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**DEVELOPING BUSINESS-TO-BUSINESS CUSTOMER RELATIONSHIP
MANAGEMENT – CASE COMPANY X**

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ABSTRACT

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The purpose of this thesis is to examine how to develop business-to-business customer relationship management, with specific focus on strategic and collaborative perspectives. By identifying the best practices, the goal is to gain valuable insights and concrete development ideas for the commissioning company. In addition to an extensive literature review, semi-structured interviews were conducted throughout the case company to establish a solid basis of the current customer relationship management approaches within the case company, and the findings were reflected against literature findings to present development suggestions.

CRM brings many benefits when implemented properly, however it also calls for significant commitment and efforts from the committed company. Major threats against success of CRM are absence of employee commitment, silo-based organizational myopia limiting information sharing and lack of clear customer-centric processes. By overcoming these challenges and shifting the focus to supporting the customer value creation by acting as a trustable, it is possible to achieve long-term, mutually beneficial relationships.

TIIVISTELMÄ

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Tämän lopputyön tarkoituksena on tutkia, kuinka kehittää yritystenvälisten asiakassuhteiden asiakkuudenhallintaa, erityisesti strategisesta sekä kollaboratiivisesta näkökulmasta. Työn tavoite on tunnistaa parhaita käytäntöjä tutkimalla arvokkaita havaintoja sekä konkreettisia kehitysehdotuksia tilaajayrityksen hyödynnettäväksi. Kattavan kirjallisuuskatsauksen lisäksi tilaajayrityksen nykytilaa kartoitettiin teemahaastattelujen kautta, jotta konkreettinen pohjustus nykyisistä asiakkuudenhallinnan käytännöistä. Teemahaastattelujen löydöksiä peilattiin kirjallisuudesta kerättyjä havaintoja vasten ja näiden pohjalta esitetään kehitysehdotuksia nykytilan parantamiseksi.

Oikein toteutettuna asiakkuudenhallinta (CRM) tuo monia etuja, mutta samanaikaisesti se vaatii yritykseltä huomattavaa tahtotilaa ja sitoutumista yritykseltä. Suurimmat uhat asiakkuudenhallinnan onnistumiselle ovat työntekijöiden sitoutumattomuus, siilo-pohjaisen organisaation haasteet tiedonjakamisessa sekä asiakaskeskeisten prosessien puuttuminen. Pääsemällä näiden haasteiden yli ja siirtämällä fokusta kohti asiakkaan arvonluonnin tukemista luotettavuuden kautta, yrityksen on mahdollista saavuttaa pitkäaikaisia, molempia osapuolia hyödyttäviä suhteita.

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Sincerely,

Ville Kivistö

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1. INTRODUCTION

Customer relationships are the most fundamental relationships of any business, and relationships with business customers are prone to be complex. Business customers are increasingly concerned about the supplier's performance to an extent beyond mere price, product or service quality. They are also more probable to assess the supplier's eagerness to adapt the offering, the level adaptation to cope with the customer or what they can learn from the supplier and acquire on a long-term basis. (Ford et al. 2003, 63).

In globalized and constantly adapting markets the traditional dyadic relationship between the supplier and customer has long been challenged by market forces. Achieving and retaining competitive advantage in relationships is becoming increasingly challenging. Whereas few decades back the competitive advantage was founded on material competencies, for modern companies the service offering, immaterial competencies, development of them and shielding against competitors is becoming a determinant of success. A supplier, who relies solely on the product offering, is bound to face cost pressures. Processes, competencies of internal actors and management of tacit knowledge form an important platform for companies to manage to achieve competitive advantage over competitors (Grönroos 2009, 497; Bergström and Leppänen 2015, 67).

Another notable change emerging in the B2B markets is the transformation of relationships from symmetry to asymmetry, meaning that as the buying organizations are reducing their number of suppliers, the significance of an individual customer to a company is increasing. As a result, some buyers have become so significant for the company that their actions may influence the company strategy. This has led to a challenge for companies; whether they are leading or being led in the relationship (Storbacka 2005, 20; Shuman et al. 2002, 38).

In the past, quality has been associated with product and its impeccability, whereas today it is seen as more comprehensive term, referring to all activities conducted by a company aiming to fulfil customer needs and expectations. Therefore, quality has become an important variable of the relationship between the company and its customer. (Lusch and Vargo 2014, 107-108; Bergström and Leppänen 2015, 171).

To better meet these challenges, companies are increasingly applying formal customer relationship management (CRM) initiatives. However, managing customer relationships is

challenging for numerous companies as the customer's needs, wants and transaction types vary significantly. The focus of CRM is on segmenting the customer based on their needs or profitability and designing and implementing programs to efficiently allocate suitable resources to each customer. The appropriate allocation of resources enables the flow of value both to the firm and the customer (Arnett and Badrinarayanan, 2005).

Through application of CRM a company has the potential to identify and acquire prospective customers, segment the customer efficiently, understand the needs of the customer, develop and increase value of the customer relationships and improve customer service and – satisfaction (Baran et al., 2008). Pepper and Rogers (2004; 2016) note that for CRM to be efficient, not all customers cannot be given the same amount of attention. Tamosiuniene and Jasilioniene (2007) stress that for CRM to be functional, the entire company culture and processes need to be modified. To fully grasp the benefits of any CRM initiative, a company needs to have profound understanding of how their customers differ and the importance of creating unique and relevant value propositions (Knox et al. 2003).

In business-to-business (B2B) environment, CRM is the business process that provides the structure for managing and developing relationships with customers and it is increasingly viewed as a cross-functional and mutual value creating function (Lambert, 2010). A common presumption is that marketing function is responsible for creating, sustaining and reinforcing relationships with B2B customers. However, if two large organizations aim to be able to coordinate complex operations, all company functions must be involved and actively commence in the relationship to align company resources with the potential profit of the relationship (Ryals and Knox, 2001).

Commonly CRM initiatives stem from the frustration of an individual department on the level of their tools, and an unfortunate number of those departments end up developing solutions for their needs. In certain cases, this may be an optimal solution, but in such cases the extent may only include the development of a project tool, not organization-wide business development (Oksanen 2010, 57).

Value is playing a significant role in B2B relationships. Customers rely on the products and services they buy from their suppliers to improve their own market offering and to increase their own profitability (Ulaga, 2001). The relationship has its value to both parties, who aim to it to be valuable. Therefore, understanding customer value is key importance to manage

the customer relationship (Storbacka et al. 1999, 19). For business marketers to provide their customers with added value, they need to form strong bonds and relationships with their customers. (Kotler and Keller 2008, 205).

The responsibility of delivering customer value and satisfaction cannot be left as the responsibility of one function alone or those with direct customer contact. Despite production employees rarely having direct contact with the customer, interruptions in production schedules have negative effects on the customer satisfaction. This calls for a need of cross-functional customer teams, and the more business functions are involved in customer relationships, especially key customer, the more useful knowledge will be generated as a result (Tzokas and Saren, 2004; Enz, 2009; Grönroos, 2009).

Successful relationships that lead to partnerships require time to develop, which is why actually successful relationships are a minority. Mutual collaboration requires internal teamwork from all the disciplines involved. In many companies, the functional structure interferes with an efficient internal collaboration and thus interferes with close and effective cooperation with customers (Van Weele 2014, 201).

1.1 The aim of the study

The purpose of this thesis is to study how to develop strategic and collaborative customer relationship management in a manufacturing company operating in B2B environment. This Master's Thesis was commissioned by a Finnish company, who acknowledged a need to develop customer relationship management activities. As a part of this paper, in-depth theme interviews will be conducted throughout the company.

The commissioner of this study, who will remain anonymous out of their wish and shall later be referred simply as 'Case Company X', is a Finnish fast-moving consumer goods manufacturer, operating in a highly regulated environment on a global scale. The business is very customer intensive, and increasing competition introduces new challenges. Therefore, the aim is through improved customer relationship management initiatives, to serve the needs of the customers more efficiently and possibly harness new value creation potentials within the relationships.

1.2 Literature review

For the past two decades Customer Relationship Management (CRM) has been a topic of significant interest, and the outcome of that is extensive literature available of the topic, including numerous books and research papers. As a concept CRM is controversial, and a clear consensus of the concept is yet to emerge, as even the acronym is still a subject of controversy among academe (Sheth and Parvatiyar, 2002). Payne (2005, 168) constructed a CRM continuum (Figure 1) to apprehend the variety of approaches to the concept. In its broadest and most strategic form, CRM is a holistic relationship management to create value, whereas in its most tactical and narrowest form, it refers to the implementation of a specific technological solution.

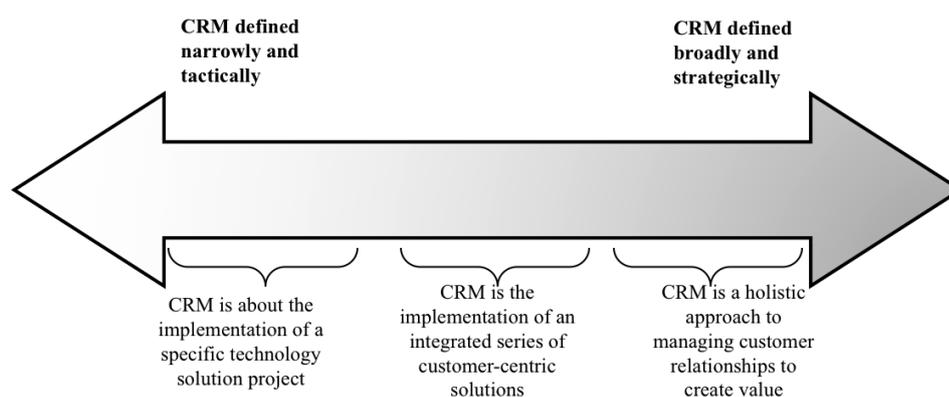


Figure 1. The CRM Continuum (After Payne and Frow 2005, 168)

Despite the varying terminology, similarities can be identified from literature. In B2B context, Lambert (2010) approached CRM as the business process of how relationships with customers are developed and managed. Mäntyneva (2001, 10-11) shared similar thoughts and grasped CRM as a continuous learning process, where the aim is to acquire more knowledge of the customer, which will be utilized to increase customer profitability by addressing the customer's needs. Shang and Lin (2010) urged companies to consider the human aspect of CRM, as these processes are performed by humans and necessitate clear understanding goals, contents of key-decisions and system-people interactions.

Since the goal of CRM is to create superior customer experiences and value, it is important to note that to achieve this, it is necessary to adopt a relationship perspective over exchange

perspective. Whereas the more traditional exchange perspective emphasises value distribution and outcomes, relationship perspective focuses more on the creation of value through collaboration and processes. The main emphasis is not on products, which act only as enablers of customer value creation, but on customer's value-creating processes. As such, the aim of relationship perspective is to contribute and support the customers' consumption and utilization processes throughout the relationship, while creating value for both parties (Grönroos 2009, 50-51)

Adoption of relationship perspective also influences the marketing perspective. Whereas the traditional approach of transactional marketing aims to persuade the customer to purchase and the interests of the parties are neither aligned nor dependent, relationship marketing aims to create through the interaction between the parties, which calls for collaboration to be able to create customer value. The interests of the parties are aligned, and they are dependent on one another to a certain degree (Grönroos 2009, 52-53).

The literature was sought from academic sources such as SCOPUS and Google Scholar using keywords such as "CRM", "Customer Relationship Management", "Collaborative Customer Relationship Management", "Strategic CRM", "Collaborative CRM" and "Relationship Management" among others. Based on the results from the above-mentioned keywords, a bundle of research articles and books were selected to determine the outlooks of customer relationship management. Table 1. highlights the common denominators discovered from the literature review.

Table 1. Key Denominators of Customer Relationship Management

Author(s)	Strategic CRM			Collaborative CRM			Relationship Quality		
	<u>Customer Centricity</u>	<u>Customer Segmentation</u>	<u>Processes</u>	<u>People</u>	<u>Knowledge Management</u>	<u>Technology</u>	<u>Trust</u>	<u>Commitment</u>	<u>Satisfaction</u>
Alexander and Turner (2001)	x	x	x		x	x			x
Alt and Puschmann (2004)	x	x	x	x					
Arnett and Badrinarayanan (2005)	x	x	x		x		x	x	
Baran et al. (2008)	x					x			
Bergström and Leppänen (2015)		x		x	x	x			x
Buttle and Maklan (2015)	x	x	x	x	x	x	x	x	x
Cannon et al. (2010)							x		
Chang and Ku (2009)									
Chen and Popovitch (2003)	x	x	x	x		x			
Crosby et al. (1990)							x		x
Egol et al. (2004)	x			x					x
Gentle (2002)		x	x	x		x			
Grönroos (2009)	x		x	x					x
Gummesson (2008)	x	x		x	x	x		x	x
Harris and Dibben (1999)					x		x		
Hatala and Lutta (2009)				x	x				
Knox et al. (2003)		x	x	x	x	x	x	x	
Lambert (2010)	x	x	x	x	x	x			
Morgan and Hunt (1994)				x			x	x	
Payne (2008)			x	x					
Payne and Frow (2015)									
Peelen (2005)		x	x	x	x	x	x	x	x
Peppers and Rogers (2016)	x		x	x	x	x	x		
Phelps (2008)	x	x	x	x			x	x	x
Ravald and Grönroos (1996)									x
Reinartz, Krafft and Hoyer (2004)	x	x	x	x		x			
Storbacka and Lehtinen (2001)	x	x	x	x	x		x	x	x
Selin and Selin (2005)	x	x	x	x	x	x			
Wilde (2011)					x		x		

From the preliminary literature review, nine major denominators of CRM were identified: people, processes, technology, customer centricity, knowledge management, customer segmentation, trust, commitment, and satisfaction. For this study, the first three denominators (customer centricity, customer segmentation and processes) are labelled as strategic CRM, referring to the activities the company must commence in order to identify their most valuable customer, centre activities around these customers and create processes to support value creation to these customers (Gentle, 2002; Chen and Popovich, 2003; Grönroos, 2009; Buttle and Maklan, 2015). The following three denominators (people, knowledge management and technology) are labelled as collaborative CRM and these refer to the collaboration both within the organization and with the customer, which call for team-oriented staff that is willing and efficient in management and sharing of customer information with the help of technology (Alexander and Turner, 2001; Arnett and Badrinarayanan, 2005; Wilde, 2011; Buttle and Maklan, 2015). The last three key denominators (trust, commitment and satisfaction) are labelled as Relationship Quality, as CRM entails close relationships with customers, which can be developed by increasing trust, which leads to commitment, which eventually results as satisfaction (Roberts-Phelps, 2001; Peelen, 2005; Storbacka and Lehtinen, 2001). It is also important to note that the fundamental core of CRM is to create customer value (Storbacka and Lehtinen, 2001; Knox et al. 2003; Grönroos, 2009; Buttle and Maklan, 2015; Peppers and Rogers, 2016), which is why value creation is addressed separately.

Based on the discovered key denominators, more literature was acquired by utilizing these as search terms. All in all, 195 research articles and 25 books were included in the research process. These articles were further utilized to acquire material for the theoretical part of this thesis.

1.3 Research question and theoretical framework of the study

Based on aim of the study and literature review, the research question for this study is:

How to develop strategic and collaborative customer relationship management in an B2B company?

As a result of the literature review, three support questions were created:

1. How are customer relationships currently managed?
2. What is the impact of Relationship Quality on CRM?
3. How value creation currently is acknowledged?

Followed by literature review, a theoretical framework was developed, and this is illustrated in Figure 2. The four focus areas are strategic and collaborative aspects of CRM, relationship quality and value creation. Theoretical part focuses on describing strategic CRM from the company-wide perspective, followed by aspects of collaborative CRM. Since relationship quality is an important factor when aiming to develop long-term relationships, fourth chapter focuses on the constituent necessary. The fifth chapter addresses value creation, which is the goal of any relationship.

