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A Customer Relationship Management Approach for Optical Retail Business.

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<p>The aim of the present study was to explore CRM notion and examine CRM approach in terms of one particular field – the optical retail industry.</p> <p>As CRM methodology is broader than just a definition, a conceptual framework was used to assess CRM in an organization. The main objectives for research included choice of the conceptual framework from the already existing ones, assessment of the case company using the chosen framework, analysis of results obtained from such assessment and development of the one main proposal for the case company.</p> <p>Two European companies were selected as Case Companies – both were operating in the field of optical retail business, having a chain of optical retail outlets and being mainly business-to-consumer businesses. Both companies were typical examples of companies in their field and were not direct competitors to each other. The Case Company One was chosen to represent a large business and the Case Company Two - a mid-sized business. Both companies were observed within a six-month period, as well as assessed using qualitative methods. The assessment was made in order to explore their approach to CRM, and compare it to the model chosen from relevant academic literature.</p> <p>The rationale for the present study was the fact that optical retail industry in the countries of interest was experiencing significant amount of pressure due to the worsened economy and higher than before levels of competition. Therefore, for both companies retaining existing customers and improving weaknesses in their CRM approach was considered a great alternative to otherwise inevitable price war.</p> <p>Five conceptual frameworks for CRM were reviewed and The QCi or The Customer Management Model was selected. The assessment of both companies using this framework revealed that the model is suitable for the assessment of large and middle-sized businesses in the optical retail industry. Weaknesses of various significance were found in eight main elements of The Customer Management Model for each company. Comparison to another study based on The Customer Management Model showed that about a half of the businesses had similar problems regardless of their industry.</p> <p>After the review of results one major proposal to each case company was created.</p>	
Keywords	a conceptual framework for CRM, a model for CRM, optical retail business

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1 Introduction

1.1 Background of the problem

The aim of present study was to explore a CRM notion and examine a CRM approach in terms of one particular business field – optical retail industry.

The interest for such study arose from two main factors – authors almost a decade long experience in given business field; and discussion around CRM which had revealed the significant zone of ambiguity in definitions of CRM, methodology of CRM; as well as practical application of CRM in middle-size and small businesses.

Amount literature and published academic articles on topic shows that over past twenty years there have been an explosion of interest in customer relationship management. Despite an increasing amount of practitioner-oriented material, there remains a lack of common agreement about what CRM is and how CRM strategy should be developed. As Payne and Frow (2005, p.167) note, “a significant problem that many organizations deciding to adopt CRM face stems from the great deal of confusion about what constitutes CRM”.

As a CRM methodology is broader than just definition, for a company it is not sufficient just to explore a notion of customer relationship management. Therefore, the tool such as conceptual framework or model was admitted as necessary to implement or assess CRM in an organization. In terms of present research project, a purpose of such model or conceptual framework for CRM was to describe a CRM approach across all organization structures and to explore a role of different business processes in creation of common CRM vision.

As regards to the business field chosen, at the period of present research, no study has been found which would be examining a conceptual framework of CRM in optical retail business. Examining this topic, therefore, would help the case companies as well as other companies in given business field to access their CRM approach or to implement CRM projects.

1.2 A case company

Structure of business reviewed has a unique combination of main features – most businesses in the industry operate as retail shops of consumer goods, but at the same time they are providing primary health care services to the public. Optical retail businesses supply consumers with prescription eyewear through outlets, which have optometrists (Doctors of Optometry, licensed opticians – profession status varies across different countries) who are performing vision assessment; and shop assistants or dispensing opticians who are helping to select and fit prescription glasses or distributing contactlenses (which includes advice and training). In recent years, there has been growth in the amount of online businesses, but their abilities to provide primary health care services are obviously limited.

For case study research, two companies were selected (further in the text referred as the Case Company One and the Case Company Two). Both companies are operating in the field of optical retail business, having a chain of optical retail outlets and being mainly B2C (business-to-consumer) businesses. Both companies were interviewed; and observed within six months period. Case companies were assessed with an aim to explore their approach to CRM, and compare it to the one of the models chosen from relevant academic literature.

Companies were chosen for being typical of a large number of other similar institutions and, hence, some level of generalization can be made. The Case Company One was chosen to represent a sample of large businesses and the Case Company Two for the group of mid-sized businesses.

Both case companies assessed are located in Europe, and both are related to the bigger international chains, as well as both operate in two high income countries as stated by World Bank (The World Bank Group, 2013). Both companies are not located in the same geographic area, however, the countries of location belong to the European Union. The Case Company One is a large business according to a definition of the European Commission (company employs more than 250 people and its turnover is greater than 50 million euros) (European Commission, 2003). The Case Company Two is a middle-sized business according to the definition of the European Commission (company has less than 250, but more than 50 employees, and turnover less than 50 million euros but more than 10 million euros) (European Commission, 2003).

Local optical associations' reports in countries of interest state that optical retail industry is experiencing a significant amount of pressure due to the worsened economy and higher than before levels of competition (for the list of optical associations in European countries see: The European Council of Optometry and Optics, 2013). Therefore, for each of companies to retain existing customers and improve weaknesses in their CRM approach would be a great alternative to otherwise inevitable price war.

1.3 Research objectives

As stated earlier, the aim of present study is to explore CRM notion and examine a CRM approach in terms of optical retail business. The value of a model for CRM methodology is discussed in Payne and Frow (2005, p.167), and authors admit that "a conceptual framework for CRM helps broaden the understanding of CRM"; as well as its "role in enhancing customer and shareholder value".

It states following set of goals for current research – to explore a notion of CRM, conceptual frameworks or models of CRM already available, all with aim to choose one best suitable conceptual framework for assessment of business in optical retail industry. Above mentioned steps will be followed by study in case companies with aim to explore their approach to CRM and compare data to a chosen model.

In conclusion, a present project has four main objectives of research. Those are as follows:

- 1) To choose a (theoretical) conceptual framework (a model) for CRM suitable for assessment of a company operating in optical retail industry;
- 2) To assess a CRM approach in both case companies using a model chosen;
- 3) To analyse and discuss the results of an assessment of CRM approach in both case companies and identify possible weaknesses that may be found;
- 4) To develop one major proposal to each one case company which would help to overcome weaknesses in CRM approach found during assessment.

Some expectations for results of current research arose from preliminary research on literature and author's own experience. As Buttle (2009, p.5) note, many businesses of any size claim that they are "on mission to satisfy customer needs profitably" and are customer-

oriented; but few actually are. Based on that, it is expected to find a higher company's self-assessment results for CRM vision than it actually is, as well as weaknesses in CRM approach.

As regards to CRM technology, it is expected to find that small and middle-sized businesses won't have CRM systems in use; instead they most likely will have sales force automation systems.

1.4 Research design

Based on research objectives, research design had five major stages which are shown in Figure 1.

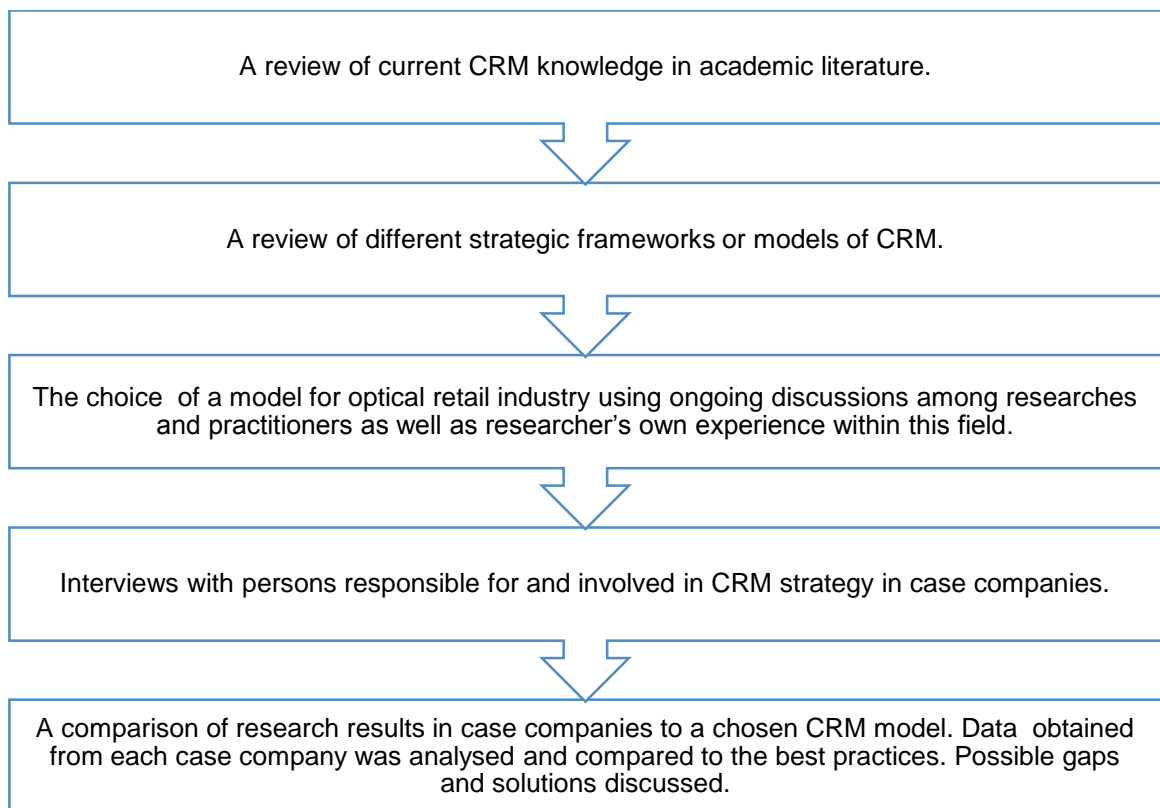


Figure 1. Research design: five major stages.

At the moment of creation of research design the biggest challenge for the whole research was getting access to the case companies.

1.5 Research process and methods

Before conducting research within case companies, literature research with aim to explore the actual notion of CRM and models of CRM was necessary. A creation of a conceptual framework usually is based on the best practices and researches in numerous amount of companies. Therefore, the descriptions of the best practices listed together with strategic frameworks were admitted appropriate source for development of questions for a case company assessment.

As the aim of the study was to evaluate a CRM approach, the interpretative epistemology supported by data collected through interviews was admitted as the most appropriate for this purpose. The questionnaire or other quantitative methods were excluded as a main research tool as those serve better in providing statistical results over a large amount of data. However, although interviews were chosen as a primary data collection method, there was a necessity in observational techniques where they seemed appropriate. Therefore, observation of the company's work, information on the internet, activity in social media and study of employee-oriented educational material if available were as well assisting in the collection of data and creation of analysis. Questions for interviews were created as open questions with no possible answer just yes or no. In such way a researcher would ensure that interviews are providing more insight in approaches, and reasons for such approaches. It was done also in order to avoid too positive results which may occur due self-assessment. For example, when interviewee was asked about a company's strategy s/he was asked to define it; a researcher recorded statement, and after analysed and compared it with the best practice, as well as made conclusion whether it is customer-centric. The set of questions was sent to a company's human resources department with an explanation on main issues of research, data collection methods and information about study program. The human resources department was asked for help in the choice of a purposive sample.

To help respondents to feel at ease, and enable them some degree of control over a data collection process, interview questions were sent to interviewee before the actual interview

happened; as well as no tape record of an interview was done. Researcher was using own laptop during an interview and an interview transcript was made simultaneously. If respondent expressed interest, the interview transcript was sent or showed right after an interview happened. Due confidentiality issues no financial, supplier or other potentially sensitive data were provided, as well as all names and positions of respondents were disclosed in the research report. The fact that interviewee was familiar with interview questions ensured avoiding a waste of scarce time resources; as well as ensured that the interview is conducted in a very intense manner. Due the same confidentiality concerns no transcripts or other data from the interviews will be published or otherwise distributed.

To evaluate a company's position in relation to its rivals the activity in social media for both companies and their direct competitors was followed for over a half of year long time. To measure customer experience and efficiency of a value proposition, one "mystery shopping" case for the Case Company One was evaluated; and observation of everyday work of the Case Company Two for two days in different units was used. All information was assisting in assessment and served its purpose in helping to broaden information obtained from the interviews.

A brief review on CRM technologies made an impression that small or medium size enterprises won't be amongst early adopters of CRM, and many even nowadays wouldn't have any CRM solution or analytic tools mainly because of the size of business. It was tested in current research, as one of the companies assessed is a middle-sized business according to a definition of the European Commission (European Commission, 2003).

Results of an assessment for both companies presented in this thesis are results of the analysis of the interviews. It was made by comparing answers with a description of the best practice for the case. Besides techniques mentioned before or during an interview each interviewee was asked to perform a self-assessment of a company's readiness to create a CRM vision using a self-assessment questionnaire created by Brown and Gulycz (2002). This questionnaire allows to assess overall level of readiness towards a CRM vision for the company. Authors suggest to use it as a guide for reading their book, and divide all companies to three groups where companies (1) aren't ready for CRM vision and need more improvement, (2) partially ready and need advice on major issues and (3) are completely ready and only need advice on advanced techniques. (Brown & Gulycz, 2002) A

questionnaire was used to evaluate where a company sees itself. A research was using it also as a source assisting in the main analysis.

2 Customer relationship management

First, before starting to review which models of CRM are the most suitable for organizing business practices in optical retail industry, it is necessary to clearly define what CRM means. Research on the topic showed a certain level of ambiguity for the meaning of this three-letter acronym (CRM) in relevant literature. Therefore, the following section represents review of different publications regarding the topic of CRM.

Definitions aside, to describe a CRM, there is a strong need in reviewing relationship marketing, relationship aspects and customer value creation in terms of CRM frameworks, as those all are important aspects in building customer-centric strategy.

2.1 Definition of CRM

Literature on the topic quite clearly indicates that expression customer relationship management, or CRM, or even closely related to the topic term 'relationship marketing' have been in use only since early 1990s. (Gamble, et al., 1999; Kotler, et al., 2009; Baron, et al., 2010). According to Gamble, et al. (1999), a customer relationship management is relatively immature business or organizational practice, and even consensus has not yet emerged about what counts as CRM.

The meaning of the CRM acronym varies as well. For example, it may be used both in relation to customer relationship management, and in relation to customer relationship marketing. (Gamble, et al., 1999; Payne, 2009). Furthermore, in more contemporary sources, authors suggest that customer relationship management should be replaced by term 'customer management' or CM, but a two-letter acronym is RM are widely used for relationship management (Baron, et al., 2010; Woodcock, et al., 2003; The Customer Framework Ltd, 2011-2013). Quite often CRM is used to refer a specific technology-based solution, such as data warehouse, or even one specific application such as campaign

management or sales force automation. (Payne, 2009) From the following sample of definitions shown in the Table 1. it can be clearly seen that meaning of CRM varies greatly.

Table 1. Definitions and descriptions of CRM.

Years	Definitions and descriptions of CRM
1995 - 1999	Data-driven marketing (Kutner & Cripps, 1997 cited in Payne, 2009, p.19).
	(CRM) Seeks to provide a strategic bridge between information technology and marketing strategies aimed at building long-term relationships and profitability. This requires "information-intensive" strategies. (Glazer, 1997 cited in Payne, 2009, p.19)
	CRM can be viewed as an application of one-to-one marketing and relationship marketing, responding to an individual customer based on what the customer tells you and what else you know about that customer (Peppers, et al., 1999, cited in Payne, 2009, p.19).
	A management approach that enables organizations to identify, attract and increase retention of profitable customers by managing relationships with them (Hobby, 1999, cited in Payne, 2009, p.19).
2000- 2004	CRM or customer relationship management is the infrastructure that enables the delineation of an increase in customer value, and the correct means by which to motivate valuable customers to remain loyal – indeed, to buy again (Dyché, 2001, p. 4).
	A comprehensive strategy and process of acquiring, retaining and partnering with selective customers to create superior value for the company and the customer (Parvatiyar & Sheth, 2001, p. 6).
	CRM is a business strategy combined with technology to effectively manage the complete customer life-cycle (Smith, 2001, cited in Payne, 2009, p.19).
2005- 2009	CRM is a strategic approach that is concerned with creating improved shareholder value through the development of appropriate relationships with key customers and customer segments. CRM unites the potential of relationship marketing strategies and IT to create profitable, long-term relationships with customers and other key stakeholders. CRM provides enhanced opportunities to use data and information to both understand customers and co-create value with them. This requires a cross-functional integration of processes, people, operations, and marketing capabilities that is enabled through information, technology, and applications. (Payne & Frow, 2005, p. 168)
	CRM is the core business strategy that integrates internal processes and functions, and external networks, to create and deliver value to targeted customers at a profit. It is grounded on high quality customer-related data and enabled by information technology. (Buttle, 2009, p. 15)
	(CRM) is a business strategy the outcomes of which optimize profitability, revenue and customer satisfaction by organizing around customer segments, fostering customer-satisfying behaviours and implementing customer-centric processes. CRM technologies should enable greater customer insight, increased customer access, more effective customer interactions, and integration throughout all customer channels and back-office enterprise functions (Gartner, Inc., 2013).

