also helps the company with details of any particular customers regarding how many orders he has placed and how many offers the company has given to it. It can also help in pricing decisions by providing the pricing history of any particular customer. But the system doesn’t help GTC with trends regards tastes and preferences of its customers.
GTC believes in the philosophy that acquiring new customers is more expensive than maintaining old customers. They also realize that the cost of maintaining the relationship with old customers is low. Respective salesmen are responsible for taking feedback after each delivery. Customer concerns are handled quickly so that customers are not frustrated. Meeting and special discussions are conducted on how to satisfy the customers.

Internet is crucial for GTC for communication purposes and it is being used in GTC since last 7 years. Apart from communication, Internet has been an important and strategic channel for GTC to reach its new customers. Employees at GTC use various search engines to search new prospects and customers and to get complete information regarding their business and contact details. This strategy has been very successful for GTC and this is going on since the last 20 months. This is also a reason why GTC doesn’t spend much money on advertisement and promotion.

As the market is mature and saturated for GTC and the products are standardized, they have to compete on the basis of economies of scale and lower cost of the product and services. Communication is very important for knowing the tastes and preferences of the customers as it is very easy for a dissatisfied customer to shift the supplier. Regarding the specification and details of the order, GTC’s customers send PDF file with complete layout of the job. This sharing of PDF file is mostly through FTP and Internet.

Being one of the oldest printing business in Luleå, GTC had developed a unique way to provide added value for its products. When the different advertisement brochures and booklets are printed they are directly sent to the customer’s customer through the postal service with which GTC has an agreement with.

Apart from maintaining relationships with customers, GTC also maintains relationships with its competitors. Mostly the relationships with their competitors are defined in terms of sharing facilities.
6.0 Data Analysis

The previous chapter was dedicated to the presentation of the data and in this chapter the data presented will be analyzed against the conceptual frame of reference. First, a within-case analysis will be conducted in relation to the frame of reference on all cases from the empirical data collection. A cross-case analysis will then be presented in which the cases will be compared with each other.

6.1 Within-Case analysis: Abelko Innovation AB

How can the Customer Relationship management in SME’s be described?

Shaw (1999) proposed that the foremost objectives of CRM are to forge long-term sustainable relationships with selected customers, providing seamless customer service at every points of contact to get closer to them, and maximize company’s share of value from the interactions with the customers. Every interaction and communication between the relationship participants leads to a trail of transaction and non-transaction data. The integration of this data is important and essential in making the future interactions with the customers powerful. This data is very vital for any business in reducing transaction costs and providing differentiated products and services at lower prices (Wells et al., 1999). At Abelko it is learned that the company wants to have long-term relationship with its customer and this is the reason why CRM is being used in the company. It is also stated that getting close to the customer helps in knowing the needs of customers. Customer interactions are crucial for the success of the company and it was stated that personal selling from an important part of the sales activity and it is also an strategic window to learn more about the customers.

Romano (2003) stressed on developing sustainable long-term relationship with economically valuable customers and avoiding and eliminating the economically invaluable ones. The need to better understand customer behaviour and focus on those customers who can deliver long-term profits has changed how marketers view the world. In the case of Ableko it was found that the company stresses the need to develop a long-term relationship with its customer and this is also clearly stated on the company website.

The need to better understand the customer behaviour to know their need was also stressed. This was also important activity for Abelko because it help it in coming with new and innovative products before its competitors. Focus and forging long-term relationships with profitable customers was also stated and its Ableko’s policy to decline non-profitable customers.

In the literature it was stated that a CRM strategy uses the combined power and effectiveness of marketing, operations, sales, customer service, human resources and ICT to maximize the profitability of customer interactions. On the other side customer are greatly helped by customization, simplicity, convenience, seamless service regardless of the channel used for interactions by them. Various channels and touch points through which the customer interacts with the organisation are internet, email, call centres, fax, sales personnel, direct mail, telemarketing operations etc. CRM integrates these touch points with applications that link
front office and back office functions so that the customers are treated with the same level of customer service throughout these touch points. With Ableko it was found that the company believes in a CRM strategy supported by employees from all departments. This is implied when the Mr. Lindgren stressed the customer orientation of employees working in the production side. They believe that all employees can create the synergy effect crucial for the success of the company. Regarding the channels through which customers contact Ableko, it was found Fax, telephone, email and personal contact is used. However there was no evidence of the integration of these touchpoints at Abelko.