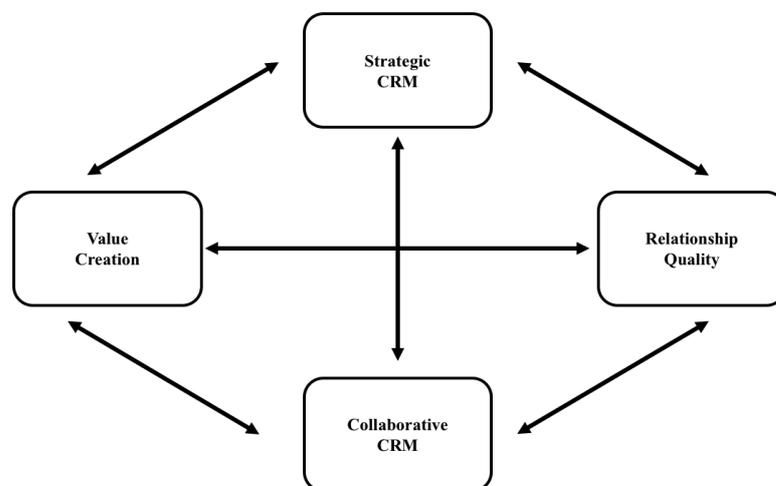


Figure 2. Theoretical Framework of the Study

1.4 Research methodology

Table 2 represents the research methods of this study. This study follows hermeneutic research philosophy and approaches the topic from a deductive perspective. The selected research method is case study and the data is collected via semi-structured interviews, or theme interviews. The research type is qualitative, which is one of the most commonly

applied methods for case studies. The research method and study design are further addressed in chapter 6.

Table 2. Research Methods of this Study.

Research philosophy	Hermeneutic
Research approach	Deductive
Research method	Case study
Data collection	Theme interviews
Research type	Qualitative

1.5 Limitations

Due to the broad concept of CRM, limitations are necessary to streamline this study in the context of terms. In notion to CRM continuum by Payne (2005, p. 168) in figure 1, this study approaches CRM from ‘broad perspective’, where CRM is seen as “*a holistic approach to managing customer relations to create value*”.

In this paper, the term ‘knowledge management’ is limited, and refers to the internal knowledge sharing and information exchange but is remains labelled as knowledge management. Also, as Buttle and Maklan (2015,14) note, some argue CRM to be nothing more than an IT system, however in this study, IT will be addressed as an enabler towards successful CRM.

In this study, the focus is only on the dyadic relationship between the customer and supplier. This is done despite Gummesson (2004, 139) pointing out that one the biggest stumbling points of CRM definition is treating the customer-supplier relationship as an isolated island without context. However, this is done only for the sole purpose of streamlining this paper.

It is also important to note that the scope of the of this study consists only the case company X, and the results of this study may not be applicable on a general customer relationship management level. Additionally, as the focus of this study is on B2B customers, their customer relationship management activities differ from those of B2C customers, and this perspective is excluded.

1.6 Structure of the study

This thesis consists of eight main chapters. The introduction chapter focuses on introducing the aim of this thesis, the research question, research methodology, limitations and structure of the study. The theoretical part of this papers consists of four chapters which aim to provide a theoretical background from scientific literature. Figure 3 portraits the structure of the study.

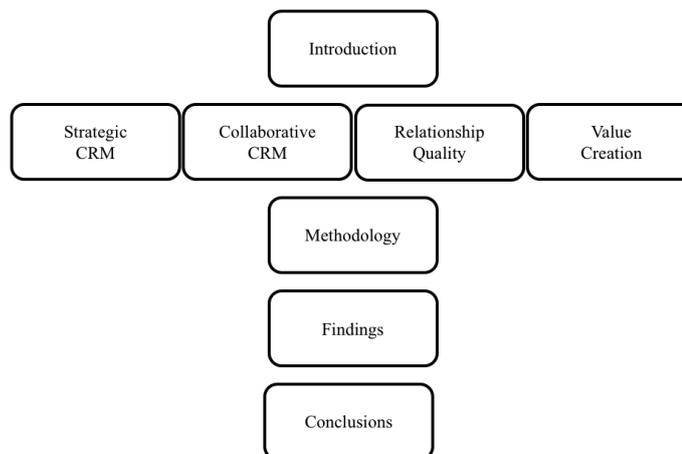


Figure 3. Structure of the Thesis

As the first theoretical chapter, chapter two focuses on strategic CRM and provides more insights on customer centricity, customer segmentation and processes. Chapter three focuses on collaborative CRM and emphasizes people, knowledge management and technological aspects of CRM. Chapter four addresses relationship quality from the aspects of trust, commitment and satisfaction. Since the first and foremost importance of any CRM initiative is to create more value, chapter five addresses value creation from buyer and co-creation perspectives, while also summarizes all four theoretical chapters. Chapter six focuses more on methodology used in this study. Chapter seven focuses on the findings from the interviews, as results from the interviews are presented and analysed. Additionally, the findings are also reflected against literature to create a comprehensive picture of the current state of CRM and provide development suggestions. Chapter eight is the closing chapter, where conclusions are presented, and future study areas proposed.

2. STRATEGIC CUSTOMER RELATIONSHIP MANAGEMENT

Kumar and Reinartz (2012, 36) argue that the goal of strategic CRM is to shape the interactions between a company and its customer so that it maximises the lifetime value of the customer to the company. Buttle (2009, 4) and Buttle and Maklan (2015, 5) define strategic CRM as the core customer-centric business strategy that aims at winning and retaining customer by creating and delivering value superior to competitors. As Payne (2005, 24) notes, strategic CRM encompasses an approach to CRM that begins with the company's business strategy and concerns the development of long-term customer's relationships that entail value creation. This calls for the company to segment customers efficiently and create processes to ensure maximal customer value creation. Buttle and Maklan (2015, 374) further argue that strategic CRM aims to create an organization designed to generate and deliver customer value and experience continuously to selected customers.

One of the fundamental premises of strategic CRM is that not all customer can, nor should, be management the same way, unless there is a clear strategic sense to do so. As customers have different needs, preferences and expectations, but also different revenue- and cost profiles, there is clear need for different management approaches. Where some customers may be offered customized products and face-to-face account management, others may be presented with standardized products. If the second group were to have same product options and service levels as the first, they may turn out to be unprofitable for the company (Buttle and Maklan 2015, 120).

Strategic CRM must include majority of organizational departments and functions to the initiative. The common notion that sales, marketing or IT performs CRM is, simply put, false. Rather, strategic CRM calls for customer-centric organization that adopts cross-functional processes instead of functional silos. CRM must be approached as a set of activities that provide a unified view of the customer, independent of the contact channel. This necessitates that customer knowledge is uniformly available to all customer-facing functions (Kumar and Reinartz 2012, 35-37).

The following chapter continues with the by going through the three denominators of strategic CRM: customer-centricity, customer segmentation and processes.

2.1 Customer Centricity

According to Buttle (2004, 5; 2009, 5), a customer-centric company shares a set of principles about putting the customer first. Shah et al. (2005, 116) point out that “*an ideal customer-centric organization implies having all activities integrated and aligned to deliver superior customer value*”. Selin and Selin (2005, 19) note that for numerous companies’ the challenge lies within transformation from product centricity to customer centricity. The core product is known thoroughly, but the value created to the customer lacks definition. The cornerstones of customer-centric thinking are (Selin and Selin 2005, 20):

1. Value creation, or what value does the product or service render to the customer
2. Product or service is seen as a process, whereby a view is constructed from an entity of customer interactions, instead of product or service
3. Continuous development of customer relationships and providing customers with new opportunities for value creation. This enables the company to better engage the customer to the company.

Narver and Slater (1990) argue that customer centricity is “*the sufficient understanding of one’s target buyers to be able to create superior value for them continuously*”, and a customer-centric organization calls for a new culture of collaboration (Egol et al. 2004). A customer-centric company collects, disseminates and utilizes both customer and competitive information to create superior value propositions for customers. There is indication that customer centricity strongly correlates with business performance (Buttle 2009, 5), and customer centricity is also considered to be one of the strongest contributors to the development of trust (Doney, Barry and Abratt 2007).

True customer centricity calls for profound knowledge and acceptance of customer responsibility (Grönroos 2009, 410) and it can be summarized into three aspects: availability, interaction and value creation. Availability means that the company is easily reachable, easy to collaborate and prepared to react to stimuli from customers and competitors. When company has achieved sufficient availability, the focus can be directed on interaction. There are different forms of interaction and can build on development of functioning dialogue, organizational learning and customer processes. The last key aspect is value creation, which acts as the foundation of differentiation and competitive advantage (Storbacka et al. 1999).

Storbacka (2005, 36) argues that customer centricity does not receive significantly attention within companies and the collective thought seems to be that customer-orientation is nothing more but a measly ‘bag of tricks’ which the company may utilize to succeed, and such thoughts create pitfalls that prevent growth. Mattinen (2006, 235) shares similar thoughts and argues that genuine customer-orientation requires the company to descend from the office close to the customer. Both Boulding et al. (2005) and Shah et al. (2006, 115) note that the true essence of customer centricity is not on how to sell products, but rather on how to create value for the customer and in the process, create value for the firm. Hence, customer centricity is concerned with the process of mutual value creation.

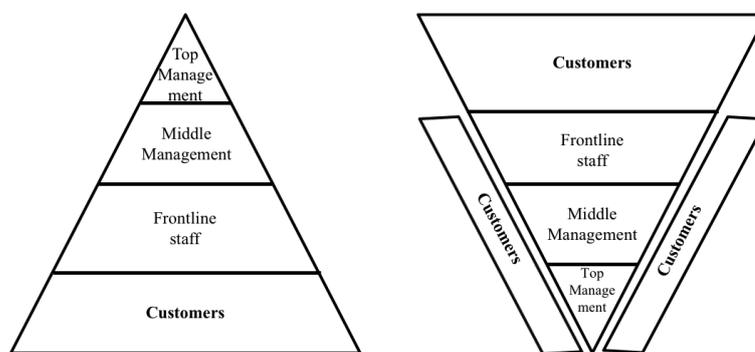


Figure 4. Traditional Organization vs. Modern Customer-centric Organization (Kotler and Keller 2008, 121)

Company believing in the traditional organization chart (figure 4 left), where the president is at the top, management in the middle and frontline staff and people at the bottom, is facing an outdated ideology. Instead, a truly customer-oriented company reverts the organizational chart (figure 4 right), so that customers are the most important, followed by frontline staff who serves and satisfies customer’s needs. Middle management exists to support frontline staff that they can serve customers well, because it is the customer service staff who is primarily responsible for the success and profitability of customer relationships. The role of top management is to hire and support good middle managers. What is notable in the modern organizations are the customers who are added to the side as well, meaning that managers at all levels must be personally involved in knowing, meeting and serving customers (Kotler and Keller 2008, 120; Grönroos 2009, 410).

2.1.1 Product-centric vs Customer-centric Business Orientation

Buttle and Maklan (2015, 5) note that customer centricity competes with other business logics and Kotler (2000, 11) identified three other major business orientations: production, product and selling. To streamline this study, in addition to customer centric business logic, this paper focuses on product-centric business logic. Table 3 distinguishes the differences between product-centric and customer-centric ideologies.

Table 3. From Product Focus to Customer Centricity (after Egol et al. 2004)

Product-Focus		Customer-Centricity
<ul style="list-style-type: none"> Discrete transaction at a point in time Event-oriented marketing Narrow focus 	Customer Orientation	<ul style="list-style-type: none"> Customer life-cycle orientation Work with customer to solve both immediate and long-term issues Build customer understanding at each interaction
<ul style="list-style-type: none"> Narrow definition of the customer value proposition Off-the-shelf products Top-down design 	Solutions Mindset	<ul style="list-style-type: none"> Broad definition of the customer value proposition Bundles that combine products, services and knowledge Bottom-up. Designed on the front lines
<ul style="list-style-type: none"> Perceived as outsider selling in Push product Transactional relationship Individual to individual 	Advice Orientation	<ul style="list-style-type: none"> Working as an insider Solutions focus Advisory relationship Team-based selling
<ul style="list-style-type: none"> Centrally driven Limited decision-making power in the field Incentives based on product economics and individual performance 	Customer Interface	<ul style="list-style-type: none"> Innovation and authority at the front line with the customer Incentives based on customer economics and team performance
<ul style="list-style-type: none"> “One size fits all” processes Customization adds complexity 	Business Processes	<ul style="list-style-type: none"> Tailored Business Streams Balance between customization and complexity Complexity isolated within the system
<ul style="list-style-type: none"> Rigid organizational boundaries Organizational silos control resources Limited trust across organizational boundaries 	Organizational Metrics and Links	<ul style="list-style-type: none"> Cross-organizational teaming Joint credit High degree of organizational trust

A product-oriented business shares a belief that customer selects products with best quality, performance, design or features. It is commonly management who makes assumptions about what customers want and the profitability measures product profitability. The focus tends to revolve around the product life-cycle, product profitability, product sales and seeking customers for products. Commonly product-oriented companies are highly innovative, however the customer's voice remains neglected, as very little or no customer research is conducted. Product-oriented companies also consistently over-specify or over-engineer for the requirements of the market (Buttle, 2004; Selin and Selin, 2005; Buttle and Maklan, 2015).

Contrary to product-centric business logic, a customer-centric (or market-oriented as noted by Kotler and Keller 2012, 18) company is a learning organization that shares a mutual belief

of putting customer first and continuously adapts to the customer requirements and competitive conditions. It seeks the right products for the customer and focuses on the profitability of a customer, customer life-cycle and development of long-term customer relationships. Collecting, disseminating and utilizing both customer and competitive information is used to develop improved value propositions for customers (Buttle, 2004; Selin and Selin 2005; Buttle and Maklan, 2015).

2.1.2 Four types of reacting to customer needs

In order for companies to increase their customer satisfaction and reduce retention, proactive approach to customer relationships is vital. This calls for proper knowledge gathering and – sharing activities, which in turn increases the customer value creation. Usually customer service operations focus mainly on the reactive relationships with customers, whereas in proactive approach, the customer service does not wait for complaints to be registered, but actively seek to uncover and provide a solution to customer dissatisfaction (Payne 2005, 13-14). Peppers and Rogers (2016, 101) also point out that proactive approach also has an impact on trust, as this signals to the customer that the company shows true benevolence towards them.

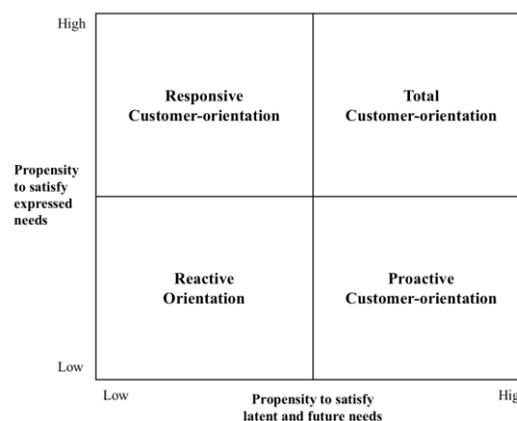


Figure 5. Four Types of Satisfying Customer Needs (Herhausen, 2011)

There are generally four types of acting on customer needs (Figure 5): reactive orientation, responsive customer orientation, proactive customer orientation and total customer

orientation. These needs can be acted on high or low propensity to latent and future needs and expressed needs (Herhausen, 2011).

The first one, reactive orientation companies rate poorly in both serving either current or future needs. As a result, customer satisfaction, customer loyalty and customer retention are low. Second, the responsive customer-orientation companies are expert handling expressed needs but lack the competence to identify latent and anticipating future needs, and act only when the change is at hand. Third, proactive orientation, does not aim to fulfil current needs, but instead looks forward and actively searches for hidden needs through creation of innovations that undermine current solutions or technology. Examining these future needs, of which the customers themselves may not be aware, is key importance. The last one, totally customer-oriented companies address expressed, latent and future needs of the customer. Whereas totally customer-orientation requires significant intuitive appeal, achieving and retaining it is extremely challenging and cost intensive (Herhausen, 2011).