From the chronological order of various definitions presented in the Table 1. can be seen that earlier sources emphasize information technology and marketing automation as main determinants for CRM. More contemporary literature mentions CRM as first and foremost a

business strategy where appropriate business processes and CRM technologies enable “greater customer insight, increased customer access, more effective customer interactions, and integration throughout all customer channels and back-office enterprise functions” (Buttle, 2009; Gartner, Inc., 2013). In terms of the present research term CRM will be used to describe a customer-oriented business strategy in relation to business and technology management processes used to implement it; as a business philosophy fostering customer-satisfying behaviours across all organization levels; and as an approach used for development of relationships with profitable or strategically important customer segments.

As mentioned previously, CRM often used in context with relationship marketing. Payne (2009) suggests that CRM practices originate from relationship marketing principles, so a brief review of the development of relationship marketing is helpful to an understanding of evolution of CRM.

2.2 Origins of CRM: relationship marketing

Before reviewing relationship marketing and emergence of CRM, it is important to clearly define what a relationship marketing and a database marketing mean. As we can see from the Table 1. (in the previous sub-section), they often come together in definitions of CRM, so they might be regarded as mutually replaceable synonyms. However, both are not exactly the same.

Kotler et al. (2009), describe relationship marketing as a business process of “building mutually satisfying long-term relationships with key parties, in order to earn and retain their business”. According to Bruhn (2003, p.11) “relationship marketing covers all actions for the analysis, planning, realization, and control of measures that initiate, stabilize, intensify, and reactivate business relationships with the corporation’s stakeholders – mainly customers – and to the creation of mutual value”.

As regards to database marketing, it is the process of building, maintaining and using customer databases and other databases (products, suppliers, resellers) to contact, transact and build customer relationships. Such databases can assist marketing managers in daily operations, budget planning, market segmentation, targeting, offer development, customer

communication; and resource allocation. The marketing database can be used also to assist in strategic decision processes. (Tao & Yeh, 2003)

According to Payne (2009), the emergence of CRM as a management approach is a consequence of a number of important trends. These are described as follows:

- The shift in business focus from transactional marketing to relationship marketing
- The realization that customers are a business asset and not simply a commercial audience.
- The transition in structuring organizations, on a strategic basis, from functions to processes
- The recognition of the benefits of using information proactively rather than solely reactively
- The greater utilization of technology in managing and maximizing the value of information
- The acceptance of the need for trade-off between delivering and extracting a value for a customer
- The development of one-to-one marketing approaches (Payne, 2009, p. 11)

Traditional marketing models are based on the exchange perspective, where a value for customers has been pre-produced by firm. (Sheth & Parvatiyar, 1995) It “involves greater financial outlay and risk. Focusing on single sales involves winning the customer over at every sales encounter, a less efficient and effective use of investment” (Payne, 2009, p. 11). As return on marketing costs cannot be calculated, it is difficult to evaluate or improve marketing productivity. (Grönroos, 2007)

The situation is quite different according to the relationship perspective. Value for a customer is created by the customer himself. It is a process which occurs during a relationship, partly in interactions between the customer and the service provider. (Sheth & Parvatiyar, 1995) As regards to return on marketing costs, new business logic offers usage of resources in an “intelligent way”. Managing customers is a process to which all organization contributes. (Grönroos, 2007)

A key aspect of relationship marketing is building customer value in order to retain customers, which means building on the already existing investment in product development

and customer acquisition. In such way company generates potentially higher revenue at a lower cost. (Payne, 2009)

Besides financial benefits, relationship marketing also produces significant intangible assets. The emphasis on a customer service encourages customer involvement. It allows to learn more about customers' needs and use this knowledge into future product or service development and delivery. Businesses must know their customers (and competitors) in order to increase customer satisfaction and reduce customer attrition. This knowledge should be used proactively, which means that company doesn't wait for complaints to be registered, but actively seeks to uncover and remedy customer dissatisfaction. It is important to recognize that customers often never lodge a complaint; they simply leave or take their businesses elsewhere. (Payne, 2009)

Modern technology can be used by the company to listen and learn from its customers; as well as to collect and manage a complete set of information that enables value-adding interactions with customers, often across different channels. (Payne, 2009)

2.3 Understanding relationships

A notion of relationship is quite often discussed in relation to CRM, and in all sources it stands for R letter in acronym. In terms of the present research, therefore, the topic of relationship in the context of business and management practices should be discussed.

According to Buttle (2009, p.27), "a relationship is composed of a series of interactive episodes between dyadic parties over time. The parties within the dyad may have very different ideas about their relationship status". A relationship is a "social construct" which exists in a case if "people believe in its existence and act accordingly". "Relationships can be unilateral or reciprocal; either one or both of the parties may believe they are in a relationship". (Buttle, 2009, p.28) Usually, it is a customer's decision to determine whether or not a relationship has developed, and it means a mutual way of thinking between customer and supplier or service provider. It is an ongoing process with win-win situation for both parties. (Grönroos, 2007; Håkansson & Snehota, 1995) Grönroos (2007) suggests that if a relationship has been established, customers should be treated as customers, regardless of whether at any given point of time they are making purchase or not.

Relationships evolve over time, they can vary considerably, both in number and variety of episodes. According to Dwyer et al. (1987), there are five general phases through which customer-supplier relationships evolve: awareness, exploration, expansion, commitment and dissolution. An important aspect here is that many relationships are terminated before commitment stage. (Buttle, 2009) Studies indicate that core attributes of quality relationship are trust and commitment. Other attributes include relationship satisfaction, mutual goals and cooperative norms. (Buttle, 2009)

Trust in another party is described as one party's expectation that the other party will behave in a certain predictable way in a given situation. If the other party does not behave in the expected way, the trusting party will experience more negative outcomes than they otherwise would. (Swartz & Iacobucci, 2000) Trust develops when both parties share experiences, interpret and assess each other's motives. The development of trust is a long-term investment into a relationship and it is a factor that ensures its longevity. (Singh & Sirdeshmukh, 2000, cited in Buttle, 2009, p.29)

Commitment is shown by "an exchange partner believing that ongoing relationship with another is so important as to warrant maximum effort to maintain it; that is the committed party believes the relationship is worth working on to ensure that it endures indefinitely" (Morgan & Hunt, 1994, p. 23). Trust, shared values, and the belief that partners will be difficult to replace are elements that lead to commitment. It motivates both parties to cooperate in order to preserve a relationship. (Buttle, 2009, p. 30) Deeply held commitment or loyalty is a tendency to choose a preferred product or service in the future despite situational influences which may have the potential to cause switching behaviour (Hamel, 1996).

However, the research supporting conclusion that trust and commitment is more for relational customers is rather limited. Hence, there is no clear relation between trust, commitment and the development of commercial relationships. (Grönroos, 2007)

Evidence suggests that one of the main points of improving relationship tenure and increase retention is concentrating on building customer value and ensuring that customer satisfaction remains on the appropriate level and is measured continuously. It is self-evident, that the same needed to attract customers. Therefore, it is important to review what exactly two abovementioned variables – a customer value and a customer satisfaction mean in terms of customer-oriented business strategy.

2.4 Building customer value

An objective of CRM is a balance between the value delivered to customers and the value received in return. The value proposition needs to be tailored for different customer segments. (Payne, 2009)

According to Schieffer (2005) creating loyal customers is at the heart of every business. As Peppers and Rogers wisely note,

The only value your company will ever create is the value that comes from the customers - the ones you have now and the ones you will have in the future. Businesses succeed by getting, keeping, and growing customers. Customers are the only reason you build factories, hire employees, schedule meeting, lay-fibre optic lines, or engage in any business activity. Without customers, you don't have a business (Peppers & Rogers, 2005, p. 25).

Several sources repeat this views and describe effective marketing as being about the identification, design and delivery of customer-perceived value. (Dubois, et al., 2007; Payne & Holt, 2001; Kotler, et al., 2009) Many companies recognize the importance of satisfying their customers in order to develop brand reputations that can deliver a sustainable competitive advantage. Such communication is particularly important, where the vast majority of staff are either on the shop floor dealing with customers, or behind the scenes in areas such as the supply/value chain where they can feel divorced from central operations. (Kotler, et al., 2009)

To reveal the company's strengths and weaknesses in relation to its competitors, a customer-perceived value analysis can be conducted. Customer-perceived value CPV is “the difference between the prospective customer's evaluation of all the benefits and all the costs of an offering and the perceived alternatives”. (Kotler, et al., 2009, p. 381)

Customer-perceived value analysis consists of five major steps:

1. Identification of the major attributes and benefits that customer value.
2. Evaluation of the quantitative importance of different attributes and benefits.
3. Evaluation of the company's and its competitors' performance on the different customer values against their rated importance.

4. Examination of how customers in a specific segment evaluate a company's performance against a specific major competitor on an individual attribute or benefit basis.
5. Monitoring of customer values over time. (Kotler, et al., 2009, pp. 385-86)

With the rise of digital technologies such as the Internet customers become more and more informed; they expect companies to connect with them and to listen to them. Customers are gradually becoming more demanding and instantly looking for better value (Urban & Hauser, 2004; Grönroos, 2007). In relation to that, Pine & Gilmore (1999) speak about an emergence of experience economy. In the experience economy customers are looking for more than ordinary goods or services and are prepared to pay substantially more for experience services. Similar ideas are expressed also by Grönroos (2007) - customers do not look for goods and services "per se", they look for a solution that serves their own value-generating processes. Sometimes this service requirement can be offset by a low price, a brand image or a technologically more advanced solution. Often the act of rapidly recovering from a mistake, not the brand attribute of flawless service, is what wins customers loyalty and returns business (Kotler, et al., 2009).

The value proposition of a company is more than the core positioning of the offering. It consists of the whole cluster of product and service attributes (benefits) the company promises to deliver. The company's ability to manage its value delivery system is crucial in keeping this promise. (Lanning, 1998) Important to remember that the value delivery system includes all the experiences the customer will have on the way to obtaining and using the offering. A good value delivery system is a set of core business processes that help to deliver promised value and ensure that the customer has a pleasurable purchasing experience. (Kotler, et al., 2009)

2.5 Customer satisfaction

Evidence suggests that despite the amount of research on the topic customer satisfaction has been defined many ways as well. Buttle proposes to define customer satisfaction as "the customer's fulfilment response to a customer experience, or some part thereof" (Buttle, 2009, p. 44). For customer-oriented companies, a customer satisfaction is both goal and

marketing tool. Companies even include customer satisfaction ratings in their advertising once high ratings occur. (Kotler, et al., 2009)

Kotler, et al. (2009) suggest that companies should measure customer satisfaction regularly as it is an important key to customer retention. Usually satisfied customers are customers that stay loyal longer and buy more as the company introduces new products and upgrades existing ones. Such customers are less price sensitive and tend to promote the company by word of mouth, as well as pay less attention to competing brands. The cost to serve for loyal customers is lower because transactions can become routine. Greater customer satisfaction has also been linked to higher returns and a lower risk in the stock market. (Kotler, et al., 2009)

There are several main methods to measure customer satisfaction - periodic surveys, a customer loss rate monitoring and a "mystery shopping". Periodic surveys are methods that measure customer satisfaction directly. Besides, the company can also ask additional questions to measure repurchase's intention and the respondent's likelihood or willingness to recommend the company and brand to others. As regards to customer loss rate monitoring – a company can do more than that and contact customers who have stopped buying or who have switched to another supplier to find out why. Quite often companies hire "mystery shoppers" to pose potential buyers and report on strong and weak points experienced in service or products both of the company researched and of its competitors. In a situation where they are unknown, managers themselves can enter either company or competitor sales situations. In such way they can experience at first hand the treatment they receive, or they can phone their own company with questions and complaints to see how employees handle the calls. (Kotler, et al., 2009)

According to the expectations-disconfirmation model of customer satisfaction, a buyer's satisfaction after purchase depends on the offer's performance in relation to the expectations of its performance, and whether any deviations between the two are found. If the performance matches the expectations, the customer is satisfied. Dissatisfaction occurs if the performance falls short of expectations. High levels of satisfaction occur when an offer's performance exceeds expectations. (Grönroos, 2007; Kotler, et al., 2009; Buttle, 2009) As Grönroos (2007) note, for customer satisfaction it is always better to underpromise and overdeliver.

Expectations are formed by past buying experience; a friend's or associates' advice; and a marketers' or competitors' information and promises. As discussed, if marketers raise expectations to high, the customer is likely to be disappointed. However, "underpromising" should be used with caution. If the company sets expectations too low, it will not attract enough buyers. As regards to the quality of service or product received, it is also perceived through comparison between expectations and experiences. (Grönroos, 2007; Boulding, et al., 1999; Kotler, et al., 2009)

Although a customer-centred company seeks to create customer satisfaction, it should not be its ultimate goal. To achieve success, a company must take into consideration its resources and operate on the philosophy that it is trying to deliver both a high level of customer satisfaction and acceptable levels of satisfaction to the other stakeholders. (Johnson & Gustafsson, 2000)

In the case of mistakes, the best thing the company can do is to make it easy for a customer to complain. Studies of customer dissatisfaction show that customers are dissatisfied with their purchases about 25 percent of the time, but that only 5 percent complain. The other 95 percent either feel complaining is not worth the effort, or they do not know how or whom to complain, or they just stop buying. A customer who have complained to an organization and had their complaints satisfactory resolved tell an average 5 people about the good treatment they received. The average dissatisfied customer, however, complains to 11 people. (Kotler, et al., 2009, pp. 392-93)

2.6 Customer segmentation.

For the effectiveness of the business it is important to start with a good foundation and build an ability to recognize those customers that will have a greatest impact on successful performance (Brown & Gulycz, 2002). Importance of customer segmentation should not be underestimated as the mass market has disappeared, and a better targeting of offers saves money, improves profitability of the business and serves as a way to explore untapped business opportunities (Wong, 2011).

There are many variations on the theme of segmentation. Payne (2009) lists segmentation by service or by value sought; geographic, demographic, socioeconomic, psychographic, benefit, usage, loyalty; and occasion segmentation.

Wong (2011) suggests following eight key characteristics of market segment:

1. Each segment should be homogeneous within itself
2. Different segments should be heterogeneous between themselves
3. Each segment should demonstrate measurable difference
4. Segmentation should be justifiable financially
5. Each segment should be durable
6. Each segment should be large enough to be economically sustainable
7. Each segment should not only be identifiable but also actionable through segment profiling
8. Each segment should be accessible through regular media and distribution channels. (Wong, 2011)

Traditional methods of segmentation start with breaking down a customer base into recognizable and manageable groups. For example, a segmentation can be done using a cluster analysis (demographic, psychographic and behavioural characteristics). One of popular variations of segmentation practices is based on the customer value. It is a concept, in which business decisions are not based on the revenue amount, but on the total value of a customer for an organization. A company determines its customers' value by looking on both quantitative and qualitative data, evaluating such issues as a potential growth, a sensitivity to the price and a possibility of selling value-added enhanced services or products. (Brown & Gulycz, 2002)

By profiling customers and dividing them into segments a company gets a tool for creation of more targeted offers. Additionally, it allows to measure actual behaviour of those groups over time against expected results. However, dividing customers into groups and gathering information sporadically will not drive an enhanced ability to create lasting CRM. Segmentation should be done at least once a year or whenever significant changes are made in the company's business model. (Brown & Gulycz, 2002)

Besides abovementioned types and aspects of segmentation, it is important to consider the relationship mode with a firm in which customer is at the moment. According to Grönroos (1997), in a given marketing situation the customer is either in a relational or in a transactional mode. Consumers or users in a relational mode can be in an active or a passive relational mode.

