Relationship Management of Key Customers—in B2B

Master Thesis within Supply Chain Management

Author: Wu, Xueying
        Zhao, Jingfang

Tutor: Fridriksson, Helgi-Valur

Jönköping June 2009
Master Thesis within Business Administration

Title: Relationship Management of Key Customers — in B2B
Authors: Wu, Xueying
          Zhao, Jingfang
Tutor: Fridriksson, Helgi-Valur
Date: Jönköping, June 2009
Subject terms: Customer Relationship Management (CRM), Supply Chain Management, Key customers, B2B

Abstract

Problem Discussion:

At present, the demand-driven situation pushes organizations to be more customer centric. The retention of key customers is of vital importance to the firm's profit and development because different customers have different impact on the business performance. CRM, as a meaningful strategy, has been a hot topic in marketing field. For certain supplier in the supply chain, the buyer is a customer. The relationship with those company customers has an important influence on the performance of the organization. Plus, the literature around CRM within B2B field is little. Thus there is a great need to study CRM. In this thesis, CRM is a tool used to study the relationship between roles in supply chain.

Purpose:

The aim of this thesis is to find out whether CRM can be used in B2B relationship.

Methodology:

In order to answer the purpose, both literature study and empirical research are conducted for CRM, which is not only a meaningful subject in academic study, but also a strategy used widely in practice. The authors use qualitative research to do this study. The outcome is gained through abduction, which means comparing the empirical findings with preliminary understanding of the topic.

Conclusion:

The authors find that the implementation of CRM follows the process as value creation - multichannel integration - knowledge management. Case companies don't have specific customer segmentation because of small scale and operation difficulties. In addition, they haven't established relationship according to the definition of the thesis, which is a result of low involvement, no collaboration, and communication problems. They can be interpreted in to a representation of a lack of trust because of different culture background.
Acknowledgement

As this is the final course for our study in Jönköping University, we dedicate ourselves into the study of the thesis. During this course, we gain a lot of knowledge and enlightenment on customer relationship and supply chain management.

Albert Schweitzer ever said that "Sometimes our light goes out but is blown into flame by another human being. Each of us owes deepest thanks to those who have rekindled this light". We acknowledge our appreciation for the people who have graciously helped us in the course of thesis study.

First, we honestly thank our tutor, Professor Helgi-Valur Fridriksson, for his continuous guidance and support. His preliminary interviews laid a foundation of practice for the thesis. We greatly believe that we cannot get the same outcome without his help.

Secondly, we would like to thank our friends, group members who put forward precious suggestion for us, which contributes much to our study.

Last but not the least, we direct our most sincere thanks to our loving families for their never ending love and support. All of our achievements are belong to you.

Wu Xueying & Zhao Jingfang
Table of Contents

1 INTRODUCTION ................................................................. 1
  1.1 Background ........................................................................ 1
  1.2 Problem Discussion ............................................................. 3
  1.3 Purpose .............................................................................. 4
  1.4 Research Questions ............................................................. 4
  1.5 Outline of the Thesis ............................................................. 5

2 METHODOLOGY ........................................................................ 6
  2.1 Research approach ............................................................... 6
  2.2 Research strategy ............................................................... 8
      2.2.1 Qualitative and quantitative study ..................................... 8
      2.2.2 Abductive approach ...................................................... 9
      2.2.3 Data collection ............................................................ 10
      2.2.4 Analysis ..................................................................... 12
      2.2.5 Literature research study .............................................. 13
  2.3 Reliability .......................................................................... 13
  2.4 Validity .............................................................................. 13
  2.5 Methodology reflection ......................................................... 14

3 THEORETICAL FRAMEWORK .................................................. 16
  3.1 Definition of CRM ............................................................... 16
      3.1.1 Customer .................................................................. 16
      3.1.2 Relationship ............................................................... 16
      3.1.3 Management ............................................................... 19
      3.1.4 Customer Relationship management ............................ 20
  3.2 Dimensions of CRM ............................................................ 21
      3.2.1 Key customer focus ...................................................... 22
      3.2.2 Organization restructuring .......................................... 23
      3.2.3 Human resource management ...................................... 23
      3.2.4 Knowledge management ............................................ 24
      3.2.5 Technological support ................................................. 24
  3.3 Customer segmentation ....................................................... 25
      3.3.1 Reasons of classifying customers .................................. 25
      3.3.2 The ways of categorizing customers ............................. 25
      3.3.3 Conditions of customer category .................................. 26
      3.3.4 The customer pyramid model ...................................... 27
  3.4 Successful implementation of CRM ....................................... 29
      3.4.1 Strategy development process ....................................... 30
      3.4.2 Value creation process ................................................. 30
      3.4.3 Multichannel Integration Process .................................. 31
      3.4.4 Knowledge Management Process ................................. 32
      3.4.5 Performance Assessment Process ................................. 33
3.5 Theoretical summary ........................................................................................................... 34

4 EMPIRICAL FINDINGS ........................................................................................................... 36
  4.1 Introduction to case companies ......................................................................................... 36
    4.1.1 Description of the companies .................................................................................. 36
    4.1.2 Description of the supply chain .............................................................................. 38
  4.2 Definition of CRM in the case ......................................................................................... 40
    4.2.1 Customers in the case ............................................................................................. 40
    4.2.2 Relationship ............................................................................................................ 40
    4.2.3 Management .......................................................................................................... 43
    4.2.4 Customer Relationship Management in these companies .................................. 43
  4.3 Dimensions of the case CRM .......................................................................................... 44
    4.3.1 Key customer focus ............................................................................................... 44
    4.3.2 Organization restructuring ..................................................................................... 45
    4.3.3 Human resource management ............................................................................... 45
    4.3.4 Knowledge management ....................................................................................... 46
    4.3.5 Technological support ............................................................................................ 46
  4.4 Customer Segmentation ................................................................................................... 46
  4.5 Implementation of CRM .................................................................................................. 47
    4.5.1 Strategy development process ............................................................................... 47
    4.5.2 Value creation process ........................................................................................... 47
    4.5.3 Multichannel Integration Process .......................................................................... 48
    4.5.4 Knowledge Management Process .......................................................................... 48
    4.5.5 Performance Assessment Process .......................................................................... 49

5 ANALYSIS .............................................................................................................................. 50
  5.1 Definition of CRM ............................................................................................................ 50
    5.1.1 Customer ................................................................................................................ 50
    5.1.2 Relationship .......................................................................................................... 50
    5.1.3 Management .......................................................................................................... 53
    5.1.4 Customer Relationship Management .................................................................... 54
  5.2 Dimensions of CRM ........................................................................................................ 54
    5.2.1 Key customer focus ............................................................................................... 54
    5.2.2 Organization Restructuring ..................................................................................... 55
    5.2.3 Human Resource Management .............................................................................. 56
    5.2.4 Knowledge Management ....................................................................................... 56
    5.2.5 Technological Support ........................................................................................... 57
  5.3 Customer Segmentation .................................................................................................... 57
  5.4 Implementation of CRM .................................................................................................. 58
    5.4.1 Strategy Development Process ............................................................................... 58
    5.4.2 Value Creation Process ........................................................................................... 59
    5.4.3 Multichannel Integration Process .......................................................................... 59
    5.4.4 Knowledge Management Process .......................................................................... 60
    5.4.5 Performance Assessment Process .......................................................................... 60
  5.5 Analysis Reflection .......................................................................................................... 61

6 Conclusion ........................................................................................................................... 63
  6.1 Final Conclusion ............................................................................................................... 63
6.2 Further Study .................................................................................................................. 64

References .............................................................................................................................. 66

Figure 1.1: Porter’s Generic Value Chain (Coyle, Bardi & Langley, 2003, p. 15) ............. 2
Figure 2.1: Research approach ............................................................................................ 6
Figure 2.2: The hermeneutic circle (Eriksson & Wiederheim-Paul, 1999, p. 222) ........... 7
Figure 2.3: Research strategies used in this study ............................................................. 8
Figure 2.4: Components of material analysis: interactive model (Huberman & Miles, 1994, p12) ................................................................. 12
Figure 3.1: Four levels of customer involvement (Blomquist, et al., 2002, p46) ............... 17
Figure 3.2: The CRM Pyramid, (Greenberg, 2001, p.37) ................................................. 20
Figure 3.3: Onyx view of building a business that will use CRM (Greenberg, 2001, p12) .................................................................................................................. 21
Figure 3.4: Dimensions of CRM ....................................................................................... 22
Figure 3.5: Fischer Matrix (Fischer, 1997) ....................................................................... 27
Figure 3.6: Customer Pyramid based on the study of Zetham et al(2001) ...................... 28
Figure 3.7: Implementation Process ................................................................................. 29
Figure 3.8: CRM theoretical framework of the thesis ...................................................... 34
Figure 4.1: The supply chain of non-standardized production of Swedish Design Company ......................................................................................................................... 38
Figure 4.2: Information Flow Chart based on cases ........................................................... 39
Figure 4.3: Information flow of Swedish Design Company-Agent Bridge-Chinese Tooling Factory ............................................................................................. 39
Figure 5.1: Analysis result of empirical findings .............................................................. 61
1 INTRODUCTION

This chapter gives a background to the thesis topic where basic issues will be introduced. Afterwards, the problem discussion will be presented which in turn leads to the purpose and research questions. Furthermore, the outline of the thesis is presented and given a short description.

1.1 Background

This thesis focuses on the relationship management of key customers in business to business field. The authors aim to figure out whether the model of CRM can be used to analyze relationship in the business to business field and try to get some managerial implications of customer segmentation and implementation of CRM.

The foundation for CRM, Customer Relationship Management, namely relationship marketing, is traced back to the 1980s when the dynamics of the markets were rapidly changing. The need for new strategies in order to increase profits was evident as the growth within many markets (Ambler, 1996). An international marketing professor Kotler (Cited in Payne, 2006, p 7) claimed that "If companies are to compete successfully in domestic and global markets, they must engineer stronger bonds with their stakeholders, including customers, distributors...." From then on, companies began to focus on customer maintenance, which implicates that the functions of companies are interconnected as circles with the customers in the centre (Roberts-Phelps, 2001). Therefore, CRM showed up. In the early 1990s, CRM was used as the customer information management tool in the market. The CRM was treated as the tactical system to attract customers in the middle 1990s. The business approach CRM arose in the late 1990s from the principles of relationship marketing and it became a well used strategy by managers within all types of industries (Stone, 2004).

Through collaboration between information technology (IT) and business, CRM has become one of the main topics among scholars and practitioners in both the IT and business disciplines in a number of studies published since the 1990s (Kittipong, 2009).

Through the studies, CRM is usually considered to have three perspectives:

- CRM as a particular technological solution;
- CRM as a wide range of customer-oriented IT and Internet solutions;
- CRM as an approach to manage customer relationships in order to create shareholder value (Payne, 2006).

It means that managers can use CRM as a technical application to handle the customers’ data, as the system to receive and achieve the customers demand, and as the strategy to attract and retain customers to take more profitability.

As the internet developing, eCRM occurred. eCRM implies a myriad of issues, questions, approaches, technologies, and architectures that are different from client/server-based CRM. Many of them are general issues related to the internet (Greenberg, 2001). Hence, eCRM is CRM online (Greenberg, 2001).
However, in this thesis, the authors’ delimitation of CRM is strictly bounded to the view of CRM as the strategy, which integrates the entire company’s organization and activities to get better relationship with customers in order to improve company’s value. Moreover, it is impossible for companies doing business without internet nowadays. Therefore, eCRM is considered as a tool to achieve CRM.

Although there are many articles about CRM, many of them focus on the scope of business to customer (B2C), which means that in the theories, “customer” is defined as the “individual customer”. However, the authors prefer to do the research of CRM in the field of business to business (B2B), in which “customer” is called “client”. The customer (client) is not the individual one, but the organization, who may be the supplier of another organization.

A supplier must identify what characteristic make up a good customer for their firm (Korth, 2004). In the thesis, we adopt the term "key customer" to represent customers who have important influence on companies. The term was used by many scholars, such as Ryals (2006), O’Loughlin and Szmingin (2006), Arnett and Badrianarayanan (2005), Korth (2004), etc. Ryals (2004) argues that suppliers have three criteria into account when considering whether to treat a customer as their key customer: magnitude of potential business; that customer’s propensity to buy the more sophisticated parts of the supplier’s range; and the customer’s approach to suppliers. In this thesis, the authors try to make clear the usage of managing relationship with the “key customer” in B2B field. Therefore, the definition of the “key customer” is the customer who takes up a large percent of turnover in the supplier, not the big customer having relationship with supplier, which means in this thesis, the key customer is who accounts for large turnover of the supplier even it does not have relationship with supplier.

It is significative to do this kind of research, since mentioned that the study of CRM in the business to business field is limited. There are a lot of studies on CRM and B2B separately, but the authors only found one article researches CRM in B2B directly. Zeng, Wen and Yen (2003) claim the development and improvement of CRM will be good for the B2B system and make it more competitive to maintain customer relationship.

Figure 1.1: Porter’s Generic Value Chain (Coyle, Bardi & Langley, 2003, p.15)
A number of important factors and related characteristics are keys to successful implementation. From figure 1.1, customer service is a very important element of successful supply chains. In the logistics and supply chain perspective, customer service has three recognized levels (Coyle, Bardi & Langley, 2001). The on-time delivery and precise filled orders are the basic foundation to maintain customers. It is the basic requirement to meet the special requirements of customers in the first level. The second level is to service customers actively, such as scheduled deliveries, advanced shipment notices, tailored pallet packs (Coyle, et al., 2001). The highest level of customer service is to add value for important customers, for example, vendor-managed inventory, collaborative planning and forecasting, supply chain visibility of inventory, and so on (Coyle, et al., 2001).

It is important to develop priorities for the biggest customers with highest services. Many companies find that a relatively small percentage of the customers account a significant share of their sales. An effective supply chain partner should make the priority service to the "A" customers (Coyle, et al., 2001).

The customer service is the essential part in the supply chain. If lack of the customer, there will be no supply chain, because customer purchases goods while supplier provide them. And the customer in the business to business has its specific characteristics that it usually takes up a large volume of goods comparing with individual customer. Moreover, the business customer always has lots of channels of information and the communication methods to other firms. Therefore, retaining business customers not only can increase the profit of suppliers, but also develop a good social network for suppliers.

**1.2 Problem Discussion**

As the profound changes to the world, the competition in business field becomes more and more severe. The key factor that determines whether a firm can get the competitive edge is transferring during this process. The difference between firms comes more from the quality of service other than that of products. That is mainly because advanced services are much more difficult to imitate than production techniques. According to Bejou and Palmer (1998), the development of a long-term and valuable relationship with customers is the essence of marketing for many services. Besides this, innovation of technologies enables firms to realize the goal of providing better and tailored service. Such new marketing thought and technology lead to more customer centric management strategy (Payne, 2006). More and more firms consider customer retention as a strategic tool (ibid.).

However, because of the limited resources and specific advantages, no firm can keep all its customers and aim at full customer retention (Egan, 2004). On the other hand, not all customers have the potential for a long-term relationship (Jobber, 2001). Most firms face both individual customers and business customers, since the individual customers are difficult to capture and be tailored with a specific service, long-term and benign relationship is more possible in B2B interaction. Further more; different customers have variable importance in bringing profit to the firm. As a result, if a firm manages to assign different resources and efforts to different ranks of customers, the cost will be returned with a higher outcome. That is to say, the retention of key customers is of vital importance to the firm's profit and development.
In the late 1990s, Credit Suisse Group launched a Loyalty Based Management program to retain its most profitable company customers and established targeted marketing programs after identifying them (Payne, 2006).

The relationship management of key customers is not easy. CRM is a systematic concept including three levels: strategy, management and technology. Each isolate factor can't contribute to successful CRM. Though there are many software package about CRM, expected outcome can't realized naturally. CRM requires customer centric thought, cross-functional processes and supporting technology etc. Be a vital part of the whole CRM, relationship management of key customers has an even higher requirement of the consistent and effective implementation.

Nevertheless, there is little literature study on specific relationship management of key customers. Most of them give an overall investigation without sorting out what kind of customers should be preferred and establish targeted programs. And as a term originated from marketing subject, CRM models can also be used to analyze relationships between roles along the supply chain. For certain supplier in the supply chain, the buyer is a customer. The relationship with those company customers has an important influence on the performance of the company. In this research, we will analyze whether CRM can be used as a tool to improve the collaboration between actors among the supply chain. Companies so far rarely integrate supply chain management and customer relationship management (Kracklauer & Warmbrunn, 2004), and the literature study is relatively few compared with other research conducted within the field of CRM.

1.3 Purpose

The aim of this thesis is to find out whether CRM can be used in B2B relationship.