Customer orientation forms an important part of the CRM philosophy and its successful implementation. People who are the prospective users of the CRM system/applications play an important role in successful use and implementation of CRM. Thus improving the customer orientation of the employees is an antecedent for a successful implementation of CRM systems in any organisation. It was found that Abelko understands the need of customer oriented culture in the organisation. When asked about whether Abelko’s employees are customer oriented, MR Lindgren told that Abelko takes the help of outside consultants to give training to the employees. This is done every one and half year. He also stressed the importance of customer orientation for employees who work on production side.

Customer satisfaction is also influenced by customer value. Some researchers see these two terms as interrelated as customer value contributes to an improvement in customer satisfaction and customer satisfaction is a consequence of unique customer-perceived value. A satisfied customer will show a strong tendency to be loyal and repeat the purchase of the goods or services, and thus increase a firm's market share and profits, which signifies its significance to successful competition in customer-centred era. Furthermore, it is likely that a satisfied customer will spread positive word of mouth among his or her acquaintances (Hansemann & Albinsson, 2004). At Abelko, Knowing the customer’s tastes and preferences is the key to customer satisfaction. They believe that if the customer is satisfied by the product and services, it will be difficult for their competitors to grab their market. In fact customer defection was the reason stated for the Abelko’s going for Customer relationship management.

In the literature Swift (2001) states the benefits of CRM in term of reduced costs of Customer Acquisition, No need to recruit many customers, reduced costs of Sales, Higher customer Profitability, Increase customer retention and loyalty, Assessing customer profitability. In case of Abelko, it was not found that CRM helps in reducing the cost of sales because the products are complex which require personal selling and travelling to different places. The company thinks that CRM can help both the company and customers becoming profitable as with closer relationships with its customers the company can develop its products accurately according to the needs of customers and this also helps the company in coming up with new and innovative products ultimately increasing the sales and profit of the company. It was also found that CRM helps to increase customer retention and loyalty and Mr Lindgren stated that customer defection was one of the reasons for the company’s tilt towards customer orientation. Lastly it was not found that Abelko calculates the customer profitability during its relationship cycle with any specific client.

Regarding the characteristic of CRM, Xu et al., 2002 proposes Salesforce automation, customer service and support, Field service, Marketing automation. In case of Abelko it was found that CRM applications in use at the company help the employees with information about customers, deals, etc. However the sales process is not configured into the application. As Abelko doesn’t sell online there is no place for order placement and tracking etc. How ever it
is implied that the system has help in customer service by simplyfing customer information and making it easily available anytime through the databases. Field service is provide to the end-customers by the resellers through which abelko sells to these end-consumers.

Coming to the CRM process the theory states the process by Zablah et al, where the process comprised of various sub-process like Knowledge management and Interaction management and micro-processes under this sub-processes like Data collection, Intelligence generation, Intelligence dissemination, Interaction consistency, Interaction relevancy and Interaction appropriateness. However the CRM process at Abelko is very simple. Data collection was found to be with the system at Abelko. However this data and information doesn’t take the form of intelligence generation as intelligence generation occurs at Abelko through personal contact with the customers. Regarding disseminating the intelligence stored in the applications and databases, the employees of Abelko have access to the required information stored in the systems at anytime.

**How can the role of Internet in facilitating Customer Relationship Management in SME’s be described?**

ICT offer benefits for a wide range of business processes. At firm level, ICT and its applications can make communication within the firm faster and make the management of the firm’s resources more efficient. Seamless transfer of information through shared electronic files and networked computers increases the efficiency of business processes such as documentation, data processing and other back-office functions. Seeking at the role of ICT in Abelko, it was found that the company uses information system for internal process like office automation, sharing of files internally, financial data processing and use of networks for internal communication.