Transactional customers are customers that look for solutions to their needs at an acceptable price. They do not appreciate contacts from the supplier or service provider in between purchases. *Active relational customers* are customers looking for opportunities to interact with the supplier or service provider in order to get additional value. Such customers get disappointed if a contact with supplier or service provider is not possible. *Passive relational customers* need an opportunity to contact service provider or supplier if they wanted to, but they seldom respond to invitations to interact. (Grönroos, 2007)

Although it might seem that for the customer it is better to stay in a transactional mode and look for the most acceptable offers at moment, there are several benefits for the customer in relationship with service provider. According to Gwinner et al. (1998) those are confidence (e.g., reduced anxiety and faith in service provider), social benefits (such as personal recognition by employees) and special treatment (it includes extra services and special prices, as well as higher priority than other customers). However, the ultimate benefits for customers of being involved in a relationship should be financial such as increased wealth and/or revenue-generating capability or lower costs of being a customer. (Grönroos, 2007)

2.7 Customer relationship management

CRM is relatively recently emerged business concept, but, as Dyché notes “talk to a marketing executive for a large bank or credit card company, and she or he might claim to have been doing CRM long before the term was invented” (Dyché, 2001, p. 10) It means, that principles and approaches of CRM are not completely unfamiliar, and were used by organizations long before the whole concept has emerged. (Buttle, 2009; Payne, 2009) Despite this, as can be seen from a wide variety of definitions, there are still numerous misunderstandings about what CRM is.

Buttle (2009) suggests that there are at least five major misunderstandings about CRM. Those are listed as follows:

1. **CRM is database marketing.** As discussed previously, database marketing is a tool that can assist marketing managers in different tasks. CRM has much wider scope.
2. **CRM is marketing process.** CRM is a business strategy, and the deployment of a CRM software means that customer-related data is shared across all organization departments. Customer-related data can be used to produce customized products or services, to help recruit and train customer-facing staff; and to develop new products. Such misunderstanding arose from the fact that many CRM software applications are used for marketing activities such as market segmentation, customer acquisition, customer retention; and customer development.
3. **CRM is an IT issue.** A goal of CRM is the development of relationships with profitable customers, as well as retention of those that worth retaining. This is not necessarily related to IT investment; those may be behavioural changes in store employees, an education of call centre staff, and a focus on empathy and reliability from salespeople. IT is used to enable development and implementation of those processes. The importance of people and processes should not be underestimated, as a CRM software cannot compensate for bad processes or unskilled people. Successful CRM implementations involve people designing and implementing processes that deliver value to both a customer and a company.
4. **CRM is about loyalty schemes.** Loyalty schemes provide a company with information about customers and may serve as an exit barrier for a customer. But not all CRM implementations are linked to loyalty schemes.
5. **CRM can be implemented by any company.** A strategic CRM indeed can be implemented by any company. Every organization can be driven by desire to be customer-driven. Any company also can implement an operational CRM by using sales force automation, lead management and contact management processes. However, analytical CRM is based on customer-related data. If data is missing or is of poor quality, then analytical CRM cannot be implemented. (Buttle, 2009, pp.12-14)

CRM, also more recently called "customer management", is a business approach that seeks to create, develop, and enhance relationships with carefully targeted customers in order to improve customer value and corporate profitability and thereby maximize shareholder value. (Woodcock, et al., 2003) CRM is aimed at increasing the acquisition and retention of

profitable customers by, respectively, initiating and improving relationships with them. (Payne, 2009)

CRM is not simply a software application or system for tracking client data and activities. It is a strategic business tool that can be used effectively for business growth. CRM should serve as the single point of contact to help understand customer's needs, and apply knowledge from previous interactions with customers to design better products, services, and business processes for your target customer segments. (Wong, 2011).

2.8 The role of CRM

Many discussions about the role of CRM in businesses start with often-quoted factoid that it costs a company six times more to sell a product to a new customer than it does to sell to an existing one. Although six times is acknowledged as the prevalent figure, reports on new-customer acquisition costs vary, from low as three times to as high as thirteen times. (Dyché, 2001) However, two main aspects should be taken into consideration when we discuss a role of CRM. First, it may not always be a profitable strategy for a firm to be relationship-oriented. And second, a customer relationship strategy takes time to provide a value, it is not seen in first quarter report. It is definitely not a short-time fast profit strategy. (Grönroos, 2007) If the firm has shareholders who reacting on quarterly results, it is difficult to establish the long-term relationships with customers. The same applies also to partnerships with suppliers, distributors and other network partners that may be needed. It forces management to focus on short-term value-creating decisions. (Reichheld, 1996)

CRM needs an appropriate CRM vision, strategy, action plan and implementation. To ensure success of CRM, a mechanism to measure, monitor, and manage its performance is required. (Brown & Gulycz, 2002)

From previous section can be clearly seen that CRM is about understanding customer needs, attracting new customers and retaining them, and all that became more easily achievable with relative recent advancements of technology. But what is more important, CRM helps companies to understand, which customers they are willing to keep. Costs of serving certain customers may be higher than the profit they bring, so it is wise for the company to let them to churn. And last but not least – a CRM helps businesses to save

money using more targeted marketing campaigns and not overspending on customer segments which may not bring any profit at the end. Therefore, the main reason for building relationships with customers is economic. (Buttle, 2009)

The customer base should be created with the goal to retain existing customers and recruit new customers that have future profit potential or otherwise important for strategic purposes. Customers are not equally important, some may not be worth recruiting or retaining at all. Those who have a high cost-to-serve, debtors, late payers or promiscuous (in the sense that they switch frequently between suppliers) are not worth investment. (Buttle, 2009)

Improving valuable customer retention rates reduces company's marketing costs and gives better customer insight. The cost-to-serve of existing customers also tends fall over time. Besides better understanding of customer requirements and expectations by a company, customers themselves also come to understand what supplier or service provider can do for them. (Buttle, 2009).

2.9 Types of CRM

According to Buttle (2009), there are four major types of CRM: strategic, operational, analytical and collaborative CRM. Payne (2009) classifies CRM into three types: operational, analytical and collaborative CRM; as well as mentions strategic CRM, e-CRM and partner relationship marketing. Four types of CRM – strategic, operational, analytical and collaborative are presented in Table 2.

All three types – operational, analytical and collaborative are often referred as three components of CRM, needed to create a successful CRM. (Buttle, 2009; Payne, 2009)

Similar idea is expressed in Grönroos (2007), where relationship strategy has three main tactical elements:

1. Direct contacts with customers and other business partners
2. A database covering necessary information about customers and others
3. A customer-centric service system. Employees, technology, customers and time are central resources to development of a successful service system. It creates extra cost if central resources are badly managed. (Grönroos, 2007)

Table 2. Four types of CRM.

Strategic CRM	Strategic CRM is a customer-centric business culture and strategy that aims at winning and keeping profitable customers. (Buttle, 2009, p. 4) It involves the development of an approach to CRM that starts with the business strategy of the enterprise and is concerned with development of customer relationships that result in long-term shareholder value creation. (Payne, 2009, p. 24)
Operational CRM	Operational CRM focuses on the automation of customer-facing and customer-supporting processes such as selling, marketing and customer service. Major CRM software applications within operational CRM are enabling marketing automation, sales-force automation and customer service automation. (Buttle, 2009) In the mid-1990's term CRM is often used to describe technology-based customer solutions, such as sales force automation (SFA). (Dyché, 2001; Buttle, 2009; Payne & Frow, 2005) According to Buttle, SFA was the original form of operational CRM. (Buttle, 2009)
Analytical CRM	Analytical CRM focuses on the intelligent mining of customer related data for strategic and tactical purposes. Analytical CRM is concerned with capturing, storing, extracting, integrating, processing, interpreting, distributing, using and reporting customer-related data to enhance both customer and company value. (Buttle, 2009)
Collaborative CRM	Collaborative CRM involves the use of collaborative services and infrastructure to make interaction between a company and its multiple channels possible. This enables interaction between customers, the enterprise and its employees. (Payne, 2009, p. 23) Collaborative CRM is the term used to describe the strategic and tactical alignment of normally separate enterprises in the supply chain for the more profitable identification, attraction, retention, and development of customers. (Kracklauer, et al., 2004)

2.10 Types of business

Customer-centricity competes with other business logics. Kotler (2000) identifies three other major business orientations: product, production, and selling.

Product-oriented businesses believe that customers choose products with the best quality, performance, design or features. In these firms it is common for the customer's voice to be missing when important marketing, selling or service decisions are made. Little or no customer research conducted and management makes assumptions about what customers want. These are often very innovative businesses with overspecified and overengineered

products for the requirements of the market. They usually are oriented price-insensitive “innovators”, which is 2.5% of the market. (Kotler, 2000)

Production-oriented businesses base their strategy on low-price products. Consequently, these businesses do all efforts to keep operating costs low and to develop low-cost routes on the market. (Kotler, 2000)

Sales-oriented businesses invest in advertising, selling, public relations and sales promotion. Their strategy is to persuade customers to buy. (Kotler, 2000)

Customer- or market-oriented companies are putting the customer first. Their strategy based on collection, dissemination and use of customer or competitive information in order to develop better value propositions for their customers. A customer-centric firm is a learning and adaptive enterprise. It constantly adapts to customer’s requirements and competitive conditions. Evidence suggests that customer-centricity correlates strongly with overall business performance. (Deshpande, 1999)

As Buttle (2009, p.5) states, “many managers would argue that customer-centricity must be right for all companies. However, at different stages of market or economic development, other orientations may have stronger appeal”. It is not always profitable for the company to be customer-centric. (Buttle, 2009; Grönroos, 2007)

As regards to the industry I am reviewing in this Thesis, it is first and foremost service business. According to Grönroos,

A service is a process consisting of a series of more or less intangible activities that normally, but not necessarily always, take place in interactions between the customer and service employees and/or physical resources or goods and/or systems of the service provider, which are provided as solutions to customer problems. (Grönroos, 2007)

Important generic characteristic of services is that services are produced and consumed simultaneously and the customer is a co-producer of the service, at least to some extent. As services don’t exist before they are consumed, the quality of particular product or service is whatever the customer perceives it to be (Grönroos, 2007).

3 CRM models

As can be seen from the previous chapter there is a wide variety of different aspects of CRM. Creating a model or a conceptual framework is a good way to apply rich theoretical information to practice. A company can use such model in evaluation of its processes and organization structures, step by step, in order to see where present processes create or destroy value for customers and, therefore for stakeholders of the company.

Following subsections are representing descriptions and basic elements of five main models of CRM.

3.1 The IDIC model – Identify, Differentiate, Interact and Customize

The IDIC Model has been developed by Peppers and Rogers in 2004. According to its main concept, companies should take four actions in order to build closer one-to-one relationships with their customers: Identify, Differentiate, Interact and Customize. Relations between mentioned actions are presented graphically in Figure 2. (Peppers & Rogers, 2004)

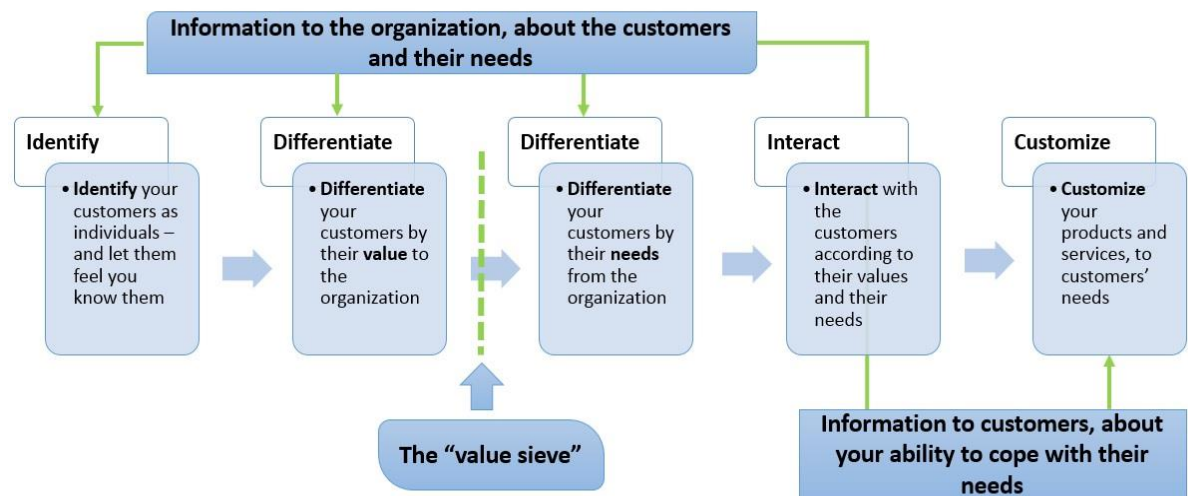


Figure 2. The IDIC model of CRM: Identify, Differentiate, Interact and Customize (Peppers & Rogers, 2004).

Four suggested actions are as follows:

1. Identify. The company should identify who are its customers and build a deep understanding of them.
2. Differentiate. The company should differentiate its customers in order to identify those who have or who will have the biggest value. The differentiation can allow the company to formulate and implement customer specific individual strategies for different customers or customer groups.
3. Interact. The company should interact with its customers in order to ensure that customer expectations are understood. It allows also to evaluate customer relationships with other suppliers or brands. Each successive interaction with a customer should take place in the context of all previous interactions with that customer. A conversation with a customer should pick up where the last one left off. Effective customer interactions provide better insight into customer's needs.
4. Customize. The company should tailor its offer and communications according to expectations of its customers. In order to involve a customer in a relationship, the company also should adapt some aspects of its behaviour toward a customer, based on that individual's needs and value. (Peppers, et al., 1999; Peppers & Rogers, 2004)

3.2 The CRM Value Chain

The CRM Value Chain is a model developed by Francis Buttle (see Figure 3). According to Buttle, the "CRM Value Chain is a proven model which businesses can follow when developing and implementing their CRM strategies. The ultimate purpose of the CRM value chain process is to ensure that the company builds long-term mutually-beneficial relationships with its strategically-significant customers". (Buttle, 2004)

The model consists of five primary stages: customer portfolio analysis, customer intimacy, network development, value proposition development and managing the customer lifecycle. Those are supported by four conditions: leadership and culture, data and IT, people; and processes.(See Figure 3).

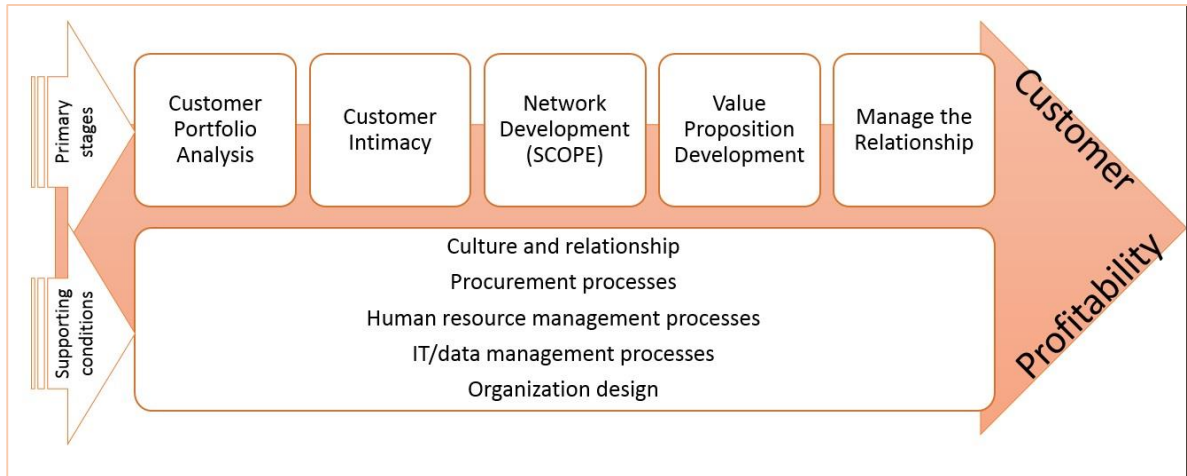


Figure 3. The CRM value chain (Buttle, 2004).