1.4 Research Questions

The purpose will be answered through focusing on the following research questions:

• *What are the pros and cons of the case companies in establishing relationship with customers in B2B?*

The meaning of the study is learning something useful from the practice. The authors try to get more empirical experience to do the analysis with the theoretical study. Both the strengths and weaknesses can be valuable for other companies in similar context. “Relationship” is the footstone of the study of CRM, so that to have the advantages and disadvantages of relationship between customers and suppliers are significant.

• *What are the features of CRM?*

In order to use CRM in the study of B2B relationship, the authors need to define the meaning and characteristic of CRM, and then the knowledge can be used to conclude the theoretical study and analyze the case. Only if the essence of CRM is mastered, it can be used as a useful and efficient tool.

• *Whether case companies segment their customers?*
If there is no measurement, there is no control. If there is no control, there is no management. If there is no management, there is no improvement. Only if the firms figure out their customer levels, they can treat different customers in different ways in order to make them satisfied. So that the authors planed to investigate whether the companies have customer categories, if not, how they should segment them.

*How do firms implement CRM in practice?*

As mentioned, CRM in the thesis is described as the strategy to maintain customers, so that it is helpful to do the research with the information about how empirical companies keep their key business customers. Based on the preliminary model of CRM implementation put forward by the authors, the empirical information can be analyzed so as to capture the advantages and disadvantages of the companies.

*What are the managerial implications for companies?*

The purpose of the theoretical study is application in practice. In the thesis, we aim to indicate the managerial implications through study of CRM, so that companies can make clear how they can do in B2B relationship.

**1.5 Outline of the Thesis**

* Chapter 1 – Introduction.

In Chapter 1 the research and practice background of the topic are presented for readers, followed by an extensive problem discussion. The purpose is presented afterwards and leads to the outline of the thesis in turn as the conclusion of this part.

* Chapter 2 – Methodology.

The chosen methods used throughout the study are presented, then a discussion about validity and reliability are given and finally a method reflection is held.

* Chapter 3 – Theoretical Framework.

The third Chapter presents theories and models that provide readers with knowledge regarding CRM as well as other theoretical information relevant to the purpose. The Chapter acts as a foundation for the collection of empirical data and analysis.

* Chapter 4 – Empirical Findings.

In this Chapter, the empirical findings are presented. Firstly, description of the chosen companies is given followed by a presentation of the interviews made.

* Chapter 5 – Analysis.

The empirical findings will be connected with the theories and made a comparison with theoretical framework in order to shed light on and answer the research questions.

* Chapter 6 – Conclusions.

In this last Chapter, the authors summarize the output of the analysis and provide readers with a number of conclusions. This is done with the aim to explore whether the purpose of the research is fulfilled. Finally, managerial implications are given, and suggestions for further studies are discussed.
2 METHODOLOGY

The following section is going to describe the methods that used for conducting the study, in order to help readers to build up a clearer mind that how the authors do the research and draw conclusions. It will first discuss the research approach when conducting a study in a social environment from the point of the authors. Following that, research strategy and methods used in this study will be elaborated in detail, including qualitative and quantitative study, abduction, data collection, data analysis, literature study. At last, the data validity and method reflection will be presented.

2.1 Research approach

The way in which researchers conduct the research and interpret the observation is of vital basic influence on outcome especially in the area of social science. This part is a general introduction to the science way that will be followed in this social science study. When coming to research approach, there are different divisions in research. In the authors’ view, research approach comprises three layers. Six approaches are organized according to the prominent feature. However, they just mean the use of certain approach is more subjective or objective.

![Research Approach Diagram](image)

Figure 2.1: Research approach, constructed by the authors

- Fundamental standpoint-hermeneutics and positivistic

When one is attempts to examine and understand the reality, underlying assumptions influence the interpretation of reality (cited by Antar & Gholamifar from Eriksson & Wiedersheim-Paul, 2001). There are two main directions when dealing with the scientific ideologies, positivism and hermeneutics (Lövblad, 2003). They come from different assumption of reality: subjective or objective.

Positivisms hold the point of objective, which believe that an assumption is only correct when it corresponds to the reality. Hermeneutics, which go through research by Friedrich Schleiermacher, Wilhelm Dilthey, Martin Heidegger, Paul Ricoeur etc. from theology, hold the point of subjective and believe that the reality can only be understood from an individual perception since reality is subjective. Furthermore, the hermeneutic view seeks for an understanding of the object that is studied (Eriksson & Wiedersheim-
Paul, 1999), which implies that the knowledge and pre-understanding exist and affect studies after that.

In this study, the authors claim to have a hermeneutic view. The reality is believed to be subjective and is made up of systems where people are in constant interactions, according to Eriksson and Wiedersheim-Paul (1999). When people interact with each other, unaware influence arises, which then leads to lost objectivity of a research (cited by Antar & Gholamifar from Starrin & Svensson, 1994). Hence, the authors should clearly show their assumptions and conditions under which the outcome is gained.

- Theoretical and empirical

Following hermeneutics, there is an interaction between theory and empirical study in understanding of the reality. The theory is the subjective interpretation of the objective reality. Theory and empirical findings show more subjectiveness and objectiveness respectively. The hermeneutics circle states that interpretations and theories are constantly developed and redeveloped in alliance with empirical study to make sense of our world.

![Hermeneutics Circle](image)

Figure 2.2: The hermeneutic circle (Eriksson & Wiederheim-Paul, 1999, p. 222)

In this study, the literature study will be conducted ahead of empirical research in order to have a comprehensive view of the research status in this field. What's more, a theoretical frame will be made and used to guide the empirical study. The following empirical study will be done with case companies by the means of interview and email conversation. After that, cooperation will be made between theoretical and empirical study, which may lead to the understanding of the author's own. Though empirical study of qualitative study is also with subjectiveness, it still more closed to the polar of objectiveness because it is based on the reality.

- Qualitative and quantitative

In specific study, there are two different methods to consider: quantitative and qualitative (Cooper & Schindler, 1995). Quantitative analysis emphasizes the measurable objective findings of the reality while qualitative analysis stresses the reasoning and interpretation of the reality. Each has its advantages and disadvantages. Quantitative approach is more random and statistical while qualitative approach is more general and deeper. The selection and amalgamation of them can be seen as both the
specific part of research approach and the general part of research strategy. In this thesis, only qualitative study will be used in order to get much deeper information of the case companies. It will be elaborated in detail in the part of research strategy.

2.2 Research strategy

There are five primary research strategies in social science according to Yin (2003): experiments, surveys, archival analysis, histories and case studies, each has certain advantages and disadvantages, which are determined by three conditions: the type of research question posed, the extend of control an investigator has over the actual behavioral events, the degree of focus on contemporary as opposed to historical events.

In this study, two of these strategies were used; the research method used can be displayed in the following chart. The main method is abduction. According to Arnborg and Bjerke (1997), an abductive approach is when conclusions are drawn from jumping back and forth between empirical and theoretical material, which hence is in line with adopted strategy. Theoretical material will be gained through literature study while empirical material will be got from case study. In the course of case study, the authors will collect relative data by several means, which are qualitative. After that, the collected data will be analyzed through jumping back and forth between empirical and theoretical findings. The whole process is the application of abductive approach.

![Abduction](image)

Figure 2.3: Research strategies used in this study, constructed by the authors

2.2.1 Qualitative study

There are many methods that can be used to do research. Before beginning the study, the authors must consider what should be conducted in this thesis, because not choosing an efficient and correct entrance will produce skewed or biased results (Ezzy, 2002). According to Riley, Wood, Clark, Wilkie and Szivas (2000), there are two methods for gathering data, namely qualitative and quantitative.

In the opinion of Cassell (2006), the qualitative studies are conducted not including numerical data in their observations of the information collection or analysis. To conduct a qualitative study, the data is collected by using personal involvement as a
group of respondents are interviewed. It means that the qualitative study relies on the
ability of researcher/researchers, who should get deeper understanding of the
information from the interviews’ sentences, body languages and other communication
forms. In other words, choosing qualitative study represents that the involvement of
researcher is high and better information can be observed.

And a qualitative study includes more empirical investigations, where you investigate
your settings or assignment from real life experience and search for an understanding
(Saunders, Lewis & Thornhill, 2003). Under the qualitative study, the results of the
investigations are subjective instead of objective, because the outcomes are always
affected by the researcher’s subjectivity and experience. Every researcher interprets
information in the same context in different ways, so ever interpretation is unique. And
researcher can add value to the information, because researcher can share new
knowledge in the process of interpreting the information using his/her previous
knowledge and experience in other areas.

Saunders et al. (2003) define that large material is collected for a generalization purpose
in the quantitative study. And it needs a large amount of data to do the statistic research.

The focus of this study is on investigating how a company classifies its key customers
and how to maintain the long-term relationship with them. In order to get a deeper
understanding for the subject, data was collected by using personnel interview.
Qualitative study is adopted. And since the attention is paid on a small amount of target
companies, large data can not be collected, quantitative study is disregarded.

2.2.2 Abductive approach

This thesis is going to use the abductive approach to analyze the study instead of the
inductive approach and deductive approach. According to Alvesson and Sköldberg
(2000), abductive approach is relevant to the understanding of a subject. And according
to Arbnor and Bjerke (1997), an abductive approach is when conclusions are drawn
from jumping back and forth between empirical and theoretical material hence in-line
with the chosen strategy.

An abductive approach is chosen to enable reasoning supported by both empirical and
theoretical investigation in the thesis. The interpretation is based on the combination of
the facts and theories. The information of the case study is considered as the empirical
reasoning. And using the empirical reasoning to compare with the existing theories can
abduct new understanding.

At the beginning of initiating this thesis, the authors read a lot of books and articles
about CRM and tried to pick out something that worth doing research from the
theoretical materials. Some of the books and scholars are recommended by the teachers
in our lectures. The authors type the key words “CRM, B2B, supply chain” to search the
suitable books and materials in the website of Jönköping University Library. And then
the authors make a list of targets that will be studied on. When the authors finish the
theoretical part and initiate to write the empirical part according to the theoretical part,
the authors find out that there is something that should be discussed in this thesis but is
missed in the theoretical part. So that the authors go back to the theoretical part to add
something new and continued to write the empirical part according to the new
theoretical section. So the theoretical part is the direction of writing empirical study, but
the empirical part also can inspire the authors to improve the recognition of what to
research in the thesis. Further, the more prefect theoretical part can be a clearer sign to lead the empirical part. Again, with deeper studying of the empirical case, a much clearer picture of what to research and how to research is shown before the authors.

2.2.3 Data collection

2.2.3.1 Case study

Theoretical study is too abstract, so that the authors want readers to get a clear picture of what are studied and what is the research result through the case study. The case the authors going to study is the customer relationship in business to business field. And in order to give readers a more visual view of the study, the authors will lay out the empirical finding thereinafter.

• Choice of company

The aim of the thesis is to figure out whether the CRM can be used in the business to business field. Therefore, in this thesis, CRM is not a particular technological solution or Internet solutions, instead, it is an approach to manage customer relationships in order to create shareholder value (Payne, 2006).

In this thesis, the research industry is the decoration industry. The authors prefer to find the Chinese company, who provides goods for the customers in Sweden, because the authors are Chinese with good understanding of Chinese culture and also have some knowledge of Swedish culture for the reason that the authors are studying in Sweden. Hence, the authors have some knowledge before initiating the study. And the target customer in this thesis is not individual customer, but organization. The main customers of decoration firms are business organizations, so it meets the authors' research proposal. Moreover, the authors do not have many choices because the interviews are conducted by the professor. Therefore, we have the case study about the decoration industry about the shop fitting concerning on five companies.

With the help of the authors’ professor, the research consists of three interviews and several emails. Two interviews are held in China in English and one is held in Sweden in Swedish. In order to keep secret for those firms, names of companies are anonymous. We name them Swedish Design Company, Million China, Agent Bridge, Chinese Tooling Factory and English Agent. The introduction to them will be presented in the empirical chapter.

• Specific case study

In the real world, understanding one thing is the roof of understand other several things. Therefore, specific case study is necessary in analyzing the theories of CRM. In the case, lots of key employees in the companies will be involved, because through the contact with them, the important information can be gained.

Difficulties can arise when external researchers study an organization without any previous knowledge or experience from the firm (Holme & Svolvåg, 1991). Before doing research, researchers should get deeper insight of the companies.

Before listened to the interviews, the authors have done a lot of researches through the Internet to get the knowledge of the firms attending to the interviews. The authors searched their names through internet and browsed the website of the companies. After
a general understanding, the authors listened to the interviews for several times to figure out the relationship of the interviewees and exposure the implication of the relationship.

### 2.2.3.2 Data gathering — Secondary materials

There are two kinds of data, the primary data and secondary data. Primary data is information gathered for the problem by the researcher and the secondary data is the information that already exists, which has been collected and analyzed by another researcher for another purpose (Churchill, 1996). When doing the research, only secondary data are used. The books, articles, the interviews done by professor Helgi-Valur Fridriksson and emails are all the secondary materials.

- **Interview**

According to McDaniels and Gates (2005), the interviewer should firstly decide which kind of questions that should be asked. The second step was to construct the questions. The authors argue that when doing so, the starting point in every question should be the purpose and the problem discussion of the thesis. According to McDaniels and Gates (2005), well constructed questions with the correct rank order and language increases the trustworthiness of the answers.

Three interviews are preformed. The first interview is between Professor Helgi-Valur Fridriksson and the manager of the Million China, which lasts 47 minutes. The second interview is among Professor Helgi-Valur Fridriksson, the manager of the Chinese Tooling Factory and the manager of Agent Bridge Shanghai, which lasts one hour and 22 minutes. The third interview is between Professor Helgi-Valur Fridriksson and the manager of Swedish Design Company, since the interview is in Swedish, the authors could not listen to the interview. Hence, the professor interpreted the interview to the authors. Before the interview, the professor has prepared well for the interviews. Because the interviews are handled by Professor Helgi-Valur Fridriksson, the authors did not join the interviews directly; the authors have listened to the record of interviews for several times and listened to the interpretation of Professor Helgi-Valur Fridriksson to get a clearer picture of the case. After the authors have finished the transcriptions, the authors read them carefully and have some finding. The findings will be presented in Chapter 4.

- **Email conversation**

Although the interviews are greatly connected to the topic of the thesis, the authors can not get all information we want through the interviews, because the authors did not join the interviews directly. The authors have some questions that the interviews could not provide the answers, so that after the interviews, the authors put forward some further questions based on preliminary study, the responsible person replied the emails for our questions, which also are used as the material for the study.

The questions on the emails are: Do your firm have customer segmentation? Do you have any special treatment to different customers?
### 2.2.4 Analysis

![Diagram of material analysis components](Image)

Figure 2.4: Components of material analysis: interactive model (Huberman & Miles, 1994, p12)

The data needs analyzing after being collected. Material analysis is made up of four activities according to Miles and Heberman (1994): analysis, reduction, display and conclusion drawing and verification. Material reduction concerns the focusing on collected data leads to relevant conclusion. Material display is helping the authors to move forward based on pre-understanding. Conclusion drawing and verification is a process though the whole research which starts from presenting theoretical propositions until verifying them.

In this study, theoretical propositions are firstly presented in the framework of theory. The theoretical framework consists of four parts, definition, dimensions, segmentation and implementation of CRM in B2B, although some of them come from the research in B2C field. The empirical study collects relevant data according to the framework. The authors mainly get practical information from three deep interviews and several emails. Based on collected data, some phenomena and observation are transformed into useful information and direct conclusions are drawn. After the authors organizing understandings of the empirical study results, certain patterns and relationships in the material are found in order to answer the research questions and continue to the next process. At last, the empirical study results are compared with theoretical propositions and the final conclusion is drawn.

Since this is a case study. According to Yin (2003), there are two ways of analyzing data for case studies: within-case studies and cross-case studies. The former ones consist of comparing the collected data with theoretical propositions while the latter ones consist of comparing data collected from several case studies. In this study, the former one was used. We study a case where five companies are involved. The case was
studied to find the relationship between theory and practice and get the authors’ conclusions and implications about CRM.

The authors construct the empirical part and analysis part according to the theoretical framework part. As a result of that, readers can get a clearer picture of the whole thesis and can understand more easily.

2.2.5 Literature research study

According to Antar, Gholamifar and Viberg (2005), writing a thesis is rather a process that starts long before writing. The author’s research started from studying relevant material from library, web databases. The literatures concerning customer relationship management, supply chain, logistics, customer retention were studied. Most of them are academic books and articles published by academic press or in scientific journals, some of them are web pages or other resources like newspapers etc. Because the research is conducted within the area of logistics and supply chain management, the resources in this field were preferable in the research process.

According to Ejvegård (2003), search words that are used to find the relevant information is an essential ingredient of writing a thesis since those key words have a great impact on the results presented. In this study, the key words used to search for information are in the sequence of relationship marketing, customer satisfaction, customer relationship, customer relationship management, CRM within B2B, customer retention, CRM of SMEs, CRM and supply chain management etc., in order to cover aspects of the issue and investigate the core problem in-depth. The most used databases are AB informs, Julia, Emerald and Google Scholar. Most of the information was found in the library of Jönköping University.