The Internet is a unending source of information about customers, some is self-identified by the customer providing information, other information is provided by the self service applications and simply monitoring what the customer does within our web sites. It knows what products were looked at, what was downloaded and what sections of a web-based storefront were visited. The Internet is a micro-marketers dream comes true. It is a world where customers express their interests, preferences and propensities with every click of their mouse (Doug Tanoury). Currently Abelko is having website with both Swedish and English webpages. The site provides a lot of information about the company, its product etc. However there was no evidence that the website monitors what the visitors do while browsing the website. How ever the company is in the process of coming up with improvements on its website and are planning to provide the facility of downloading various software necessary for its products.

In the literature it was proposed that communications technologies as well as customer relationship management (CRM) applications seem to be converging on the Internet. It was proposed that the various channels through which customer can contact a firm took the form of telephone, Fax, Interactive Dialog/Chat Window, Forum, Email, online meeting and conference. At Abelko it was found that usually the customers would prefer telephonic conversation and email for remote communication. However personal contact proves to be crucial for Abelko. However there was no evidence that these technologies were integrated with internet and CRM system at Abelko.
6.2 Within-Case analysis: GTC Print AB

How can the customer relationship management in SME’s be described?

As per the theory where Shaw (1999) propose that formost objective of CRM is to forge long-term sustainable relationships with selected customers. With GTC it was found that the company pursues long-term relationships with its customers. The company believes in treating all customers equally. However while developing relationships with its customers, care is taken that no customer forms more than 5% of the turnover. Wells et al., (1999) proposes that every interaction and communication between the relationship participants leads to a trail of transaction and non-transaction data. With GTC it was found that Interactions are very important for the company to know about the requirements of its customers whether this interactions are telephonic or via the email.

The theory on CRM stresses the need to focus on developing sustainable long-term relationship with economically valuable customers and avoiding and eliminating the economically invaluable ones. Looking at GTC, it was found that the company believes in the philosophy that acquiring new customers is more expensive than maintaining old customers. They also focus on maintaining long-term relationships with profitable customers and those customers who have been GTC’s customers for many years and this is because that the cost of maintaining the relationship with old customers is low.

The literature states that the various channels through which the customers interact with a firm can take the form of internet, email, call centre, Fax, Sales personnel, direct mail, telemarketing operations etc. In the Case of GTC, the company’s customers interact with it through email, telephone and Fax. However there was no evidence that the CRM system at GTC integrates the above mentioned touch points. The literature also states about a CRM strategy that uses the combined power and effectiveness of marketing, operations, sales, customer service, human resource and ICT to maximize the profitability of customer interactions. The company believes in the philosophy that every employee is crucial to the success of the company and can all have to work in co-operation and the company tries its best that its employees are customer oriented so that the efforts they put at the company have the flavor of customer orientation. This is obvious when Mr. Marcus stated when bringing the CRM system in use, one of the difficulties faced by GTC was to make its employees familiar with the system and customer centric. Moreover the company also thinks that customer orientation is crucial for the customer satisfaction and ultimately leading to customer retention and loyalty.

When comparing the benefit accrued by GTC in comparison to the benefits proposed by Swift (2001) it was found that CRM can help in customer retention and loyalty by providing information. This was in terms of information regarding previous transaction with the customer and use of this information in accurately targeting the offer thus making the customer more loyal. However Mr. Marcus declined that they have any data and calculations regarding whether the CRM system has effect on customer retention and loyalty. Coming to Customer profitability it was found that the company doesn’t measure customer life time value however it was found that the company does measure the profitability of individual deal. Apart from this CRM has helped the company in simplifying the work with customer orders, status, pricing, etc. Other benefits GTC is getting from the CRM system is it that they can get the statistics regarding the volume of orders, details of customers like their address and
contact details swiftly. It has brought efficiency to the sales and marketing of GTC. In contrast to the benefit with regards to the reduction in sales cost, it was found that CRM has not resulted in the reduction of sales and marketing cost.