Five primary stages create and deliver value propositions that acquire and retain profitable customers. Four supporting conditions enable the CRM strategy to function effectively and efficiently. (Buttle, 2004)

The five primary stages are as follows:

- I. The “Customer Portfolio Analysis” step analyses the customer base to identify customers to target with different value propositions. The main question to be answered on this phase is “Who are our strategically significant customers?” for companies which have no customer history, Buttle suggests to use segmentation approaches.
- II. Choosing the right customer stage is followed by next, the “Customer Intimacy” step. It involves processes of getting to know the selected customers as segments or individuals and building a customer data-base which is accessible to all those whose decisions or activities impact upon customer attitude and behaviour.
- III. The “Network Development” step involves building a strong network of relationships with employees, suppliers, partners and investors who understand the requirements of the chosen customers.
- IV. The “Value Proposition Development” step involves developing of propositions of mutual value for the customer and the company which should be in compliance with the networks from previous step.
- V. The “Manage the Customer Lifecycle” stage stands for management of relationships with customers. The focus here is on both structure and process. (Buttle, 2004)

Further Buttle (2004) suggests that CRM solutions cannot be transplanted into any organisation in the absolute certainty that the business will flourish. CRM needs a supportive culture as it is unlikely to yield dividends in companies which only pay lip service to customer focus. Information technology, human resources and procurement processes should be aligned with the CRM agenda. One of arguments to support this view is that CRM implementation will not succeed in organisations wedded to product-based structures or reward systems based on sales volume. (Buttle, 2004)

3.3 A conceptual framework for CRM strategy: The Five-Process Model

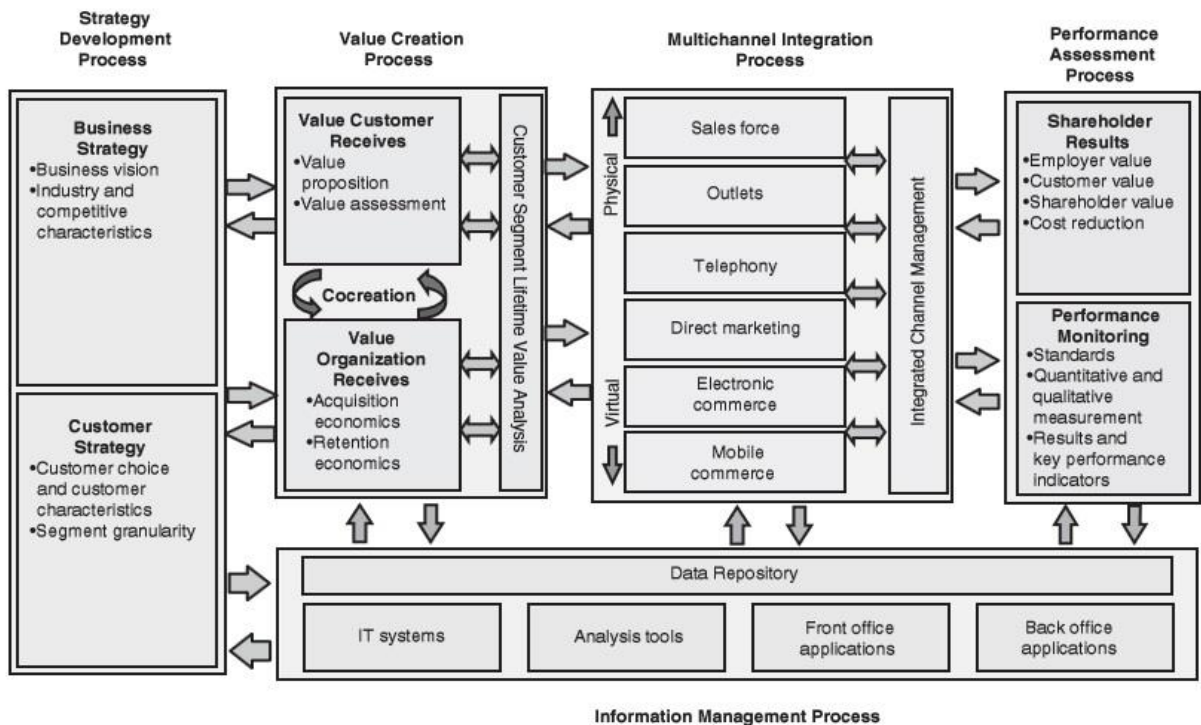


Figure 4. A Conceptual Framework for CRM Strategy (Payne & Frow, 2005; diagram; found on p. 171).

This model was developed by Payne & Frow in 2005 with an aim to identify the key generic processes relevant to CRM. In their interactive research, Payne & Frow integrated a synthesis of the literature with learning from field-based interactions with executives to develop and refine the CRM strategy framework. The model was developed after workshop with 34 highly experienced CRM practitioners, interviews with 20 CRM executives and six executives from large CRM vendors. Payne and Frow emphasize the need for a cross-

functional, process-oriented approach that positions CRM at a strategic level. The conceptual framework based on five key cross-functional CRM processes (a strategy development process, a value creation process, a multichannel integration process, an information management process, and a performance assessment process). The framework explores the role and function of each element in the framework. Payne & Frow emphasize that a single, process-based framework provides deeper insight into achieving success with CRM strategy and implementation. (Payne & Frow, 2005)

The strategy development process includes the business strategy and the customer strategy. The business strategy determines how the customer strategy should be developed and how it should evolve over time. The customer strategy examines the existing and potential customer base and identifies which forms of segmentation are the most appropriate. (Payne & Frow, 2005)

The value creation process transforms the outputs of the strategy development process into programs that both extract and deliver value. The three key elements of the value creation process are (1) determining what value the company can provide to its customer; (2) determining what value the company can receive from its customers; and (3) maximizing the lifetime value of desirable customer segments by successful management of this value exchange. (Payne & Frow, 2005)

The multichannel integration process is one of the most important processes in CRM. It takes the outputs of the business strategy and value creation processes and translates them into value-adding activities with customers. The multichannel integration process focuses on decisions about what are the most appropriate combinations of channels and how to ensure that customer experiences within those channels are highly positive. If a customer interacts with more than one channel, this process creates and presents a single unified view of the customer. (Payne & Frow, 2005)

The information management process is collecting, collating, and using customer data and information from all customer contact points in order to generate customer insight and appropriate marketing responses. The key material elements of the information management process are the data repository, IT systems, analysis tools; and front office and back office applications. (Payne & Frow, 2005)

The performance assessment process ensures that the organization's strategic aims in terms of CRM are being appropriately delivered and that a basis for future improvement is established. This process can be viewed as having two main components: shareholder results, which provide a macro view of the overall relationships that drive performance, and performance monitoring, which provides a more detailed, micro view of metrics and key performance indicators. (Payne & Frow, 2005)

3.4 The Gartner's competency model: Eight Building Blocks of CRM



Figure 5: Eight building blocks of CRM (Gartner, Inc., 2001).

Gartner is the world's leading information technology research and advisory company. Founded in 1979, Gartner is headquartered in Stamford, Connecticut, USA, and has 5,700 associates, including more than 1,435 research analysts and consultants, and clients in 85 countries. Company takes a significant place in CRM research. (Gartner, Inc., 2013)

The Gartner competency model (see Figure 5) suggests that companies need competencies in main eight areas to company's CRM initiative to be successful. Eight main areas of competence are based on profile of the eight Fortune 1000 companies, which were noted

growing revenue year-after-year (all but one was profitable in 2000, which is the year of research), and all ranked high in their respective industries. (Gartner, Inc., 2001)

Eight main competencies are CRM vision, CRM strategy, consistent valued customer experience, organizational collaboration, CRM processes, CRM information, CRM technology and CRM metrics. Those are described in Table 3.

Table 3. Eight main areas of competence. (cited from Gartner, Inc., 2001)

CRM Vision	Successful enterprises display inspirational leadership, building a market position against competitors with defined value propositions based on requirements, personified by the brand and communicated.
CRM Strategy	A successful enterprise should understand how the customer base can be turned into an asset through the delivery of a customer value proposition. It should provide objectives, segments and customers, and it should define how resources will be used in interactions.
Consistent Valued Customer Experience	This involves ensuring that the propositions have value to the customer and the enterprise, achieve the desired market position and are delivered consistently across channels.
Organizational Collaboration	This involves the transformation of culture, structures and behaviours to ensure that staff, partners and suppliers work together to deliver what is promised. Critical to ensuring end user acceptance of new behaviours and enabling technology is a solid change management strategy.
CRM Processes	This area involves the management of the customer life cycle and processes relative to analysis, planning and knowledge management.
CRM Information	Quality data is collected and used to make decisions supporting business processes.
CRM Technology	Successful enterprises leverage data and information management, customer-facing applications, and supporting IT infrastructure and architecture to enable CRM. With an antiquated system and manual processes, fulfilling customer needs is impossible.
CRM Metrics	It is important to track internal and external measures of CRM success and failure. Increasingly, enterprises will begin to establish the key elements of their value proposition and service delivery that really drive customer loyalty — as the customer sees it. At the same time, they can establish areas in which they are overdelivering on customer requirements and, thus, can make cost savings without affecting loyalty.

As Garner Research Inc. homepage states, “Gartner is the IT professional's best first source for addressing virtually any IT issue because of our world-class, objective insight, the rapid access to that insight, and the low cost compared to the impact and other alternatives” (Gartner, Inc., 2013)

3.5 The QCi Model: The Customer Management Framework

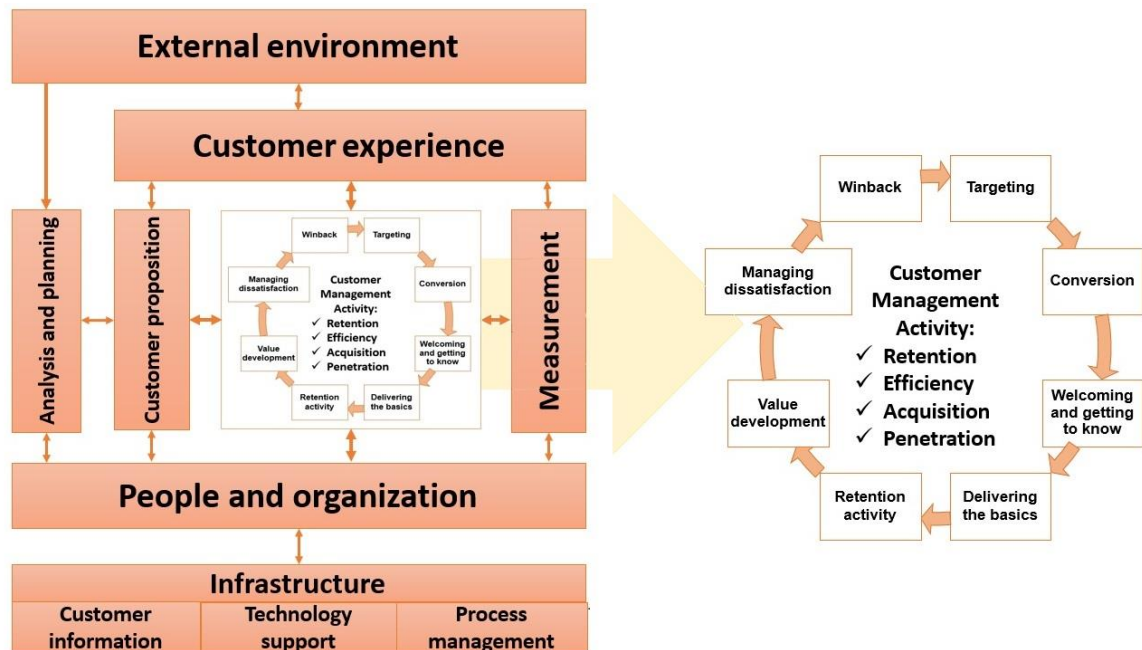


Figure 6: The QCi Customer Management Model (Woodcock, et al., 2003).

The QCi model is a product of consultancy firm “The Customer Framework”. Authors of this model describe it as a customer management model, excluding the word “relationship”. At the heart of the model they put “customer management activity”, a set of processes that companies need to implement in order to acquire and retain customers. The model emphasizes significance of people performing “customer management activity” processes. Technology is used to assist in those activities. The model has eight major elements – analysis and planning, proposition, information and technology, people and organization, process management, customer management activity, measuring the effect and customer experience. (Woodcock, et al., 2003; The Customer Framework Ltd, 2011-2013)

The main value of this model for present research is that it puts customer management activity at the heart of model, with people and organization as immediate supportive process. Another strong point is that the QCi model omits using “relationship” part of CRM. As Ward and Dagger have found, relationship strength varies “significantly between service products and individual customers, and the impact of duration of relationship and the frequency of purchase on relationship strength depends greatly on the nature of the service product”.

(Ward & Dagger, 2007, p.281) Therefore, this model will be the most suitable for adequate assessment of service business.

Following Table 4. represents a brief overview of model's main elements by its authors, Woodcock, et al. (2003).

Table 4. The Customer Management Model: main elements. (cited from Woodcock, et al., 2003, pp.12-18)

Analysis and planning	Everything starts with understanding the value and behaviour of different customers and different customer groups. Once a clear and comprehensive understanding has been developed, customers and prospects need to be segmented so that planning activity can be as effective as possible. This planning will be focused on enabling the organization to REAP the value of its customer base, focusing on retention, efficiency, acquisition and penetration (REAP).
Proposition	Once the customers to be managed (or explicitly not managed) have been defined, propositions need to be developed that will match the needs of these customers and that will be attractive to new customers. There will often be different propositions for different groups, so a customer need's research by segments is needed. These propositions need to be defined at detailed level that drives the experience the customer can expect in dealing with the organization, its products, and its partners or channels. Development of service standards is a useful tool at this stage. It is therefore critical that the propositions are communicated effectively to both customers and the people who deliver them.
Information and technology	Technology exists to help organizations acquire, manage and use the vast amount of information involved in managing customers. It is an enabler rather than a deliverable in its own right, but managed badly it can also be a stopper. An organization needs to understand what information it has available, what is missing and how to manage information. The technology then needs to deliver the current information to relevant people at the right time in order for them to fulfil their role in managing customers. Of course, technology must be reviewed constantly against changing needs and development in the technology itself. Key processes in information and technology part are sourcing and understanding customer information, information planning and quality management, review of current systems and development of new ones.
People and organization	Customer management people need to be recruited, managed, developed and motivated within a supporting structure. The term 'customer management people' also needs to be considered in its widest context, extending to suppliers and channels as well. Main variables for people and organization are organizational structure, role identification, competencies definition and gap analysis, training requirements and resources, objective setting and monitoring and supplier selection and management.
Process management	Processes are often difficult to implement and manage formally in an environment with so many sales and marketing people. But clear, consistent processes are essential to all areas of customer management and to achieving constant and step-change improvements. Also, processes need to be reviewed constantly for acceptability from both the customer's point of view and the organization's point of view.

Customer management activity	Customer management activity is about implementing the plans to deliver the proposition across the customer lifecycle. Customer management includes targeting, enquiry management, welcoming, getting to know, customer development, managing problems and winning back activities.
Measuring the effect	Measurement of all elements of customer management activity forms feedback into the planning process ensuring continual improvement and thus building sustainable competitive advantage. It also enables individuals and channels to understand how well they are performing their roles and how much they are contributing towards the overall customer management success of the organization. Measurement of the effect is done using strategic measures, key performance indicators and corporate measures cascading down to individuals, campaign measurement and channel management.
Customer experience	Measurement activity needs to be supplemented with an understanding of the customer experience of dealing with the organization. The links between what customers say they feel, what they actually feel and what they do need to be understood clearly if loyalty is to be maximized. Every opportunity also needs to be taken to ensure that people at all levels within the organization are very clear about how their activity appears to customers. Customer experience is measured using satisfaction monitoring, event-driven research, loyalty analysis, mystery shopping and benchmarking techniques.

A “customer management activity” is the most important part of the whole model. It has seven major elements (represented in the Figure 7):



Figure 7. Customer Management Activity (Woodcock, et al., 2003).

- 1) **Targeting.** The defined propositions should be accurately delivered to the customer and prospect groups identified in the planning activity.
- 2) **The management of enquiries.** It is the vital link between campaign or trigger-based promotional activity and successful sale. Enquiries start as soon as an individual expresses an interest and continue through qualification, lead handling and result reporting.