2.3 Reliability

No method is prefect. The qualitative methods are not excellent in many people’s eyes, because it is too subjective. The empirical factors are relied on the experience and subjectivity of the researchers. The qualitative methods are criticized for their unstructured nature and it is argued that because of this fact, the research is hard to replicate (Bryman, 2001). However, both of Merriam (1998) and Yin (2003) discuss the reliability of a qualitative research and they argue that, if the same case study is conducted by other researchers who use the exact same methods, the outcome of the two researches should be similar. Although in the authors’ opinion, the results of every research should be unique, the qualitative method should also be reliable if the researchers can combine their empiricism and the existing theories.

There are no qualitative approach that has a single and consistent method for analyzing texts, conversations and interactions (Silverman, 2004). Therefore, in this thesis, authors try to use various methods to collect data in order to have enough information to reveal the realities behind the phenomenon in different angles.

Patel and Davidson (2003) claimed that profound pre-understanding of the subject is necessary, so that correct interpretations can be made by the researchers. The professor has prepared the questions well to make sure the interviews can go through well. The authors have pre-understanding of this subject before. And the professional career people can help the authors to have deeper understanding of the subject according to
their work experience. As a result of that, the authors can contribute some new knowledge in this field.

2.4 Validity

Yin (2003) supposed that authors should find out if the research can reveal the reality and whether the phenomenon of the investigation is wanted. Six strategies should be considered when the validity of the research (Merriam, 1988) measures. The first strategy is the triangulation, which means the researcher should use various resources to do the research. The second strategy is participatory control, which means getting feedback from the participant before the final presentation to assure that the participants are satisfied with how their opinions are viewed. The third strategy is to observe the investigated phenomenon under a longer period. The forth strategy calls for, horizontal examination and critique, which implies the others in one group can judge the thesis before it is published. The fifth strategy is the participants adding any additional information during the research. Finally, the sixth strategy the researchers should describe the conception of the world from a theoretical standpoint with underlying assumptions.

The research of this thesis is of validity. First of all, the authors collected as much data as we could, the books, the articles, and the information from the empirical companies. Although the authors would not get feedbacks from the case companies before the final seminar to see whether there is something needed to change, with the help of our tutor, who has a lot of experiences in such area we make some corrections. As the time of finishing this thesis is limited, long term research can not be achieved. However, the deeper research through communication about these companies can make up for this weakness. With the help of the authors’ supervisor and other students, the authors make this thesis better and better. When doing this thesis, the authors try to use the previous knowledge and experience to add value to the research. Moreover, through the period of writing this thesis, the authors get more knowledge about culture, human being besides business. With the preciseness attitude to write the thesis, the authors assume that the research result is valid.

2.5 Methodology reflection

The underlying description of this chapter is to reflect upon the authors’ chosen research method. The authors have tried to figure out the most suitable methods to complete this thesis. Two master students with the different background and experience do this research. As mentioned in the qualitative study, researcher can add value to the information collected in the process of interpreting the information with his/her previous knowledge and experience. With the complicated education background and the knowledge of Chinese culture and Swedish culture, the authors interpret information in a most suitable approach to add value to the study.

However, there are still some weaknesses of the methods. The authors tried to find a most suitable company to do the research as soon as the authors have decided the topic. In order to find a company would like to provide enough information to help the authors do the study, the authors have sent hundreds of emails and went to several firms directly to ask for help. However, the authors got no reply. One reason that companies rejected the authors is they do not want to communicate in English since the authors can not speak Swedish. Another reason may be the firms do not trust foreigners that they can
not "leak" information to the authors. If not with the help of the professor, the authors can not find any Swedish company to do this research. Further, the interviews were not done by the authors directly. Instead, they were done by the professor. Therefore, some answers the authors want can not be found in the interviews. As a complementation, the professor helped the authors to send emails to companies to ask the missed questions. The authors got the information through the record of interviews and the retail of the professor. Hence, the authors can not get the deeper interpretation through the interviewees’ body languages.

As the term "CRM" is original from the marketing study, not too many articles and books about CRM in the logistics field. Therefore, the authors need to use some materials not focusing on supply chain but marketing.

The authors assume that the case can represent the general situation in the B2B field. However, another fact of weakness is that the research is focusing on one supply chain involved companies from Sweden and China. Hence, there is some geography limitation. But we still believe, from the study, we can get some points of relationship in B2B.
3 THEORETICAL FRAMEWORK

This part is aiming to construct a theoretical framework for the empirical study. It comprises four parts, part 1 explains the definition of CRM in B2B, part 2 illustrates each dimension of CRM in B2B, part 3 analyzes the selection process of key customers, and the last part presents the procedure of successful implementation.

3.1 Definition of CRM

3.1.1 Customer

In the book of Greenberg (2001), the definition of customer is that customer is who your company providing a service to for a fee of some sort; no matter he/her is your employee or friend. Even in the same company, a department has the right to get bids on the services from both internal departments and outside the firm. Therefore, a single department can be treated as an entity of a customer. At the beginning of the thesis, the authors have mentioned that the customers in the thesis are organizations in the business to business field, not individual customers. Moreover, in order to specify the relationship between company and company, the definition of the internal customers in an organization is disregard. In conclusion, the term "customer" in this thesis is only defined as the company purchasing goods from another company.

3.1.2 Relationship

According to Barnes (2000), few definitions are given to describe "relationship" although literatures about CRM discuss elements that influence relationship.

Based on the study of Grönroos (2000), if the customers keep contact with the same company and buy goods from it frequently, a relationship is established. However, according to Antar and Gholamifar (2006), this method is not enough to define a relationship, because it is lack of other considerations. Maybe customers go to the same firm to purchase things for the reason that the price is low or the location is convenient (Antar & Gholamifar, 2006). A customer may purchase goods from the same company for years, but it does not mean a relationship has been established, instead it can be a practice (Barnes, 2000).

Barnes (2000) claimed that loyalty and positive emotions are implications of a relationship and there is a stable link between the supplier and customer in a relationship, which makes supplier and customer feel they are tightly connected with each other.

According to Grönroos (2000), when customer perceives that a mutual way of thinking exists between customer and supplier, a relationship has developed. And in this thesis, the authors prefer to do the research about the long-term relationship.

Factors that influence relationship

There are a lot of factors that can influence relationship. However, not all of them are significant in influencing the relationship in the business to business field. The authors only pick up some notable elements to discuss. The customer-supplier relationship has developed from a traditional arms-length relationship into a closer collaborative
relationship (Hoyt & Hug, 2000), which means that “involvement” and “collaboration” are important factors about relationship.

Besides involvement and collaboration, trust together with information sharing has a great effect on relationship (Corsten & Felde, 2005).

Lele and Sheth (1988) describe that, the factors are all affected by the culture that is practice in the organization.

Since the ideas of several scholars support that involvement, collaboration, communication, trust and culture as the main factors effect relationship, the authors choose these factors to do our study.

• **Involvement**

Grönroos (2000) defined relationship as "A relationship has developed when a customer perceives that a mutual way of thinking exists between customer and supplier or service provider". From his definition, the implication of relationship is that two parties of the supply chain have the two-way commitment, have the mutual method of thinking and share the information in order to achieve the same goal.

In other words, That suppliers just give their information to attract customers and commit to the customers, which are not enough. Instead, they should abduct the customers to involve into their business in order to get the two-way commitment. And in order to have a mutual thinking, communication between supplier and customer is necessary. The approach to customer communication should differ depending on the level of customer interest and involvement in the relationship (Blomquist, Dahl & Haeger, 2002). Therefore, it is necessary to categorize the involvement of customers.

![Involvement Diagram](Image)
Figure 3.1: Four levels of customer involvement (Blomquist et al., 2002, p46)

Considering the involvement of customers is the rock of establishing relationship. According to Blomquist et al. (2002), the customers with no- or low-interest and involvement want to get the core information easily. And they will feel annoyed if suppliers "over communicate" (Blomquist et al., 2002). The higher level of customers would like to share more information. With the help of the customer involvement category, companies can leverage the relationship value without unnecessary investments and find precise solution to each level of customers if they want to build relationship with them (Blomquist et al., 2002). The category of involvement can help companies to communicate with different customers efficiently in different methods.

• Collaboration

Corsten and Felde (2005) describe collaboration as "creating value together" and "a high level of purposeful cooperation". According to Coyle, Bardi and Langley (2002), collaboration is a key to success in the supply chain, particularly when many logistics and supply chain innovations are multi-organizational.

Vereecke and Muylle (2006) claim that firms can enter two different forms of collaboration. Collaboration can be described as a more structural way of collaborating, such as initiating internet systems, co-locating plants. The other form would pay attention to the exchange of information between organizations, such as sharing demand forecasts, sales, shipping, inventory, and delivery.

A deeper collaboration requires more resources, since both partners are mutually responsible for the relationship (McClelland, 2003). And Coyle et al. (2002) declares that collaborative logistics provides complete visibility to the whole process in the supply chain to all parties. However, it is a great challenge for firms to collaborate with customers, suppliers (Coyle et al., 2002). And a lot of firms just use little money to invest in the collaboration process (Vereecke & Muylle, 2006). However, the need for collaboration cannot be overstated (Coyle et al., 2002).

• Communication—Information flow

Only after companies getting know each other well, they can establish a mutual thinking, and then trust each other, moreover, become loyal to each other.

Communication is a metaphorical spread of a mental representation between a sender and a recipient (Saviolo & Testa, 2002). A broader and more coherent strategy is needed; more attention should be paid on the information exchange issues (McClelland, 2003).

According to Saviolo and Testa (2002), communication can be classified as internal communication and external communication. Internal communication is the information exchange between employees and shareholders in order to make them work with the same goal for the firms. External communication is sharing information with the participants outside the firms.

Coyle et al. (2002) declares that customer communication is essential to the design of logistics service levels. And communication must be a two-way street. Supplier is able
to transmit information to the customer while the customers' request information can be received by suppliers.

**Trust**

DeMaio (2001) claims that trust is mutual and reciprocal in B2B. Trust is the rock of keeping a long-term relationship between supplier and customer and this relationship can help firms to be more competitive in the global market (Partin & Söderbring, 2009). Hence, in order to build up a good relationship in the supply chain, trust is the fundamental element.

Morrman et al. (1993, p. 82) describe trust as a willingness to rely on an exchange partner in whom one has confidence. Morgan and Hunt (1994) claim trust is the awareness of confidence in the integrity and reliability of partners. And Crosby, Evans and Cowles (1990) declare that trust exists when customers have confidence in the honesty of the other part. In conclusion, trust stresses the essential of reliability and confidence (Garbarino & Johnson, 1999).

In the opinion of Gwinner, Gremler and Bitner (1998), the benefits that caused by trust is more vital than the special treatment that comes from close relationships to service firms. However, depending on one supplier or customer would be dangerous, because it will go out of business, so that firms must balance the trust relationship (Partin & Söderbring, 2009).

**Culture**

"Culture is a learned, shared, compelling interrelated set of symbols whose meanings provide a set of orientations for members of society." (Terpstra & David, 1991). "Culture is everything that people have, think and do as members of their society"(Ferraro, 1998). Culture can be viewed as "a system of values and norms that are shared among a group of people and that when taken together constitute a design for living." (Hofstede et al. 2007) To sum up, culture is learned, interrelated and shared. It is related to an individual's values and understanding of the world, which influences an individual's behavior in particular ways. The authors assume that culture can influence the decision of one firm. Moreover, culture can make the way of doing business.

Hence, in order to do international business successfully, pre-entry assumptions need to be examined and tested. Besides, learning from experience is vital. Thirdly, doing business in foreign needs cultural adaptation individually and organizationally. Fourthly, ethnocentrism at individual and organizational level can contribute to failure of an international venture. Fifthly, cultural sensitivity must be taught since technical and business skills are not enough. At last, cross-cultural understanding involves relationship development.

**3.1.3 Management**

The oft promoted wisdom that says "if you can’t measure it you can’t manage it", has mutated into a nostrum of management manuals that suggest ‘you have to measure it to manage it’ (Broadbent, 2007). If you cannot measure performance, you cannot control it, if you cannot control it, you cannot manage it, if you cannot manage it, you cannot improve it. The ultimate goal of doing research of Customer Relationship Management in this thesis is to retain the key customers in the companies. Hence, the relationship
management is not the narrow sense of management itself; instead, it includes measurement of customers, establishment of relationship, maintenance of relationship and improvement of relationship.

3.1.4 Customer Relationship management

The story of customer relationship management is clearly older than the item itself (Blomquist et al., 2002, p11). Its literature basic is from the ideas of service management, relationship marketing and the total quality management movement (Blomquist et al., 2002).

There are a lot of ways to define CRM. From the study of Payne (2006), we know that CRM is defined as a particular technological solution; a wide range of customer-oriented IT and Internet solutions; and an approach to manage customer relationships in order to create shareholder value. Similar to his idea, the President of Front Line Solution, Inc, Robert Thompson claimed that CRM is not just software, which can be classified as three tiers (Greenberg, 2001).

![CRM Pyramid](image)

Figure 3.2: The CRM Pyramid, (Greenberg, 2001, p.37).

From the above figure, the authors can describe that from the point of Greenberg (2001), CRM can be also defined as three tiers, of which the strategy is on the highest hierarchy.

And some experts define CRM as a business strategy to manage customers to maximize profit. And CRM requires a customer-centric philosophy to support the business processes. CRM software can assist customer relationship management effectively (Greenberg, 2001).

Different view of Brent Frei, the President and CEO of Onyx Software, is CRM is a set of processes and technologies for managing the relationships with customers (Greenberg, 2001, p12). In his opinion, CRM should be used in the holistic approach of the organization to optimize customers’ satisfaction, from the strategy to the technology, which we can see from the following figure.
Ronni T. Marshak, Senior Vice President of Patricia Seybold Group claims that CRM is not a technology category, but a strategy. Technology is only at the tactical level, which is the tools to support the strategies (Greenberg, 2001). This definition of CRM fits the authors' idea. As mentioned at the first part, CRM is treated as the strategic concern in this thesis. CRM is researched as a strategy for suppliers to maintain customers.

And the opinions of Craig Conway, Scott Fletcher, and Michael Simpson are in line with the idea of the authors.

According to Craig Conway, the CEO of PeopleSoft, CRM is the strategy to manage products to meet customers' expectation (Greenberg, 2001). From the view of Scott Fletcher, President and COO of epipeline, CRM is a set of business processes and policies to acquire and retain customers and technology is a CRM enabler (Greenberg, 2001).

Michael Simpson, the CMO of Interact Commerce Corporation, considers CRM is about providing what customers actually want to deepen customers' loyalty to get a higher profit.

Zeng et al (2003) describes that CRM includes long-term service based on the customers' requirements and communication anywhere and anytime to solve customers' problems.
3.2 Dimensions of CRM

Successful CRM focuses on four key areas: strategy; people; technology; and processes (Fox & Stead, 2001), and companies can achieve a customer-relating competence only when all these four work in concert (Day, 2003). Based on the past literature, CRM is viewed a multi-dimensional concept around the center of company business goal and customer-oriented strategy. It includes five dimensions in the authors' view: key customer focus, organization restructuring, human resource management, knowledge management and technological support as shown in figure 3.4.

![Diagram of Dimensions of CRM]

Figure 3.4: Dimensions of CRM constructed by the authors

The ultimate goal of companies is to make profit and add value to shareholders. Many researchers argue that supply chain management creates competitive values for the business. At present, firms are facing a global dynamic and competitive situation. In order to achieve the success of supply chain, firms have to become more customer-oriented through their supply chains (Shapiro, 1988, Deshpande et al., 1993), because customers are the judge of a company's performance, and they master more resources to make variable choices than before. Thus increasing companies choose customer-oriented strategy that aim to improve the quality of services provided by them. CRM is such a representation of customer-oriented strategy and solution to the better supply chain management. CRM in this study is assumed to include five dimensions, which will be explained as below.
3.2.1 Key customer focus

CRM emphasizes the careful selection of key customers, who are of strategic importance, because not all customers are equally desirable (Ryals & Knox, 2001) and profitable (Thomas, Reินartz & Kumar, 2004). To quote the conclusion of Pareto 80/20 rule: 80 percent of a firm's profit comes from 20 percent of its customers (Hoffman & Kashmeri, 2000; Ryals & Knox, 2001). This opinion is also proved by practice; a research conducted by Alexander H. Kracklauer revealed that 14% of the regular customers are responsible for 56% of sales. (Kracklauer, 2004).

Key customer focus involves an overwhelming customer-centric focus (Sheth et al., 2000; Vandermerwe, 2004), and continuously delivering superior and adding value to selected key customers through personalized/customized offerings.

Personalization or customization requires frequent and correct communication between companies, which is considered critical for establishing and maintaining strong relationships (Berry, 1995; Day & Montgomery, 1999; Fox & Stead, 2001; Morgan & Hunt, 1994; Narayandas & Rangan, 2004). They need to interact in aspects of product design and production, and so on.