When comparing the characteristics of CRM at GTC and with those proposed by Xu et., 2002, it was found that the CRM system used at the company help the employees with information about customers, deals, etc thus helping provide customer service. However the sales process is not configured into the application but the system helps with information in the sales process. This is in the form of making order and confirmation of the order and sending the confirmation of the order. The system also helps the company with details any particular customers regarding how many orders he has placed and how many offers did the company make. Due to the nature of the product its doesn’t require field service.

When comparing the CRM process with that of proposed by Zablah et al, it was found that GTC’s CRM process is fairly simple. Data collection was found and the employees at GTC enter details of any new customers arise and any new information about the old ones. Intelligence generation comes in the form of pricing information, and customer history. As the company uses ICT widely and with the use of network employees have the information disseminated to them for decision making. How there was no evidence of Interaction management with the CRM at GTC.

How can the role of Internet in facilitating Customer Relationship Management in SME’s be described?

The literature highlights the benefits and importance of ICT and Internet regarding supporting CRM and business process. It was stated at the firm level, ICT and other application can make communication within the firm more efficient and faster which is crucial for the employees in serving the customers of any company. This can take form of speedy transfer of information through shared electronic files such as electronic documents, data processing and other back-office functions. With GTC it was found that ICT and Internet is major player in enabling CRM and related processes. Internet is crucial for GTC for communications purposes which form an important from of customer relationship management.

It was also found that GTC is making use of ITC extensively for its internal and external communications. All the layouts and printing orders are received through internet and FTP. This are received in the form of PDF file and are communicated through electronic networks within GTC for review of employees. This has made the production process of GTC more efficient and fast. GTC also makes strategic use of internet and ICT at the initial stages of CRM and this is evident in identifying prospects and new customers with the help of search engines and internet and making use of email in contacting them.

In accordance with the literature, it was found that GTC is making use of ICT for providing information about itself and its employees. Moreover there is a page dedicated on the company website which helps GTC’s customer with information and downloads of various software like adobe etc. How ever it is evident that Internet and ICT are an important source of information regarding the printing industry for both itself and its customers.

In accordance to the convergence of ICT and CRM applications proposed in the literature it was not found with GTC that various channels proposed in the literature converge in any
manner with the CRM applications but how every email, Fax and telephonic communication was common independent of the CRM applications but as a support to the CRM activities.

6.3 Cross Case analysis

*In the cross-case analysis, the two cases will be compared to each other in order to find similarities and differences with regards to the findings and analysis.*

It was found that according to the definition proposed by Shaw (1999), both Abelko and GTC have manage long-term-relationship with their customers and it was one of the objectives mentioned by both companies in have customer relationship management. Interactions and communications with the customers were found to be crucial in case of both the companies in term of need and preferences of the customers. However in the case of Ableko the interactions took the form of personal interactions with the customers and while in the case of GTC this took the form of telephonic or communication via the email.

As per the notion of developing sustainable long-term relationship with economically valuable customers and avoiding and eliminating the economically invaluable ones, it was found that in case of Abelko focusing on long-term relationship with profitable customers was stated and it was the company’s policy to decline non-profitable customers. In case of GTC it was found that the company believes that acquiring new customers is more expensive than maintaining old customers. How the company focus on maintaining long-term relationships with profitable customers and those customers who have been GTC’s customers for many years.

Regarding the customer orientation of employees, Ableko believes in a CRM strategy supported by employees from all departments. The company stresses the customer orientation of employees working in the production side as they don’t deal with customers. Moreover the company also takes the help of outside consultants to give training to the employees and this is done every one and half year. Similarity in this regard was also found with GTC and the company tries its best that its employees are customer oriented but their was no evidence that the company takes the help of outside consultants to train its employees regarding customer orientation as was the case with Abelko.

Regarding the integration of various touchpoints with front and back office, in the case of Abelko it was found that most the company’s customer contact through Fax, telephone, email other than personal interactions. But it was nowhere found that this touch points have been integrated with front and back office applications. This was same with GTC but telephone and email are used extensively but there was no evidence regarding the integration of customer touchpoints with front and back office.