- 3) **Welcoming.** This activity ranges from often forgotten simple 'thank you' through to sophisticated contact strategies. Welcoming activity needs to ensure that new customers are comfortable dealing with the organization and that they know how to get the most out of their relationship.
- 4) **Getting to know.** Information about customers is vital for a long and valuable relationship. New customers need to be convinced that there is something in it for them if they are to give more information about themselves. When information is collected it needs to be used and maintained.
- 5) **Customer development.** This a set of processes geared towards development of valuable customer groups.
- 6) **Managing problems.** All relationships will go through difficult phases. The best organizations are able to predict and identify problem areas before major complaints and relationship breakdowns occur. But even when these do happen, it is important to remember that a well-handled complaint is often communicated to more 'referrals' than a well-handled sales cycle.
- 7) **Winback.** It is the least exploited method of customer acquisition. It is important to ensure that only valuable customers are targeted for winback activity. (Woodcock, et al., 2003, pp. 14-17)

3.6 CRM model for optical retail business

All five models described are of great value for a CRM implementation. However, two of them – the IDIC model (Figure 8) and the CRM Value Chain (Figure 9) present a scheme for one variable of the CRM business model – the customer strategy for former and the value chain creation for the latter.

The IDIC methodology presents not a model but a general overview on how customer relationships should be managed. It doesn't take into account a complex organization structure and don't offer connection between all units of the company in terms of building and implementation of customer-oriented strategy. The model has four main determinants mainly concentrated on "serving selected customer groups customers at a profit" where all steps are geared towards successful segmentation and tailored proposition. This model offers great approach and philosophy for customers' segmentation and tailoring offers

according different customer groups. But it doesn't explain the whole work of an organization, and the role of different organization silos in a value creation for the customer, as well as technology role in building CRM based approach. In terms of CRM as a business strategy, such variables as environment or organization structure should be taken into consideration as well.

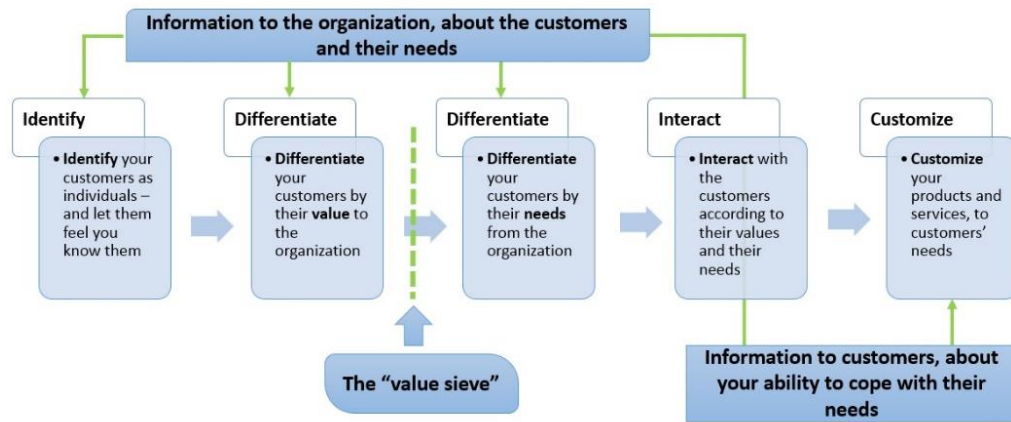


Figure 8. The IDIC model (Peppers & Rogers, 2004).

Another weakness of this model in terms of present research is that it is built on philosophy that for development of a relationship it is sufficient to create a value for the client, i.e. relationship is developed when a customer gets a tailored product. This is in conflict with the actual notion of a relationship discussed previously. Despite the fact that the IDIC model doesn't serve the purpose of present research, the value of IDIC model for such process as the customer segmentation should not be underestimated.

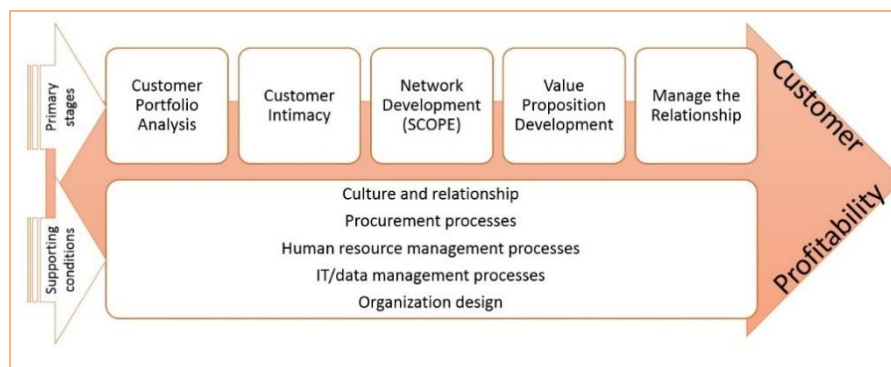


Figure 9. The CRM Value Chain (Buttle, 2004).

The CRM Value Chain model discusses mainly value chain, not the whole organization network, as well as misses performance measurement variable. The model also puts people factor as human resources management process in middle-importance supporting condition section. Such approach won't benefit for optical retail business where all activities are organized around retail units. A model for such business should put people and organization to a more significant place within a model.

Three other models reviewed – Gartner's eight building blocks of CRM (illustrated in Figure 11), Payne's the five-process model (all five processes are illustrated in Figure 10) and the QCi or the Customer Management Model (Figure 12) have many common characteristics – customer strategy, segmentation of a customer database, value proposition, information and human resources management processes; and performance measurement processes. All three models review the whole network of processes involved in CRM. Garner's and Payne's frameworks have major parts of their models dedicated to information and technology processes.

To choose a model from all three left, it is important to review a distinctive qualities of optical retail business. First, all processes of the organization usually support activities in retail outlets, and customer facing processes and people are crucial to the performance of the whole business. Second, it usually consists of small and middle size businesses, due what they unlikely will use advanced information systems and analysis tools. Third, it is a service business, as many products sold does not exist before they are consumed and all products need tailoring for each particular customer. (Cegarra-Navarro, 2007; Yavas, et al., 2008)

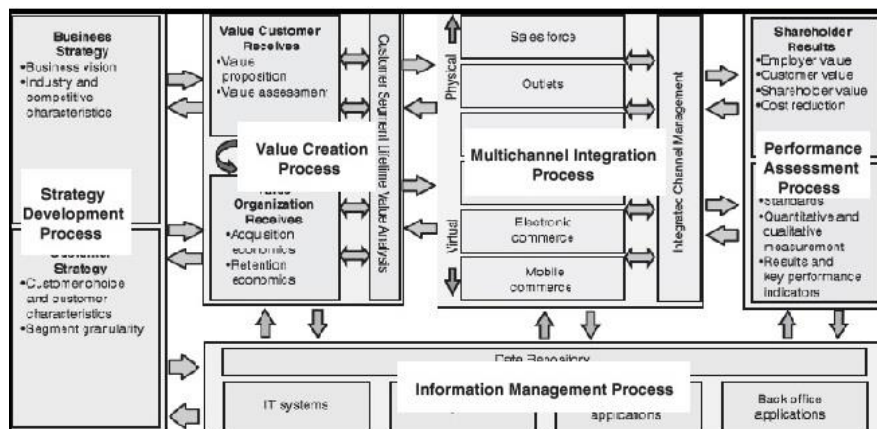


Figure 10. The five-process model. (Payne & Frow, 2005, p.171)



Figure 11. Eight building blocks of CRM. (Gartner, Inc., 2001)

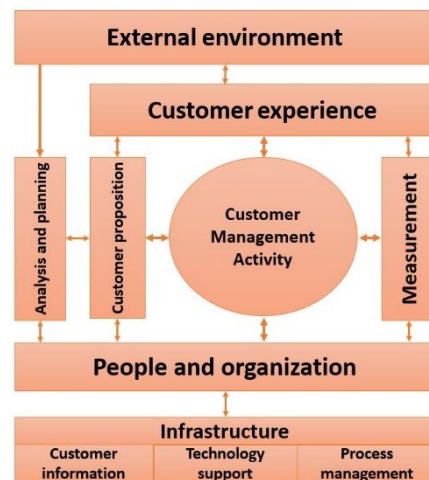


Figure 12. The Customer Management Model (The QCi model). (Woodcock, et al., 2003)

Studies in the field of optometry and optical retail business indicate several important trends – often value proposition and important aspects of it perceived differently by optometric service providers and their customers, as well as information available at retail units is not the same which company CRM uses. (Cegarra-Navarro, 2007; Yavas, et al., 2008) Those facts indicate a need for all processes to be organized around customer management

activity. It should be done in order to ensure that everyone in the back-office supportive units has immediate access and can take corrective action.

Research of CRM approaches in optical retail industry is rather limited. Data of research for service business indicates that the nature of the service product has a significant impact on a relationship or relationship strength. The belief that organization must take relationship marketing activities to the same degree to remain competitive will almost certainly have a different level of relevance in different services. The difficulty from managerial perspective is that firstly, managers have no control over customer preferences. Some customers want strong relationships while others do not. Secondly, managers cannot normally measure individual perspectives to find out where each individual customer stands. Only research to identify the overall customer profile according to segment and relationship development propensity is possible. (Ward & Dagger, 2007) Based on this, performance measurements based mostly on relationship development and relationship quality would always show that a service business is underperforming. Hence, a business model which has major part dedicated to maintaining and developing relationships will be a waste of resources and will always show that company is underperforming in building a conceptual framework for CRM.

However, unlike other consumer products retail, given industry also specializes in providing primary health services. In research by Ward and Dagger (2007), many customers wanted closer relationship with medical service providers. It leads to a conclusion that, although, emphasis on relationship elements should not be emphasized, it shouldn't be also excluded from the model.

All facts about optical retail industry and service business are in favour of the QCi model, which omits the relationship part and proposes to use term customer management. However, the model doesn't exclude "relationship" element out of the framework. The QCi model also puts customer management activities to the heart of the model and connects it to all other processes of an organization. Significant point in favour of this model is that people and organization are being involved in all major value creation processes and are having significant place in the model. Such structure is crucial for a business operating in optical retail.

4 Customer management value chain in case companies

Results of interviews in both companies showed that relationship quality control is not possible and at some point even not being done at the moment. It supports the previously explained choice of the model. Hereinafter I will discuss the model chosen in detail as well as results of analysis for assessed case companies. In aspects of the model I will review value adding and value destroying activities according to The Customer Management Framework.

Due to confidentiality reasons for both case companies' only results of analysis will be presented. Analysis was done by comparing answers obtained from interview and other data about the company with the list of best practices and value creating or destroying activities listed for each of eight elements of The QCi Framework. The set of questions for assessment for both case companies was exactly the same, and it can be found in Appendix 2.

4.1 Customer management value chain

The graphical representation of the QCi model chosen as well as eight main elements of it were discussed in the previous chapter. However, the function and relations between elements in the QCi model should be clarified in order to analyse the contribution of each to the value chain of a company.

Value to the customers usually measured in terms of the appropriateness of benefits they receive relative to their direct or indirect investment (for example, user costs, taxation, time). As discussed previously, enhancing customer value is critical for most organizations. As can be seen from figure, customer value can be created through the development and effective delivery of the right proposition to the right customers. However, customer management is not the only route to enhanced customer value. It can be done simply by producing excellent products and at low cost. (Woodcock, et al., 2003)

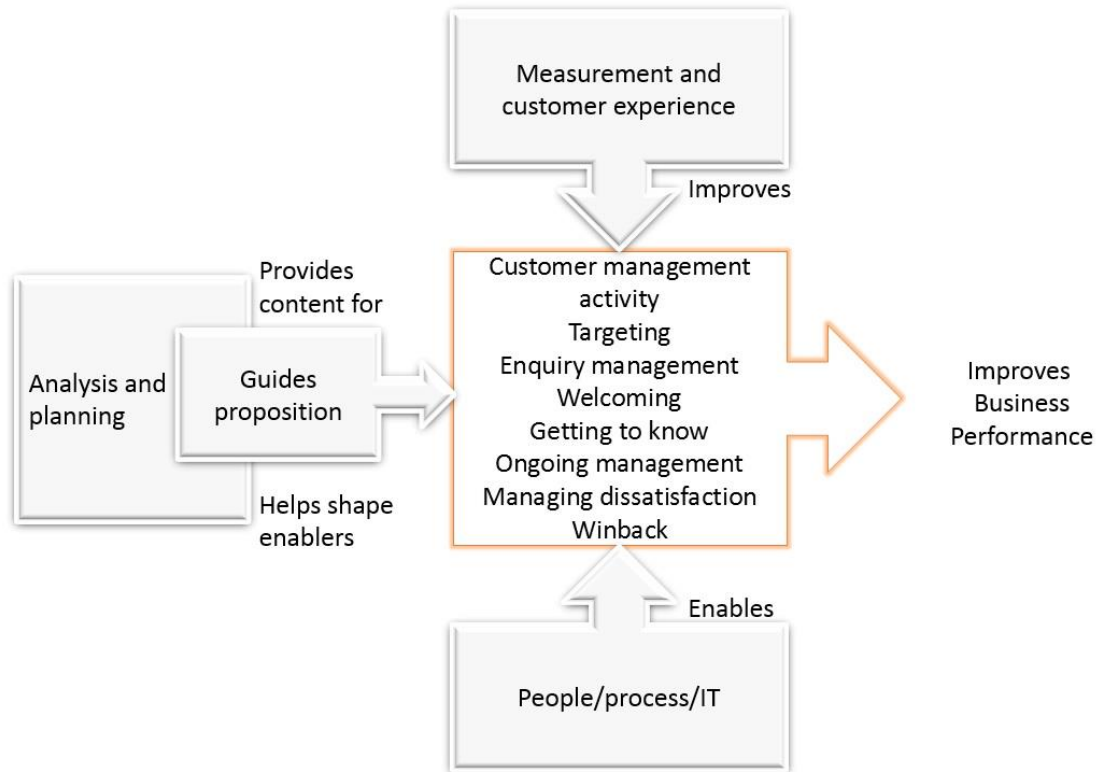


Figure 13. The Customer Management value chain (Woodcock, et al., 2003).

However, besides profit customer management influences also the share price in the stock market. If company is perceived to be managing customers and opportunity well, its share price may go up. (Woodcock, et al., 2003)

4.2 Analysis and Planning

Analysis of the best practices in high-scoring companies of customer management study indicates following. Successfully performing companies have determined their competitive arena, understand their competitors; have determined customers' groups they can manage at the moment; know what they need to change and how much they can spend on the attraction of different customer groups. They also have clearly communicated their strategic CRM objectives throughout organization; and objectives they set are linked to and influence retention, efficiency, acquisition and penetration of customer markets. It is important to be

clear about the profit of the company and from where it comes from. Successfully performing companies understand acquisition, retention and development behaviour of their customers, as well as the cost of acquiring and managing customers. (Woodcock, et al., 2003)

On the stage of analysis and planning value can be created through insight, knowledge and effective planning. It includes understanding which customers a company wants to be managed, as well as how much you can afford to spend in acquiring and retaining different customer groups. It is important to retain those customers that are worth retaining and to efficiently develop those with potential. Planning is also used to match resources to gross value. Time spent on attracting, retaining or trying to develop customers should be relative to a planned perceived value. (Woodcock, et al., 2003)

Value at the stage of analysis and planning is destroyed through a lack of customer knowledge and insight, absent (or poor) data quality and/or data analysis, a mismatch of costs and revenues; and missing or ineffective planning. (Woodcock, et al., 2003)

4.2.1 Analysis and Planning in the Case Company One

Results of interview and evaluation of data available from internal statements of the company indicate that the Case Company One has a customer-oriented strategy which takes into consideration all stakeholders interests, as well as manages well overall customer management planning. The Case Company One has clearly defined its competitive area, a target market and geographic area as well as has a clear understanding of its profit sources. It uses a traditional approach for customer segmentation such as cluster analysis, main variable used is purchasing behaviour. The time when last segmentation activity was done is about three years ago. According to Brown & Gulycz, 2002, the segmentation should be done at least once a year or when major changes take place (Brown & Gulycz, 2002).

The Case Company One has found it difficult to clearly define how much it can spend on acquisition, retention and development of different customer groups.

4.2.2 Analysis and Planning in the Case Company Two

Results of interviews and study of provided documents indicate that a company has customer-oriented strategy, a clear understanding of its profit sources, geographic area and target market. Customer segmentation is done as traditional cluster analysis using geographic and demographic data and purchasing behaviour. However, the time when the last segmentation activities were done suggests that there is acute need for more recent data. The Case Company Two has no data on how much it can spend on acquisition, development and retention of different customer groups.

4.3 Proposition

At this stage main task is to create value through a proposition that helps to find, keep and develop those customers a company wants to manage. The proposition should be developed to attract similar customers, retain them and develop their value. It is suggested that a company's proposition should involve all supply chain providers to ensure that the proposition is actually delivered. A communication of the proposition to staff who actually manage customers and to their immediate managers is an essential part of a company's proposition. The poor communication of a value proposition to people delivering it is destroying all value of a good proposition. Propositions should be also clearly defined and articulated and go further than a set of brand values.