3.2.2 Organization restructuring

Essentially, CRM will result some fundamental changes in the way that firms are constructed (Ryals & Knox, 2001) and business processes are managed (Hoffman & Kashmeri, 2000).

CRM strategies will cover customer interaction across the whole organization. Mostly, business with customers is handled by several departments, such as sales, marketing, human resource management, IT support, etc. Staff of various departments are involved in CRM, which make sharing information collected from each channel when interacting with customers respectively is badly needed.

Gartner (2001) argues that companies need a fresh approach to business processes in CRM which involves both rethinking how these processes appear to the customer and reconstructing them to be more customers focus. Kale (2004) agreed with this opinion and claims that a critical facet of CRM involves pointing out all strategic processes that take place between an enterprise and its customers.

Consequently, in Sheth and Sisodia's (2002) opinion, in order to design a structure which can optimize customer relationship most effectively, companies need to establish process teams as well as customer-focused teams (Sheth & Sisodia, 2002). Besides, cross-discipline segment teams, and cross-functional teams (Ryals & Knox, 2001) are also needed. However, all these structural changes demand powerful interfunctional coordination (Sheth et al., 2000) and interfunctional integration.

3.2.3 Human resource management

According to Krauss (2002), "The hardest part of becoming CRM-oriented isn't the technology, it's the people." Since Drucker first put forward the concept of human resource, human being is gradually considered as the most important factor influencing the business performance. Successful CRM needs support and training of employees, which make employees willing and capable to provide the best services to customers.
Management support is a critical element in customer orientation (Conduit & Mavondo, 2001). It is the individual employees who are the building blocks of customer relationships (Brown, 2000; Horne, 2003; McGovern & Panaro, 2004; Ryals & Knox, 2001). Internal marketing, where human resources and marketing interface, instills in employees the utmost importance of service-mindedness and customer orientation (e.g. Grönroos, 1990).

CRM generally refers to a software-based approach to handling relationships. Facing advanced and professional software increasingly used by firms, training is needed to master the use of these softwares. Also, the importance of CRM and customer-oriented strategy need to be stressed to employees.

3.2.4 Knowledge management

Through the operation of CRM, companies can acquire a lot of information which can support the future development of them by developing the organization's knowledge from information. Such knowledge as identifying the customer segments, improving customer retention, improving the organization's profitable customers (Bligh & Turk, 2004) will be good for business learning, of which knowledge about key customers is essential for CRM (Stefanou, Saranumiotis & Stafyla, 2003), as it can be used to develop a "learning relationship" with customers (Zahay & Griffin, 2004).

A fundamental to knowledge management is the division of knowledge into two basic forms: explicit knowledge which is easily codified and shared asynchronously, and tacit knowledge which is experiential, intuitive and communicated most effectively in face-to-face encounters (Frappao, 2008). Different knowledge has different characteristic. Some are implicit while others are explicit. Companies not only need to collect explicit knowledge but also understand and interpret implicit knowledge. Sometimes, implicit knowledge is of more value and reality relative to explicit one. They each require different way to acquire, however, the base is information collection. After that, the direct interpretation of collected data is explicit knowledge while the indirect and implied one is implicit knowledge.

Knowledge management comprises the creation, transfer and application of knowledge. The base of the knowledge is information gained. As the speed of technology increases, information can be shared more and more on a real time basis (McAdam & McCormack, 2001). Only after careful analysis can information become knowledge. Additionally, data quality is a important factor.

Knowledge is of narrow value unless it is shared across the whole organization (Schulz, 2001). Knowledge value increases through dissemination and sharing (Hult & Ferrell, 1997; Slater & Narver, 1995). Knowledge responsiveness takes the form of performing on the knowledge generated and disseminated (Kohli & Jaworski, 1990)

The created knowledge needs to be applied in business practice, tested and improved. In this course, privacy and data security need to be highlighted.

3.2.5 Technological support

Technology, especially information technology (IT), plays an important role in the context of leveraging CRM-related activities and thus contributes to improved organizational performance in the market. Correct customer data is vital to successful
CRM performance (Abbott, Stone & Buttle, 2001), and IT equips enterprises with the ability to collect, store, analyze, and share customer information in ways that greatly enhance their capability to respond to the needs of customers and thus to attract and retain customers (Butler, 2000). Further, the boom of the Internet broadens the extent of supply chain practices by supporting low cost communication and accurate information sharing in supply chains (Cross, 2000). Thus technology plays an important role in CRM in adding to firm intelligence (Boyle, 2004).

IT support is usually featured by tools like customer information systems, automation of customer support processes, and call centers (Ghodeswar, 2001). The fast deployment of IT allows firms to integrate suppliers and customers, to have better communication and information sharing (Burgess, 1998), and to conduct strategic supplier partnerships with improved timing and accuracy (Reda, 1999).

However, there is anecdotal evidence that a large proportion of CRM technology deployments do not perform to expectations (Gartner Group, 2003). A key reason for CRM failure is viewing CRM as a technology initiative (Kale, 2004). Actually, IT is only part of the solution for successful implementation of CRM. Most software vendors stress that a successful CRM requires a holistic approach (Malthouse, 2005). Real problems in supply chains, in many cases, are not technology itself, but are people-related (Ragatz et al., 1997; Sheridan, 1998; Wright, 2001). In this context, trust is an important reason for establishing strategic partnerships (Sheridan, 1998; Burgess, 1998). Commitment is also an important premise for good supply chain practices (Bowersox & Daugherty, 1995) and the lack of shared benefits and risks makes the coordination of supply chain weak and ineffective (Ragatz et al., 1997). Therefore, interactive system infrastructures between suppliers and customers will have a positive impact on customer-oriented supply chain practices.

3.3 Customer segmentation

3.3.1 Reasons of classifying customers

It is unpractical for firms to serve all customers equally well and make them all satisfied with limited resource (Zeithaml, Rust & Lemon, 2001). A firm should identify the best customers and give them priority to get service instead of using the limited resource to service some cost-wasting customers. Besides the limited time and budget, the maximum profit is also one of the abductions that companies would like to categorize their customers.

According to Zeithaml et al (2001), firms have found that they do not have to treat all customers equally, because some customers are hard to become profitable even if firms invest a lot of time and money in them. And according to the research of Brooks (1999), some innovative companies realized that they could earn more profits through treating different customers in different methods. It is more critical for firms to understand the demands of customers of different levels and provide the most suitable service according to those differences (Zeithaml et al, 2001). Therefore, to categorize customers is significant for companies.

3.3.2 The ways of categorizing customers

From different views, there are various methods to classify customers.
3.3.2.1 Some empirical examples of segmentation

In the research of Brooks (1999), Federal Express Corporation classifies its customers as the good, the bad, and the ugly according to their profitability. And the sixth largest bank of the U.S, First Union uses colors in the database to tell differences between the green customers and red customers. Green customers are profitability customers while red customers make bank lose money.

3.3.2.2 The traditional way of category

Twenty percent of customers account eighty percent of sales or turnover to the company, which is defined as the "80-20 rule" (Zeithaml et al, 2001). A minority of customers takes up the larger proportion of the company (Zeithaml et al, 2001). Company should pay more attention to these customers, because losing these customers means losing a large profit of the company, on the other hand, keeping a good relationship with them can maintain the value.

Based on the thesis of Zeithaml et al (2001), division of the high value customers who take up eighty percent of turnover and the rest customers is not as sufficient as companies supposed, because many companies assumes that the customers in the two types are similar to others in the same group. However, the "rest" customers are too many to be the same level or have the similar expectation. The lack of division among the eighty percent customers misses significant varieties in customers (Zeithaml et al, 2001). Therefore, to segment the rest customers into more hierarchies is highly recommended.

3.3.3 Conditions of customer category

In order to categorize customers into more tiers, instead of just considering the proportion of the value that customers account, four conditions are significant to be calculated when classifying customers (Zeithaml et al, 2001):

Customers in different hierarchies have identifiable characteristics. Profitability differences are the most common way to identify the tiers of customers. Besides the profitability, other varieties should be found to categorize customers, which can help companies to understand their customers and provide things what they demand.

Customers in different hierarchies are desirable for different service quality. Customers have different demands, perceptions and experiences. And different types of customers focus on different kinds of elements. From the figure of Fischer (1997), we can tell that functional products prefer an efficient supply chain, which means that suppliers should provide goods at a standardized level with minimum cost, while the innovative products are eager to have a responsive supply chain, in which suppliers have to delivery goods that are creative as soon as possible disregarding the price. Therefore, firms should have different attitude to different tiers of customers.
### 3.3.4 The customer pyramid model

Fischer (1997)

Customers in different tiers with different characteristics and demand have different influence of the business. Hence, with different market orientation, companies can target customers to achieve their goal.

And besides the calculation of the profitability, the potential profitability is also needed to be taken into consideration. The customers in higher tiers have more potential to make improvement to the company. Therefore, it is better to pay more attention to the higher hierarchies of customers.
According to the research of Zeithaml et al. (2001), a new type of category has existed. It is the customer pyramid model. As mentioned, the "80-20 rule" is not enough to classify customers and the eighty percent of customers should be categorized into more levels. From the study of Zeithaml et al. (2001), there are four tiers of customers.

- **The Platinum Tier**

  The customers in this tier are those key customers. They take up a large turnover of the company. They have a good relationship with the company. And they are committed to the company, so that even other firm can offer a lower price; they still work with the company.

- **The Gold Tier**

  The customers in this hierarchy also account a great proportion of revenue of the company. They are different from the customers in the platinum tier, because they have no loyalty of the company. If other firm can offer a better price, they will easily shift to other firm.

- **The Iron Tier**

  The customers in this tier account value for the company but not as much as the platinum tier and the gold tier. And the relationship between them and the company not stable.

- **The Lead Tier**
The customers in this tier are wasting the resource of the company. They demand more and contribute less. Even more, they give the firm a bad reputation since their nonsense complains.

### 3.4 Successful implementation of CRM

Conceptual frameworks and theory are typically based on combining previous literature, common sense, and experience (Eisenhardt, 1989). CRM is a complex and holistic concept, organized around business processes and the integration of information technologies (Christopher Bull, 2003). As CRM reaches into many parts of the business, it has been suggested that organizations should adopt a holistic approach (Girishankar, 2000). The holistic initial work by Ebner and colleagues (2002), Gummesson (2002b, c), Henneberg (2003), Pettit (2002), and Rigby, Reichheld, and Schefter (2002) provides a useful platform from which to develop this important research area.

About process selection criteria, Srivastava, Shervani, and Fahey (1999) establish four criteria. First, the processes should comprise a small set that addresses tasks critical to the achievement of an organization’s goals. Second, each process should contribute to the value creation process. Third, each process should be at a strategic or macro level. Fourth, the processes need to manifest clear interrelationships. In this study we use these four criteria to select key generic CRM processes. These four criteria show main important principles in process collection and are fully appropriate for selecting CRM processes (Payne Frow, 2005).

Based on the study of Payne and Frow (2005), implementation process consists of strategy development process, value creation process, multichannel integration process, knowledge management process, performance assessment process.

![Diagram of CRM processes](image)

Figure 3.7: Implementation Process constructed by the authors

In this thesis, we assume there are five phases in CRM implementation based on literature study and active thinking. The starting phase of CRM is strategy development process, which connect business strategy with customer strategy tightly. After that,
companies have to make clear that what value they can add to their customers and what
to get from the customers at the same time, which stimulate their cooperation with each
other. Following that, companies integrate multiple channels to serve the customers and
achieve their business goal. During the phases above, companies will obtain a lot of
information, which can be analysed into meaningful knowledge and of vital importance
for better service. At last, companies can make use of some metrics to evaluate the
performance in order to adjust the customers and situation.

3.4.1 Strategy development process

The aim of this process is to find and develop the organization's business and customer
strategy. It focuses on the harmony between the organization's business strategy and
customer strategy.

3.4.1.1 Business strategy

As to business strategy, companies need to inspect its business goal and living context
in order to know where are it and where are they going. Business strategy help
companies to recognize the context and goal so that they can adopt appropriate means
to achieve the goal.

In order to know business strategy, companies can start with a review and judgement of
a company's vision, especially as it relates to CRM (e.g., Davidson, 2002). Next, the
industry and competitive environment should be examined. Traditional industry
analysis (e.g., Porter, 1980) should be supplemented by more contemporary approaches
(e.g., Christensen, 2001; Slater & Olson, 2002) to include competition (Brandenburger
& Nalebuff, 1997), networks and deeper environmental analysis (Achrol, 1997), and the
impact of disruptive technologies (Christensen & Overdorf, 2000).

It is usually the responsibility of the chief executive officer, the board, and the strategy
director,

3.4.1.2 Customer strategy

Most companies recognize that their future depends on the strength of their business
relationships and their relationships with customers(Payne, 2006). Thus the appropriate
customer strategy is the key to firms' performance. The main task in this process is to
solve who are the customers that we want and how should we segment them.

Customer strategy involves examining the existing and potential customer base and
identifying which forms of segmentation are most appropriate. As part of this process,
the organization needs to consider the level of subdivision for customer segments, or
segment granularity. This involves decisions about whether a macro, micro, or one-to-
one segmentation approach is appropriate (Rubin, 1997). This should provide the
enterprise with a clearer platform on which to develop and implement its CRM
activities(Adrian Payne & Pennie Frow, 2005).

3.4.2 Value creation process

This process concerns the way to add value to customer. In this process, two problems
need solving: first, how should we deliver value to our customers; second, how should
we maximize the lifetime value of the customer we want. The company needs to
determine what value the company can provide to its customer; what value the company
can receive from its customers; and how to maximize the lifetime value of desirable customer segments.

3.4.2.1 The value the customer receives

The value the customer receives from the organization draws on the concept of the benefits that enhance the customer offer (Levitt, 1969; Lovelock, 1995). The first step of this process is to find out what customers want and need.

To determine what kind of product is worth investing, what does particular segment need, or whether the value proposition is likely to result in a superior customer experience, a company should undertake a data collection and value assessment to quantify the importance that customers place on the various attributes of a product. Collection tools like survey, interview, telephone etc. can be used to collect the information. Analytical tools such as conjoint analysis can be used to identify customers that share common preferences in terms of product attributes. Such tools may also reveal potential market segments with service needs that are not fully catered to by the attributes of existing offers and the company can make a further investment.

3.4.2.2 The value the organization receives

The company adds value to customers in the way of adding value to itself, but the subjective focus of companies is to maximize the profit for its own sake. The factors deciding how much value can be added to the company include the loyalty and segmentation.

Loyal customers are an intangible asset that adds value to the balance sheet. They represent the good will earned by the brand. The Ford Motor company has calculated that a loyal Ford customer is worth $14,200 over their lifetime. As to segmentation, there may be a ten fold difference between the most profitability customers and the average (Clemens, 2000).

As a result, the company needs to distinguish customers of different features. Accurate segmentation will probably lead to effective activities. Calculating the customer lifetime value of different segments enables organizations to focus on the most profitable customers and customer segments.

3.4.3 Multichannel Integration Process

The multichannel process aims to find out available channels to provide services and decide the best combination to deliver customer an outstanding experience at an affordable cost.

3.4.3.1 Channel Options

There are a growing number of channels by which a company can interact with its customers. (1) sales force, including field account management, service, and personal representation; (2) outlets, including retail branches, stores, depots, and kiosks; (3) telephony, including traditional telephone, facsimile, telex, and call center contact; (4) direct marketing, including direct mail, radio, and traditional television (but excluding e-commerce); (5) e-commerce, including e-mail, the Internet, and interactive digital television; and (6) m-commerce, including mobile telephony, short message service and text messaging, wireless application protocol, and 3G mobile services. Some channels are now being used in combination to maximize commercial exposure and return; for
example, there is collaborative browsing and Internet relay chat, used by companies such as Lands End, and voice over IP (Internet protocol), which integrates both telephony and the Internet.

3.4.3.2 Integrated Channel Management

Today, many companies enter the market through a hybrid channel model (Friedman & Furey, 1999; Moriarty & Moran, 1990). Firms first have to establish a set of standards for each channel, so customers can experience good service in each of them. Then they can work to integrate the channels, which mainly depends on the organization's ability to gather and deploy the information from all channels and to integrate it with other relevant information. The integration of channels can benefit the information collection and sharing across the organization, besides, it is good for the the company to conclude experience and create knowledge.

3.4.4 Knowledge Management Process

The purpose of this process is to search for the way to organize the information in order to replicate customers' mind and then improve the CRM activities. The knowledge management process is concerned with the collection, collation, and use of customer data and information from all customer contact points to generate customer insight and appropriate responses.

The key material elements of this process are the data repository, which provides a corporate record of customers; IT systems, which include the organization's computer hardware as well as software; analysis tools (e.g. Data mining); and front office and back office applications, which support the many activities involved in interfacing directly with customers and managing internal operations, administration, and supplier relationships (Greenberg, 2001).