2.2 Customer Segmentation

Storbacka et al. (2003, 45) point out that it is challenging to make conclusions of the customer's future behaviour based on their purchase history, while Yip and Bink (2007, 106) argue that the biggest mistake a company can make is to select strategic customers solely based on their current sales to those customers. Bergström and Leppänen (2015, 124) note that segmenting customers is both strategic and operative decision and it needs to be both continuous and dynamic. Right level of segmentation is necessary towards value creation (Knox et al. 2003, 24). Because of this, the development of customer portfolios is a key point of successful CRM. Kotler, Dingena and Pfoertsch (2016, 10) argue that for a company to distinguish strategic customers it needs to consider at least two dimensions:

1. Differentiation based on current and potential value to the company
2. Differentiating customers based upon purchasing maturity

2.2.1 Differentiation Based on Current and Potential Value

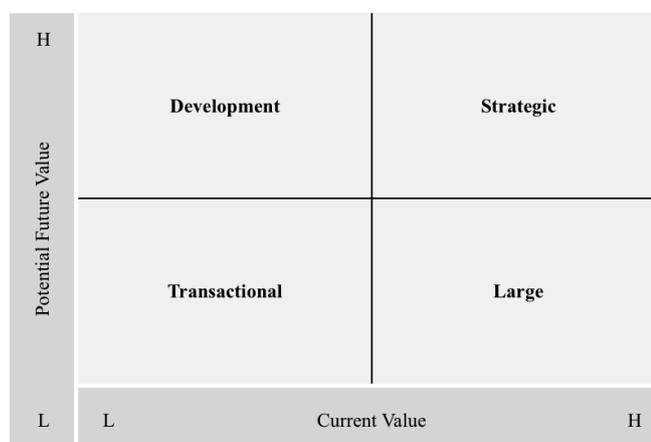


Figure 6. Separating Strategic Customers from Others (Kotler, Dingena and Pfoertsch 2016, 16)

Based on the current and potential value, four types of customers can be distinguished (Figure 6): Transactional, Development, Large and Strategic customers. The transactional customers have both low current and future value potential, although they may become valuable through vigorous sales activities. The development customers are customers and prospects who may have low present value, but high growth potential, and because of this low current value it is possible that they do not receive the attention they should. Large (or currently valuable) customers maintain high current value, but lack growth potential. Breaking away from their comfort zone, habitual routines and established relations calls for courage, because generally these relationships have been built over a long period of time. The potentially strategic customers hold both high current value and high potential value. These truly strategic customers can be identified from other significant customers if they are willing to invest in a business partnership (Kotler, Dingena and Pfoertsch 2016, 15-16).

2.2.2 Differentiation Based on Purchasing Maturity

As a second indicator, companies can assess the maturity purchasing sophistication or maturity within the customer organization to evaluate how customers perceive their value. This can be done by utilizing van Weele's (2014, 68) six stages of purchasing maturity model (figure 7). The stages are: transactional orientation, commercial orientation, purchasing

coordination, internal integration, external integration and value chain integration. (Kotler, Dingena and Pfoertsch, 2016, 20).

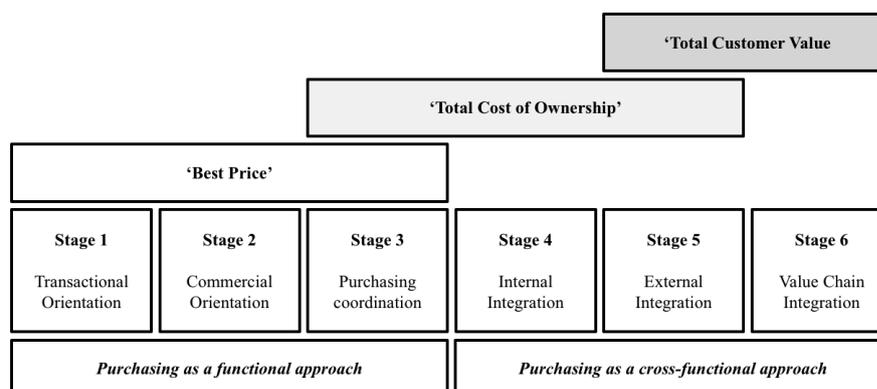


Figure 7. Six Stages of Purchasing Maturity and Related Purchasing Focus (van Weele 2014, 68)

The stages can be divided into two different approaches to purchasing; on stages 1-3, purchasing is seen as a functional approach and on stages 4-6, purchasing is a cross-functional approach. Depending on the level of professionalism of purchasing, the primary focus may be on acquiring the best price, as in the early stages, followed by total cost of ownership and total customer value in the coming stages. (Kotler, Dingena and Pfoertsch, 2016, 20).

On the functional level, purchasing is generally seen as an independent function within the buying organization. At its lowest level, transactional orientation, purchasing can be seen as a mere administrative task, and the relationship is handled more as an arm’s length relationship. In commercial orientation, the importance of price reductions increases. Purchasing involves tenders, collection and comparison of offers from various suppliers and play role in negotiation process. In purchasing coordination, the attention is shifted to more into volumes, number of suppliers and items, as this enables the buyer to commence more coordinated actions. However, the general focus remains in getting the best price on the first two stages, and a focus begins to transfer towards total cost of ownership (TCO) only on the third stage. ((Kotler, Dingena and Pfoertsch, 2016, 20-21).

When moving up to a higher maturity, the shift moves towards more cross-functional teams and centre-led approach. In the internal integration stage, the buying organization manages

purchases and suppliers in a more process-oriented way by operating cross-functional teams with relevant proficiency and aptitudes, who are responsible for these relevant competences and capacities to be acquired. For a supplier to reach such level, it requires that the supplier is not only pre-qualified, but also connected in various to development programs supported by service-level agreements (SLAs). In external integration, synchronization and optimization of upstream supply chains is a prerequisite, and in addition to close internal and external collaboration, calls for supportive systems, such as collaborative planning and electronic data interfaces (EDIs). On the last stage, value chain integration, the integration is extended beyond the dyadic relationship between the two actors, all the way to buying organizations own customers. This covers all the synchronization commenced in the earlier stages, but also active contribution to the creation of customer value in the form of superior quality, functionality and availability of final products. In-depth understanding of customer needs and willingness to fulfil them are fundamental requirements to be able to reach the final stage. The focus shifts away from TCO, towards the total customer value (Kotler, Dingenen and Pfoertsch, 2016, 21).

2.3 Processes

From CRM perspective, processes must be designed and managed so that they contribute to value creation, or at least does not damage the value created for customers. This denotes efficiency and effectiveness (Buttle 2004, 52). Mendoza et al. (2006) argued that as CRM is a strategy within the organization aiming to create and satisfy a long-term relationship with the client, it is crucial to analyse those processes which in any way include customer interaction. Grönroos (2009, 57) shared similar thoughts and continued by arguing that in order to create value for the customer, the departments who have direct influence on the customer value must collaborate. Processes always have customers, and it is irrelevant whether these customers are internal or external to the company. Customers care only for the output of the process, which is what they receive (Buttle and Maklan 2015, 374), and this is reason for their importance, as processes incorporate the needs of the customer with the goals of the company into a product and service delivery (Kumar and Reinartz (2012, 37).

In order to efficiently create value for strategic customers, companies need manage the variety of corporate functions ranging from the front office all the way until manufacturing, as an all-encompassing process. However, companies should only include such functions

into the processes that directly add value to the customers and exclude non-value adding functions. This cannot be achieved in the traditional functional organizations, which is why there is need for process thinking (Grönroos 2009, 57; Kumar and Reinartz 2012, 38).

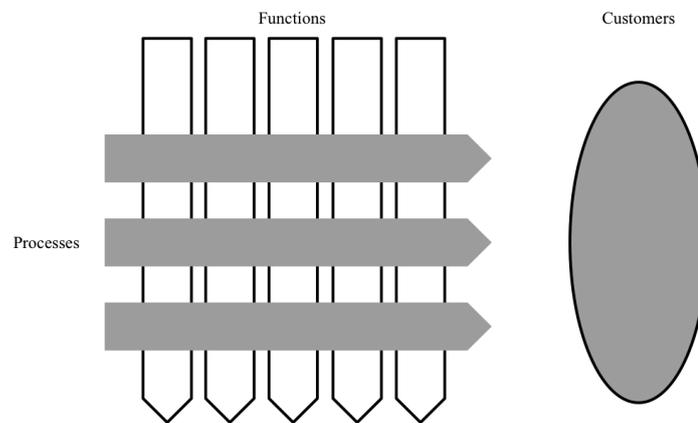


Figure 6. Process-Centricity (Grönroos 2009, 57)

Figure 6 highlights how processes operate in traditional, functional organizations. The problem with functional organization is that the departments do not necessarily aim to collaborate with one another or to meet the customer's needs and expectations. As a result, partially optimized solutions are created, while the customer seeks for overall value. (Grönroos 2009, 57) One particularly widespread-accepted relationship management model, especially with B2B customers, is the formation of cross-functional teams to manage specific customers. Companies create multi-disciplinary teams for selected business customers, which is capable of collaborating internally, while managing multi-level relationships with the client organization (Christopher et al. 2002, 18; Shang and Lin, 2010). These cross-functional teams have proven the most successful form for CRM, as they are the only way to mobilize the skills and resourcefulness throughout the company (Caufield 2001, 21-22).

The customer-centric approach aims to remove organizational shackles and cultivate inter-departmental teams to collaborate, while co-creating superior value (Grönroos 2009, 57). Mattinen (2006, 235), and Lusch and Vargo (2014, 341) share similar thoughts and argue that because of these organizational silos, the company cannot represent a unified front to the customer without proper processes. If the company aims to create maximum value in collaboration with their customers, it is necessary to extend the concept of process management to all the company functions. As a result, the traditional departments are

dissipated and general functions (sales, marketing, production, distribution and customer service) are organized as value creating processes that enable relationship development, cultivation and management (Grönroos 2009, 58).

Customer-centric process changes also call for changes in marketing metrics. These metrics should be accumulated toward measures such as share of customer wallet, customer processes, customer equity and CRM, separating away from such concepts as market share.

2.3.1 Process Types and Metrics

Buttle and Maklan (2015, 373-374) classify processes as:

1. Vertical and horizontal
2. Front-office and back-office
3. Primary and secondary

Vertical processes are those located solely within the business function, and an example of such is customer acquisition process, which may reside only within the marketing or sales department. Horizontal processes, on the other hand, are cross-functional. A typical example of horizontal process is new product development, as it involves participants from sales, marketing, finance and research and development groups. Front-office processes are the processes the customer encounters, an example of such is complaint-handling, whereas back-office processes remain invisible to the customer, for example procurement. However, many processes overlap between both back- and front-offices, for example the order-fulfilment process; the order is received by the front office, but the production is scheduled in the back-office (Buttle and Maklan 2015, 374).

It is also important to draw a distinction between primary and secondary processes. Whereas primary processes have significant cost implications for companies, and due to their impact on customer experience, major revenue implications, the secondary processes have minor implications or impacts for costs, revenues or customer experience. Back-office processes are typically insignificant to the customer, because they have no touchpoint to these processes (Buttle and Maklan 2015, 374).

According to Gentle (2002, 40) business processes can be measured and evaluated based on three criteria. By applying the metrics to processes, the company can get an idea of the effectiveness of the company's processes. The three criteria are:

1. Importance, how important the process is to the customer or the company.
2. Effectiveness, to what extent it is the 'correct' process – one that makes sense and delivers value, regardless of efficiency
3. Efficiency, to what extent the process is done 'properly' in terms of time, output or throughput, regardless of its effectiveness.

Gentle (2002, 41) continues by adding that no company ever saved their way to profitability, and the fact that CRM may generate significant cost savings in the form of more effective and efficient business processes, is commonly overlooked.

2.3.2 Fundamental Processes

Selin and Selin (2005, 97) argued that it is vital for a company to recognize the fundamental processes of their business. There are numerous processes which are related to the field of business of the company. Figure 7 shows few typical business processes.

• Order processing	• Marketing
• Sourcing	• Recruiting
• Customer acquisition	• Delivery
• Sales	• Accounts receivable
• Invoicing	• Complaint management

Figure 7. Typical Business Processes (After Selin and Selin 2005, 97)

When observing these processes from customer perspective, it can be concluded that most of these have direct impact on the functionality of the relationship. Because of this, it is not irrelevant, how these processes work (Selin and Selin 2005, 97).

3. COLLABORATIVE CUSTOMER RELATIONSHIP MANAGEMENT

According to Cuthbertson and Messenger (2008) the aim of collaborative CRM is to create value for both buyer and supplier. Dyché (2001, 150) defines collaborative CRM as a “*specific functionality that enables a two-way dialogue between a company and its customers through a variety of channels to facilitate and improve the quality of customer interactions*”. Rababah et al. (2011) note collaborative CRM to focus on working closely with selected customers.

Cuthbertson and Messenger (2008) continue by arguing that for collaborative CRM, the ultimate source of success is not technological interaction between one organization’s IT systems with another, but rather the result of complex human interaction based on the level of trust existing between the collaborating parties. This trust is only supported by IT systems, but the centre is on creating a combined competitive advantage. However, for collaborative relationship to commence, the relationship must be clearly beneficial for both parties. Therefore, the basic issue relates to trust and how to best create collective advantage within the realms of collaborative activities, such as sufficient information sharing. Cuthbertson and Messenger (2008) continue arguing that the true potential profit of collaborative CRM will be collected by those actors who have aligned attitudinally. Bonnie et al. (2015, 143) point out that the aim of collaboration is not to optimize for the status quo, but to work together to increase the pay-out of both parties.

Herman and Le Bon (2015, 94) draw a distinction between collaboration and teamwork by addressing two dimensions vital for collaboration but not for teamwork. Firstly, collaboration takes place beyond such boundaries as teams, departments, locations and businesses, whereas teamwork is generally limited to within team activities. Secondly, collaboration may occur even if people do not share mutual interests as they would in a team.

Snow (2012, 2-3) argue that “*multi-firm collaboration can increase value by expanding the availability of relevant knowledge and other resources*” and that collaboration reduces risk, speed of products to market and process improvements. Shuman et al (2002, 12) note that truly collaborative relationships necessitate knowledge which build and evolve the relationship by delivering on promises. Despite this, when the business becomes increasingly

imperative, companies begin to struggle to make the collaboration successful over the long-term. First and foremost, it is necessary for companies to comprehend that the whole notion of collaboration does not mean just the integration of systems; it is more about the integration of people (Shuman et al. 2002, 54).

Mäntyneva (2001, 31) point out that marketing literature does not actively encourage collaboration with customers. Because it necessitates mutual commitment, the contracts are generally drafted by top management. It is also important for the companies to acknowledge that they can collaborate closely with only few clients, but this calls for mutual understanding and goals. Commonly, even large companies, have resources to from strategic collaborations with few selected clients, which is why it is necessary to realistically evaluate the potential clients.

3.1 People

Reinartz et al. (2004) argue that successful implementation of CRM requires a strong people-related component. For any CRM to be functional, the employee engagement is a crucial factor (Payne 2005; 373; Grönroos, 2009, 378; Peelen 2005, 75). Peelen (2005, 75) noted that “*it is people who develop relationships, not the IT applications*”, which is why socially-oriented people are indispensable for relationship-intensive organizations. It is crucial that the contact people are well-informed of the company’s offerings, but also that they acknowledge the business mission, goals, strategies and organizational processes, and that the employees are engaged with the company’s overall purpose (Egol et al. 2004; Ind 2007, 41; Gummesson 2008, 227). Ind (2007, 41) continues by noting that people are generally observed as abstract constructs and value creation is addressed in financial measures. However, such aspect ignores the fact that organizations are collections of people joined together to pursue a common cause and the value is created by people. When people have been successfully integrated into the organization’s purpose, they innovate new working methods, share knowledge, stimulate innovation and help building brands, which in turn enables the organization to adapt to changing surroundings and deliver bottom-line value (Ind 2007, 43).

Shang and Lin (2010, 2442) emphasize the importance of operational staff to “*possess the ability to understand, manipulate, and analyse customer knowledge and satisfy customer need in a customer-oriented culture in organizations using CRM*”. This extends to processes that cannot be carried out by technological solutions alone, such as strategy development, critical decisions, managing customer problems, handling intimate communications, and building long-term relationships with customers. Also, organizations need to acknowledge the importance of organizational environment for CRM (Shang and Lin, 2010); it is necessary to develop an environment that leads employees to a new way of thinking, both customer- and business-wise (Galbreath and Rogers, 1999).