In the case on poor analysis and planning (see the previous stage of the model) the proposition may be aimed at low value customer groups. (Woodcock, et al., 2003).

Based on study of success stories Woodcock, et al. (2003) suggest following check-list for management of a company's proposition (development of customer proposition is shown in Figure 14):

- ✓ Develop clear differentiated propositions aimed at those customers you want to manage.
- ✓ Determine how you can build loyalty amongst key value groups.
- ✓ Translate the proposition from high-level brand values to simple statements that can be used to influence the behaviour of people who manage customers. A proposition is

meaningless unless it can be delivered. In fact, an undelivered promise is worse than no promise at all: customers will feel let down.

- ✓ Communicate the proposition well to employees, partners and customers.
- ✓ Measure the behaviour and attitude change resulting from improved communication of the proposition. (Woodcock, et al., 2003)

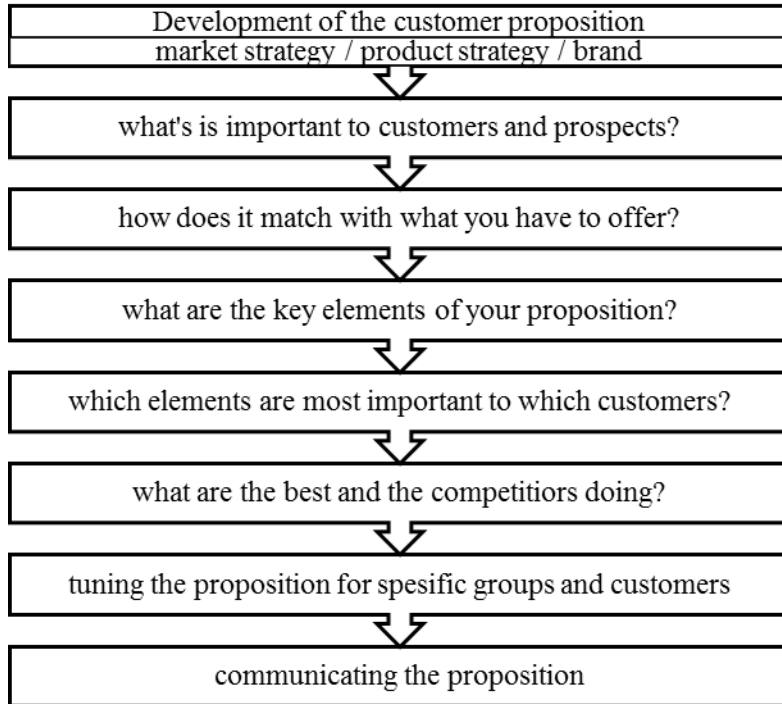


Figure 14: Development of the customer proposition. (Woodcock, et al., 2003)

Evaluation of the proposition of both companies was based both on the data obtained from the interview, and the study of available information such as homepage, activity in social media and own experiment based on mystery shopping.

4.3.1 Proposition of the Case Company One

The Case Company One regularly performs wide customer needs research and collects feedback using different channels across the whole value chain. The Case Company One has service standards formulated and those together with the value proposition of the company are communicated to the staff which direct interaction with customers. Besides

abovementioned an effort is done to collect feedback from immediate interaction with customers.

The results of study of information available in media and internet indicate that an overall proposition of the company is clearly communicated; however, there are weaknesses in communication of the proposition in social media, as an activity of the Case Company One in this field is significantly weaker than that of its direct competitors. However, evidence shows that the importance of social media is growing, and many people are obtaining information using those sources.

4.3.2 Proposition of the Case Company Two

Initial proposition of the Case Company Two is based on the study of customer behaviours. Those include, e.g. warranty time. It is extended accordingly to an actual use of the product not the standard time mentioned in EU legislation.

The Case Company Two does an effort to ensure that value proposition is communicated at each transaction or enquiry, as well in media, internet and social media. The company makes a significant effort to ensure that customers are informed and as well as feedback from each customer is collected simultaneously. Each employee is trained accordingly to carefully created service standards of the company. Present customer needs research is performed using feedback from employees of each unit. The company quite actively employs social media in communication of value proposition and monitoring of feedback from customers.

Some weaknesses in the development of proposition were discovered during interviews. The Case Company Two does not perform market research and its proposition is based on previously made studies and feedback from shops. However, the company does effort to fix this issue using instant marketing campaigns where a significant discount is offered for certain customer groups (such as each month people of certain occupation or age get a special price offer). During such activities customer has a chance to get to know the proposition of the company from its employee which simultaneously collects feedback; obtained data then collected from each unit separately.

4.4 Information and Technology

Companies successfully implementing CRM have three common characteristics of their information and technology processes: improved data understanding, increased visibility of customer data to employees and partners, and increased visibility of data to customers. (Woodcock, et al., 2003)

The requirement of European data protection legislation is forcing European organizations to understand better the information they have and to ensure that data is more accurate than it was in the past. Customer databases are becoming more valuable. More possibilities of data sharing lead to wider customer information accessibility to customer-facing staff as well for all partners in collaborative CRM. Some organizations even open some or all of customer information to customers themselves. This enables those customers to take some control of their relationships and to maintain their own information, which also increases accuracy and value of such information. (Woodcock, et al., 2003)

Based on the study of Woodcock, et al. (2003), the most often mistakes made in information and technology processes are poor quality of data, poor maintenance of data, limited or no access to systems at key customer points, limited capabilities due fragmentation of CRM systems. Quite often data is stored with no specific purpose or customer access is not provided.

4.4.1 Information and Technology: the Case Company One

The Case Company One has a CRM system developed for its own needs which contains basic (e.g., geographic and demographic) information and purchases of the customer. The company also shares data with partners and participates in a nationwide collaborative customer loyalty program.

In terms of present research it was impossible to evaluate quality, maintenance and accessibility of data stored in CRM, as this information is confidential to an outside researcher.

4.4.2 Information and Technology: the Case Company Two

The Case Company Two uses a sales force automation (SFA) system which contains basic data and past purchases as well as a number of patient card in a patient record database.

In a discussion of importance of sharing data between different units of the company, future plans to introduce a CRM system to the Case Company Two were revealed.

4.5 People and Organization

According to Woodcock et al., the overall business performance is related to the performance of “people and organization” variable. Interestingly, that good performance in this area usually is correlated with weaker performance within systems and process areas. One of conclusions are that over-systemizing customer service has a negative effect on customer-facing employees and reduces the quality of customer interaction and service. (Woodcock, et al., 2003)

Best-performing companies in the field have clear visible leadership of customer management, internal communication that works smoothly, especially between customer-facing departments and the rest of the organization. Ability to execute should be as well made practical through an appropriate strategy and governance system. (Woodcock, et al., 2003)

Evidence shows that customer management value is destroyed when incompetent people or ineffective systems influence the customer experience, or when employees are not motivated and rewarded or when suppliers are badly managed. It is easy to destroy all efforts when objectives set are misaligned with the goals of organization. (Woodcock, et al., 2003)

4.5.1 People and Organization in the Case Company One

The Case Company One has an employee appraisal system according to the best practices of service business. An employee evaluation takes into consideration the quality of service

and feedback from customers. The company also has workforce management processes in order to ensure efficiency for each unit. The customer-facing staff undergoes mandatory training.

4.5.2 People and Organization in the Case Company Two

The Case Company Two has a mandatory training of new employees and a mandatory service model continuous training. In such way the company ensures that customer-facing staff has everything to be competent. Despite this, the company had encountered problems with employee competence and recently conducted a study with a purpose solve a problem with appropriate evaluation of personnel. The results of this study indicated weak connection between upper-level management and front-line office employees. To solve this problem, the company introduced a system of customer service managers at each unit who also serve as a bridge between above mentioned, and inform upper-management of the company regarding customer feedback. It appeared, that new introduced system allows also better workforce management. The company has a new appraisal system which takes into consideration the quality of service. Previously only sales per person were taken into consideration; which was admitted as inefficient. As the new system was introduced relatively recently, results on its efficiency are not yet available.

4.6 Process Management

Customer management is a set of processes aimed to creation of value by being customer centric. The best performing companies have processes which are defined with a customer proposition in mind. All processes should be based on in-depth understanding of how they will affect customers. Value for the customer, and therefore company, is destroyed when processes are inflexible or confront or conflict with good customer management. (Woodcock, et al., 2003)

4.6.1 Process Management in the Case Company One

Unfortunately, documentation for process management in the Case Company One was not available for study. Evidence suggests that the company has processes for customer segmentation, order processing, complaint management; and enquiry and workforce management.

4.6.2 Process Management in the Case Company Two

The Case Company Two has created documented process models for enquiry management and dissatisfaction management; the main algorithm of enquiry management is presented in Figure 15.

Each employee undergoes mandatory training for each step of both models where possible situations are discussed and documented as well. This guideline is available at every unit of the company.

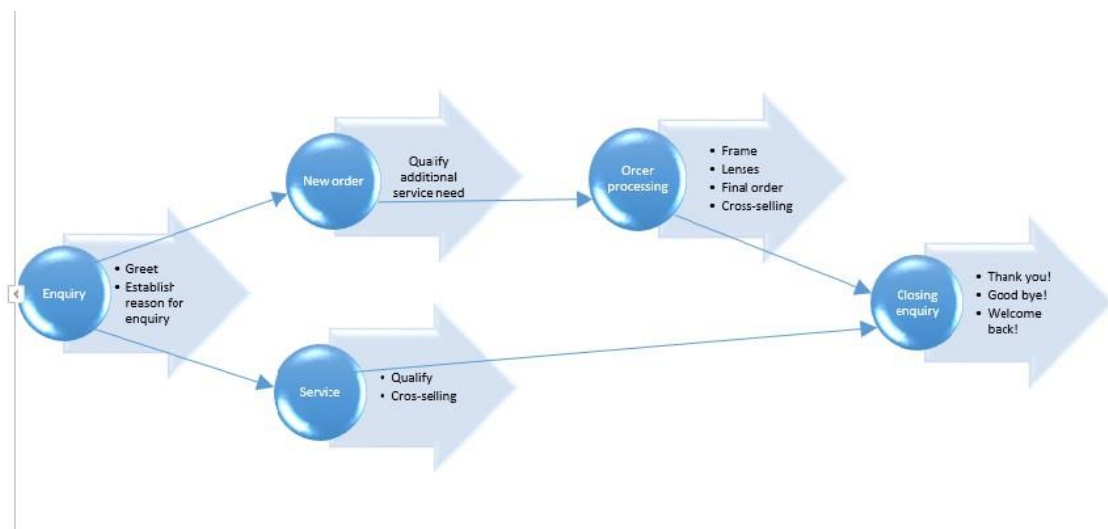


Figure 15. The enquiry management process of the Case Company Two. Source: the Case Company Two process management documentation.

The whole enquiry management process of the Case Company Two is described both with algorithm seen in Figure 15, and with possible phrases, hints, and examples of cases. This document gets updated when new information becomes available.

Besides abovementioned, the Case Company Two has processes for order processing.

4.7 Customer Management Activity

Customer management activity is the most important part of the whole model, included variables usually describe how customers are managed on a daily basis. It includes acquisition, retention, development and recovery activities. (Woodcock, et al., 2003)

Success stories reveal that best-performing companies are very practical about their plans and application of the principles of customer acquisition, retention and development. Customer acquisition includes targeting, enquiry and winback activities. The best performance in this area is achieved when company makes the most of all enquiries received and targets right customers efficiently. Customers should easily configure what your company offers to meet their needs.(Woodcock, et al., 2003)

Early retention of customers includes welcoming and getting to know activities. It is suggested to provide thanks, as courtesy and reinforcement of purchasing decision. It is important to ensure new customers understand, use and enjoy the company's product, as well as ensure that early relationship service management works. For the company is critical to build an understanding of customers, how they want to be managed and what their potential may be. (Woodcock, et al., 2003)

For the retention of customers in important not to underestimate the value of good customer service, as well as to manage customer dissatisfaction effectively. As regards to high value groups, they should be actively managed and contacted regularly. All abovementioned can be done through a variety of channels, which are appropriate both to the customer and business. (Woodcock, et al., 2003)

A value in this part of the model can be destroyed simply through inactivity, poor control and inefficiency (e.g. enquiries wasted) and badly handled customer dissatisfaction. It is crucial to control that customers don't leave without being asked why and that company is focusing

on customer service excellence. Good practise in this part of the model would be to let customers service or manage themselves, but enable them to obtain personal service when they want it. All efforts should be made to predict defections from customer feedback and contact analysis. (Woodcock, et al., 2003)

4.7.1 Customer Management Activity in the Case Company One

Customer marketing activities in the company are performed using all channels such as media, Internet, radio and television. However, social media is used only for one customer segment (in comparison with direct rivals, the company is twice less active both in communication and encouragement of dialogue with customers).

Early retention practices are done accordingly to the best practices listed previously - new customers are welcomed and enquiry management is effectively performed; comparing to only 26% of CMAT assessed companies that say thank you to a new customer (Woodcock, et al., 2003). The Case Company One doesn't have different welcoming strategies for different types of customer, but only 6% of companies in CMAT study have found to have different welcoming strategies for different types (Woodcock, et al., 2003).

The Case Company One employs partially outsourced trigger-based targeting, which is a great result. According to CMAT study, only 2% of companies use trigger-based marketing (Woodcock, et al., 2003).

Management of dissatisfaction is done using mostly via retail outlets and a call-centre, offering in some cases even opportunity for a customer to contact upper management of company.

As regards to retention and winback activities as well as analysis of customers won – all those processes can be performed only to a limited extent or are not done at all. No “health check” of an ongoing relationship with a customer is possible as well.

4.7.2 Customer Management Activity in the Case Company Two

Company has developed detailed process documentation for enquiry management, as well as service standards. This result is contrary to CMAT study where 60% of companies do not have defined enquiry management process (Woodcock, et al., 2003).

However, the Case Company Two doesn't have a process for targeting, winback or welcoming; and nothing from abovementioned is being done. Only large corporate customers included in the welcoming program, however, no welcoming or an early retention process available for this as well.

For getting to know and retention the Case Company Two uses dissatisfaction management. The company tries to resolve all complaints openly at the retail outlet, letting others to witness each particular case. In such way company tries to encourage a dialogue with each client who might be potentially unsatisfied.

Marketing activities are done via television, internet and radio; the company employs actively different social media, and has assigned a person responding to customers' posts and following feedback.

4.8 Measuring the effect

The best performing companies are measuring the relationship between customer behaviours and attitudes, CM activities and the effect on return on investment; as well as measuring the impact of different media on customers, and learn from campaigns. Besides this, measurement of the effectiveness of individuals is important. As regards to the impact of different media and channels, it is crucial to evaluate its role in the acquisition, retention and development processes. (Woodcock, et al., 2003)

The value for the whole model is created when the relationship between resource, activities and performance is understood. All this should be done in order to ensure effective management of CRM resources. The value is destroyed when effectiveness and efficiency are not measured and then action taken and the organization does not learn from its activities, successes and failures. (Woodcock, et al., 2003)

4.8.1 Measuring the Effect: the Case Company One

The Case Company One measures the effect of campaigns, the effect of individuals and performs customer satisfaction surveys. Currently only limited measurement of the relationship between customer behaviours and attitudes and CRM activities is possible. An effect of different media and channels mainly evaluated by its role in the acquisition of new customers.

4.8.2 Measuring the Effect: the Case Company Two

The Company Two measures the effect of individuals, the effect of channels and campaigns. Customer satisfaction and feedback is collected from customer service managers at each retail unit, no customer satisfaction surveys are done at the moment. An effect of different media and channels mainly evaluated by its role in the acquisition of new customers.

4.9 Customer experience

It is the most sensitive part of the whole model where value built in other framework parts can be easily destroyed. The most dangerous are poor customer experiences; ignored or unclear proposition of the company. It is important to measure the experience of customers against that provided by competitors. (Woodcock, et al., 2003)

The best performing companies in the field understand not just customer satisfaction, but commitment as well; and they recognize that the customer experience is dependent on being able to understand and respond in a timely and appropriate manner when the customer needs change. (Woodcock, et al., 2003)

4.9.1 Customer Experience: the Case Company One

Customer satisfaction is measured using surveys after purchase, as well as evaluating feedback from retail units. Customer experience after purchase is measured using email,

where response rate is considered as good. There is no possibility to check whether a customer remains loyal or establish the quality of existing relationship.