3.4.4.1 Data repository

The company can only make reasonable and expectable decisions based on abundant material, which includes mainly information and data collected in business practice. In larger organizations, it may comprise a data warehouse (Agosta, 1999; Swift, 2000) and related data marts and databases. Though middle sized and small companies may be can't afford or have no strong need to purchase and use such professional the information is also needed to be collected and organized in some way. The work done in this step lays foundation for information analysis and application.

3.4.4.2 Analytical Tools

Data mining enables the analysis of large quantities of data to discover meaningful patterns and relationships (e.g., Groth, 2000; Peacock, 1998). There are more specific software application packages including analytical tools that focus on such tasks as campaign management analysis, credit scoring, and customer profiling.

3.4.4.3 Front Office and Back Office Applications

Front office applications are the technologies used to support activities that involve direct interface with customers, including SFA (Sales Force Automation) and call center management. Back office applications support internal administration activities and supplier relationships, including human resources, procurement, warehouse management, logistics software, and some financial processes. A key concern about the
front and back office systems offered by CRM vendors is that they are sufficiently connected and coordinated to improve customer relationships and workflow.

3.4.4.4 IT systems

Technology plays a significant role in knowledge especially in modern society. Mass and changeable information can be collected, sorted by powerful information technology tools. IT systems here refer to the computer hardware and the related software used in the organization. Often, technology integration is required before databases can be integrated into a data warehouse and user access can be provided across the company. However, the historical separation between marketing and IT sometimes presents integration issues at the organizational level (Glazer, 1997).

Because of investment, resources and timing factors, many firms choose to outsource a significant proportion of their CRM solution. Gartner segments vendors of CRM applications and CRM service providers into specific categories (Radcliffe & Kirkby, 2002), and Greenberg (2001) and Jacobsen (1999) provide detailed reviews of CRM vendor products. The main participants in CRM technology market are SAP, Oracle, etc. However, despite their claim to be "complete CRM solution providers," few software vendors can provide the full range of functionality that a complete CRM business strategy requires.

3.4.5 Performance Assessment Process

The performance assessment process is to improve the performance by evaluating with metrics. The key task in this process is setting proper standards, developing metrics and measuring the results so as to make sure whether the CRM now runs effectively. Two components of the process are shareholder results and performance monitoring.

3.4.5.1 Shareholder Results

Shareholder results provide a macro view of the overall relationships that drive performance. The company can choose either to increase the revenue by accurate segmentation and marketing, or to reduce the cost, such as deployment of technologies ranging from automated telephony services to web services and the use of new electronic channels like online, self-service facilities.

3.4.5.2 Performance Monitoring

Performance monitoring, which provides a more detailed, micro view of metrics and key performance indicators, is another facet taken into account.

Ambler (2002) finds that key aspects of CRM, such as customer satisfaction and customer retention, only reach the board in 36% and 51% of companies, respectively. Even when these metrics reach the board level, it is not clear how deeply they are understood and how much time is spent on them. Since traditional performance measurement systems tend to be functionally driven, they may be inappropriate for cross-functional CRM. Recent efforts to provide cross-functional measures, such as the balanced scorecard (Kaplan & Norton, 1996), are a useful advance.

The format of the balanced scorecard enables a wide range of metrics designs. Indicators that can reveal future financial results, not just historical results, need to be considered as part of this process. Standards, metrics, and key performance indicators for CRM should reflect the performance standards necessary across the five major
processes to ensure that CRM activities are planned and practiced effectively and that a feedback loop exists to maximize performance improvement and organizational learning. A consideration of 'return on relationships'(Gummesson, 2004) will assist in identifying further metrics that are relevant to the enterprise.

After the assessment of performance, the company should create new knowledge from the results, and the strategy as well as other processes may need to be modified. Such a implementation process of CRM constitutes a cycle which will modify and update the CRM within a certain period.

3.5 Theoretical summary

To get the whole view of the framework of the thesis, a summary is needed, which can better the understanding of structure and reasoning. The authors constructed a figure that explains how different sections are correlated with each other in order to visualize the structure of the theory.

Figure 3.8 CRM theoretical framework of the thesis constructed by the authors
As shown in the figure above, the focus and the connection point of the thesis with practice is implementation of CRM. The successful implementation of CRM is a complete process which is made up of several phases. Strategy development process focus on the harmony of business strategy and customer strategy. In value creation process, both parties get value form the other party, which enables a long-term and mutual transaction. Companies integrate variable channels to provide service and products to their customers in multichannel integration process. During the course, a huge amount of information is absorbed and transferred into stable knowledge, which is knowledge management process. At last, companies need to assess their performance in performance assessment process.

The successful implementation of CRM needs segmentation of customers in certain way, because to serve all the customers in the same way is unpractical (Zeithaml et al., 2001). And they do not have to treat all customers equally since different customers bring profit of different level and companies can earn more profits through treat different customers in different methods (Brooks, 1999). It is more critical to the firms to understand the demands of different level customers and provide the most appropriate service according to those differences (Zeithaml et al., 2001).

Background knowledge is a indispensable base for better understanding the operation of CRM. The definitions and dimensions part are interpreted as this kind of knowledge which provide a foundation for the operation.

There are several terms need explaining around the topic "customer" in this thesis is only defined as the company purchasing goods from another company. Few definitions are given to describe relationship although literatures about CRM discuss elements that influence relationship (Barnes, 2000). The factors discussed mainly include involvement, collaboration, communication, trust, culture.

CRM is a multi-dimensional term, which consists of key customer focus, organization restructuring, human resource management, knowledge management and technological support. They each present a very important aspect of CRM.
4 EMPIRICAL FINDINGS

Our empirical study is based on original interviews done by Professor Helgi-Valur Fridriksson. In this part, an introduction to our case study will be presented firstly. Following that, the details of the case will be described according to the framework explained in the third part.

4.1 Introduction to case companies

In this thesis, one case of one supply chain about five companies is studied. However, the focus is only four companies.

4.1.1 Description of the companies

4.1.1.1 Swedish Design Company

Swedish Design Company, the main research-oriented company sells, develops and manufactures shop fittings and equipment for food and non-food chains in the Europe. It produces its own production and logistics facilities in ten countries. Swedish Design Company’s head office is in Sweden.

There are two directions in Swedish Design Company, one of which is the standardized goods and the other of which is the non-standardized goods.

Swedish Design Company will develop and nurture long-term business relations with chain stores within the food and non-food segments by working closely with its customers and their markets. The group must trust and has confidence in each and every customer in order to improve the market share. Solutions for other firms are offered through responsibility for the entire flow – from concept, design, project management and construction to production, logistics and installation. Swedish Design Company has its own designers and architects to satisfy customers’ demands. And Swedish Design Company will have a leading position in market because of its expertise and long-term strategies according to the website of the company.

4.1.1.2 Million China

Million China was set up in Shanghai in 1992 with two departments; one of which deals with Textiles and the other deals with mechanical products. It has its own engineers and quality control engineers. It works with customers from US and Euro. It does different kinds of products and has different product process. The founder of the company was born in China and immigrated to U.S. and he has been in resourcing business for a long time. The manager in Shanghai is his son, who was born in U.S. Hence, the company’s culture is the combination of Chinese culture and American culture.

4.1.1.3 Agent Bridge

Agent Bridge is established in 1995 with its head office in Sweden. It also has an office in Shanghai. It is a buying agent who assists customers in sourcing products from low-cost supplier countries, particularly from Far East and especially from China. On behalf of customers, Agent Bridge sources the best suppliers and takes care of all logistic matters in getting the products from the factory to its final destination. It takes an active
role during the whole purchasing process monitoring the entire flow of information and products from samples to final delivery in order to make customers' purchasing process more efficient. Its main market is furniture fittings and construction hardware. The most products their customers buy are OEN products, which mean the customer designs and sends the drawing or samples to the supplier, suppliers produce according to the drawing.

Agent Bridge sets up a purchasing team of 3 or 4 people for every customer. Responsibility 1 takes care of overall important issues. Responsibility 2 is handling requests, price offers and plain technical issues. Responsibility 3 deals with mass production orders and logistics. Responsibility 4 takes the duty of outsourcing and quality inspection. Agent Bridge emphasizes a lot on the service mind, transparent communication and abundant experience. Now it has around 50-60 suppliers in China. More than 100 customers, most of them are in Nordic countries, also in Finland and France. Agent Bridge has several requirements for suppliers’ selection including efficient administrative system, service mind, good communication, quality control and saving the environment.

4.1.1.4 Chinese Tooling Factory

Chinese Tooling Factory is a Chinese company founded in 2005. It is a small company of 35 to 40 workers. The number of workers changes according to orders. It was a trade company at beginning, and then came into production. Its export company Shaoxing City takes care of the logistics and financial issues. Its assembly plant which is called engineering department is in Yuyao of Ningbo City which is famous for tooling. Its main products are first metal and then plastics. The latter one mainly comes from sub-suppliers. 40% of the goods are produced by themselves while others are purchased from sub-suppliers.

4.1.1.5 English Agent

English Agent is also a decoration company before it was required by Swedish Design Company. After it was required by Swedish Design Company, it becomes the middleman between Swedish Design Company and Million China.

According to the Interim Provisions on the Standards for Medium and Small Enterprises (China), if the number of employees is less than 2000, or the saleroom is less than thirty thousand RMB, or the sum assert is less than forty thousand RMB, the company can be classified as the small and medium sized enterprise. And according to European Commission, if the number of employees is less than 250 and the annual production value is less than four million ECU, or the annual total debt is less than 27 million ECU and the company is not taken up more than 25% stocks by one or several huge enterprise, the company can be categorized as the small and medium sized enterprise.

Hence, the companies except Swedish Design Company are SMEs (Small and medium sized enterprises).

4.1.2 Description of the supply chain

Swedish Design Company has two directions; one is for the standardized products, which are more like retailing, where they should be cheap and similar, and the other is
for the non-standardized products (customer products). Million China and Agent Bridge are doing the second direction for Swedish Design Company. Million China and Agent Bridge are suppliers of Swedish Design Company.

Figure 4.1: the supply chain of non-standardized production of Swedish Design Company constructed by the authors

### 4.1.2.1 Information flow between Swedish Design Company and Million China

Million China worked with English Agent since 2000 and both of them enjoyed working with each other. However, English Agent was required by Swedish Design Company. Million China started to work with Swedish Design Company since 2007. And the main contact between Swedish Design Company and Million China is through English Agent. They do not contact directly.

Million China has seven or eight main suppliers and five to ten small suppliers to provide goods for Swedish Design Company. The information flow is Swedish Design Company sending requirements to Million China, then Million China sending them to
its suppliers, and suppliers giving back results to Million China, Million China sending back to Swedish Design Company.

![Diagram of information flow]

**Figure 4.2: Information Flow Chart based on cases constructed by the authors**

Swedish Design Company accounts for 40% to 50% turnover of Million China, so it is very important to Million China. When Swedish Design Company took up English Agent, it did not build relationship with Million China. And Million China went to Swedish Design Company to establish relationship, but just got no reply.

Sometimes Swedish Design Company just sends drawings to Million China and Million China gives some recommendation about the design and material. However, Million China has not talked to Swedish Design Company’s customers.

Moreover, Swedish Design Company insisted to have contract while Million China tried to build up relationship firstly.

**4.1.2.2 Information flow among Swedish Design Company, Agent Bridge and Chinese Tooling Factory**

![Diagram of information flow]

**Figure 4.3: Information flow of Swedish Design Company-Agent Bridge- Chinese Tooling Factory**

Agent Bridge acts as an outsourcing department for Swedish Design Company. It is a bridge between Swedish Design Company and Chinese Tooling Factory. Chinese
Tooling Factory is one of the suppliers who have cooperation with Agent Bridge in China. Swedish Design Company is one of the biggest customers (about 10%) for Agent Bridge. Agent Bridge is the biggest customer for Chinese Tooling Factory which occupies about 70% of its business.

In most cases, Swedish Design Company contacts Agent Bridge, and then Agent Bridge contacts Chinese Tooling Factory, which means the communication is within the roles having direct relationship.

Agent Bridge has a continuous contact with Swedish Design Company. Swedish Design Company can contact a particular contact person whenever they need to communicate. The contact person is a Swedish employee in Sweden who can take up the phone all the time without time difference and lingual obstacle.

The main supply of Chinese Tooling Factory to Swedish Design Company is metal. Chinese Tooling Factory has a good relationship with Agent Bridge as both teacher and friends. When they receive orders from Agent Bridge, the engineering department will analyze the drawing carefully in order to know how to produce and inspect. Then they will purchase the materials.

Both Agent Bridge and Chinese Tooling Factory are involved in the whole process from the beginning. Agent Bridge gets all the details. Chinese Tooling Factory gets the concept ideas and material information. In case of some complicated technical issues, Chinese Tooling Factory will contact Swedish Design Company directly, but cc to Agent Bridge at the same time, so Agent Bridge can follow the whole purchasing process. Both Agent Bridge and Chinese Tooling Factory have met the customers of Swedish Design Company.

4.2 Definition of CRM in the case

4.2.1 Customers in the case

In this case, Swedish Design Company is Million China’s most important customer, who takes up 40% to 50% turnover of Million China. And Swedish Design Company is also the biggest customer of Agent Bridge in Sweden. And the Agent Bridge is the biggest customer occupying 70% of Chinese Tooling Factory’s business. Therefore, the thesis is going to pay attention to the relationship between Swedish Design Company and Million China and the relationship among Swedish Design Company, Agent Bridge and Chinese Tooling Factory, as Swedish Design Company is the key customer of Million China and Agent Bridge and Agent Bridge is the key customer of Chinese Tooling Factory in this empirical case.

4.2.2 Relationship

According to the interview between Million China and the Professor Helgi-Valur Fridriksson, Million China thought it had a good relationship with English Agent. However, after English Agent was required by Swedish Design Company, the existed relationship was gone. And Million China tried to establish relationship with Swedish Design Company, but Swedish Design Company gave no reply.

Comparing with Million China, it seems that Agent Bridge has a better relationship with Swedish Design Company; at least Swedish Design Company does not think the
productions from Agent Bridge are under qualified. And Chinese Tooling Factory supposed that it had a good relationship with Agent Bridge as Agent Bridge acting as its “teacher and friend”. However, the authors think that is not the real relationship that defined by the authors, so that the authors will discuss the relationship among these companies in next chapter.

**Involvement**

From the literature review, involvement is the first step of building up relationship. Involvement means customers are interested in supplier’s production and trying to get a deeper understanding of supplier in order to have a mutual thinking.

Although Swedish Design Company is quite interested in the products and the processes that Million China and Agent Bridge are operating, it does not mean that Swedish Design Company is the high involvement customer of Million China or Agent Bridge. Swedish Design Company pays its attention to the products and processes of Million China and Agent Bridge just because Swedish Design Company sends drawings or samples to the suppliers and wants them to produce what Swedish Design Company actually wants. However, Swedish Design Company does not care about the strategies and the cultures of Million China and Agent Bridge. From the interview, the truth is when Million China invited Swedish Design Company to go to China to have a deeper understanding of Million China, Swedish Design Company rejected. Moreover, when Million China went to Sweden to try to establish relationship with Swedish Design Company actively, Swedish Design Company just gave a cold shoulder to Million China. Swedish Design Company never discuss how to satisfy customers with Million China or Agent Bridge, which can implies that Swedish Design Company does not want to share a mutual thinking neither with Million China or Agent Bridge.

Comparing with the noninvolvement of Swedish Design Company, Agent Bridge gives Chinese Tooling Factory a much warmer welcome. At least Chinese Tooling Factory can contact Swedish Design Company, the customer of Agent Bridge directly. And according to the interview, Agent Bridge provides much information to let Chinese Tooling Factory to know it and gives opportunities to Chinese Tooling Factory to learn. Hence, to Chinese Tooling Factory, Agent Bridge is in the high level of customer involvement.

**Collaboration**

As mentioned, collaboration is “creating value together” and “a high level of purposeful cooperation”. Without the mutual thinking, no value is created by both parties together as well as no cooperation exists.

In this case, Swedish Design Company does not want to make collaboration with Million China, because Swedish Design Company even does not want to involve in the business of Million China. As mentioned in the Involvement part, Swedish Design Company shut its door to Million China when Million China was eager to build up relationship with it. Without the knowledge of other partner’s objective, no collaboration can be built. And Swedish Design Company only focus on the under qualified goods and just gives orders to Million China, getting rid of the truth that Million China’s recommendation of materials and designs. Without the consideration of other partner’s strengths, collaboration also can not be established. The situation is
similar between Swedish Design Company and Agent Bridge. There is no collaboration between them, either.