Shuman et al. (2002, 13) note that relationship by definition is always between the individual people who interact. Because of this, it is important to remember that companies only interact as the result of the actions people take on their behalf. Liljander (2000, 161) argues that a company will be unsuccessful on the external market if it has not considered the impact of its internal market; its employees. Although internal marketing is by notion directed towards employees, the ultimate goal is to increase service-mindedness among employees and as a result, higher customer centricity (Liljander 2000, 170).

3.1.1 Part-time and Full-time Marketers

Gummesson (2008, 20) distinguishes between part-time marketers and full-time marketers. Full-time marketers are the people working directly with marketing and sales tasks, whereas the rest of the employees can be considered as part-time marketers. It is important for part-time marketers to realize their influence on customers through service encounters, face-to-face or email-to-email. Grönroos (1996, 15) emphasize the importance of personnel for relationship success by noting that “*If they are not committed to their role as part-time marketers and are not motivated to perform in a customer-oriented fashion, the strategy fails*”. Because of this, and in order to succeed with customers, internally motivated employees are necessary and to be able to pursuit the CRM strategy, their commitment is essential.

3.2 Knowledge Management

The importance of knowledge has grown significantly over the past decade, which is why it is important for a company to manage it efficiently. A basic problem in companies is commonly that personal memory fails to function in unison with organizational memory, and as a result, some people may have exceptionally good knowledge of the customer, but this knowledge is not passed on through the organization to other contact personnel. Thus, when this employee leaves, so does the information (Storbacka and Lehtinen 2001, 121-122). According to Gebert et al. (2003, 120) the management of knowledge is a fundamental premise for CRM, and it is important that these knowledge management methods which aim to assist CRM, are process-oriented. Three types of knowledge flows exist in CRM processes (Gebert et al. 2003, 109):

- **Knowledge for customers** is necessary in CRM process to satisfy customers' need for knowledge. Examples include knowledge on products, markets and suppliers.
- **Knowledge about customers** is accumulated to acknowledge customers' motivations and to tackle them in a tailored way. This includes customer history, connections, requirements, expectations and purchasing activity.
- **Knowledge from customers** is customers' knowledge of products, suppliers and markets. Through interactions with customers this knowledge can be harvested to enable continuous improvement e.g. service improvements or new product developments.

3.2.1 Types of Knowledge

Wilde (2011, 19-22) identified knowledge into four different categorizations (Figure 8), which will be introduced next.

Internal vs. External Knowledge	Theoretical vs. Practical Knowledge
Individual vs. Collective Knowledge	Tacit vs. Explicit Knowledge

Figure 8. Types of Knowledge (Wilde 2011, 19-22)

Internal knowledge is derived from sources within the organization and by contrast, external knowledge can be derived from other companies. Since it is impossible for anyone to have all necessary knowledge, the use of external sources is a necessity. Whereas the internal knowledge is commonly directly available and external knowledge not, the external knowledge may still be high of interest (Wilde 2011, 19).

Theoretical knowledge forms the basis for communication and consists of both internal and external company-related “know-that” facts and processes, with an easy transform into verbal and visual forms. Contrary to theoretical knowledge, practical knowledge consists of abilities, skills and the “know-how” learned through application of activities and tasks. There are two aspects to practical knowledge; skills needed to achieve goals in given situations and employees’ familiarity with the task at hand. By contrast, theoretical knowledge is an intellectual and descriptive character including theories, methods and facts necessary to commence the work (Wilde 2011, 19-20).

Individual knowledge is the knowledge residing in the subconscious of an individual, and because of this it exists only in implicit form. Collective knowledge, or sometimes referred as organizational knowledge, is founded on norms, rules or structures and exists through communication and interaction among employees. It is essential for organizations to transfer the individual knowledge into collective knowledge through collaboration, and the process needs to function reversely for an organizational knowledge basis to set up (Wilde 2011, 20-21).

The distinction between tacit and explicit knowledge is of prime importance in knowledge management process. Explicit knowledge can be easily articulated and saved outside the mind of an individual, whereas tacit knowledge is only present in the mind and thus challenging to transfer and store. Tacit knowledge is founded on the individual’s beliefs, intuitions and ideals, making it more unconscious in nature. Such knowledge is of perilous nature because it cannot be acquired from the knowledge carrier. An example of such is if a long-standing employee resigns, vast amounts of vital information will be lost. Thus, transferring tacit knowledge into explicit form should be actively conducted (Wilde 2011, 21-22).

3.2.2 Organizational Information Sharing

Internal information sharing is one of the most challenging aspects of business (Selin and Selin 2005, 94). The major reason is that people are prone to believe that some information may be obvious and does not need to be shared. Another reason is that companies have not discussed and agreed upon what information is needed where and when. Also, the reason may be mere personal passivity.

Moberg et al. (2002) argue that in order for an organization to achieve and retain competitive advantage, information sharing is a fundamental element. The sharing of information with other parties within the supply chain and the organization improves the efficiency and effectiveness of the supply chain, improve customer responsiveness and thus create competitive advantage for the organization (Li and Lin, 2006). Drake et al. (2004) refer information sharing as a value chain within organizational subcultures; each subculture tends to (1) require different information and data to do their work, (2) have a spectrum of abilities and propensities to collect and acquire information, (3) collect data to various categories, and (4) have different requirements for and uses of the outputs of the information. When information sharing is encouraged between and among organizational members, it is probable to result as reduced customer service response times, which could positively influence organizational productivity (Hatala and Lutta, 2009).

Valuable information commonly resides within individuals who are creating, recognizing, achieving, accessing and applying information to carry out their tasks. However, the movement of information from individual to another or across organizational boundaries into routines and practices is dependent on the employees' information sharing manners (Hatala and Lutta, 2009). Li and Lin (2006) also note that hierarchical structures, industry type or organizational structure influence the quality of information shared. Dunmore (2002, 110) identified inhibitors for knowledge sharing and management within organizations and the most commonly found were time pressures, resistance to sharing knowledge as it was seen as a reduction in individual power and dysfunctional internal rivalries, supported by the preservation of functional or product silos.

Both formal and informal social networks play key role in information exchange (Johanson, 2005; Hatala and Lutta, 2009). In an organization, the level of information sharing is largely dependent on the extent of relationships and organizational structure, and the relationships are commonly used to measure the quality of the information shared and between whom the information is shared. Network positions were found to expose who controls, facilitates or inhibits the information flow (Liebowitz, 2005).

Formal and informal social networks are increasing their importance as the channels of information exchange between and among organisational members. Chia-Hui (2006, p. 204) propose that *“the individual and the organization hold an agreement defining reciprocal obligations that are not specific in nature. In an economic exchange, the individual and the organization hold an explicit agreement defining reciprocal obligations that is mutual in nature. It is important to understand the difference between an economic exchange and a social exchange”*.

Hatala and Lutta (2009) note that organizational structure and individual positions within organizations may present as barriers to efficient information sharing, one of the factors being lack of equity among organizational members challenges the information change. Barua et al. (2007) observe that people may be keen to share information, but the technological effort to share the information may be too great.

3.3 Technology

Because much of the daily operations within businesses include customer interactions, it is critical to implement systems that support the interaction and improve functions necessary for success (Cunningham 2002, 6). The technological aspects of CRM are complex, and the software's are generally costly and constantly developing, which is why they necessitate careful consideration from companies (Payne and Frow 2013, 384). According to Reinartz et al. (2004, 296) CRM technology is the information technology implemented for the purpose of initiating, maintaining and/or terminating customer relations. The authors continue by arguing that the focal point of CRM technology plays an important role in leveraging CRM-related activities, which in turn contributes to enhanced market performance. Srinivasan and Moorman (2005) identified that CRM technology utilization

includes both front applications supporting sales, marketing and services, and a back-office application that supports the integration and analysis of the data. The fundamental IT influences knowledge management, enabling companies to store large quantities of customer data, but also provide the tools needed to capture, manage and deliver valuable information internally and when necessary, also externally. As a result, CRM technology enhances the company's ability to retain their most profitable customers (Herhausen and Schögel 2013), and improve both collaboration and communication (Ozer, 2000).

Shuman et al. (2002, 61) note that technology plays an important role in accompanying human collaboration, especially as the costs and efforts associated with collaboration has been significantly reduced (Lusch and Vargo 2014, 201). Technology enables people from separate locations to work together, to share processes and information across corporate boundaries. Collaborative technologies also deliver new opportunities and reduce costs, despite their initial need for investment. Moreover, customers and suppliers can deepen and extend their processes with the help of IT, which in turn, advances value creation (Walter and Ritter, 2005).

Gummesson (2008, 239) emphasize that installing a CRM system is more strategic issue than companies generally understand. Almquist et al. (2004, 9) share similar thoughts and argue that *“viewing CRM as a ‘silver-bullet’ causes companies to ignore or rush past critical business issues that must be addressed. That is, developing a comprehensive strategy”*. Thakur, Summey and Balasubramanian (2006) had similar observation and concluded that CRM consists multiple technological components and considering CRM primarily as a technological solution without comprehensive strategy, is a mistake. Additionally, introducing a CRM system calls for the redesigning of company's structure, processes and top-management attention, while it is important that it connects to the total business system used to manage the company operations (Gummesson 2008, 239). Herman and Le Bon (2015, 95) point out that the very purpose of a CRM system is to make customer data, information and knowledge accessible to variety of individuals, whether inside or outside of the organization.

In addition to the benefits acquired through the utilization of IT in relationships, it is as important to actively engage in countering the negative impacts of IT on relationships. For

example, if the deployment of IT leads to an immediate withdrawal of support towards cultivating relationships, such as travel budgets, it will negatively influence the customer's perception of the relationship quality, thus influencing trust and commitment (Walter and Ritter, 2005; Ryssel et al., 2004).

3.3.1 Back- and Front Office Applications

Front office applications entail technologies used to support activities involving direct interface with customers and to improve the value created for customers, whereas back office applications support internal administration administrative activities and supplier relationships, encompassing procurement, warehouse management and some financial processes. Conversely, a need for an increased transparency through end-to-end processes between company functions calls for more holistic overview. From a CRM viewpoint, it is crucial that front- and back office systems are adequately connected and coordinated to optimise customer relations and workflow. It is necessary that they offer support through all stages of interaction occurring between the customer and the organization, especially as departments generally have been organized around products or business functions instead of supporting the customer relationship (Payne and Frow 2013, 376-377).

Many companies have opted to use an enterprise resource planning (ERP) system to plan and monitor their activities (Payne and Frow 2013, 379). Chen and Popovich (2003) draw a distinction between ERP technology and CRM applications; whereas ERP serves as a solid foundation for back office functions, while CRM aims to link both back and front office applications to maintain and build customer loyalty. As ERP systems promise to integrate all functional units of the business with suppliers and customers, CRM promises to improve front office and customer touch points to increase customer satisfaction and profitability.

4. RELATIONSHIP QUALITY

Highly competitive environment has forced customers to seek long-term relationships with suppliers in order to reduce the uncertainty of future benefits and transaction costs. Nevertheless, a relationship between two actors is not dichotomous, simple on or off, but differ in numerous respects. Definitions vary greatly throughout the literature and a consensus lacks on the antecedents of long-term relationships (Walter et al. 2003; Athanasopoulou, 2009). Naudé and Buttle (2000, 359) point out that no individual measure of relationship quality exists and it needs to be addressed as a multi-dimensional construct.

Crosby et al. (1990) studied relationship quality among service industry and defined it as the seller's ability to reduce the perceived uncertainty which leads to an environment where the customer can rely on the benevolence of the supplier and the integrity of the supplier based on the preceding consistently satisfactory performance. The authors also note that the quality of the relationship influences the customer's anticipation of future commitment by fulfilling the customer's expectations and not jeopardizing the trust of the customer.

Most commonly relationship quality is seen as a higher-order construct including trust, commitment and satisfaction (Morgan and Hunt, 1994; Doney and Cannon, 1997; Ulaga and Eggert, 2006). These are perceived as the essential elements in order to describe relationship quality. Walter et al. (2003) conclude that in industrial supplier relationships there are also direct and indirect functions which influence the relationship quality (Figure 9).

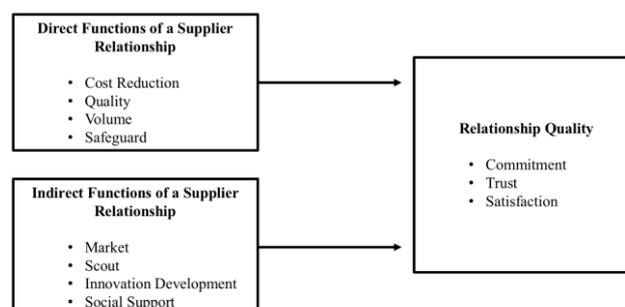


Figure 9. Functions of Industrial Supplier Relationships and Relationship Quality (Walter et al. 2003)

The direct functions of a relationship influence directly in the customer's operations and as such benefit customer's operations, without depending on other relationships or actors. As the customer looks for low procurement prices without compromising quality, the goal is to have both direct savings to own profitability and to ensure the satisfaction of their customer. Thus, when the customer reaches these goals, this has direct impact on the relationship quality. In volume function, the customer is looking for greater cost reductions by focusing purchasing power on fewer suppliers, who can deliver larger quantities and in turn, offer cost savings. The safeguard function means that the buyer has a backup in case the supplier fails to meet either one of the above-mentioned functions (Walter et al. 2003).

Contrary to direct functions of the relationship, indirect functions become beneficial for the customer in other relationships or in future. In the market and scout functions the supplier assists the customer to establish contacts with potential exchange partners or pass on technical, exchange or market-related information. The innovation development and social function refer to the supplier's support on the customers' innovation activities and supplier's cooperative and supportive actions towards the buyer, ensuring a good working atmosphere (Walter et al. 2003).

Through the fulfilment of these functions the customer gains certain inputs for operations, and these inputs contribute positively to the development of the relationship quality elements. The perceived quality of the relationship is at its peak when the supplier manages to fulfil both direct and indirect functions, however this does not automatically mean that all the functions should be fulfilled in every relationship. In order to maintain high quality relationships, the dependence of the customers should be increase as this contributes perceived quality of the relationship, but dependency should not be the only foundation for relationship (Walter et al. 2003).

As noted by Buttle (2009, 30-31), the debate of trust and commitment implies that some relationships can be perceived of better quality than others. The research into relationship quality commonly cites trust and commitment as key denominators of high-quality relationships. Although, other attributes have also been identified, such as relationship satisfaction, mutual goals and collaborative norms. Chang and Ku (2009) conclude that since relationship quality constructs on trust, commitment and satisfaction, it is necessary for

CRM to be designed to systematize customer-related procedures in a way where they maximize the perception of value creation.

4.1 Trust

An emerged consensus in marketing (Anderson and Narus, 1990; Doney and Cannon, 1997; Ganesan, 1994) argues that trust encompasses two essential elements:

1. credibility
2. benevolence

Trust in the partner's credibility is founded on the premise that one's partner is 'good as one's word', fulfils promised role obligations and is honest. Trust in partner's benevolence refers to a belief that the partner is concerned in the customer's welfare and will not take unanticipated, negatively influencing actions against the customer. The reliability and integrity of the exchange partner are significant for trust to emerge (Morgan and Hunt, 1994). Trust arises when partners share a variety of experiences, share one another's objectives and goals, and can predict behavioural changes (Doney and Cannon, 1997), and mutual trust is also likely to improve creativity, particularly in high volatility environments, but also improve speed of decision-making characteristics important to the buyer (Frazier et al. 1994). Buttle (2009, 29) argue that through development of trust the company can invest in relationship building which results as a long-term payoff.

Doney, Barry and Abratt (2007) studied the development of trust in B2B service industries and argue that for trust to develop, the supplier needs to invest both in economic and social aspects of the relationship. Social interaction, open communication and customer-centricity are seen as important antecedents of trust. Also, the more frequent the interaction, the more assured the buyer becomes of the benevolence of the supplier.