Overall customer experience is enhanced by user-friendly company's homepages and broad choice of appointment reservation options. Research experiment showed that value proposition of the company is clearly communicated, communication is easy and customer experiences good service; but some aspects may be enhanced.

4.9.2 Customer Experience: the Case Company Two

The Case Company Two doesn't have any satisfaction survey system. Customer satisfaction is measured using feedback from customers in the retail unit or using social media.

Event-driven satisfaction research performed by each unit's customer service manager. It is usually documented or verbally reported. In comparison to CMAT data – only 6 % of companies use event-driven satisfaction research (Woodcock, et al., 2003). However, there is still no possibility to check ongoing relationship quality, or establish whether a customer remains loyal; as well events researched usually are complaints.

The overall customer value proposition is communicated clearly, significant emphasis recently put on social CRM development. Homepage is informative and bilingual, but doesn't have an online appointment system. Such feature is available only via phone or personal visit.

5 Discussion

In following chapter data obtained from both case companies will be analysed against the best practices and compared to overall trends from results of CMAT study. CMAT is a research tool used by creators of The QCi Model to assess CRM approach in companies. In this research data from CMAT assessment of 250 companies will be used, studies were carried out in Europe, North America and Asia Pacific, and results reflected in the book “The customer management scorecard: managing CRM for profit” (Woodcock, et al., 2003).

Each company was evaluated according to eight main elements of The Customer Management Model. Those are analysis and planning, proposition, information and technology, people and organization, process management, customer management activity, measuring the effect and customer experience. Relations between each of elements in the model are presented in Figure 16.

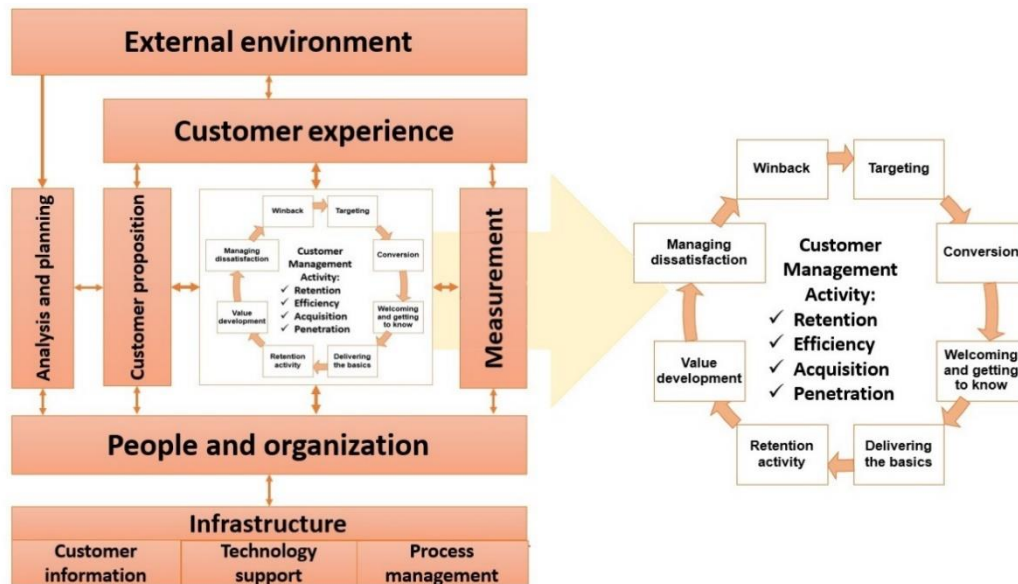


Figure 16. The QCi customer management model. (Woodcock, et al., 2003)

Before or during an interview each interviewee was asked to perform a self-assessment of a company's readiness to create a CRM vision. A self-assessment questionnaire created by Brown and Gulycz served this purpose. (Brown & Gulycz, 2002) This questionnaire allows to assess overall level of readiness towards CRM vision for the company. Authors suggest to use it as a guide for reading their book, and divide all companies into three groups.

Both companies assessed themselves, and results placed them in the group three where CRM vision is strong, and only advices on advanced techniques are necessary.

The research revealed that there are several major weaknesses in the CRM approach of both companies; and re-assessment using obtained data placed the Case Company One closer to the level between a second and a third group, and the Case Company Two to the second group. It supported another initial expectation that businesses tend to evaluate their CRM initiatives more positively than they are.

Based on assessment and suggested elements from the CRM model reviewed, one major CRM-related proposal for improvement for each case company was created.

5.1 Analysis and Planning

Both companies have indicated difficulties in understanding how much they can afford to spend acquiring, developing and retaining different customer groups. According to Woodcock, et al. (2003), it is quite common for the companies to have weak points in customer acquisition, retention and development processes' evaluation. The results of the CMAT study indicate that 62% of companies do not use target acquisition costs, 63% of companies still do not measure retention rates, 39% do not consider propensity to buy in their cross-selling activity; and 45% do not use cross-sell triggers. A sales plan of many companies is based on the 'acquisition at any cost'. Target acquisition costs (allowable cost of sale) are rarely used. Few companies employ targeted contact strategies even for high-value customers. 49% of the companies do not recognize and do not use triggers (during an inbound service call for instance) to identify cross-selling opportunities. (Woodcock, et al., 2003)

One way to solve this issue, according to Woodcock et al., is to determine the net present value (NPV) of different customer segments; apply percent probability (that is, to what extent company is sure of achieving planned amount of NPV) to this and determine what percent company can afford to spend on acquisition and retention. (Woodcock, et al., 2003)

Another common issue for both companies is segmentation activity's time. According to Brown and Gulycz, the time when segmentation of both companies is done is obviously

outdated as it should be done at least once a year (Brown & Gulycz, 2002). In Payne, Buttle or Woodcock, et al., there is no suggestion that segmentation should be done with such frequency (Buttle, 2009; Payne, 2009; Woodcock, et al., 2003).

5.2 Developing proposition

The Case Company One working on proposition creation performing market and customer needs research, whereas the Case Company Two uses previous studies and customer feedback from the shop. Obviously, it shows weaknesses of the Case Company Two in the development of its proposition, but currently interesting methods to solve this problem are used.

According to CMAT research, only one out of four companies (24%) does carry customer true needs research. Other types of research are carried, often focused on views about the current or future product range; but those do not reveal customers' underlying needs. Evidence shows that only about one in ten carry out needs-based research by segment. (Woodcock, et al., 2003)

5.3 Communicating proposition

Both companies are working on their value proposition and communication, carry needs research and tailor proposition accordingly. "Mystery shopping" experiment in the Case Company One and direct observation of the working routine of the Case Company Two have supported this view. However, the Case Company One would benefit from a more active use of social media, and the Case Company Two from a customer needs research.

According to Woodcock, et al. (2003), approximately a third of companies do not formally check that their customers or their own staff understand their proposition. Dissatisfaction studies have shown that a significant amount of complaints are caused by a mismatch between what customers think they are entitled to and what the organization thinks it is providing. Interesting, that actual service or product failures do not cause so many complaints. (Woodcock, et al., 2003)

5.4 Information and Technology

There are certain restrictions regarding information openness and availability within this field. Customer data usually contains geographic/demographic and purchase data as well as medical records – an information which is partially or entirely confidential. In most companies in the field you would expect to have gender, age, address and purchases data used in CRM or SFA system with a separate medical record unit due confidentiality.

As regards to common trends, only 37% of companies within CMAT study have robust programmes for data protection compliance and only 26% have formal quality standards for imported data. And only about 1 out of 10 companies store in their customer databases activity records that reflect also customer plans besides past information. (Woodcock, et al., 2003) This is most likely a reason for ongoing discussion on the right way of CRM solution introduction, as some companies find it difficult to see its benefits.

5.5 People and Organization

Both companies use employee appraisal system for retail staff according practices recommended for a service business (see Grönroos, 2007) and make efforts to ensure employee competence. The Case Company One has a well-established practice of doing that, the Case Company Two just had started the initiative. Results for both companies indicate that management principles are facilitating customer orientation for customer-facing employees.

The limitations of the present study don't offer to establish whether the same level of customer-centricity exists for employees having no direct contact with customers of both companies.

According to previously cited CMAT study, only 11% have formally identified all the staff roles that impact on customer management. Usually the staff in retail outlets, call centres, customer service and field are considered as having impact on it. Important to understand that the staff of logistics, credit control, technical support, problem development, accounts and security departments are also influencing customer management. Besides this, only

14% of assessed companies have shared objectives across departments. (Woodcock, et al., 2003)

5.6 Process Management

Unfortunately, documentation for the process management in the Case Company One was not available for study. Evidence suggests that the company has processes for customer segmentation, order processing, complaint management and enquiry management.

The Case Company Two provided the researcher with available documentation on enquiry management as well as briefly described a complaint management process. The Case Company Two also has process for order processing.

The results of assessment of the Case Company Two suggest that it has only partially identified process that may have impact on customer management. However, according to CMAT study data only 6% of the companies usually have formally identified all customer management processes (Woodcock, et al., 2003). The following processes may have impact on customers: new product development and launch, product withdrawal, customer segmentation, contact planning, volume/margin forecasting, order processing, customer deliveries, returns and credits, enquiry management, prospect conversion, customer upgrade, key account management, complaint management, invoice payments, credit control, customer defection and customer return. (Woodcock, et al., 2003)

5.7 Customer Management Activity

As previous research showed, developing of a relationship, evaluating its quality in the case of optical retail business is difficult or impossible. Both companies have weaknesses in winback activities; the Case Company Two doesn't have any of early retention processes. The Case Company Two has an original solution to this problem by encouraging clients to complain, in that way developing dialogue with its customers. To prove efficiency of this approach more research needed. Therefore, it should be carefully considered whether to apply such technique as it brings necessity to assign extra resources.

The Case Company One would benefit from more active use of social media as a part of targeting, retention, winback and managing dissatisfaction processes.

Winback is considered as a challenge in CMAT study as well - 46% of companies have never run formal winback programmes and less than 1 out of 20 do it regularly. According to Woodcock et al., winback is a huge 'lost opportunity' in general and is consistently overlooked. (Woodcock, et al., 2003)

5.8 Measuring the Effect

Both companies perform campaign measurement and contribution of the individual to performance, but don't have retention, efficiency, acquisition and penetration measurement processes.

The results of CMAT study indicate that 70% of companies don't have such processes as well. Generally companies are better at measuring specific things such as campaigns, channels and people than measuring customer retention, acquisition, penetration and cost to serve. Although 3 out of 10 companies have such measures in place, only 1 in 20 have measures covering all areas. (Woodcock, et al., 2003)

5.9 Customer Experience

Both companies make efforts to improve customer experience, but still there is a room for improvements. For example, the Case Company Two would benefit from customer satisfaction surveys; and the Case Company One from more active use of social media.

However, customer satisfaction survey data should be properly evaluated; and for the Case Company Two used only to leverage an existing customer service management at each retail unit. According to CMAT study, 60% of companies do not compare what customers say with what they mean. Most companies carry out satisfaction surveys. The results are usually aggregated to provide a 'feel-good' indicator to senior management, with all retail

detail lost. These high-level aggregated scores provide little insight into determinants of commitment and repeat purchase. (Woodcock, et al., 2003)

Data of CMAT study also indicate that 32% do not know how they compare with competitors in terms of customer management, but, nevertheless it is useful to compare performance against competitors and best practices (Woodcock, et al., 2003). Present research provides help with comparison against the best practices; as case companies are not competing nor operating in the same market.

5.10 A proposal for the Case Company One

Assessment of the Case Company One against the best practices revealed several issues for future improvement. Such customer management segment processes as retention, winback or “health check” of ongoing relationship are not done because it is not feasible using current system. As mentioned previously, the Case Company One would benefit from more active use of social media as a part of targeting, retention, winback and managing dissatisfaction processes. In the light of above mentioned and discussed facts, the adoption of social CRM (SCRM) practices would be seen as a possible solution to address gaps discovered.

According to Woodcock et al. (2011, p.54), social CRM or SCRM is “the connection of social data (wherever it is) with existing customer records (customer database) that enable companies to provide new forms of customer insight and more relevant context. Harnessed with customer relationship management, social media can deliver financial benefits to companies no matter what sector”.

The companies deciding to adopt social CRM approaches can benefit from increasing customer insight and engagement. Social media enable the brand to extend its personality to engage with consumers on consumer terms, such as at the time, place and location they want, as well through channels that they choose. Increased customer insight helps to drive real customer-centric innovation; and the knowledge gained on customer behaviour, attitudes and mood will help to enhance value chain, such as help in forecasting demand or shaping in-store promotions. (Woodcock, et al., 2011) Benefits of social CRM are presented in the Figure 17.

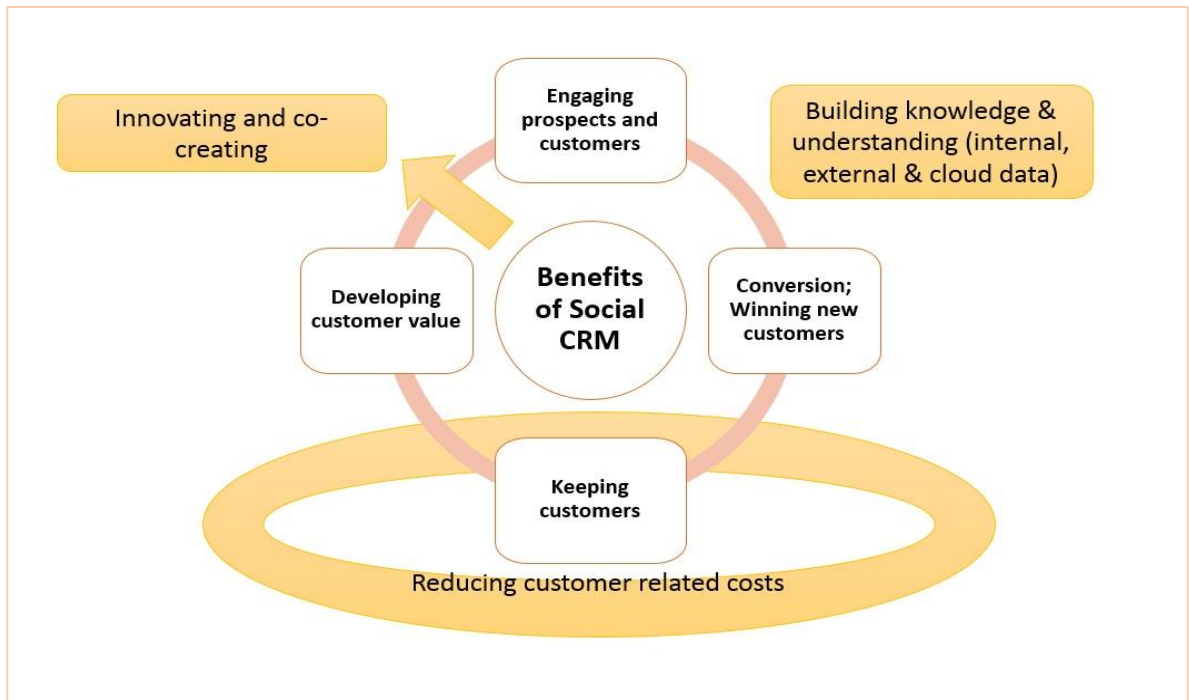


Figure 17. Benefits of social CRM (Woodcock, et al., 2011).

It is important to remember that not all customers have the same type and level of the usage of social media. The currently accepted rule is that 90 percent of social media users only view content, whereas 9 percent edit it such as provide a comment or review; and only 1 percent create a brand new content. This percentage profile is very different in some segments of the population. (Woodcock, et al., 2011) However, if in a given situation the check of an ongoing relationship is only partially possible or is not possible at all, the social media is a good enhancement of current approach and valuable addition to classic customer satisfaction surveys.

It is self-evident that organisations need to prepare for social CRM. Following presents a check-list which large organisations have found helpful in their effort to integrate social CRM with the way they manage customers (see Figure 18):

- 1) Ensure leadership buy-in and support. As with any other change, the first step is to create a sense of urgency. (Kotter, 2007) The pressure for change needs to be clear, together with the potential prize of getting social CRM integrated into the marketing mix.