However, there is collaboration between Agent Bridge and Chinese Tooling Factory, because Agent Bridge prefer to get involved into Chinese Tooling Factory’s business and lets Chinese Tooling Factory know and participate the strategies focusing on Swedish Design Company. Agent Bridge tries to create value cooperating with Chinese Tooling Factory.

• **Communication-Information Flow**

As shown in figure 4.2, Swedish Design Company’s customers give their request to Swedish Design Company, then Swedish Design Company informs Million China through English Agent, following that, Million China contacts its suppliers to inform what Swedish Design Company wants. And after suppliers initiate to produce, they contact with Million China, then Million China gives feedback to Swedish Design Company, and Swedish Design Company contacts its customers. Suppliers can not contact Swedish Design Company directly. Moreover, Million China has no direct communication with Swedish Design Company, but through English Agent in England. And Million China has never met Swedish Design Company’s customers, which implicates that there is no communication between Million China and Swedish Design Company’s customers. The main communication way is e-mail, while if there are some urgent events, the communication method is telephone. And English is neither Swedish Design Company nor Million China’s mother tongue.

Comparing with the situation in Swedish Design Company-Million China, Swedish Design Company, Agent Bridge and Chinese Tooling Factory has a better communication and a more satisfied information flow. As the figure 4.3, besides the information flow between Swedish Design Company’s customer and Swedish Design Company, between Swedish Design Company and Agent Bridge, between Agent Bridge and Chinese Tooling Factory, the information flow also comes from Chinese Tooling Factory to Swedish Design Company and from Chinese Tooling Factory to Swedish Design Company’s customers, which means Chinese Tooling Factory working as a supplier can get more detailed information from the customer’s (Agent Bridge) customer (Swedish Design Company) directly. The main communication method is also e-mail.

• **Trust**

Even companies have the mutual thinking to collaborate, without trust, no deeper and longer relationship can be built.

From the interview, the authors suppose that Swedish Design Company thinks the goods shipped from Million China are under qualified. However, the same goods are qualified in the standard of England, but not the standard of Sweden. Therefore, Swedish Design Company does not have confidence in Million China. Of course, Swedish Design Company does not think Million China can be depended on. Hence, no trust exists between Swedish Design Company and Million China.

Although Agent Bridge is the Swedish company, Swedish Design Company does not trust it, either, for the reason that Swedish Design Company does not rely on Agent Bridge to make the strategies facing to the customers of Swedish Design Company.
Swedish Design Company is a traditional Swedish company, so that it has the deep Swedish culture. And Million China’s culture is a combination of American culture and Chinese culture, because it is a company founded by an American Chinese. However, in Swedish Design Company’s eyes, Million China is a Chinese company and it ignores the American culture of Million China, so that Swedish Design Company uses a conservative way to communicate with Million China. And in Million China’s view, Swedish Design Company is hierarchical, which is at the top that is hard to communicate because of its ethnocentrism. That means that Swedish Design Company always supposes it makes the right decision and avoids to take the suggestion from Million China.

Agent Bridge is also a Swedish company with Swedish culture. Chinese Tooling Factory is a Chinese company with the Chinese culture. Because Agent Bridge and Swedish Design Company are both Swedish companies, they share the coherent value. Sometimes the goods provided by Chinese Tooling Factory can not fix the requirements, because with the European culture, quality is the most important thing while with the Chinese culture, cost becomes more important.

In Scandinavian and German culture, doing business must sign up a contract while in Chinese culture; relationship must be established before signing a contract. Therefore, a conflict arises between Swedish Design Company and Million China. Swedish Design Company insisted to have a contract first, but Million China prefers to build up the relationship firstly.

4.2.3 Management

From the interview, the relationship between Million China and English Agent has gone since English Agent was required by Swedish Design Company. Hence, Million China needs to build up a new relationship with Swedish Design Company and it has tried, but unfortunately it failed. In the next part of this thesis, the authors will discuss the reasons and provide some suggestions.

In the Million China-Agent Bridge-Chinese Tooling Factory chain, the authors will try to analyze the status quo among the firms and give advice to Agent Bridge and Chinese Tooling Factory to retain their important customer.

4.2.4 Customer Relationship Management in these companies

4.2.4.1 Swedish Design Company

From the web-site of Swedish Design Company, the strategy dealing with customers is to work closely with them and provide customers solutions for the whole production flow. Swedish Design Company’s strategy on the web-site is Swedish Design Company will take a leading marketing position through its expertise and long-term strategies. It implicates that Swedish Design Company wants to build up a long-term relationship with its customers.

4.2.4.2 Million China

From the web-site of Million China, the authors can assume that Million China works as a bridge between its customers and suppliers. Million China strives to help customers achieve quality products while maintaining cost efficiency and on time delivery. Million
China tries to provide the qualified products to its customers in order to make them satisfied.

4.2.4.3 Agent Bridge

Agent Bridge works on behalf of its customers, not its suppliers. Agent Bridge takes an active role during the whole purchasing process monitoring the entire flow of information and products from samples to final delivery. It also ensures that both product quality and delivery punctuality are met to each customer’s expectations. Agent Bridge is not a reseller of products, instead it searches suppliers of products according to its customers’ demand.

The core values of Agent Bridge are unbeatable service, complete reliability, easy access, and clear communication.

4.2.4.4 Chinese Tooling Factory

As the Chinese Tooling Factory is too small to have its website, the authors can not get much information about its customer strategy.

4.3 Dimensions of the case CRM

4.3.1 Key customer focus

In both supply chain mentioned, there is a stress on the key customers who are profitability and of strategic importance.

In sub-supply chain Million China-Swedish Design Company, Swedish Design Company is one of the most important customers for Million China, which accounts for 40-50% of the Million China business. Though Million China had contact with English Agent before Swedish Design Company bought it and there are some problems with their communication and cooperation now, Million China tries its best to build relationship with Swedish Design Company. The manager of Million China has been to Sweden to discuss with Swedish Design Company about those questions and he plans to go for Swedish Design Company another time.

In sub-supply chain Swedish Design Company- Agent Bridge - Chinese Tooling Factory, Swedish Design Company is one of the most important customers for Agent Bridge, which occupies 10% or so. Swedish Design Company can contact the contact person of Agent Bridge in Sweden all the time. In the past, the contact person was a Chinese employee, but she is replaced after a period of time, so Swedish Design Company can use their mother language to explain something especially complicated technological problems very clearly. There is a particular purchasing team for Swedish Design Company. For Chinese Tooling Factory, Agent Bridge is the most important customer occupying 70% of its business. They have a good relationship both as a teacher and friend. After cooperation in last several years, Chinese Tooling Factory has improved a lot on satisfying requirements of Agent Bridge. There are connections both between directly related two roles and others, Agent Bridge and Chinese Tooling Factory have met customers of Swedish Design Company in order to get what they really want. The quality of products produced by Chinese Tooling Factory is of 98-99% qualified quality.
Despite the efforts made to better communication and provide customized products, there are still some problems in cooperation. Communicating in different languages is complicated and communicating in second language for both parties, from Swedish to English, Chinese to English, English to English is even more complicated. For Million China, the main contact between Swedish Design Company and Million China is through English Agent because of original ownership. They do not contact directly. Also, they thought Swedish Design Company doesn't trust them very well; a relationship hasn't been built up. Thirdly, they are not satisfied with the communication way used by Swedish Design Company which is quite hierarchical in their mind. For Agent Bridge, they also found that some Swedish customers prefer Swedish so as to explain some problems more clearly.

4.3.2 Organization restructuring

CRM usually results in fundamental changes in the way that firms are organized and business processes are conducted.

In the sub- supply chain Swedish Design Company-Agent Bridge- Chinese Tooling Factory, Agent Bridge sets up a particular purchasing team for each customer including Swedish Design Company. Members are divided by tasks, they are responsible for overall management, logistics, price offers and quality inspection respectively, which is cross-functional and customer centric. The solution is just aiming at particular customer, the service is personalized.

In the sub- supply chain Swedish Design Company-Million China, there seem some structure problems. Before Swedish Design Company bought English Agent, Million China has cooperated with English Agent for several years and set up a good relationship. After Swedish Design Company bought English Agent, Million China and Swedish Design Company don't have direct contact; they contact each other through English Agent. And Swedish Design Company Shanghai does not involve into the process too much.

4.3.3 Human resource management

Individual employee is the foundation for actual operation of CRM. Human resource management is an important facet that should be paid much attention on.

In the research supply chain, Agent Bridge, Chinese Tooling Factory and Million China all mentioned engineer and personnel with technological very much. Agent Bridge, Million China and Chinese Tooling Factory provide OEN products, which means the customer sends drawing first and they will produce according to it. For Chinese Tooling Factory, after they receive the drawing, the engineer will analyze how to produce and inspect the quality. For new orders, they always ask engineer to come together to have a meeting with the customer. When these suppliers need to purchase, they also ask their engineer to come over there in order to give sub-supplier requirement. For Agent Bridge, there is a particular employee in their purchasing team responsible for quality inspection in case customers require. Besides, they have a particular contact person for Swedish Design Company, she replaced another Chinese employee in order to better service to Swedish Design Company. For Million China, all of their engineers are well trained.
4.3.4 Knowledge management

As mentioned before, knowledge management is mainly about collecting useful information and transfers it into knowledge for sharing and learning in the organization. All companies in this supply chain stress the importance of good communication. Agent Bridge considers transparent information is one of their advantages. They will handle all communication between customer and supplier as a mediator. When the customers have questions, they can contact Agent Bridge all the time, then Agent Bridge will communicate with suppliers about the requirements. As one of the supplier, Chinese Tooling Factory has a good relationship with Agent Bridge; it is involved into the process from the beginning. Sometimes, they contacts Swedish Design Company directly in case of some complicated technological problems, some of Swedish Design Company customers also have visited them, which is considered as a successful experience for Agent Bridge and Chinese Tooling Factory.

Million China wants to keep a clear line of communication. It would like to keep information flowing as near as possible. It doesn’t have daily basic communication in Swedish Design Company besides purchasing manager. They will talk to engineers if there are major issues.

As to the problematic side, Chinese Tooling Factory hopes information about usage and function can be provided more, which can also be support for many panic orders. Million China is faced with more serious problem in communication with Swedish Design Company, it doesn't communicate very well since it can just contact Swedish Design Company in England, and the way Swedish Design Company contact it is hierarchical which makes it uncomfortable.

4.3.5 Technological support

Technological support is an indispensable part for successful CRM nowadays. The communication and cooperation of the supply chain are based on electronic means. They are mainly emails, telephony and fax. Though these information ways are not at the level of information system, most communication between companies are electronic, which is common in oversea cooperation.

In sub-supply chain Swedish Design Company-Agent Bridge-Chinese Tooling Factory, Agent Bridge also requires the supplier to have a strong administrative system to file documents. It always asks the supplier to file so it can easily get the history. This is one part of its quality assurance. Besides, Agent Bridge also recommends its customers and suppliers to write email in order and step by step, which makes it easily understood.

4.4 Customer Segmentation

In these two interviews, Million China just mentioned that Swedish Design Company takes up 40% to 50% of turnover, so it is significant to Million China. Swedish Design Company is one of Agent Bridge’s biggest customers in Sweden, probably takes up 5-10% of Agent Bridge’s business. Agent Bridge is important to Chinese Tooling Factory, since Agent Bridge takes up 70% turnover of Chinese Tooling Factory. However, the interviews do not expose the percentage other customers taking and the way to classify customers. Therefore, Professor Helgi-Valur Fridriksson helped the authors to get more information from these companies about customer segmentation through emails.
From the emails, Million China declared that it does not do segmentation and treats all customers with the same level of service and dedication. The representor of Agent Bridge claimed that although everybody has different customers to handle and there is segmentation for franchises by countries, no particular customer segmentation exists. And no matter the customers are big or not, Agent Bridge tries to satisfy the customers’ requirements. Meanwhile, as Swedish Design Company is a big customer, Agent Bridge always put high priority to their requirement.

Swedish Design Company just classifies its production into standardized products and non-standardized products, but not classifies its customers.

4.5 Implementation of CRM

Though case companies don't divide their CRM into those implementation processes, we can still use this framework to investigate the actual situation of their CRM implementation.

4.5.1 Strategy development process

The core task of this process is to coordinate the business strategy and customer strategy. In our case, suppliers like Chinese Tooling Factory and agents like Million China and Agent Bridge are faced with their key customers. Swedish Design Company is one of the most important customers for both Million China and Agent Bridge. Agent Bridge is the most important customer for Chinese Tooling Factory. So they work very hard to make clear what the customer really wants. The manager of Chinese Tooling Factory mentioned that each time he comes to Sweden, he needs to talk to engineer in order to make sure the understanding is correct. Most of case companies’ main market is shop fitting, which makes them easily cooperate with each other and help each other to realize the development goal in own line. As a Swedish company which also has office in Shanghai China, Agent Bridge knows both China and Sweden; their main customers are from Nordic countries. Million China mainly targets market in UK and USA. Chinese Tooling Factory’s customers are mostly international companies. All of those are in accordance with the goal and development of Swedish Design Company whose customers are international and expanding very quickly all over the world in last three years.

4.5.2 Value creation process

Value creation process is the process where companies add value to customers while they also receive value from customers. In sub-supply chain Swedish Design Company-Million China, Million China helps Swedish Design Company find satisfying suppliers to provide qualified products. In sub-supply chain Swedish Design Company-Agent Bridge-Chinese Tooling Factory, Agent Bridge is also a buying agent for Swedish Design Company. Both Million China and Agent Bridge take the role of mediator in order to make the whole process and supply chain run efficiently. They handle all the communication between Swedish Design Company and suppliers. The only thing Swedish Design Company needs to do is placing orders and arranging payment. The only thing that suppliers need to do is producing and sending out products on time and of good quality. In this course, Million China and Agent Bridge add value to Swedish Design Company by sourcing satisfying suppliers and making the whole process run
smoothly. As a supplier to Agent Bridge, Chinese Tooling Factory adds value to Agent Bridge and Swedish Design Company in the course of production and punctual delivery.

At the same time, these companies can also receive value from their customers. Besides orders and commission which are visible and tangible, there is learning potential as well. Chinese Tooling Factory learns a lot on punctual delivery and quality by cooperating with the international company. They also improve their way of doing work in the cooperation with Agent Bridge such as writing emails clearly. Swedish Design Company gets to know more about Chinese market after several orders, which is helpful for them to get cheaper and better products.

Another important task of this process is maximizing the life value of the customer, which can be explained to be building up a long term relationship in B2B cooperation. Agent Bridge and Swedish Design Company as well as Agent Bridge and Chinese Tooling Factory have a good relationship and cooperation history, however, though Million China has a good relationship with English Agent which is owned by Swedish Design Company now, it doesn't communicate with Swedish Design Company very well.

4.5.3 Multichannel Integration Process

This process is mainly about integrating multiple channels to serve the customer. There are several means can be used in CRM, such as sales force, outlets, e-commerce, and so on.

In the case, a couple of methods are adopted by companies. All the companies use telephony and e-commerce in cooperation, the email is the way used probably most frequently. Sending emails not only connects roles directly related, but also connects roles related indirectly. Chinese Tooling Factory mentioned it also sends emails to Swedish Design Company sometimes. Whenever Swedish Design Company has something to ask, they can take up the phone and contact Agent Bridge easily. Besides these, they sometimes have meeting face to face or visit the company or factory of the other side. Engineers are an important group of people who play a significant role in the cooperation, from the original concept idea to final production; they are involved in the whole process all the time.

The integration of those channels is a test to a company's ability. In dealing with business, those channels should be integrated and used properly. The technology support is also an important foundation for cooperation. All of these have been shown in the case. For example, Chinese Tooling Factory has e-commerce contact with Swedish Design Company and Agent Bridge as well as direct meeting with them.

4.5.4 Knowledge Management Process

Knowledge management process is concerned about collecting information and transferring into useful knowledge. In this case, the main way to getting information is communicating by phone, email and meeting. Customers send them the requirement and specification; the companies give their analysis and suggestions. After the communication of the information and knowledge, the learning will be shown in the behaviors.
Swedish Design Company learns a lot about Chinese market. Many Swedish customers of Agent Bridge don’t have a clear knowledge about Chinese market, sometimes they intend to purchase some European standardized products which are rare in China, so the price is even higher than producing in European countries. At beginning, Swedish Design Company didn’t know well either. But when similar things happen, Agent Bridge explains to them again and again, and then they learn a lot and are still learning.

Chinese Tooling Factory learns a lot on efficient working, delivery on time and quality control from Agent Bridge and Swedish Design Company. Delivery on time is important in European culture. In China, there are always some uncertain things because of the context and culture. Besides, some Swedish customers said they sometimes couldn’t get what they really want because Chinese suppliers think some changes of the product don’t impact the usage but cut the cost. However, European companies requires products which are exactly they want. In order to satisfy international customers, they improve a lot in these sides. Additionally, Swedish Design Company requires suppliers provide products in a environment-friendly way, which improves Chinese companies production and benefits the environment in the long run. According to the requirements of Agent Bridge, Chinese Tooling Factory built up a strong administrative system which can file document well and make reviews easily and conveniently. The information communication in sub - supply chain Swedish Design Company-Agent Bridge-Chinese Tooling Factory is almost transparent while Agent Bridge is the monitor of the whole process.