Covey (2006) distinguishes between low-trust and high-trust relationships. In high-trust relationships decision-making can take only minutes, however still many organizations remain dysfunctional and inefficient because of low-trust culture. Similar connection

can be seen even with communication, as when the communication is based on high-trust, saying something wrong and the other party still manages to grasp the point, whereas in low-trust relationship it is irrelevant how precise or measured your message is, it will be misinterpreted by the other party.

Therefore, especially for efficient communication to take place, trust is an important precursor (Morgan and Hunt, 1994). Anderson and Narus (1990, 44) defined communication as both formal and informal information exchange of significant and accurate information between the two actors. This accurate exchange of information allows the salespeople to be more confident in their attributions regarding the trustworthiness of co-workers and enables them to better assess the motives and intentions behind the actions of co-workers. Thus, a high-quality communication can be seen as an enabler of increased trust (Mayer et al. 1995; Selnes, 1998).

A trusting relationship brings many benefits. First and foremost, it establishes the foundation for productive collaboration, as companies with high degrees of trust can utilize resources on leveraging one another's core competencies and creating value. In addition to that, trust also acts an enabler for human innovation and creativity. Once the parties have reached a sufficient level of mutual trust, they may pursuit more creative solutions. If trust is absent from a relationship, it fails to unlock the full potential of more sophisticated relationship business models (Bonnie et al. 2016, 324).

Before demanding trust from the other partner, companies need to assess their own relationship with trust. Development of trust cannot be the sole responsibility of front office, but it requires commitment from the entire organization to function efficiently. It is impossible to force others to be trustworthy, but the company can affect their trustworthiness by being trustworthy in their own communications and decisions (Bonnie et al. 2016, 325-326).

4.1.1 Development of Trust

Harris and Dibben (1999) categorized the development of trust into three stages: calculus-based trust, knowledge-based trust and identification-based trust. Calculus-based trust is the earliest form, which is present in adversarial or new relationships signifying the economic value as the outcomes of creating and sustaining the new relationship are weighted against those of dispersing it. In knowledge-based trust the parties rely more on the actor's history interactions and gathered knowledge, which allows each to conceive predictions of one another. The highest form of trust, identification-based, exists in highly developed relationships where mutual understanding is at a level where either can act as substitute for the other in interpersonal interaction.

4.1.2 Traditional Trustworthiness vs Strategic Trustability

Pepper and Rogers (2016, 556) argue that customer trust has potential to be the next 'breakthrough' in business competition. However, mere trustworthiness may soon be insufficient, but companies must transform to become trustable. Trustability is an advanced standard over trustworthiness; rather than only aiming to enable honest prices and reasonable service, future companies will be required to extend their way of protecting each customer's interest proactively by conducting additional activities when necessary to ensure that customer does not overlook service, make a mistake or fail to do something that would have been in the customer's interest (Pepper and Rogers 2016, 562). Table 11 compares the traditional trustworthiness and strategic trustability.

Table 4. Trustworthiness vs Trustability (Peppers and Rogers 2016, 563)

	A Trustworthy Company		A Highly Trustable Company
1	Carefully follows the rule of law and trains people on its ethics policy to ensure compliance	→	Follows the Golden Rule toward customers and builds a corporate culture around that principle
2	Does what is best for the customer whenever possible, balanced against company's needs	→	Designs its business to ensure that what's best for the customer is financially better for the firm, overall
3	Fulfills all its promises to customers and does what it says it will do, efficiently	→	Follows through on the spirit of what it promises by proactively looking out for customers interests
4	Manages and coordinates all brand messaging to ensure a compelling and consistent story	→	Recognizes that what people say about the brand is far more important than what the company says
5	Uses a loyalty program, churn reduction, and/or win-back initiative to retain customers longer	→	Seeks to ensure that customers want to remain loyal because they trust the firm to act in their interest
6	Focuses on quarterly profits as the most important, comprehensive, and measurable KPI	→	Uses customer analytics to balance current profits against changes in actual shareholder value

However, Pepper and Rogers (2016, 563) note that majority of today's most successful companies have implemented traits of trustworthy company, as in trustworthy policies, but despite this the majority of these companies' actions would still not be considered trustable. A company may share honest brand messaging and even track customer satisfaction but lacks watching out for customer's interests in a proactive way. As the trend of 21st century is transparency, trustability is the only competitive response a company can have (Ibid).

4.2 Commitment

Commitment is one of the central concepts in the relationship-marketing paradigm (Dwyer, Schurr and Oh, 1987) and customer commitment may influence the customer's behaviour in relation to a firm (Bansal, Irwing and Taylor 2004, 245). Moorman, Zaltham and Deshpandé (1992) define commitment in a relationship as willingness to continue a valued relationship, by stating that the concept of valued relationship corresponds with their belief that commitment cannot exist without mutual interest and importance. Morgan and Hunt (1994, 23) developed the concept further by stating that "*an exchange partner believing that an ongoing relationship with another is so important as to warrant maximum efforts at maintaining it; that is, the committed party believes the relationship is worth working on to ensure that it endures indefinitely*".

Buttle (2009, 30) points out that commitment stems from trust, shared values and the belief that partner will be challenging to replace. Commitment encourages collaboration between

the parties in order to preserve relationship investments. Commitment means that partners abjure short-range substitutes to nurture a more stable, long-term benefits with current partners. As commitment entails vulnerability and leaves the customer open to opportunism, commitment necessitates trustworthy, or better yet, trustable (as noted by Peppers and Rogers 2016, 563) partner. A partner's commitment to a relationship is directly embodied in the size of the investment in the relationship, because this represents termination costs. As such, when the commitment is high, so are the termination costs, since a portion of these relationship investments may be irrecoverable. Additionally, significant costs may be encountered when aiming to switch to an alternative supplier, such as search-, learning- and psychic costs.

4.2.1 Dimensions of Commitment

Bansal et al. (2004) argue that commitment is generally observed as a unidimensional concept, which has led to inconsistent conceptualizations. In a comprehensive review of commitment literature, Meyer and Herscovitch (2001) discovered that despite different labels and target, there are three different dimensions of commitment:

- Affective
- Continuance
- Normative

Affective commitment reflects to customers binding to a supplier out of sheer desire. From marketing research standpoint, majority of the unidimensional conceptualizations of commitment entail the affective dimension of commitment. Trust and satisfaction act as significant drivers towards this type of commitment, because affective commitment strongly fosters these variables that contribute to acuties of support. Evolvement of loyalty is one of the crucial factors, as with loyalty comes willingness to forgo short-terms gains in anticipation of equitable behaviour in the long-term (Bansal et al. 2004, 238; Garbarino and Johnson 2002).

Continuance commitment embodies a constraint-based force tying the buyer to the supplier, generally out of sheer need. Continuance commitment shares same traits as Bendapudi and Berry's (1997) idea of "constraint-based relationship", where the customer believes they

cannot end a relationship because of economic, social or psychological costs. Continuance commitment is also connected with the perceived cost followed by a discontinuation of an action, when the perception is that no other alternatives are available. When the customer notices that the number of alternative suppliers is diminutive, a continuance force develops and binds the customer to the supplier out of need (Bansal et al. 2004, 238).

Normative commitment represents a force that binds an actor to another out of perceived obligations. In context, such would occur when a buyer stays with a supplier because they feel obligated to do so. However, it is important to note that such rarely takes place in a B2B environment (Bansal et al. 2004, 239).

Interorganizational commitment is also dependent on two factors: value derived by the parties from the relationship (voluntary commitment) and switching barrier (involuntary commitment). The higher the relationship value and switching barriers are, the stronger the commitment between the actors (Saab 2007, 128)

Bansal et al. (2004, 247-248) concluded that these three components of customer commitment to a supplier implies that there are distinctive strategies companies may employ to develop commitment among customer. One notable point is that normative commitment can develop because of affective commitment, which was primarily dictated by the customer's trust in the reliability and integrity of the service. Thus, development of trust is critical to achieve effective relationship marketing, Marketers may also try to manipulate continuance commitment, for example by increasing the switching cost barriers. However, such actions must be exercised with extreme caution, as they may backfire negatively.

4.3 Satisfaction

According to Szwarc (2005, 6), customer satisfaction refers to “*how the customer perceives organizations products or services considering their experiences with the organization, as well as by comparison with what they have heard or seen about other companies or organizations. As an outcome of relationship marketing, customer satisfaction must be observed as a long-term phenomenon, instead of discrete, event-oriented occurrence.*” Boulding et al. (1993) referred the long-term aspect of

satisfaction as cumulative customer satisfaction, and Anderson et al. (1994) continue this notion by arguing that the benefits of long-term orientation are the ‘beef’ for companies to invest into customer satisfaction. Furthermore, this relationship focus between buyer and supplier cultivates value creation (Conrad, Brown and Harmon, 1997). Buttle (2009, 30-31) note that relationship satisfaction is not the same as commitment. Commitment to a supplier can be seen more as an investment made in the relationship, and if the committed party is not satisfied with their transactional history, commitment will dissolve.

Goldstein (2009, 28) draws a distinction between customer satisfaction and customer loyalty; whereas satisfaction is an emotion, loyalty is a behaviour, which incorporates action, such as repetitive purchasing. Szwarc (2005,29) argues that customer satisfaction and loyalty are contributed by such factors as: company image, customer overall perception of service, recent contact experience, complaint handling, employee behaviour, customer advocacy, customer willingness to repurchase. Ulaga and Eggert (2006) argue that satisfaction with the supplier will translate into commitment when the purchasing relationship is characterized by trust.

Customer satisfaction was a subject of much studying during the 1990s and at that time the idea revolved around the concept of customer satisfaction being directly related to customer profitability, which eventually leads to loyalty. However, it has been identified that mere loyalty as a measurement is too narrow. In addition, companies should aim to measure customer behaviour in monetary terms (Storbacka et al. 2005, 130).

Bergström and Leppänen (2015, 380) share similar views and argue that retaining and developing customer relationships requires continuous evaluation. When the relationship goals have been set correctly and there is valid information on the customer behaviour, the company needs to follow the development from three aspects:

1. Customer satisfaction
2. Customer loyalty
3. Customer profitability

Most commonly customer satisfaction is followed and evaluated on a non-stop basis to see if the satisfaction changes. This enables the company to enact on problems in an early stage, before they escalate and cause greater damage. Continuous customer feedback is key procedure customer relationship management and it can be collected either spontaneously, through satisfaction surveys or through promoter score (Bergström and Leppänen, 2015).

To fully embrace customer satisfaction concepts, it is necessary for a company to continuously measure and collect information relating to customer's satisfaction levels. Naumann and Giel (1995, 12) stated that *“for a customer satisfaction measurement program to be valuable, it must flow from and be embedded in the firm's corporate culture.”*

Satisfaction surveys are conducted among the current clientele with the goal is of discovering how the customers perceive the functionality of the relationship with the supplier. In addition, the company should measure what the customer expects and how well these expectations are met. Purchase quantity or –frequency do not tell whether the customer is satisfied or not, because the customer may be tied to purchase the product from the company because lack of substitutes, alternative suppliers or contractual obligations. In such situations the customer is not committed to the company, but most probably moves to an alternative as soon as one emerges (Bergström and Leppänen, 2015, 380). Satisfied customers are not something to be bought, their loyalty needs to be earned by managing touch points (Szwarc 2005, 10).

4.3.1 Loyalty

Customer loyalty has also been a topic of significant interest among academe. Two major approach to defining and measuring loyalty exist; one based on behaviour, the other on attitude (Buttle 2009, 44-45). Whereas the behavioural observes whether the customer is still active and what is their current spending, the attitudinal loyalty is defined by reference to components of attitude, such as beliefs, feelings and purchasing intention. Customers who share stronger preference towards collaboration with supplier are more loyal in attitudinal terms.

		Repeat purchases	
		High	Low
Relative attitude	Strong	Loyals	Latent loyalty
	Weak	Spurious loyalty	No loyalty

Figure 10. Two-Dimensional Model of Customer Loyalty (Dick and Basu 1994, 101)

A model created (Figure 10) by Dick and Basu (1994) combines both perspectives in a two-dimensional model. The authors identified four types of loyalty in accordance with relative attitudinal strength and repetitive purchase behaviour. On the top left corner are the ‘Loyals’ who have high level of continuous purchasing and strong attitude towards relation. On the bottom left corner are the ‘Spurious loyals’ who have high number of repetitive purchases, but weak attitude towards relation. The reasons for their behaviour may be such as high switching costs or pure indifference. On the top right corner are the ‘Latent loyals’ who have strong relative attitude, but their purchases are infrequent. This may signal weaknesses in the suppliers offering, service, distribution strategy, or incapability to be available when and where the customer wishes (Dick and Basu 1994; Buttle and Maklan 2015, 43).

Storbacka and Lehtinen (2001, 82-83) note that customer satisfaction is not necessarily a guarantee of loyalty; up to 75 per cent of customers may have been satisfied with the previous provider, but end up changing the provider because of price, or because a competitor offers new opportunities, or simply out of need for change. Because of this, the authors emphasize the importance of evaluating loyalty. If the company wishes to retain a customer, it is necessary to determine what types of bonds influence the customer behaviour and consider the possibility that they may change supplier. It is important to acknowledge that loyal customers are not necessarily profitable, just as satisfied customers are not necessarily loyal.

5. VALUE CREATION AND SUMMARY OF LITERATURE FINDINGS

Anderson (1995) argues that value can be regarded as the *raison d'être*, the ultimate purpose of collaborative customer-supplier relationships. However, Grönroos and Voima (2013) point out that value is “*perhaps the most ill-defined and elusive concept*” and value creation remains to be explicitly defined, or addressed on a philosophical level (Grönroos, 2011). Lezinski and Marn (1997) argue that this is because of its subjective nature. Both Gummesson (1998) and Storbacka et al. (1999, 26) agree on the notion that if the customer is the focal point of marketing, value creation is possible only when a good or service is consumed, and an unsold good has no value. Similarly, Grönroos (2000, 24-25) state that customer value is created throughout the relationship by the customer and partly in interactions between the customer and the supplier. The focal point of value creation should not be on products, but on the value-creating processes where value emerges for customers and is perceived by them. The focus should be on support of value-creating processes instead of merely distributing ready-made value to customers.

From CRM viewpoint, customer value creation is a central concept, and Grönroos and Gummerus (2014) note that value creation is “*customer’s process of extracting value from the usage of resources. Value creation is the customer’s creation of value-in-use*”. For companies to be able to develop customer relationships, it is necessary to be thoroughly familiar with how the customer creates value (Storbacka and Lehtinen, 2001, 79), especially how the customer utilizes the goods and services acquired (Knox et al. 2003, 11). Storbacka et al. (1999, 25) point out that there are two types of value created: direct value is defined by the products and promises received by the customer for his reimbursement and promises, whereas indirect value entails mainly mutual learning, development and sentimental value, such as selection of a trustable supplier. The direct functions have an immediate impact on the economic goals of the customer firm, whereas the indirect functions have an indirect impact, because their value-increasing effects are linked to other relationships or future action, that is, the financial effects developed later in or outside of the supplier relationship (Ritter and Walter, 2008). The sentimental value can be linked to perception dimension, which consists of trust and commitment (Grönroos, 2011).

MacMillan and McGrath (1997) observed that in order for supplier to differentiate market offering, it is not enough to concentrate on the mere core product but consider the customer's various practices. The authors suggest that suppliers should consider how the customer orders and purchases products, how are the products delivered and what happens once the products have been delivered, how are the products paid, stored and moved around, and how the customer uses the products and what do they need help with when they use the products. Payne and Frow (2013, 287) note that knowledge about customer's value-creating processes should not be based on pure hard data, such as customer satisfaction measures, but also needs to incorporate a deep understanding of customer experiences and processes.