- 2) Build and retain talent. The capability of an organisation's people is unlikely to match the ambition of the vision, and capable people in this area will be a desirable commodity for other companies.
- 3) Evolve working culture. The norms of 'the way we work round here' will evolve, and it needs to be more real time, agile, rapid response and collaborative. The close contact with and knowledge of consumers will allow for greater innovation and co-creation (for example, of content, promotions, products, offers, channels, services).
- 4) The way the brand teams plan, create, execute, and review should be evolved. Brand teams need to treat SCRM both as a part of the marketing mix and as a relevant and appropriate method to develop consumer engagement.
- 5) Reconsider measurement and evaluation techniques. Traditional brand metrics will be enhanced by the consumer engagement rates, the number of fans, an influencer strength, content 'shares', top conversations, top channels and so on.
- 6) Develop the right IT and data architecture. The SCRM world is open low-cost source with flexible and rapid response. SM data and tools will need to be integrated with traditional CRM systems to paint a full picture of a consumer's behaviour. (The Customer Framework Ltd, 2011-2013)

It is necessary to add that before deciding to upgrade from CRM to SCRM, the improvement of activity and content in social media is essential.

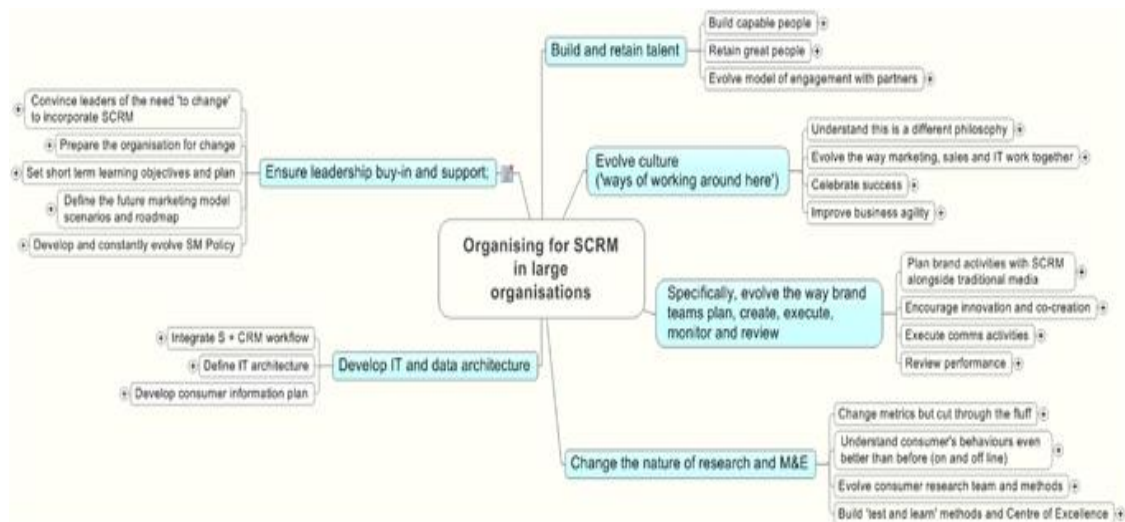


Figure 18. Mind map: Organizing for SCRM in large organizations (picture in Woodcock, et al., 2011, p.58; source of the picture: The Customer Framework Ltd, 2011).

As already stated, a SCRM approach need to be evaluated and decision is not quick, as financial evaluation is needed. Therefore, the results of discussion of such improvement are out of time scope of present research.

5.11 A proposal for the Case Company Two

Discussion with the Case Company Two revealed that of gaps in their CRM framework such as welcoming of customers may be cost-efficiently solved using technology. As the company's business is growing, current sales force automation doesn't serve scope of operations. The upper-management of the Case Company Two currently discusses plans to implement CRM solution in nearest future. Therefore, in the case of a positive decision, a proposal for the Case Company Two consisted from guidance on CRM system implementation. Such guidance was done in order to ensure that overall value of such decision is perceived by employees and maximum benefits are obtained.

The importance of the following best practices in CRM project implementation shouldn't be underestimated, as reports dating back to the mid-1990s quote alarming failure rates for CRM programmes – depending on the definition of failure and the questions asked, between 18% and 70%. (Krigsman, 2009) Surprisingly, the trend does not appear to be improving; results for 2009 suggest only 32% of projects succeeded in delivering on time, on the budget and with all objectives met. 44% did not meet expectations (late, over budget, did not deliver all requirements) and 24% completely failed (were cancelled; delivered, but never used). (Standish Group, 2011 in Woodcock, et al., 2011)

To ensure success of the project of introduction of CRM technological solution and avoid failures in implementing CRM, following steps are advised by Buttle (Buttle, 2009)

- 1) Develop CRM strategy. CRM strategy is a high-level plan of action that aligns people, processes and technology to achieve customer-related goals.
 - Situation analysis. Describe, understand and apprise current customer management strategy. Use on of CRM models available.
 - Commence CRM education. It is important that all stakeholders have a clear understanding of what CRM denotes.

- Develop CRM vision. CRM vision is a high-level statement of how CRM will change your business as it relates to customers.
 - Set clear priorities for action, normally focused on cost reduction or enhanced customer experience.
 - Establish goals and objectives: enhancing customer satisfaction or loyalty, growing revenues or reducing costs.
 - Identify people, process and technology requirements for the goals and objectives to be achieved.
 - Develop the business case, built around costs and benefits of CRM implementation.
- 2) Build the CRM project foundations
- Identify stakeholders – any party that will be affected by the change.
 - Establish governance structures.
 - Identify change management needs. It worth using Kotter's eight-step approach (Kotter, 2007).
 - Identify project management needs
 - Identify critical success factors – attributes and variables that can significantly impact business outcomes.
 - Develop risk management plan
- 3) Specify needs and select a partner
- Process mapping and refinement – identify processes to be made more effective and efficient using automation.
 - Data review and gap analysis
 - Initial technology needs specification, and research alternative solutions
 - Write request for the proposals
 - Call for proposals
 - Revise technology needs specification
 - Assessment and the selection of the partners
- 4) Implement the project
- Refine project plan
 - Identify technology customization needs
 - Prototype design, test, modify and roll out
- 5) Evaluate performance
- Project outcomes

- Business outcomes (Buttle, 2009, pp.63-65)

As can be seen from this CRM project design and planning process, the assessment of the Case Company Two made in terms of present research helps with first three steps. Basically, such assessment stands in a very beginning of such initiative. Therefore, assessment results are submitted to the company together with this CRM project implementation process proposal.

6 Conclusion

6.1 Executive summary

The aim of this research was to explore CRM notion and approaches within optical retail industry. The model approach was considered the most appropriate for such research, as it helps in “understanding of CRM and its role in enhancing customer value” (Payne & Frow, 2005, p.167).

The following four objectives were set at the beginning of the study

- 1) To choose a theoretical conceptual framework (a model) for CRM suitable for assessment of a company operating in optical retail industry;
- 2) To assess a CRM approach in both case companies using a model chosen;
- 3) To analyse and discuss the results of an assessment of CRM approach in both case companies and identify possible weaknesses that may be found;
- 4) To develop one major proposal to each one case company which would help to overcome weaknesses in CRM approach found during assessment.

Prior to review conceptual frameworks for CRM, essential topics for understanding the notion of CRM and role of CRM in business were explored. In terms of the present research term CRM was used to describe a customer-oriented business strategy in relation to business and technology management processes used to implement it; as a business philosophy fostering customer-satisfying behaviours across all organization levels; and as an approach used for development of relationships with profitable or strategically important

customer segments. Besides definition, several major topics important for understanding frameworks for CRM were discussed, such as a relationship, the creation of customer value, customer management and the role of CRM to name but a few.

Five main frameworks for CRM were reviewed, and one model out of five was selected using studies of optical retail industry and researcher's own experience in the field. Selected model was the QCi model or the Customer Management Model created by consultancy agency "The Customer Framework" and based on research by Woodcock et al. (Woodcock, et al., 2003; The Customer Framework Ltd, 2011-2013). Reasons for selection of this framework were emphasis on customer management instead of relationship management; emphasis on people and organization processes within the whole model; and the idea of customer activity management being central and the most important part of the model. Studies in the field of optical retail industry indicated that relationship quality control is a problem for many businesses. However, businesses in the field are still in a better position in comparison with other service business because they are providing primary health care services.

Two case companies were chosen for being typical of a large number of other similar institutions, which allowed some level of generalization. The Case Company One were chosen to represent a sample of large businesses and the Case Company Two for a group of mid-sized businesses. Both companies were assessed in eight major elements of the QCi model, such as analysis and planning, the company's proposition, information and technology, people and organization, process management, customer management activity, measuring the effect; and customer experience. The results were analysed using comparison to the best practices and value creating activities described in literature reviewed. Assessment results were discussed using results from the CMAT study based on the Customer Management Model.

The assessment of both case companies' revealed weaknesses and in all eight elements of The Customer Management Model. Several findings might have only minor impact on overall CRM performance, whereas some require immediate attention.

Results also supported expectation that businesses tend to evaluate their CRM initiatives more positively than they in fact are. Comparison to the CMAT study showed that about a half of businesses had similar problems in all elements of The Customer Management Model regardless of their industry.

6.2 Ideas for future research

During research, several topics for future research were discovered.

A model choice for the assessment of the companies within the optical retail industry was based on evaluation of a main elements and their importance for the field of study. The decision was made based on the main ideas and overall vision of CRM provided by conceptual framework. However, all conceptual frameworks reviewed are based on studies in a numerous amount of companies within different fields, which makes all of them universal and, to some extent, applicable for an assessment of CRM approach in any company. It would be useful to have a tool of validation of a conceptual framework's suitability for a particular industry or for a particular business. It would provide more stable foundation for the process of choice of the conceptual framework in the case of similar study.

As mentioned, all conceptual frameworks are based on the studies in a numerous amount of companies. However, many of them are large businesses. Optical retail field usually consists of a significant amount of small businesses. To create a separate model of CRM entirely for optical industry, an additional research within a purposive sample of small and middle size companies in the field would be needed. It might be the topic for future research within this business field. Besides this, as optometry status is different amongst different countries, it would be interesting to examine a conceptual framework for customer management in relation to status of health care professional and healthcare system of the country.

6.3 Evaluation

During a review of results for present research several points for criticism were discovered. Those are as follows:

- The Customer Management Model was chosen based on its main elements and overall philosophy, but research would benefit if a tool to test compatibility between a conceptual framework and a business field, or a conceptual framework and a particular company, would be available.

- Confidentiality issues (the researcher was outside person for case companies) led to some restrictions of the study. Evaluation according to some elements of The Customer Management Model could not be performed or was done only partially.
- Research in the Case Company Two supported an initial expectation that a middle size businesses will employ sales force automation systems instead of CRM solution package. However, the plans of the Case Company Two include purchase of CRM package in about two years' time. More evidence is needed to establish whether it is a new trend within industry or such changes are simply related to the growth of a business for the Case Company Two.

The study was examining a conceptual framework and was only interested in the approach used by the company. Time and scope of present research didn't let to observe actual efficiency and implementation of each of approaches within a model as well as observe processes over longer time period. Each company would benefit from a more detailed assessment of efficiency of such approach and more scrutinised assessment of business processes.

Despite critical points, four objectives set in the beginning of research were fulfilled.

Based on assessment, proposals to both companies were developed. However, both proposals require global changes, so time and scope out of terms of this project are needed for evaluation and validation for both.

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Appendix 1. Checklist: readiness to create CRM vision. (Source: Brown & Gulycz, 2002)

Score guide: 1: to a very limited extent; 5: to a very great extent						
1.	Customer segments are well defined.	1	2	3	4	5
2.	The company uses customer satisfaction surveys for understanding customer needs and what satisfies and dissatisfies customers.	1	2	3	4	5
3.	Human resources management practices empower all employees to participate in improvement initiatives.	1	2	3	4	5
4.	Employees at all levels receive the education and training they need to participate effectively.	1	2	3	4	5
5.	Senior executives are personally and visibly involved in demonstrating that improved customer satisfaction is a high priority strategic goal.	1	2	3	4	5
6.	Customer service performance measures exist at the organizational, departmental and individual job levels and are widely publicized and acted upon.	1	2	3	4	5
7.	Communication is frequent and informative.	1	2	3	4	5
8.	All employees are aware of their internal customers and suppliers.	1	2	3	4	5
9.	The working environment is conducive to the well-being and morale of all employees.	1	2	3	4	5
10.	The organizational hierarchy does not inhibit effective and constructive two-way communication over process improvement issues.	1	2	3	4	5
11.	The company's values are clearly articulated and understood by all employees. They are constantly and consistently reinforced by the actions of all managers.	1	2	3	4	5
12.	Goals for customer satisfaction make us stretch but are attainable.	1	2	3	4	5
13.	The company encourages close collaboration and teamwork.	1	2	3	4	5
14.	The employee performance appraisal, recognition and reward processes strongly promote involvement in delivering customer satisfaction.	1	2	3	4	5
15.	Business processes are regularly reviewed to eliminate nonvalue-adding activities and improve customer satisfaction.	1	2	3	4	5
16.	Relationships with customers are managed effectively and involve obtaining information from them to improve products and services.	1	2	3	4	5
17.	Business cases for change are clearly articulated and validated.	1	2	3	4	5
18.	Customer complaints are welcomed and resolved quickly and positively.	1	2	3	4	5
19.	Effective processes for determining current and future customer requirements and expectations are applied both systematically and rigorously.	1	2	3	4	5
20.	The strategic and business planning processes have a strong focus on customer service and produce clear objectives for improvement.	1	2	3	4	5

Appendix 2. Interview questions.**Analysis and planning/strategy of the company**

1. Please define strategy, mission, and vision of the company. Do you have company's objectives for 5 years period? Longer?
2. Do you have your competitive arena determined? Do you know who your competitors are? What customers they try to win from you?
3. Is there a customer segmentation activities? When last time it was done?
4. Do you know how much you can afford to spend on acquisition, development and retention of different customer groups? (Answer might be yes or no, no financial report required.)
5. Do you have a target market? (Customer segment, on which you are targeted?)
6. What geographic area you are serving? On what level you are competing – national, regional, multinational, and global?
7. Do you have a clear understanding about your profit? From which customers/what customer segment it comes from?

The proposition (the value proposition)

8. If I am your target client, why should I use your services/buy glasses, lenses etc.? Do you make effort to ensure that your shop assistants know answer to this question?
9. How do you perform a customer needs research?
10. How are your service standards formulated? Are they available/familiar to every employee?
11. Describe your external/internal communication with the customer? To employees of the company?

Customer management activity

12. How you target marketing activities? (checklist: campaign planning, buying trigger identification, personalization, integration with channels, over-targeting prevention)
13. How do you collect feedback from employees about what customer had asked?
14. How do you manage enquires from corporate customers?
15. How do you welcome new customers?

16. How do you determine why new customer is won?
17. How you monitor first purchases and get customer view?
18. How do you collect information about customers? About their opinion?
19. How do you perform customer satisfaction surveys?
20. How do you perform a “health check” of ongoing relationship with the customer?
21. How do you know whether a customer is a “key customer”?
22. How do you tailor proposition to each customer? How do tailor proposition to each customer segment group?
23. If I am your key customer, what you have to offer to me?
24. What is your development strategy to each customer segment?
25. How do handle complaints?
26. Do you have responsible person for complains handling in each retail outlet (e.g., trained employee), or you have a one manager for region, and all complaints should be handled via office? Maybe you have some criterions by which you determine whether to handle complaint at the shop or via office?
27. How do you know when and why you have lost your customer?
28. How do you decide which customers to win back?

Measuring the effect

29. How do you perform strategic measures? What are the key performance indicators?
30. What kind of individual performance measures do you have? Employee performance measurements?
31. How do you measure campaign success?

Information and technology

32. To what kinds of technologies you are involved in?
 - 32.1. Do you use CRM solution?
 - 32.2. What information you include in the customer database?
 - 32.3. Do you use sales force automation systems?
 - 32.4. What kind of social media do you use (Facebook, Twitter)?
 - 32.5. Do you have a homepage? Do you have online shop, online appointment reservation system? Is it possible for the customer to track order status online?

32.6. How do you remind a customer about follow-up visit? Time to change contact lenses?

Customer experience.

33. How you measure customer satisfaction?

34. How do you perform event-driven research?

35. How you ensure (check) whether customer remains loyal?

People and organization.

36. What tools you use to measure employee successful performance? (e.g., number of sales etc.)

37. What kind of appraisal system for employees in a case of a good service do you have?

38. How you manage necessary amount of staff in the shop? What kind of measurements you make?