It was also found that both companies give great importance to customer satisfaction. It is believed by both companies that the key to customer satisfaction lies in the knowledge of customers’ tastes and preference. However personal interaction was key with Abelko in knowing more about its customers. Contrary to this GTC used email and FAX as important tools to interact with its customers. Both companies believe that customer satisfaction leads to customer retention and loyalty which is very important in this knowledge economy where customers are becoming more informed and prone to defection.
Regarding the benefits of CRM proposed by Swift (2001), it was found that Abelko’s cost of sales were not effected because the companies product category requires personal selling and traveling by the sales personnel. However it was helping the company in profiling the customer in the databases for future use. Contrary to this it was found with GTC that the company was getting help from its CRM system in the sales process as Mr Marcus stated that it helps the company in tracking order history of customer before making a sale, pricing, offer the deal to the customer. Both companies are of the view that CRM helps in customer retention and loyalty as it help the company to know as much as possible about the customers and this helps in better targeting of the offer to the customer. It was also found that neither of the companies measured customer life time value or profitability during the relationship with their clients.

Coming to the Characteristics of CRM it was found neither of the company had the sales process configured into the applications. However it was found with both the companies that CRM was a support to the sales process and sales personnel. As neither of the company sells online there was online selling and order placement and tracking facility with their CRM applications. Regarding Field service, the end-customers for Abelko get it through the resellers who are the intermediaries. However in the case of GTC the field service is not required. Both companies have found to take advantage from CRM for providing customer service and support in the form of better management of customer data and information. Marketing automation was not found in either of the companies.

The CRM system and CRM process at both the companies were found to be very simple. Both the companies had the data collection process found in the CRM process proposed by Zablah et al. However there was a variation in intelligence generation process as Abelko’s sales personnel are crucial in this process and in the GTC the CRM system played an important role by providing information and intelligence. Both the companies with their wide use of ICT help the dissemination to the employees for decision making. However there was no evidence of Interaction management as a sub-process at these firms.

Both the companies showed a strong tilt towards the use of ICT and Internet. It was stated in the literature that the use of ICT can make communication within the firm more efficient and faster. Sharing of business data and information in the form of file form an important part of the daily activities at both the companies and both the companies use ICT and network extensively for sharing this data and information both internally and externally with their business partners.

Both the companies have their own websites. Abelko has got both English and Swedish website while GTC has only a Swedish one as most of its customers are in Sweden. Both the companies are providing information about there products and services through these websites. At ableko it was found that usually the customers would prefer telephonic conversation and email for remote communication. However personal contact proves to be crucial for Abelko. With GTC, it was found that Internet and ICT form an important channel for the company for communication with its customer and business partners. Moreover GTC also uses Internet and search engines in searching new customers and clients and this was not same with Abelko. Both the companies did not show that the CRM application and communications technologies were converging on the internet. At Abelko it was found that usually the customers would prefer telephonic conversation and email for remote communication. Both the companies used the above communications channels independent of the CRM system and applications in use but rather to support these applications.
7. Conclusions and Recommendations

The aim of this chapter is to provide an overall conclusion regarding the findings of this study. Based on the previous chapters this final chapter will provide answers to our research questions and in order to so, the researcher will state the research questions posed in chapter one and try to answer them, based on the conducted research. Lastly the conclusions will be presented followed by implications for further research.

7.1 Conclusions

The research purpose of this study was formulated as: customer relationship management in Small and medium-sized enterprises (SME’s). Based on research problem, two questions were identified:

- How can the Customer Relationship management in SME’s be described?

- How can the role of Internet in facilitating Customer Relationship Management in SME’s be described?

Customer Relationship Management is a complete approach through which SME’s can maximize relationships with their customers. The development of information and communication technology provides many companies with a convenient environment to collect detailed data about their individual customers. These companies can take advantage of customer data to improve their marketing policies to attract more customers and thereby increase their profit. Customers are more empowered today than ever before and the Internet is accelerating the trend toward greater customer empowerment. As far as this research is concerned the aim was to get a better understanding of Customer relationship management in SME’s.