5.1 Spheres of Value Creation

Knox et al. (2003, 102) point out that the role of value creation has increased with the notion that successful CRM is based on the exchange of value, instead of mere goods, services or monetary items. This study follows the notions made by Grönroos (2008; 2011), and Grönroos and Voima (2013) regarding value creation; the authors conclude that value creation can be divided into three spheres (Figure 11): provider sphere, joint sphere and customer sphere. These spheres may be dynamic in nature; the provider may offer the customer a possibility to join and act as a co-creation at different points of their processes, or the customer may suggest inter-organizational collaboration (Grönroos and Voima, 2013).

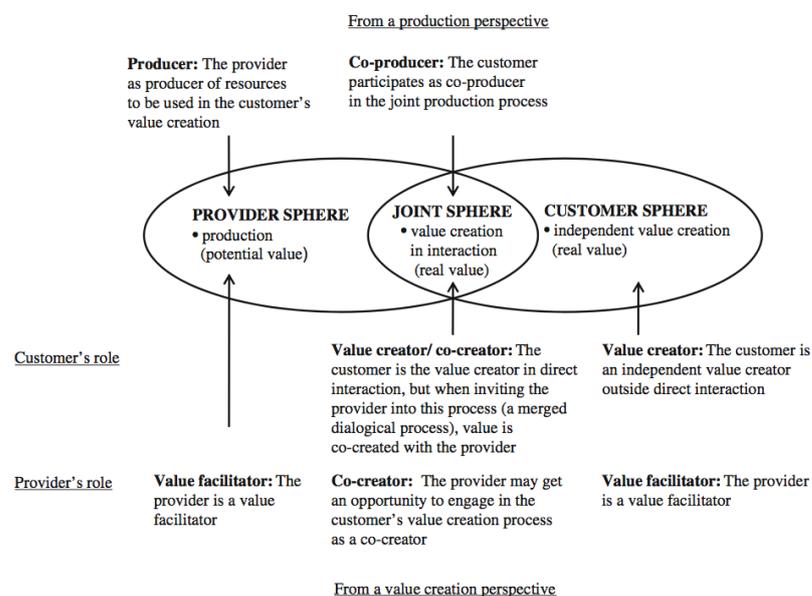


Figure 11. Value Creation Spheres (Grönroos and Voima, 2013)

The first sphere, provider sphere, is where the supplier is responsible for the production processes that produces resources and processes for customers' use. By doing so, the supplier facilitates customer's value creation, and by providing potential value-in-use, the supplier can be depicted as value facilitator. The value creating processes may take a variety of both physical and virtual forms. It is important to note that value facilitation is not part of value creation (value-in-use), but rather the activities conducted by the supplier result as outputs, which may be used by the customers in their value creation process (Grönroos, 2008; 2011; Grönroos and Voima, 2013). Vargo and Lusch (2014, 162) agree with this notion by arguing that businesses cannot deliver value to other actors, but can only offer value propositions, or in this case, act as value facilitator.

The second sphere, joint sphere, focuses on value co-creation. Following the value-in-use concept, customer oversees value co-creation, but the supplier may influence the customer's value creation process and act as a co-creator. However, as Grönroos and Ravalid (2011) point out, value co-creation necessitates direct interactions, and without these, value co-creation is impossible. It is vital for the supplier to acknowledge the customer's practices and how the customer combine processes, resources and outcomes. By understanding how these function, the supplier has a possibility to shift from mere value facilitator to a co-creation of value. Because of this, it is important for employees to comprehend their role as part-time marketers (Grönroos, 2008; 2011; Grönroos and Voima, 2013).

The third sphere, customer sphere, has been traditionally ignored, as the role of the provider has been accentuated as the sole provider of value. However, in this sphere the customer creates value independently of the supplier. Since the supplier is excluded from the sphere, they play passive role, as the customer only interacts with resources obtained from the firm. Epp and Price (2011) note that the customer may have individual, relational and collective goals (Grönroos, 2008; 2011; Grönroos and Voima, 2013).

5.2 Value-creating Processes Alignment

To be able to create value, it is necessary that the suppliers and buyer's processes correspond with one another. It is of vital importance for suppliers to continuously evaluate and align

themselves with the customer's value creation processes. A company that is capable to continuously evaluate and redefine their processes to improve their value proposition to the customer, will be able to strengthen their competitive position. It is increasingly common that the collaboration between the supplier and customer is so significant, that the customer is actively participating in the production. In such cases, both actors have aligned themselves to a long-term collaboration to achieve maximal value. Suppliers need to develop working methods that support customer's process, without the company's functions setting obstacles to the value creation (Storbacka et al. 1999, 25-31).

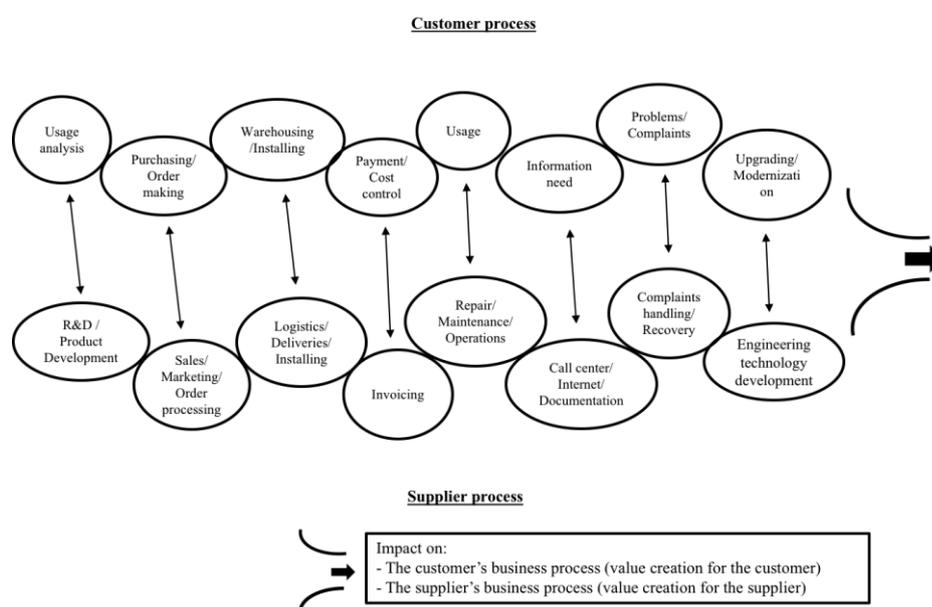


Figure 12. Customer and Supplier Processes and Their Impact on Business Processes (Grönroos 2011, 247)

Grönroos (2011) argue that for business customer, the value does not emerge solely from one source – the core product, but from a spectrum of supplier-customer interactions that nurture a satisfactory use of the core resource. Figure 12 illustrates typical corresponding customer and supplier practices in an industrial relationship. In order to make these connections, it is necessary for the supplier to align all customer-wise relevant processes towards the customer's corresponding processes. Contrary to traditional logic of supplying resources for customers' use (operational efficiency), the supplier needs to provide support to its customers' business processes through value-supporting ways of supporting the

customers' business practices significant to their business (business effectiveness) (Grönroos, 2011).

Similar to Grönroos (2011), Payne, Storbacka and Frow (2008) divide value creation into three distinctive process elements:

- Customer value-creating processes, which in B2B relationships refer to the processes utilized by the customer organization to manage its business and relationships with suppliers.
- Supplier value-creating processes, which are the processes, resources and practices utilized by the supplier to manage its relationships with customers.
- Encounter processes, the processes, practices of interaction and exchange occurring between customer and supplier relationships and need to be managed to create successful co-creation opportunities.

The customer's value creation processes include activities the customer performs to achieve a goal. Payne and Frow (2013, 286) argue that access to knowledge, skills, and the ability to use them is one of the key value-creating abilities for the customer. Because of this and to ensure that the supplier's offering corresponds with the customer's processes, it is of vital importance for the supplier to be familiar with the customer's overall activities. Notably, the relationship experience also leads to customer learning, and the combination of customer satisfaction and customer involvement help the direction of the relationship (Ibid).

From supplier's perspective, the customer value creation stems from the knowledge of the customer's value-creating processes. Even though customers create value independently, it is necessary for the supplier to support this value creation (Payne et al. 2008). However, the supplier should aim for deeper value co-creation, which can be achieved through technological solutions that create new ways for supplier to engage with customer. Based on the knowledge of the customer, suppliers should also proactively look for opportunities on the changing customer preferences (Payne and Frow 2013, 286).

The interaction between the parties, or the encounter processes, consist of series of two-way interactions and transactions stirring between the supplier and customer (Payne et al. 2008). There are three primary forms of encounter that facilitate value creation (Payne and Frow 2013, 287): communication-, usage- and service encounters. Communication encounter refer to connection in a form of dialogue, the usage encounter support for using the product or service, and the service encounter refers to an interaction with service personnel.

5.3 Summary of Literature Findings

It is important to begin the development of CRM from strategic perspective which entail the entire organization. Without the organizational commitment, especially from top management, it is likelihood of the whole initiative not succeeding will increase significantly. It is also an inevitability for a company to transform to a customer-centric company culture, as true customer value creation is more than challenging to achieve in a product-centric business logic. As the value of each customer varies, companies must identify the customers with highest potential future value, which can be achieved by dividing customers into groups or by evaluating their purchasing maturity. Once the most strategic customers have been identified, it is important to create multi-disciplinary team within the company that proactively supports and ensures the customer value creation (Tzokas and Saren, 2004; Grönroos, 2009; Kumar and Reinartz, 2012; Buttle and Maklan, 2015).

The development process should continue with the adoption of collaborative aspect. It is important to note that the development and interaction is done by people, not technology, yet technology acts as an important enabler of collaborative activities, and collaborative technology creates value for the customer. Because of this, it is important to have systematic approach to customer-related data with a centralized, easily accessible data repository. Additionally, it is necessary for everyone within the organization to acknowledge their role as either part-time or full-time marketers, depending on their role. Much of customer knowledge commonly resides within individuals in the form of tacit knowledge in personal emails or files, which is why organizations should encourage employees to share or document this knowledge. It may

also be that some individuals are reluctant to share their findings due internal dysfunctional rivalries (Dunmore, 2002; Gummesson, 2008; Payne and Frow, 2013; Herman and Le Bon, 2015).

Development of long-term relationships calls for trust, which leads to commitment, which increases customer satisfaction. It is important for companies to consider their own trustability before obliging that from their customers. Customer commitment should also be examined more closely to see whether it is affective commitment, or because the customer has no other option. Customer satisfaction surveys should be conducted regularly to gain a better picture of the relationship direction, and it important to remember that despite the customer may be satisfied, it is not a guarantee of their loyalty or profitability (Doney, Barry and Abratt, 2007; Buttle, 2009; Bonnie et al. 2016; Peppers and Rogers, 2016).

Value is the first and foremost reason for customers. Value is not necessarily monetary but can consist of multiple dimensions. It is important for suppliers to be aware of their customer's value-creating processes and activities, as without this knowledge, it is challenging to create propositions that support the customer's value creation. It is not that the value is created by the supplier, but they act as value facilitator, who aims to assist the customer in their value creating processes. To co-create value, interactions between the actors are a necessity (Storbacka and Lehtinen, 2001; Grönroos and Voima, 2013; Vargo and Lusch, 2014).

6. RESEARCH DESIGN AND METHODOLOGY

Olkkonen (1994, 26-27) argues that the two most fundamental research philosophies are positivism and hermeneutics. Positivism focuses on examining well-established facts, emphasizing the independence of researcher and repeatability of the study. Positivism aims to utilize existing theories and ratify these through hypotheses (Saunders et al. 2016, 136-138). Positivism does not acknowledge facts that cannot be proven correct, and because of this, it is fact-based (Olkkonen 1994, 26). Positivism favours highly structured, large sample research problems (Saunders et al. 2016, 136-137).

Unlike positivistic research philosophy, hermeneutic viewpoint aims to understand phenomenon through interpretation and utilization of acquired material. As such, both the researcher's individual viewpoint is highly probable to influence the research results and the viewpoints of the people working closely with the study are a central aspect. The aim is to gain more understanding of the topic at hand. In hermeneutic research philosophy, the data collection consists mainly of qualitative information which can be interpreted using various methods. The phenomenon being studied may be new, or it may be challenging to structure and analyse, which is the reason why data cannot be efficiently through statistic methods (Olkkonen 1994, 34-38).

This study applies hermeneutic research philosophy, since the aim is to explore the theory behind the research questions, which is followed by an empirical study. The empirical part of this paper capitalizes on the qualitative data acquired from the case company X. Additionally, the aim is to provide directions for the development actions, instead of scrutinizing statistic data of the topic.

6.1 Research Method

Saunders et al. (2016, 144-145) note research can be approached from either deductive or inductive approach. Olkkonen (1994, 29) defines deduction as factors derived from universal truths, and in deductive approach the basis for research is typically a theory or model. Deduction is considered to be a dominant research approach. (Saunders et al. 2016, 146). Unlike deduction, inductive approach focuses on factors derived from exceptionally known

truths, and because of this, the approach is more appropriate to empirical research, where a bundle of unified factors is generalized to a bigger picture (Olkkonen 1994, 29-30) For this study, a deductive approach will be applied, as the research is approached by studying related theories based on the set research questions, after which the discovered solutions are illustrated by empirical methods. Solutions for research questions are formulated by combining both theoretical and empirical findings.

Researches based on hermeneutic information collection are traditionally referred as case studies (Olkkonen 1994, 52) and generally case studies rely on qualitative data (Metsämuuronen 2006, 92). However, as Yin (2002, 33) note, case study is not founded on data collected from the case but calls for theoretical observation of the topic. For this study, the method is a case study.

6.2 Data Collection

For this study, semi-structured interview, or theme interview as Hirsjärvi and Hurme (2015, 47) note, was selected as data collection method. The term ‘theme interview’ is non-existent in other languages, but naturally similar concepts exist. The main advantages of theme interview are that it does not bind the interview into any singular method, it does not address the number of interviews or how deeply the topic is handled. Instead of detailed questions the interview is held around certain themes. This enables the study to introduce the opinions of the respondents. Theme interview considers the importance of human interpretation of things and their meanings, as well as the significance of interaction (Hirsjärvi and Hurme 2015, 48). Mattinen (2006, 48) also note that for qualitative research interview is most suitable method, as it best supports the data collection. Theme interview is one of the main methods of collecting data in qualitative research (Hirsjärvi et al. 2007, 199).

This research carried out a theoretical examination of the subject at hand and interview study, after which the results of the results will be presented. The study is conducted applying a hermeneutic research philosophy. The research methodology is case study and the research type is qualitative data collected via theme interviews. The goal is to compare the findings from the literature review and interview study to create a combination, which serves the research questions as well as possible.

6.3 Interview Study

Twelve interviews were conducted in total throughout various functions within the case company X to gain a broad overview of the current situation, and the persons interviewed were selected together with the company representatives. The positions of the respondents varied from front office customer service employees to sales representatives. The interview questions were sent beforehand to the recipients and an hour was reserved for the interviews, however the duration varied from 45 minutes up to two hours. Most of the interviews were held face to face, with one exception, where the interview was held via Skype.

Table 5. Interviewee Information

<u>Interviewee</u>	<u>Position</u>	<u>Channel</u>	<u>Length</u>
Interviewee 1	Front office	Face to face	1h 7min
Interviewee 2	Middle management	Skype	1h 12min
Interviewee 3	Front office	Face to face	1h 10min
Interviewee 4	Front office	Face to face	1h 17min
Interviewee 5	Middle management	Face to face	1h 5min
Interviewee 6	Middle management	Face to face	58min
Interviewee 7	Front office	Face to face	1h 8min
Interviewee 8	Front office	Face to face	1h 14min
Interviewee 9	Front office	Face to face	45min
Interviewee 10	Front office	Face to face	51min
Interviewee 11	Middle management	Face to face	1h 28min
Interviewee 12	Top management	Face to face	1h 55min

As generally with semi-structured interviews, a great deal of open discussion took place, and there was room to expand the questions with more specific elaborations of certain themes. The positions of the interviewees varied to some degree and in this study, they are represented to belong either to front office, middle management or top management. Table 12 presents a summary of basic information of the interviews.