As for Million China, the main problem in front of them is communication. It can’t have a through and deep discussion with Swedish Design Company, which makes it can’t get useful information of what Swedish Design Company really want and how to improve itself.

4.5.5 Performance Assessment Process

This process is mainly about using proper metrics to evaluate the performance in order to improve the performance of the organization. Two components of the process should be considered, they are shareholder results and performance monitoring.

In our case study, this process is not quite clear separated from knowledge management process. Companies use key business metrics like turn-over, revenue to evaluate the performance. As the bridge between Swedish Design Company and suppliers, Agent Bridge and Million China monitor the whole process. They try to improve the performance after the assessment.
5 ANALYSIS

This section analyses the empirical findings within the framework presented earlier in order to compare the theory and practice and get a better understanding of the topic CRM of the thesis.

5.1 Definition of CRM

5.1.1 Customer

In the theories presented in Chapter 3, the authors define that in this thesis customers are not the individual customers but organizations in the field of business to business. Through the interview, the authors recognize Million China and Agent Bridge acting as the outsourcing partner of Swedish Design Company. The characteristics of Million China and Agent Bridge are not the retailing companies. Hence, the customers of Million China and Agent Bridge are not individual customers as the retailing firms facing, but the organizations. Chinese tooling factory acts more like the factory, so the marketing customers are not individual customers, either.

The characteristic of organizations decides the type of customer they are facing. A company can lose one individual customer, because the customer just takes up a small percentage of its business and it can maintain other customers and attract somebody else. However, if the customers are organizations, losing one customer maybe mean a huge percentage of business is gone, the company may be at the edge of bankrupt. From the empirical case, Swedish Design Company takes up 40% to 50% of Million China's turnover and Agent Bridge occupies 70% business of Chinese tooling factory. If Million China lost Swedish Design Company or Chinese tooling factory lost Agent Bridge, neither Million China nor Chinese tooling factory would continue their business smoothly. Therefore, to the outsourcing company, every single customer is important. Many retailing firms, such as supermarkets, just wait for customers to come and buy. Meanwhile, outsourcing firms need to be creative enough to attract and maintain business customers. That is why the research of Customer Relationship Management in the business to business field is essential.

5.1.2 Relationship

As Chapter 3 mentioned that, even a customer always purchase goods from the supplier, it does not mean that the customer and the supplier has a relationship. Only if the customer and the supplier share the mutual thinking and have a common goal, a relationship exists. Moreover, parties should be loyal and have positive emotions to each other with the belief that they are connected with each other closely (Barnes, 2000).

According to the interview between Million China and the Professor Helgi Valur Fridriksson, the authors recognize that Million China does not have a relationship with Swedish Design Company, because Swedish Design Company doesn't attempt to know more about Million China, so that they can never make up a mutual objective. And Swedish Design Company with a negative emotion about Million China defines that Million China's products can not meet its requirements.
Comparing with the situation of Million China, it seems that Agent Bridge has a relationship with Swedish Design Company, because Swedish Design Company does not have negative emotion with the productions of Agent Bridge. However, Swedish Design Company just order products without discussion with Agent Bridge. Hence, there is no mutual thinking and the coherent goal.

Although Chinese tooling factory thinks Agent Bridge is its teacher and friend, and Agent Bridge is more like to share its information with Chinese tooling factory, there is still no actual relationship between them, for the reason that their definitions of most valuable element are different, so that they still can not have the same goal.

In the following part, the authors will describe the deeper reasons that why no relationship exists.

• Involvement

Getting involved in other partner’s business does not only mean the firm is interested in the production or process of other firm. Firms only can be defined as the high level involvement customers if they would like to have a two-way commitment with the suppliers and participate in the business strategies with the suppliers.

Throughout the empirical study, the authors find out that there is business between Swedish Design Company and Million China, between Swedish Design Company and Agent Bridge. However, Swedish Design Company is the low involvement customer of Million China and Agent Bridge, because they do not have the mutual business strategies with Swedish Design Company. Swedish Design Company does not care the strategies or goals of Million China and Agent Bridge, but only pays attention to the products and processes it wants. And Swedish Design Company also does not want Million China to be involved into its business since Swedish Design Company never gives the customers' information to Million China. To Agent Bridge, Swedish Design Company leak more information to it since it is a Swedish company.

In comparison of Swedish Design Company, Agent Bridge is a higher level involvement customer of Chinese tooling factory. Agent Bridge prefers to know more about Chinese Tooling Factory’s strategies and provides more chances to Chinese Tooling Factory to participate into its business.

• Collaboration

Collaboration requires the common goal and the two-way commitment to help the other firm and the own firm to get more profits. The first step is to share a mutual objective with the other partner. In order to have a mutual goal, firms should try to get to know more about others and communicate. However, in the studying case, Swedish Design Company does not want to share its customers’ information and is less patient to communicate when it facing Million China.

The second step to collaborate is to make up a strategy to achieve the aim. The method to make up strategy is also communication. The most important element to collaboration is to consider the benefits of the other party. Throughout the empirical studying, the authors make a conclusion that there is no collaboration between these companies.
• Communication

Communication is necessary in each step of the cooperation between customer and supplier. And it is the essential element in the internal management of a company (Saviolo & Testa, 2002). There are three main problems of communication in the studying case, one of which is the language, second of which is the complicated information flow and the third of which is the lack of information sharing. Both of Swedish Design Company and Agent Bridge are Swedish Companies, so that there is no language problem between them. There is a Swedish employee of Agent Bridge Resourcing in the Swedish office to handle the business with Swedish Design Company, since there is no time difference in Sweden and Swedish Design Company can transfer its orders to Agent Bridge as soon as possible. Although the daily communication is not problematic between Swedish Design Company and Million China, problems exist in the deeper communication about the design and technology for some special terms are needed in the design and technology, which are hard to explain in a foreign language. The mother tongue of Million China is Chinese while the mother tongue of Swedish Design Company is Swedish, so that both of them need to communicate in their second language, English. Hence, Swedish Design Company thinks it is hard to communicate with Million China.

Besides the language, the complicated information flow is another communication block. Million China’s suppliers can not contact with Swedish Design Company directly, even the Million China must contact the head department of Swedish Design Company through the English Agent. There is no transparency information between Swedish Design Company and Million China’s suppliers. Even Agent Bridge tries to provide transparency information to Chinese tooling factory and Chinese Tooling Factory can contact with Swedish Design Company directly, without Swedish Design Company's admit to share information, no smooth information flow can exist.

The main communication methods among companies are email and telephone. There is no information database. Therefore, suppliers can not actually get the whole information of their customers.

• Trust

According to Morrman et al. (1993), trust is a vital aspect of every relationship. And trust reinforces confidence and reliability in relationship (Garbarino & Johnson, 1999). So the authors believe that without trust, there is no relationship.

Swedish Design Company does not think Million China can meet its requirements, so that it does not rely on Million China. Further, Swedish Design Company does not trust Million China. In order to build up a relationship, trust is the foundation.

• Culture

Developing and maintaining relationships is an attitude and a value, which is located in business and relationship between companies and their customers (Roberts-Phelps, 2001). Since attitudes and values coming from the organization culture, the authors claim that it is apparent that culture influences the factors of developing and retaining relationship. Therefore, in order to improve relationship, customers must be embedded deeply in the culture (Antar & Gholamifar, 2006). And in the theoretical part, the
authors mentioned that if a company wants to do international business successfully, culture adaptation is needed.

In the case, although the Million China was set up in China and the founder is Chinese, the culture of Million China is the combination of Chinese culture and American culture, not only the Chinese culture, because the founder has been to America for many years and the manager, the son of the founder was born and grew up in America. Swedish Design Company does not know the culture of Million China and always communicate with Million China in a conservative way. However, in Million China's view, it wants Swedish Design Company communicate with it in a more open way as it also has the American culture. And as a Swedish company, Swedish Design Company prefers to do business with signing up contracts firstly, while Million China would like to establish relationship preferentially. Neither of them tries to adapt other's culture. Hence, no relationship can be built. Further, Swedish Design Company is ethnocentric when doing business with companies in other countries. Swedish Design Company just gives orders and even Million China actually provides some useful suggestions to Swedish Design Company, Swedish Design Company just focus on the belief that the products of Million China is not qualified. The Million China is influenced by the Chinese culture that it does not say "No" even it can not achieve the task.

Because Swedish Design Company and Agent Bridge are both Swedish companies, who share the same culture, they have a better communication. And as a supplier of Agent Bridge, Chinese Tooling Factory treats Agent Bridge as its teacher and friend. However, Chinese Tooling Factory just learns the technical and business skills from Agent Bridge, which is not enough to have a mutual thinking with Agent Bridge. Cross-cultural learning is more important. As discussed in the empirical part, Chinese culture emphasizes on low cost while European culture emphasizes on high quality. Only if the Chinese Tooling Factory adapts the European culture, it can have a mutual objective with Agent Bridge.

In conclusion, learning and adapting other party’s culture is the most important step to establish a relationship.

5.1.3 Management

In the theory part, the authors discussed that management is not only the meaning of management, but also implicates measurement, control and improvement. The authors believe that companies only can control the relationship between customers and themselves by using the customer segmentation to measure the value of customers. Through the empirical study, there are no measurements of customers in these companies. Hence, the companies can not keep their customers under their control. Further, firms can not manage relationship well in the empirical case, which is in line with the theoretical study. So it is hard for these firms to improve relationship with other companies.

In the part of analyzing customer segmentation, the authors will have a deep discussion about the importance of measurement and try to figure out how to improve the management of customer relationship.
5.1.4 Customer Relationship Management

In the theoretical study, the authors stress that CRM is defined as a business strategy in this thesis, which implies an approach to manage customer relationships to earn maximum profits.

Through the empirical study, the authors find that the companies do have ideas of CRM to do their business. Swedish Design Company's web-site declares that Swedish Design Company will take a leading marketing position through its expertise and long-term strategies, which implies that Swedish Design Company wants to fulfill the customers demand and tries to build a long-term relationship with them. However, as a customer of Million China, Swedish Design Company rejects to be a cooperative customer to have a long-term relationship. Swedish Design Company just orders without giving an opportunity to Million China to know more about its customers and business strategies. To Agent Bridge, which has an office in Shanghai, the situation seems better, it can share some information with Swedish Design Company and the staff of it have met customers of them.

Acting as the bridge between customers and suppliers, Million China always tries its best to make customers satisfied as its strategy said to retain customers. The similar strategy is used by Agent Bridge.

5.2 Dimensions of CRM

5.2.1 Key customer focus

"We treat all customers with the same level of service and dedication", said the Manager of Million China.

From our empirical findings, Million China, Agent Bridge and Chinese Tooling Factory don't have particular segmentation of their customers. Though Swedish Design Company is the most important one for Agent Bridge and Million China, Agent Bridge is the most important one for Chinese Tooling Factory, those companies treat them as other customers. What they try to do is fulfilling requirements from customers no matter whose order it is. Million China treats all customers with the same level of service and dedication. As to Swedish Design Company, their strategy has nothing to do with B2B alliance. Their focus is satisfying their customers who buy their products other than suppliers, so they don't care whether the supplier has a good relationship with them, what they care is who can provide qualified products.

However, Agent Bridge admits that they always put high priority to Swedish Design Company's requirement since Swedish Design Company is a big customer for them, so are other companies in the case. Those small and medium sized enterprises (SMEs) want to keep their big customer though Swedish Design Company seems not positive in this.

As the interviewee of Swedish Design Company said "The biggest problem working with China is the communication problem. Even though our suppliers seems me more like a Chinese, and treat me like a Chinese, they put me in a very different position sometimes. What I mean is also my job responsibility and what I'm working with."

According to the study made by Barnes (2000), where customers were asked to describe relationships with firms, the consumers stated that a relationship exists when they
receive special treatment from the company. A relationship is evident when it is on an interpersonal level (Barnes, 2002), however, the case is not like this because the willingness is unilateral.

As a result, Million China, Chinese Tooling Factory and Agent Bridge pay much attention on communication, because correct communication between companies is considered critical for establishing and maintaining strong relationships (Berry, 1995; Day & Montgomery, 1999; Fox & Stead, 2001; Morgan & Hunt, 1994; Narayandas & Rangan, 2004).

Sales in any business are mostly generated through business relationships it establishes. The better you manage these relationships, the more success you will grab. However, in B2B transaction, profiling customers is more difficult compared to that in B2C. B2B customers have more complicated needs and therefore need-based segmentation can be very difficult for B2B enterprises (Writuparna Kakati, 2009). Since companies involved in this case are mostly SMEs, they don't have enough ability to segment their customers. Nevertheless, segmentation of customers is really needed for the development in the long run.

5.2.2 Organization Restructuring

Essentially, CRM will lead to fundamental changes in the way that firms are structured (Ryals & Knox, 2001) and business processes are implemented (Hoffman & Kashmeri, 2000).

As to the changes of the structure, the most prominent fact we find is Agent Bridge sets up a purchasing team for every customer. This is in accordance with the study of Sheth and Sisodia (2002), Ryals and Knox (2001), who argue that the organizational structural designs that most effectively optimize customer relationships include the establishment of process teams, customer-focused teams, cross-discipline segment teams, and cross-functional teams. However, other companies in the case don't have such restructuring, since they are SMEs, whose main power is technical staff. Mostly it is the technical staff like engineers that are responsible for the communication and cooperation in B2B. Nevertheless, since the individual is representing the whole company, so the one who is in charge of the communication may be not trusted by the opposite party. "since I'm representing the whole Swedish Design Company Group and not each Swedish Design Company Swedish Design Company individual, sometimes the supplier don't want to "leak" information to me because they think I will go and tell to someone else and creates problem for them. My job is to help out, not making worse." said the interviewee of Swedish Design Company.

As to the changes of the process, we find that those SMEs don't have particular CRM process, what they actually do is fulfilling orders. According to Cisco's research, though they place customer service as a top priority, only 4% of SMEs invested in tools to streamline customer processes. The report also shows the personal touch is valued by most small firms but few have the tools to streamline the process (Quicke, 2009). This is proved by the empirical study that most communication is between engineers or management people in the case, which means that mostly customers have access to individual interface other than a team. Plus, the formal process of CRM is rarely used in the case.
5.2.3 Human Resource Management

"What's working well is the competence Million China beholds. They are all educated engineers within the production area. They can assist with special knowledge about Chinese way of producing and also help me to understand the Chinese management." said the interviewee of Swedish Design Company.

According to Krauss (2002), "The hardest part of becoming CRM-oriented isn't the technology, it's the people." Two components should be considered in human resource management of CRM. As to the management support, since Million China, Chinese Tooling Factory and Agent Bridge Shanghai are small and medium sized enterprises, they don't have so many employees and departments to coordinate. It is easier to get management support relative to big corporations.

Another component is training. Since case companies don't have advanced CRM software to handle customer business, and what the customer need most is qualified products, so the main training is for engineers. They should be competent for the technological issues in the business. In addition, the efficient and effective way of working is adopted by management. They write emails in order and confirm what they get.

To summarize, case companies aren't confronted with a big problem of management support because of the scale of the companies. There are few complicated relationships to coordinate. The training is mainly focusing on technological staff.

5.2.4 Knowledge Management

Knowledge about key customers is essential for CRM (Stefanou et al., 2003), as it can be used to develop a "learning relationship" with customers (Zahay & Griffin, 2004).

Just as the manager of Chinese Tooling Factory said, they learn a lot from Swedish Design Company on quality control and punctual delivery. Swedish Design Company also can learn more about Chinese market through cooperation with Chinese suppliers and buying agents in China.

One factor influencing knowledge management is information collection. As to Agent Bridge, Chinese Tooling Factory and Swedish Design Company, the information communication runs well for the information is transparent between each other. But the information about usage and function is needed. Much additional information will be helpful for panic orders which happen all the time. All the suppliers agree with De Toni & Zamolo (2005) that supporting information might improve the production planning which will shorten lead times, improve delivery accuracy and decrease inventory levels.

Nevertheless, the communication between Swedish Design Company and Million China seems problematic. Swedish Design Company are not willing to discuss with Million China. Million China focus on building a good relationship whereas Swedish Design Company just wants to talk about contract first. Both Ranaweera and Neely (2003), and Sharma and Patterson (2000) argue that the better is the perceived quality of a service, the more loyal customers will be to the firm. This perceived quality comes from the satisfaction with past exchanges with the firms, which is a trust booster (Ganesan, 1994). Trust is an important element in creation of successful relationships (Ranaweera & Prabhu, 2003). The higher the level of the trust, the more loyal the customer is to the firm (Sharma & Patterson, 1999). From the reasoning, we can find that unwillingness
attitude of Swedish Design Company originates from a lack of trust. A lack of trust comes from the low perceived quality. Because Million China has been produce goods according to England standard in past, which is considered to be at a low quality since standard of Nordic countries is higher than that of England.