Research Question one: How can the Customer Relationship management in SME’s be described?

It was interesting to find that the SME’s in Sweden are conscious about the concept of customer relationship management. As part of our journey to the empirical findings, two SME’s were chosen namely Abelko Innovations AB and GTC Print AB. With regards to the definition of CRM, it was found that both the companies don’t have any exact definition of CRM. However it was found that both firms gave importance to different aspects of the CRM definition unconsciously.

As predicted in the definition by Swift (2001), it was found that CRM can increase opportunities for SME’s by improving communication and using the knowledge and information created through this communication for accurately and precisely targeting the customers. It was also found in accordance to the literature that these SME’s had customer retention and loyalty as an ultimate objective of CRM at their place (Bose, 2002). And both firms had the view effective management of the relationships with the customer was crucial to attain these objectives. Profit was also one of the ultimate objectives stated by the companies. However the above aspects were being followed independent of any formal definition.
Customer orientation was found to be the cornerstone for successful CRM at SME’s. Both the companies wanted that their employee’s to be customer oriented. In this regard one of the SME’s ie., Abelko takes the help of outside consultants to educated its employees and make the company more customer centric. However with regards to the financial constraints faced by SME’s this cannot be in any sense be generalized. It was interesting that customer satisfaction was crucial for the success of both the SME’s and this was attributed to accurately identifying the need of the customers and this was also the reason for a tilt towards CRM.

Empirical finding also highlight that the benefits availed from CRM by the two SME’s in consideration come in the form of customer retention, loyalty and profitability. Both the companies stressed that CRM helps them in becoming familiar with the tastes and preferences of the customers. It was also found that the benefits accrued by this SME’s largely depend on their product type. However there was no evidence that the firms were measuring in any form the customer life time value (CLV) or the profitability of the relationships.

With regards to the characteristics of CRM, this study show that very few aspects of proposed by Xu et., al were to be found in the two SME’s. Basically the CRM at both the SME’s is not a sophisticated on as usually available with large companies. Salesforce automation existed in the form of customer contact information, sales history, product and pricing information. However as none of the SME’s under consideration was selling online, there was no order placement and tracking. But both firms showed that CRM an be indispensable as an support for providing customer service. However use of CRM in field service and marketing automation was not found to be there with any of the SME’s.

The two SME’s in consideration didn’t show any formal CRM process being employed. Both the SME’s had data collection process, Ingelligence generation and Intelligence dissemination as important sub-processes for Knowledge management. ICT was found to play a crucial role in the dissemination of the Intelligence for both the firms. However there was not much evidence with regards to Interaction management. But personal Interactions very crucial for Abelko as it engaged in the manufacturing of complex knowledge good and services and it has to co-produce and customize its products for its customers.

How can the role of ICT in facilitating Customer Relationship Management in SME’s be described?

It was observed that the two SME’s had a strong tilt towards the use of ICT and Internet as a complement to Customer Relationship Management. Both the firm recognised the importance of ITC for making their business processes more efficient. In accordance with the literature it was found that internet is an unending source of information about customer and this was found in GTC using the internet and search engines to target and acquire new customers and get information about them.

It was found that both the SME’s are using Internet extensively for the purpose of communications and interactions with the customers. Both the SME’s were using internet to provide information about the SME, its products and services and had their websites. Both the firms are using various technologies and communication channels to interact with their customer and this were in the form of email, Fax, telephone, FTP. However it was found that this largely depends on the product and service in which the firms deals.
Both the firms acknowledge that in future ICT is going to play crucial role. With regards to
the CRM technology it was found with both the firm that applications were developed in-
house by the employees of the firm. The CRM systems and applications in use at these firms
were not complex as with the big companies. Both firms were using databases to store the
customer data for future access. It was found that the system being used were actually
simplifying the work with efficiently managing the customer data and information.