7. EMPIRICAL FINDINGS AND ANALYSIS

The following chapter of this paper presents the empirical study findings of case company X's current management of customer relationships. The theme interviews mapped out the current state and various approaches to CRM from strategic and collaborative perspectives, relationship quality and value creation throughout the organization. Additionally, the most commonly perceived challenges were identified. The interviews addressed the twelve denominators identified in the theoretical part, and based on the findings, three main themes of focus for company X were identified: 1) Shift from product-focus to customer-centricity, 2) organizational knowledge management and information sharing, and 3) measurement of relationship quality.

The interviewees responses varied to a great degree, as few focused on describing the phenomena on a general level, whereas others distinguished detailed identifications of the challenges. The interviewees were very open and shared their experiences and suggestions willingly. When necessary, more specific questions were introduced during the interviews in order to grasp the addressed themes profoundly. Despite the themes relating to topic identified in theoretical part, some precaution must be taken, as the analyst's interpretation is always subjective. The material from twelve interviews provided broad insight and included surprisingly diverse viewpoints.

7.1 Shift from Product-Focus to Customer Centricity

Shift to customer centricity has been identified as key constituent for CRM by many authors (i.e. Chen and Popovich, 2003; Reinartz, et al. 2004; Egol et al. 2004; Arnett and Badrinarayanan, 2005). Among the interviewee's customer centricity was a topic with variety of opinions, yet the majority claimed that company X shares more product-centric traits than customer-centric, despite customer centricity being officially emphasized as one of the key values.

“At the moment customer focus is nothing but mere beautiful words. Despite customer focus is one of our key values, almost daily I must explain why

something needs to be done before it's done. It is more common that something is first decided here, after which the customer's viewpoint is asked."

One notion mentioned by the interviewees was that customer centricity refers to the end user of the product, whose interests and needs must be kept in mind. This was seen as important, but generally noted that despite the aim to consider the needs of the end user or customer, these are left, more often than should be, to secondary significance in relation to internal streamlining projects. This was identified as a problem, and many of the interviewees felt that information related to changes should be informed more efficiently and proactively, especially when they have direct impact on the customer. Some of the interviewees expressed that it is important to be able to proactively evaluate the impact of these changes, rather than react to the finished changes.

Further discussions of customer centricity revealed that much of the focus revolves around continuously acquiring new customers and increasing market share. One interviewee argued that case company X only considers how to improve their sales and profitability; whether by increasing volume or price. Few interviewees mentioned that in some cases company X has products, which are relatively important to selected customers, but as they are not important to company X or have minuscule profit, they are under constant threat of termination. What more was identified by interviewees was that acquiring and developing new products is a topic of much interest at case company X.

Newell (2003, 11) argues that many companies are so entrenched by product-based management culture that the shift to any other will be a major obstacle to overcome. Egol et al., (2004) has similar notions and further concluded that continuous search for launching new products and services can be one way to generate growth. However, as these can be easily mimicked by competitors, the true growth may be momentary. Because of this, truly astute companies are continuously looking to drive growth through their customers and by offering tailored solutions. In order for case company X to genuinely adopt the essence of CRM, it is critical to shift the focus of the organization from the product-based focus towards a more customer-centric approach.

7.1.1 Customer Processes and -Segmentation

It became obvious from the interviews that there are no defined procedures or processes to customers, which has led to variety of approaches to customer relationships. An example of current practice is that various organizational departments, depending either on the geographical location of the customer or the service/product acquired, the customer will discuss with the department responsible for those goods/services. Especially with larger customers, it is not uncommon that they have discussions, negotiations and business deals with more than one department, which leads to multiple staff members simultaneously having daily operations with the same customer on different topics. Few interviewees commented that in such instances it may be unclear who is truly responsible for that customer, and that creates unnecessary delays.

“We should continuously aim to improve our processes for the benefit of the customer, instead of continuing with the current best practices we currently have from day to day.”

Additionally, the risk with the absence of clear processes and overlapping customer interactions increases the likelihood of internal departments viewing the customer only from their interest perspective, or in worst case, neglecting the customer perspective completely. When the goals of different internal organization are not aligned, potential synergy is lost. This was also noted by one of the interviewees, as this may create a situation where departments over-emphasize customers significant to their goals, while their overall significance to the company may remain little.

Both Egol et al. (2004) and Shah et al. (2006) note the absence of tailored customer processes as a clear product-centric trait, and the non-existence of these organizational processes make it difficult for CRM to produce the desired outcome (Reinartz, Kraft and Hoyer, 2004). While being the defining strength of CRM, also Payne and Frow (2013, 21) underline how tailored processes are what deliver value to both parties.

The fact that case company X operates in a functional organization was seen as somewhat challenging by majority of the interviewees. It was claimed that some organizational departments are more inward than others, which may create certain restrictions for either

internal or external collaboration. It was also pointed out that the decisions are generally made by top management and deployed from there to functions.

“Some departments and people are excellent in communication and collaboration, whereas others do not even say a word when teleconferencing with the customer, or if they do, they do not think how it may sound to the customer. We have received feedback from our customers that sometimes they receive mixed information from us.”

[on customer-related actions]” Instead of telling us what to do, it would be better if we could participate in the meetings and consider together how to proceed.”

Maintaining a unified front towards the customer is one of the most significant areas of business improvement as customers note if the seller cannot present a unified front of opinions towards the customer (Mattinen 2006, 114). However, currently there are no official customer-specific, cross-departmental teams and all customers go through the same processes from order to delivery. It became evident that the existence of these cross-departmental teams would be favourable, as these could improve customer-related information sharing. One interviewee mentioned that as there are no customer-based, cross-departmental teams, looking for the right person to address an issue consumes major share of the day, whereas another interviewee noted that as there are no customer-specific responsibilities throughout the organizational departments, it is not uncommon that people address issues in passive, as something that should be done, no one standing up and taking clear responsibility. Additionally, the significance of product support was highlighted, but generally the material, especially written in English, tends to be outdated and scattered randomly to various departmental folders and files.

“The customer has access to our joint portal, where some material can be acquired, but we should assist the customer more by helping them to promote the product at their market.”

Within team collaboration and management of customer issues were seen to function well, but when it is necessary to go beyond the team border, problems emerged. It was argued by some that there are deep organizational silos. Personal chemistry was found to be in an important role, and it became evident that the interviewees felt that some of the internal departments function well and are easily approachable, whereas other departments are strictly isolated within their respected teams and do not function well even with the customer. Few interviewees noted that issues with customer orders are not proactively informed from the production, but it is necessary to contact and enquire the statuses of the customer orders.

Company X operates under the traditional pyramid model organization, where most of the decision-making is conducted by top- and middle management. Surprisingly, majority of the interviewees felt that information does not always flow sufficiently from top to down. One interviewee mentioned that the top management meets with some of the clients at certain intervals, but the information of these meetings does not always reach the lower organizational levels, and there have been occasions when the customer has informed that they are meeting with someone from company X. Another interviewee emphasized similar experiences when they visited the customer, and while there, the customer had mentioned that another department representative from company X had visited the customer and discussed topics which influence wider organizational setting.

The various organizational departments have agreed upon utilization of same model of customer segmentation, which is illustrated with customer aliases in figure 13. The current segmentation considers the current value of the customer and estimates whether growth potential exists or not and has categorizes the customers' either to growth expected or maintenance phase, while new prospects are evaluated based on based on their size. Despite using the same customer segmentation model, each department approaches the customers from their own perspective, and the segmentation of customer can vary throughout the organizations; some departments perceive other customers more critically important than others and vice versa.

“To some degree we prioritize based on who is demanding the loudest.”

“[on organization-wide implementation of customer segmentation] *has not been officially executed, but everyone should know that when we receive an order from [large customer] it should be prioritized. If I see that an important client order is not progressing, I make a call to see what is causing the hold-up.*”

	<u>Growth expected</u>	<u>Maintenance</u>	<u>New Prospect</u>
Big	Beta, Kappa	Alpha	Epsilon
Medium	Zulu	Delta	Charlie
Small	Foxtrot	Lima	

Figure 13. Current Customer Segmentation Model

General notion among academe is that customers cannot be treated equally but should be equal with their value to business (i.e. Alexander and Turner 2001; Storbacka, 2005). Despite the customer segmentations conducted, as no official segmentation of customers has been put into practice throughout the organization, the attitudes to prioritization vary. The top- and middle managers interviewed emphasized the importance of prioritization, mainly based on the significance of the customer to business, whereas few of the front office employees pointed out that they approach customers' needs with equal attitude and few that they prioritize the customers. However, few of the interviewees from middle management and front office noted that occasionally prioritization is done on the basis of who demands the loudest, both internally or externally. Some of the interviewees also confirmed that if they notice one their customer's order is in danger of being delayed, they contact or visit the department to discover what is causing the hold up.

It would be more suggestable for case company X to adopt their customer segmentation as an organization-wide categorization. By doing so, each department would have a clearer picture of who are the most valuable customers to the company. Additionally, synergies could be achieved as departments would not have conflicting perspectives of the importance of the customer to the company. If the goal is to serve everyone equally well, it generally means that everyone will be served equally scantily, which is inefficient. Trying to provide

the best customer service to each customer is potential reason for CRM failure (Newell 2003, 132).

The existing customer segmentation model has its benefits; it considers whether growth is expected of the customer or not and what is the size of the customer. However, it would be advisable for case company X to utilize a more categorized customer segmentation model, for example the one presented by Kotler, Dingen and Pfoertsch (2016, 16) in Figure 6. An example from the current customer segmentation model (Figure X) could be customer labelled “*Alpha*”. Discussions with the interviewees’ revealed that *Alpha* has been one of the most important customers for case company X for considerable number of years. However, as sales has somewhat reduced, the current status, Maintenance, indicates that case company X aims to retain the business at the current level. In the suggested model, *Alpha* would be identified as a Large customer; its current value is high; however, the potential future value is diminutive. Instead of proceeding as before, Kotler, Dingen and Pfoertsch (2016, 16) suggest that companies in this category should be aimed to break away from the comfort zone. Challenging these pertained routines and comfort zones calls for courage, but generally as these relationships have been forged over a number of years, it may function as a refreshment for the relationship when new potential is ventured, and the direction of future value can be changed from decline to an incline.

“Our goal has been to evaluate our significance to buyer, and in some cases, we have that our importance may be a fraction of their business. In such cases, it is important for to us to wake up and realize our role in their portfolio.”

With different customer segments, it is good to evaluate the customer’s purchasing behaviour as an indicator of the significance to the other party. If the customer’s focus is solely on price, the significance indicates that the supplier is seen more as transactional and does not necessitate significant investments. Conversely, if the customer puts great efforts on integration of cross-corporate solutions, the supplier’s significance is greater (Kotler, Dingen and Pfoertsch 2016, 20-21).

7.1.2 Value Creation and Processes

Perceptions to value and value creation in general varied among the interviewee and most of associated value either with monetary or product related terms. Such notion is misleading, and instead of observing the product offered by the supplier the source of value, it should be seen as a value proposition, or potential value to the buyer. If a product or service provided by the supplier fails to function in unison with buyer's processes, it fails to provide the value for which it was acquired. In reality, the value is generated by the buyer in their processes (Grönroos and Voima, 2013; Vargo and Lusch, 2014).

“[on value adding factors] trustability, cost efficiency, quality and price. These are what make the customer stay with us.”

“Buyers value availability, high quality and price, although especially price is not always the driving factor. Nobody wants to pay too much, but peace of mind has certain value.”

“Both [parties] seek their own value, we for example look for money, volume and efficient supply chain. In order to gain these, we need to be able to provide value to the customer. Not a single customer will work with us unless they are certain of the value we provide.”

With most value generated in the customer's processes, it is important to be aware of what takes place in different stages of these processes. Therefore, supplier should consistently evaluate and redefine these processes and to improve their value proposition. The level of these processes for case company X's customers varied. Few interviewees mentioned that they are well aware of certain customer's processes, as they are open to share information, whereas some customer's do not communicate as little as possible. A general consensus was that especially larger companies are reluctant to such share information openly, unless the level of business is not significant, which in turn would necessitate knowledge of the processes.

“We know the customer’s value chain and processes to a certain degree. It is in our interests to know this as well as possible. We generally know the most relevant actors when we are looking to advance our interests.”

“Some customers are more open to share such information than other, and the current situation varies; with some suppliers, we have a broad overview of their processes, whereas with few we have no knowledge what takes place once the product is delivered.”

In order to be able to continuously refine the processes, it is important for the supplier to be aware of them. For case company X, it would be advisable to aim to identify the most relevant processes especially for strategic and development customers, as these either play most significance to the company or have the potential to provide new value to case company X. Not does this only indicate to the customer that the supplier is supporting their value creation, it also provides supplier valuable experience of the customer and holds the potential to progress customer satisfaction (Grönroos, 2011; Payne and Frow 2013, 286).

7.2 Information Sharing and Knowledge Management

Information sharing and knowledge management challenges were one of the most mutually agreed area of necessary improvement among the interviewees. Majority of the respondents claimed that information does not flow sufficiently throughout the organization, and a great number of it resides either in personal emails or within departmental silos. It was noted that the information flow is insufficient both horizontally (cross-departmental) and vertically (top or bottom of supply chain). Additionally, from both front office and middle management some interviewees emphasized that they do not receive sufficiently information from their management. Few interviewees pointed out that despite information sharing is not in an ideal state, the current size of the company remedies for that, and that there have been significant improvements into the situation during the past couple of years. One interviewee pointed out that there have been great improvements with the level of internal communication, yet room for improvement remains. It was also suggested by few interviewees that it may be more humane error when information does not flow sufficiently, as people do not necessarily

know all who should be informed. One interviewee also pointed out that as majority of discussions take place via email, people are occasionally forgotten.

“We should document more tacit knowledge. We have people with long careers in the building, but if these people leave or retire, much of valuable information leaves with them. Also, it would be easier to see the history and from there develop something new.”

“We can never have too much information, but the problem is that there are so many things going on simultaneously, and all of them have an impact on the final outcome.”

“It is random how the information travels throughout the organization; sometimes I notice that something has been discussed in length before it reaches me, and at that point damage has already happened. There is no systematic approach, it is more first come first serve.”

Internal information sharing issues may be related to the fact that people are prone to believe certain information to be obvious and therefore not worth sharing (Selin and Selin 2005, 94). However, the reasons behind may be related to dysfunctional rivalries or loss of individual power between employees or departments, and such behaviours are generally empowered by functional silos (Dunmore 2002, 110). In some cases, it may be that the individual positions within organizations limit the information sharing propensities as observed by Hatala and Lutta (2009).

Many interviewees considered much of the customer-related knowledge to lie in personal emails as the main communication tool between organizational departments is email. The problem seen with this was that from there it does not necessarily reach all the necessary people, and it is not uncommon that people are left out of the discussions. However, one interviewee noted that this is generally more of a humane mistake, rather than a structural issue, and the problem is that people do not necessarily acknowledge all the necessary recipients for the information. In addition to personal emails, much of the valuable customer information was noted to be in tacit form in personal minds, and few interviewees argue that

others are more prone to willingly share this information than some. As few interviewees mentioned, tacit knowledge is something that remains under continuous risk of leaving the company.

[On information sharing across departments] *It may be that I discuss with a customer about a contract, whereas meantime someone from another department is meeting with the customers' other representative, who may be related to the conversation our team is having with the customer.*"

"Since we have more than one department interacting with the customer, it would good to be better informed of this. Yesterday we were visiting a customer to discuss prices and while there, we were informed [by the customer] of another department from our organization that had visited the customer to discuss a topic that has an impact on our doing."

It is one of the major challenges within companies that the organizational memory and personal memory do not function in unison, as some people may have exceptional knowledge of customers, whereas others may lack information which would be highly valuable (Storbacka and Lehtinen 2001, 121-122). In functional organization, the silos act against the tendency to share information. The quotes above provides an excellent example of what occurs when the departments are not functioning in unison while dealing with the same customer; the unified front of information towards the customer been endangered. To avoid such, a more customer-centric organizational structure should be implemented, as it both encourages and necessitates functions to share essential information. By implementing dedicated customer processes, the roles would become clearer and the need to scout for information would be reduced, which in turn, would result as more time to the customer (Hatala and Lutta, 2009; Kumar and Reinartz 2012, 35-37).