5.2.5 Technological Support

Technology plays an important role in CRM in adding to firm intelligence (Boyle, 2004). In the case, we find those companies use some means of technical support, including administrative system, telephony, emails, webpages etc. IT equips enterprises with the capability to collect, store, analyze, and share customer information in ways that greatly enhance their ability to respond to the needs of individual customers and thus to attract and retain customers (Butler, 2000). The main channel for case companies to collect and share information is emails and telephony. Accurate customer data is essential to successful CRM performance (Abbott et al., 2001), so case companies need to confirm again in emails or telephone as well as express clearly in emails.

Further, the advent of the Internet broadens the extent of supply chain practices by supporting low cost communication and accurate information sharing in supply chains (Cross, 2000). Agent Bridge and Chinese Tooling Factory mentioned in the interviews that it is really helpful to exchange information with Swedish Design Company's customers, which can be made just through email.

When Cisco asked 1,000 SMEs what technology they used to keep on top of customers 10% either didn't use any or were not sure (Quicke, 2009), which is the same situation to case companies. What they use of the technology is not so complicated. However, as there are more and more panic orders and business situation is changing all the time, this dynamic trade will push the traditional model of CRM beyond its limits. Companies need a new approach- eRelationship Management - to leverage the web's unique strengths for capturing and publishing a single view of customers (Quicke, 2009). According to Cisco's research, though they place customer service as a top priority, only 4% of SMEs invested in tools to streamline customer processes. The report believes SMEs are capitalized on IT opportunities (Quicke, 2009).

5.3 Customer segmentation

In the opinion of Zeithaml et al (2001), it is unpractical for companies to treat all customers the same with limited sources. However, from the empirical study, the authors found that all the four companies have no customer segmentation. Even firms have segmentation; it is not on customers, but on franchisees or products.

The authors figure out the reasons why there are no customers' segmentations in these companies, which are these firms, are too small to classify customers except Swedish Design Company. Swedish Design Company is a large company, so that it has enough customers to be categorized, but it ignores the importance of classifying customers. For Million China, Agent Bridge and Chinese Tooling Factory, they just have several customers, therefore, they may think there is no need to have customer segmentation. However, in the opinion of the authors, even if the company has one customer, it is necessary to have customer segmentation, because it can help the firms to create pertinence strategy according to different customers in different tiers. In the theory study, a new pyramid customer model is used instead of the old "80-20 rule". Therefore,
there is no need to classify customers in the method of comparing other customers. Firms just need to put their customers in the proper tier of the pyramid according to the conditions mentioned in the part three. It is acceptable to leave other tiers empty. It is meaningful to classify customers, because resources in the firm are limited and profits made from different customers are various. Although from the empirical case, suppliers claim that they have no customer segmentation and treat every customer at the same level, if two customers have contemporary urgent orders to one supplier, supplier should decide which customer to service firstly with limited resources. In this case, customer category can help firms to make decision. As an exception, Agent Bridge claims that it always put high priority to Swedish Design Company’s requirement. From that, authors can make a conclusion that although Agent Bridge does not have customer segmentation in evidence, it has customer segmentation recessively.

Moreover, customer segmentation can help firms to build or maintain customer relationship. From the empirical study, Swedish Design Company accounts a great proportion of revenue of Million China and Agent Bridge, and Agent Bridge takes a huge proportion of turnover of Chinese Tooling Factory. As discussed before, there is no relationship among these companies. Hence, according to the customer pyramid model, these companies can be classified into the gold tier.

After classifying the customers, firms can figure out strategies to deal with different tiers of customers. If firms can not reverse the negative situation of the lead tier customers, the best way is getting rid of them in order to save resources to maintain a better relationship with other tiers’ customers for the lead tier customers can not or only can provide little profits to the companies. Firms can try their best to upgrade customers, from lead to iron, from iron to gold, from gold to platinum. In the case, Swedish Design Company is the gold tier customer to Million China and Agent Bridge while Agent Bridge is also the gold tier customer to Chinese Tooling Factory. If Million China and Agent Bridge can build up a good relationship with Swedish Design Company, Swedish Design Company will become their platinum tier. The situation is the same to Chinese Tooling Factory.

5.4 Implementation of CRM

Though the implementing process is not clear from the empirical findings, we can still use the framework to analyze and clarify our empirical findings in order the get the actual implementation situation of case companies. CRM is the tool we use to conclude and analyze the practice of the case.

5.4.1 Strategy Development Process

The aim of this process is to find and develop the organization's business and customer strategy. It focus on the harmony between the organization’s business strategy and customer strategy.

From the empirical findings, actually there is nothing about strategy development process. Swedish Design Company's strategic objective is focusing on satisfying their customers. The relationships with suppliers are not emphasized in their strategy. As to Agent Bridge, Chinese Tooling Factory and Million China, their business idea is to fulfill the customers' requirements and satisfy the customers in the business field, which can be connected with their customer strategy. However, those companies, mainly
SMEs, don't segment their customers and treat all the customers the same though they will give some priority to the big customer.

This process in the case, in the author's view, is starting from the choice of business field and search for customers for the case companies of small and medium size. Companies achieve their revenue and development in their main market, like shop fittings for Agent Bridge, which is in consistent with the needs of customers, like Swedish Design Company. However, mostly there is no process of selection of their targeted customer. The more orders they receive, the more revenue they get. So what these suppliers need to do in this process is cultivate a service mind in staff and serve all the customers who place orders.

5.4.2 Value Creation Process

The value creation process is a process in which the mutual value is received by both parties. In the case, Swedish Design Company get the parts they need for the final products for their customers. Agent Bridge, Chinese Tooling Factory and Million China get their commission and pay through service and production. Plus, since the companies are in the market where the products Swedish Design Company need are available and they are relatively experienced in this business, they can easily handle the business transaction with Swedish Design Company.

Plus, both parties learn from each other. Chinese Tooling Factory learns the importance of quality control and punctual delivery from international customers while Swedish design and Agent Bridge earns more and more about Chinese market through the cooperation with Chinese suppliers and colleges.

There are some errors in this process. According to the interview of Agent Bridge and Chinese tooling factory, sometimes Swedish customers cannot get what they order from Chinese suppliers. Because Chinese suppliers consider it is better to provide the products of the same usage and lower cost while Swedish just want what they exactly want. The main focus of Swedish customers is not only the cost but the quality. This kind of misunderstanding comes from the different economic and cultural background. As for such developed countries as Sweden, the difference of cost in such developing countries as China is not considerable.

5.4.3 Multichannel Integration Process

When companies make clear what value they can provide for the other party and get from them, they can integrate multiple channels to provide services and products to their customers.

As to case companies, several channels are used in this process, technical staff, e-commerce, meeting, etc. Almost all the channels mentioned in the third part are used to some extent.

As to the integration of the channels, case companies try different ways together in communication and business transaction whenever it is needed.

5.4.4 Knowledge Management Process

This process focus on information collection, transferring, sharing and learning of information in order to adjust the practice of the customers through knowledge learning.
The efficient and effective information collection relies on the effect of communication which is affected by the willingness to communicate and ability to communicate. The willingness to communicate refers to the attitude to communication. In the case, Agent Bridge stresses transparent information and communication in their service. The manager of Million China considers Swedish Design Company is not willing to communicate with them. In our view, the fundamental reason is the trust. And the origin of this lack of trust to Million China comes from the different cultural background. "The biggest problem working with China is the communication problem. Even though our suppliers sees me more like a Chinese, and treat me like a Chinese, “said the interviewee of Swedish Design Company. In this interviewee's view, the biggest problem with their Chinese supplier is that they cannot say no." Many times they say that this is "No problem" even there is! They have to tell us whenever they meet problems." People in Swedish design Million Chinahink Chinese suppliers are not willing to exchange problems with them, which is a characteristic of Chinese culture. The manager of Million China thinks Swedish Design Company is reluctant to communicate because of a lack of trust and Swedish culture. They prefer to talk about contracts rather than relationships.

As to the ability to communicate, language skill and IT support should be considered. Firstly, Communicating in different languages is complicated and communicating in second language for both parties, from Swedish to English, Chinese to English, English to English." said the manager of Million China. Though English has been a general business language all over the world, it is a second language for non-English speaking countries. Especially when they come across some complicated technological problems, language skill becomes critical and difficult. Secondly, IT support is very important especially for international cooperation.

As to the information sharing and learning, since the companies involved are mostly SMEs, different people handle different customers and the number of employers is small, there is no big problem with it.

At last, the knowledge gained is applied to the practice; both parties have learned something new from the other party and modify own business practice so as to improve the future cooperation.

5.4.5 Performance Assessment Process

In the empirical study, we find that this process is almost mixed with knowledge management process. Companies assess their performance through main business metrics such as revenue etc., and adjust their practice to the needs of customers and development of the firm. For those companies, no complicated and formal assessment are made use of to evaluate the performance.
5.5 Analysis Reflection

In the sections above, empirical findings are analyzed in the theoretical framework. Each part of the theoretical content is compared with the empirical information. From the analysis, the authors find that the implementation of CRM in the case is not as complete and complicated as that of theoretical studies.

From the case, the companies implement CRM follow the process of value creation, multichannel integration and knowledge management though no specific process is put forward by those companies. There is no particular strategy development process and performance assessment process for them.

The reasons for why case companies act like this are concluded into two reasons by the authors. Firstly, no relationship between them is established. Only if the customer and the supplier share the mutual thinking and have a common goal, a relationship exists. However, that doesn’t happen in our study. As a customer, Swedish Design Company is of low involvement. Those companies haven’t built any business alliances. Plus, there are some communication problems because of language, willingness and so on. From the analysis, we find that an important cause of this situation is coming from a lack of trust of the customers, which is generated from experience, pre-assumption and culture background. Swedish Design Company have a pre-assumption of the quality of goods provided by Million China according to its past cooperation history with English Agent. Both Swedish and Chinese companies have their interpretation of the other side based on the culture. Neither of them tries to adapt other’s culture. Further, Swedish Design Company is ethnocentric when doing business with companies in other countries. From the empirical case, Swedish Design Company is at the top of hierarchy, who always gives orders without patience to listen to the interpretation and recommendation of other companies, especially the Chinese company. That is because Swedish Design Company with the Swedish culture assumes that they are always right and never make mistakes.
Secondly, no segmentation is operated by case companies. The buying agents and outsourcing companies admit they have no particular segmentation for customers. Whenever customers have any requirements, they will try to accomplish them, no matter where are they from. Based on theoretical study, we attribute it into the limit of scale and operation difficulties. The companies in the case are mostly small and medium enterprises. They have limited ability and need to do the segmentation. However, it is necessary to have customer segmentation, because it can help the firms to create pertinence strategy according to different customers in different tiers. Moreover, customer segmentation can help firms to build or maintain customer relationship. After classifying the customers, firms can figure out strategies to deal with different tiers of customers. In the case, Swedish Design Company is the gold tier customer to Million China and Agent Bridge while Agent Bridge is also the gold tier customer to Chinese tooling factory. If Million China and Agent Bridge can build up a good relationship with Swedish Design Company, Swedish Design Company will become their platinum tier. The situation is the same to Chinese Tooling Factory. Secondly, profiling customers is more difficult compared to that in B2C. B2B customers have more complicated needs and therefore need-based segmentation can be very difficult for B2B enterprises (Writuparna Kakati, 2009).
6 Conclusion

In the last chapter a holistic picture of the thesis is presented. The authors conclude the main outcome of the thesis first. Moreover, managerial implications and suggestions are discussed for further study.

6.1 Final Conclusion

Customer relationship is in great need for companies along the supply chain nowadays. CRM, as an influential and useful strategy, can be used to study the business to business relationship in supply chain. Plus, such study is relative less than that of CRM in B2C and within marketing. The purpose of the thesis is to study B2B relationship within supply chain with the use of CRM. The authors make use of both theoretical research and empirical study to abduct meaningful conclusions and implications.

In theoretical study, we investigate related definitions including customer, relationship, management, CRM etc and multiple dimensions of CRM. As a multidimensional term, CRM implies key customer focus, organization restructuring, human resource management, knowledge management and technical support. Based on literature study, segmentation of customers is of great help for better CRM and business performance. The authors suggest adopting Customer Pyramid model based on the study of Zeithaml et al (2001) to segment customers. Then the successful implementation of CRM is composed by five phases, they are strategy development, value creation, multichannel integration, knowledge management and performance assessment process.

A case study was conducted after getting a preliminary understanding of the topic. The case is about five Swedish and Chinese companies. The authors get the information related from interviews and emails and they are described according to the constructed framework.

Though analysis on empirical findings by means of comparing with literature study, the authors manage to get a holistic picture of CRM practice. The authors find that "relationship" is very important, because without it, customer and supplier just have connection, which can not make sure that they can have long-term cooperation and gain benefits from each other. We find that the implementation of CRM follows the process as value creation - multichannel integration - knowledge management. They don't have specific customers' segmentation because of small scale and operation difficulties. In addition, they haven't established relationship according to the definition of the thesis, which is a result of low level of involvement, no collaboration and communication problems. They can be interpreted in to a representation of a lack of trust because of different culture background.

From these studies, the research questions presented in the first part can be answered in a simplified manner.

• What are the pros and cons of the case companies in establishing relationship between B2B?

The experiences of cooperation are including competent technological engineers, continuous learning and understanding. However, they can not establish relationship
actually, because they can not adapt the different culture and have problem in communication. Without understanding, not trust can exist.

• **What are the features of CRM?**

CRM is a multidimensional term, the key features of it is key customer focus, organization restructuring, human resource management, knowledge management and technical support, which are indispensable part of successful CRM. When using these outcomes to analyse theoretical and empirical part, we get conclusions stated above.

• **Whether case companies segment their customers?**

In the case, the companies don’t have particular segmentation for customers, however, there is kind of category to some extent, for they will give their key customer priority when they have to choose.

• **How do firms implement CRM in practice?**

Compared with theoretical study, the actual operation of CRM of the case companies seems more simple and unclear. In terms of the implementation process brought foreword by the authors, case companies implement CRM following the process of value creation, multichannel integration and knowledge management. They haven't established relationship with their key customer, nor do they have the segmentation, though their practice shows some characteristics of CRM.

• **What are the managerial implications for companies?**

From the analysis, the authors think that the main problems with CRM of case companies are serving without specific segmentation and established relationship. The urgent tasks for them to improve the retention of key customers are categorizing customers with the Pyramid model and improving relationship by better understanding, tailored service and culture adaption.

To sum up, we find that CRM is a useful tool in analyzing B2B relationship. In the framework of CRM, we can conclude the practice, analyze the advantages and disadvantages of the practice of those companies and indicate managerial implications for companies in similar context.

**6.2 Further Study**

Although the authors have tried their best to do the research concerning on CRM, which is not sufficiently enlightened.

As mentioned in the analysis chapter, the studying companies are too small to have enough customers to make the customer segmentation, because to the small company, every customer is vital important and the number of the customer is so small that the supplier have enough resource to handle all the customers. And even Swedish Design Company is large enough to have the customer segmentation, it ignores this area. Because there are no special customers in the companies’ eyes, they do not treat different customers differently; moreover, they do not have some business strategies according to the customers, which mean they use the same strategies and attitudes to treat various customers. So that the further study can focus on some larger companies,
who have the customer segmentations to compare the conclusion the authors got; in order to have some new findings and depth knowledge.

As described in the methodology part, the authors believe that long period study of a company can help to create a clearer picture of the company. However, the period of writing this thesis is limited. The authors had not studied these case companies for a long time before initiating the thesis. Further, the authors can not continue the study about these companies after they finished their thesis to see whether the companies can adapt the authors’ suggestion and the difference when the companies start to use the customer segmentation and pay more attention to their key customers. Therefore, the authors believe that further study can concern on the changes of the companies after they begin to focus the concept “CRM”.

The study of this thesis is concerning on how to maintain the key customer. The key customer is the Swedish Design Company in the study. The authors suggest that a study conducted by the supplier segmentation from the point of Swedish Design Company might be have interest. Supplier and customer are the relative concept. The Swedish Design Company is the customer for the Million China and Agent Bridge. Relatively, the Million China and Agent Bridge are Swedish Design Company’s suppliers. They are in the same supply chain. Therefore, investigating the supplier segmentation and how the Swedish Design Company retain the key supplier should be of interest. Moreover, it can help people to know more and depth about the customer relationship from the customer, Swedish Design Company’s angle.
References


Broadbent, J. (2007). If you can't measure it how can you manage it. Research Papers from School of Business and Social Sciences. Roehampton University.


Radcliffe, J., & Kirkby, J. (2002). CRM Vendors and Service Providers, Florence: Gartner Symposium ITXPO.