Empirical findings also supported the theory that ICT offers benefits such as making within
firm communication faster and make the management of the firm’s resources efficient. This
was found in the form of internal transfer of information through shared electronic files and
networked computers as predicted in the literature thus increasing the efficiency of business
processes such as documentation, data processing and other back-office functions.

7.2 Recommendations

First of all researching CRM in the context of SME’s is an interesting topic and by concluding
this research the researcher has come up with some recommendations. As the global economy
in going through a paradigm shift from transaction oriented to relationship oriented, CRM will
be playing a crucial role in the coming days for SME’s.

With the increase use of ICT and internet today customers are becoming more and more
informative and products and services get standardized. CRM can be a vital tool for the
management for creating value in this era of ever increasing competition. To increase
customer retention and loyalty SME’s have to keep a constant eye on the customer need and
want so that they can satisfy the customer better than their competitors.

As it was difficult to find research with regards to CRM and SME, this can be an interesting
area for further research particularly how SME’s manage relationships, how they manage
interactions with the customer. Moreover it will be interesting to study the outcomes of CRM
and its effect on customer satisfaction, value, retention and loyalty. By focusing and
investigating these different variables it will be possible to get a more detailed picture of
customer relationship management.

Moreover it will be interesting to investigate the technology employed by the SME’s as the
technology is crucial for enabling various business processes. In those SME’s were after sales
service is crucial, they can take help of technology in providing these service with the help of
audio and video as in the case of Abelko thus saving huge amounts required for travelling by
the service personals.
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Personal Interviews

Lindgren Anders, Vice President, Abelko Innovation AB

Marcus Rehnström, VD, GTC Print AB
APPENDICES

E-mail or electronic mail is the exchange of electronic messages on the Internet.

FTP is a Short form for File Transfer Protocol, the protocol for exchanging files over the Internet. FTP is most commonly used to download a file from a server using the Internet or to upload a file to a server.

WWW is a system of Internet servers that support specially formatted documents. The documents are formatted in a mark-up language called HTML (HyperText Markup Language) that supports links to other documents, as well as graphics, audio, and video files. This means you can jump from one document to another simply by clicking on hot spots. Not all Internet servers are part of the World Wide Web.

ARPANET is a precursor to the Internet, ARPANET was a large wide-area network created by the United States Defence Advanced Research Project Agency (ARPA). Established in 1969, ARPANET served as a testbed for new networking technologies, linking many universities and research centres. The first two nodes that formed the ARPANET were UCLA and the Stanford Research Institute, followed shortly thereafter by the University of Utah.
Interview Guide

Introduction

Company name:-
Name of the respondent:
The respondent’s Position:

General Questions:

1. How many employees do you have?
2. Please describe your customers?
3. Do you segment your customers in different categories?
4. How can you describe your relationship with your customers?
5. Briefly describe your organisation structure?

CRM

When was Customer Relationship Management initiated in your company?
What are the reasons behind implementing Customer Relationship Management?
What are your goals and objectives with CRM?
What are the benefits of CRM to your company?
Did CRM helped in reducing the sales and marketing costs?
Who manages the customer interactions?
What are the challenges you faced or facing with CRM implementation?

CRM Process

Can you describe the CRM process at your company?
How does CRM help your company in knowing your customer better?
How do you leverage the customer information for the success of your company?
How has CRM help you in targeting accurately and satisfying your customer?
Is your customer active in the Sales process?
Do you collaborate with your customers in the product/service design?
Did CRM help you in customizing the product/service for your customers?
Do you measure customer life-time value and return on investments?
How does CRM affect your marketing decision process?
How do you receive feedback from your customers?

Technology

How has the Information technology helped in providing after sales service?
Do you use any software systems or application to manage the relationships?
Would you describe the technology/application if at all you are using?
How do you think that internet and related technology can help implement CRM?
What about technology enabling the various business processes?
Does Internet and ICT help you in collecting and analysing the customer information?
People & organisation

What is the orientation of your company towards your customers?
How has CRM affected your organization structure?
Who interacts with the customer in your company?
Do you give training to your employees in managing customer relationships?
Is the customer information transparent throughout the company?