"We operate in deep departmental silos and customer-related information resides in personal emails."

Information is not easily available; much of my day is consumed by looking for the right information or person to answer a question."

7.2.1 Customer Data Management

As emphasized in the theoretical part, technology plays a significant role in CRM, yet cannot be a defining factor. Since the customer-centric model necessitates organization-wide data and information sharing, technology is often the best enabler for that. Only one of the interviewees stated that their department has utilized a CRM software. However, further conversation revealed that the experiences were not all positive; the software was perceived difficult to use, which is why its utilization rate has reduced over time. Another interviewee mentioned that their team is in the midst of obtaining a CRM software to support their work.

“Our team has a CRM system in operation, however it does not work as we would like; it has turned out to be rigid and slow to use, which has had a clear on the level of utilization.”

Acquiring a CRM system is more strategic matter than companies generally acknowledge as Gummesson (2008, 239) pointed out and it seems that so has also happened with case company X. The problem seems to have been that the system has been obtained without modifying any company structures, processes or connection to the total business system used to manage the company operations (Ibid). When the reasons for negative experiences with the system were discussed more profoundly the interviewee in question, it became evident that because the system does not communicate with any other business system utilized in the organization, the biggest stumbling block has been the input of information. Since the information may be generated by another application and would have to be manually updated into the CRM system, over time the threshold to continuously update the information in multiple locations has become too great. Especially now when even another team is in the process of considering acquiring a CRM system to support their customer management, it would be critically important not to view the system as a ‘*silver-bullet*’ but begin the process by addressing the strategy and process development (Almquist et al. 2004, 9). Goldenberg (2008, 22) criticized that too often the technological component of CRM initiative is given a disproportionate significance, sometimes to the disadvantage of the overall project, as it generally accounts only 20 % of the overall success.

The main software used throughout the organization is SAP, and it currently serves “*multiple purposes*” as one interviewee phrased. Naturally there are other applications as well, however they are generally designed to serve smaller user groups, more specifically teams or departments. Case company X has not actively aimed to integrate their systems with their customers’ and currently SAP integration takes place only with one customer. This integration enables the customer to send their forecasts and orders through Electronic Data Interchange (EDI). The reason why EDI has not been taken into use with other customers was claimed to be insufficient volume, and as the development of system integration was seen to be both time consuming and expensive, it necessitates certain volume from the customer.

Regarding other uses of cross-company solutions, one interviewee noted that their team has created shared workspaces with few selected customers. Experiences with these shared workspaces were very positive, as they enable the role of IT as an enabler of cross-company collaboration is significant, as it enables people to work together and across organizational boundaries. Companies can make information effortlessly available, share processes and advance the value creation for both parties (Shuman et al. 2002, 61; Walter and Ritter, 2005).

Despite its various functions and purposes offered by an ERP system, such as SAP, the main purpose of an ERP is to provide support for the back-office functions and integrate business functions, a CRM system aims to improve customer satisfaction, profitability and make the customer data accessible to authorized individuals despite their location (Chen and Popovich, 2003; Herman and Le Bon, 2015). However, as installing a CRM system is more strategic decision than companies generally understand and rushing past the strategy development phase, companies end up with systems that do not serve their purposes truthfully. Many organizations still approach CRM from the technology development perspective, and this is what has happened also in case company X; one team has acquired a CRM software to support their customer management, with the goal of improving their revenue. The problem with this is that as no other changes have been made, for instance clearer cross-organizational customer processes, where value-adding functions are included, the most strategic issue gets passed by.

“I notice that when I ask some information from somewhere, it may take days to get an answer as my need may not be top importance to the other person. It would save everyone’s time if I could look up the information from somewhere instead of having to ask it around.”

Newell (2003, 11) pointed out that in most companies, bits and pieces of customer information are sequestered in departmental silos and information-wise it is challenging when there are multiple applications utilized simultaneously, especially if they fail to communicate with one another. When different teams use variety of applications designed to support their daily operative work, information becomes scattered and challenging to locate, which reflects as inefficiencies or unnecessary search of information. With many of the interviewees reporting challenges to find information, these could be addressed by introducing systems that support customer interactions and extends to all functions that have direct impact on the customer value creation (Cunningham 2002, 6). An ideal system would enhance case company X’s ability to preserve and develop most profitable customers, whilst improving collaboration and communication internally, or by bare minimum at least communicate with other critical applications utilized throughout the organization (Herhausen and Schögel, 2013; Ozer, 2000).

7.2.2 Personnel Engagement and Collaboration

CRM entails a strong people-related component, as it is people who develop the relationships, not IT systems (Peelen 2005, 75). Because of this, the importance of employee engagement cannot be exaggerated. As it was noted earlier, some internal departments were seen more inward than others, which created certain limitations to the efficiency and level of internal collaboration.

“Some people in our organization have taken a stand towards the customer as if they were not our customers and sometimes send very negative-toned or even impolite emails. A negative reputation gets quickly around especially among smaller customers, and I have seen the effects of this.”

“[on internal collaboration] if you only meet people in internal meetings, you do not get to know them enough, because everyone is so focused on achieving their own department’s goals.”

As addressed earlier, the “*deep departmental silos*” described by one interviewee seem to have an impact on the level of internal collaboration, even to the extent where it influences the external collaboration with the customer. The people piece of any CRM initiative is generally misevaluated by companies, as it accounts roughly 50 per cent of the overall success (Goldenberg 2008, 187). Therefore, it is necessary for the operational staff to be able to satisfy customer needs through analysing customer knowledge. Also, the staff members operating with the customer, irrelevant whether on a daily basis or not, need to acknowledge their role as either full-time or part-time marketers who represent the company to the customer. If the staff lacks commitment to customer-orientation or fails to acknowledge their influence on customers through service encounters or emails, CRM strategy will fail (Grönroos, 1996; Gummesson 2008, 20).

It is not enough for the senior management to embrace CRM and enforce it to lower levels of organization. The only way for people to buy into it when it plays a relevant role in their jobs and more importantly, is rewarded as such. This ensures that the staff is motivated to contribute to the concept. However, the absence of senior management support is even more threatening, as without that backing, the risk of failure increases drastically. The top management support must carry with the understanding that CRM or the goal of customer centricity is not mere short-term campaign, but the prominent objective the company has set for its future (Goldenberg 2008, 22; Newell 2003, 129; Alexander and Turner 2001, 98).

7.3 Measurement of Relationship Quality

Majority of the interviewees reported that customer satisfaction is currently not measured in any way. One interviewee mentioned that they conduct customer surveys to their contacts somewhat regularly to have some feedback from the customer, whereas another noted that there are few customers who measure case company X on a continuous basis and provide reports of the state of collaboration on a monthly basis.

“The last time we measured customer satisfaction was back in 2008, no knowledge why they were terminated. Potential improvement ideas did not get any reactions.”

“Customer satisfaction is not currently measured by any means, and I just need know by gut feeling whether the customer is satisfied or not.”

“For our strategic partnerships, we conduct partnership questionnaires regularly, where we scope out the state of operative functions among other topics.”

In order for case company X to have a better overview of customers' satisfaction and to develop customer relationship, measuring should be continuous over a long period of time (Szwarc 2005, 6; Bergström and Leppänen 2015, 380). At the moment case company X seems to rely mainly on the purchasing quantity from the customer side as a measure of satisfaction, but as Bergström and Leppänen (2015, 380) and Dick and Basu (1994, 102) point out, the customer may purchase the product purely as lack of options available. In such instances, the customer will most likely change to another supplier as soon as one emerges. To avoid this, case company X should systematically collect and analyse both customer satisfaction data and customer spend, while forming strong bonds to its customer organization. These bonds may be either social- or technical connections, and their primary goal is to increase the switching barriers for the customer (Storbacka et al. 2005, 130).

It was also pointed out by an interviewee that at the time when these surveys were conducted, the potential improvement suggestions were generally ignored, and no actual changes were made. The development ideas suggested by customers should not be overlooked, as they may provide a fresh insight on a challenge the company has been oblivious. Especially if feedback is collected systematically throughout the customer base, it can be that multiple customers report a challenge point within the supply chain, which challenges the overall functionality and should be addressed. However, if the company fails to collect and utilize this information, the issue continues to persist and in the long run will influence negatively on customer loyalty. Continuous improvement signals the customer that the company values

the customer, which in return positively influences the customer loyalty, trust and increases switching cost barrier of the customer (Bansal et al. 2004, 247-248).

7.3.1 Development of Mutual Trust and Commitment

“Trust stems from us visiting the customer and vice versa. Without trust we will not have any business.”

“Trust had to be built in the beginning, but after it was acquired, collaboration has been increasingly easier.”

“The smaller the customer, the more committed they are. In an ideal situation both parties are committed, but this not always the case.”

All of the interviewees noted that trust plays an important role in the customer relationships, however the level of trust that takes place in the relationship varies significantly. Especially smaller customer companies were seen as committed, whereas larger customers are more suspicious at first, and trust must be built. Few of the interviewees also mentioned that occasionally the case is that the customer is simply not interested to share anything but the absolute necessities, and in such instances the development of trust is challenging. It was also noted that case company X has certain policies, which limit the sharing of certain information to the customers, and this has occasionally challenged the atmosphere of trust. This is what case company X must assess closely, as if they are not willing to share certain information with the customer, they are not in the position to request the customer to do that, and this prevents the relationship from reaching its full potential.

It was emphasized by interviewees that the smaller customers are more commonly committed than larger companies. Case company X should focus on evaluating these smaller committed customers more, as they may have high future potential. By investing in the relationships case company X can signal that they value the customer, and this acts as a direct influencer towards trustability, while increasing the relationship termination costs and barriers (Peppers and Rogers 2016, 563; Bansal et al. 2004, 247-248).

8. CONCLUSIONS AND FURTHER RESEARCH

This thesis examined how B2B customer relationships could be developed, with an emphasis on strategic and collaborative perspectives. Nine key denominators were identified from existing literature to be key focus points when the goal is to develop customer relationship management related activities. By successfully managing these denominators, a company has the potential to achieve long lasting, mutually beneficial customer relationships.

From strategic perspective, the identified denominators were customer centricity, customer segmentation and processes, whereas the collaborative perspective entails the combination of people, knowledge management and technology. Since relationships are generally constructed on the factors of trust, commitment and loyalty, these were included as relationship quality. Lastly, value creation and its role were studied.

8.1 Answering Research Questions

More specifically, this thesis focused solely on case company X, which served as a source for the empirical part of this paper. The interviews were conducted as a qualitative semi-structured interview study. Multiple areas of development were identified and analysed, and these will be addressed with the help of the research questions. Providing answers to the research questions begins from support question 1, as this establishes a foundation of the current relationship management situation at case company X. This will be followed by main research question and additional research questions in a chronological order. The research questions were:

(SQ1) How are customer relationships currently managed?

The current approaches to customer relationship management vary significantly between various departments of case company X; the departments may apply a similar customer segmentation model, but all of them approach it from their perspective instead of broader, company-wide perspective. Additionally, there are no clear cross-functional customer processes set for any customer, and the primary attention revolves around products and on new acquisition, which has left the customer voice even somewhat neglected.

The collaboration between internal departments is not on an ideal level, and some departments were seen to be more inwardly than externally-oriented, and this was fuelled by people who do not necessarily comprehend their role as either part-time or full-time marketers of the company. Knowledge was seen to be sequestered within departments or individual persons, and especially tacit knowledge is not being collected on a sufficient level. Case company X has opted a CRM application, however the usability was seen to be challenging, which influence the user experience and utilization negatively.

Relationship quality measurement varied between departmental units, as some reported to conduct surveys periodically, whereas others had no surveys at all. It was also pointed out that when these surveys had been organized, the initial results did not spawn any improvement actions. Value was seen as an important actor within customer relationships, however the perceptions of what it consists of varied to some degree.

(Q1) How to develop strategic and collaborative CRM in a B2B company?

In order for case company X to improve their CRM activities from strategic perspective, it is necessary to shift the attention from product centricity to customers focus. It became evident through the interviews that case company X shares many of the product focused company traits; for example, significant focus is placed on continuously acquiring new products to the overall product portfolio. Continuous search for new products and services can be identified as one way to generate growth, but as Egol et al. (2004) point out, it is easily mimicked by competitors, which limits the true growth to be only short-term. Instead, case company X should place more emphasis on the development of customer relationships, more specifically by offering more tailor-made solutions.

However, in numerous companies the product focus has become so entrenched in management culture, which makes the switch to anything else a significant challenge as Newell (2003, 11) argues, and this is what case company X also needs to overcome. Shifting a large organization from product centricity to customer focus is far from an easy task and requires well over a year before concrete evidence emerges. Therefore, top management

support is in key role, as without this, the whole initiative of CRM will be jeopardized (Gentle 2002, 11-33; Chen and Popovich, 2003).

Another major challenge rising from the interviews was the absence of clear cross-functional processes designed to support the customer relationships by ensuring efficient collaboration and exchange of information. What became more evident was that case company X operates in a functional organization, where most of the information is sequestered in departmental silos, and collaboration between different departments is not on desired level. This was noted to challenge both departmental collaboration and information sharing, as these silos prevent company from presenting a unified front towards the customer (Lusch and Vargo 2014, 341). Payne and Frow (2013, 21) emphasize that cross-functional processes are a defining strength of CRM, while Caufield (2001, 21-22) defines cross-functional teams as the only way to mobilize the skills and resourcefulness throughout the company.

Case company X has applied a model for customer segmentation, although it has not been deployed in unison on company-wide level, which has led to various teams utilizing the model from their respective perspective. By adopting a company-wide customer segmentation the overall picture of the most valuable customers would be highlighted, and the departments would have a clear picture of the most important customers from business perspective. Proper segmentation also ensures that the most important customers can be served in the best possible way. This would increase synergies between various departments and reduce the current widely applied everyone is equally important method, which Newell (2003, 132) highlights as a potential reason for CRM failure. Additionally, Kotler, Dingena and Pfoertsch (2016, 20) suggest that purchasing maturity and sophistication should be assessed to evaluate how customers perceive the value of the supplier. This was conducted to certain degree in case company X but should be developing to become much more structured.

From collaborative perspective, the people-related component was emphasized as one of the most important parts of CRM, as it is people who develop the relationships (Peelen 2005, 75). According to the interviewees, some of the departments act more inwardly than others, and in some cases, this may even reflect negatively to the customer. It is not only crucial that the all of the staff members in contact with the customer acknowledge their role as either

full-time or part-time marketer of the company, but that case company X develops an environment, where employees have a new way of thinking (Galbreath and Rogers, 1999; Gummesson, 2008, 227).

Knowledge management and cross-departmental information sharing were seen as one of the biggest challenges within case company X. It was mentioned by interviewees that both horizontal and vertical information sharing is insufficient. There may be numerous reasons that limit internal information sharing; people may be prone to believe information to be too obvious or not worth sharing, or it may be related to loss of individual power between employees or departments, a behaviour which is generally empowered by functional organizational structure (Dunmore 2002, 110). It is necessary for case company X to encourage information exchange, not just with customers, but also internally (Newell 2003, 12). The challenge in case company X is that the organizational memory and personal memory fail to function in unison, and much of the information resides undocumented in personal memories. This both challenges the requirement for unified front towards the customer and risks the loss of valuable information if the individual leaves the company. It would be highly important to organize a more systematic method of collecting this tacit knowledge for the entire organization to utilize. As Gebert et al. (2003, 109) note, three types of knowledge flows must exist in a CRM process: knowledge for customers, knowledge about customers and knowledge from customers.

The technological aspect plays a significant role for case company X, as there is currently a project ongoing to implement a CRM system. Unfortunately, case company X also seems to be falling under one of the biggest misconceptions of CRM; it is not sufficient to merely acquire a CRM system to gain the full benefits. At the moment few departments have invested in a CRM system, but based on the interviews, the results were not what expected; the system was seen rigid to use and the level of utilization had declined after introduction. When investing in a CRM system without modifying the company structures, processes or connection to the total business system, problems are likely to emerge (Gummesson 2008, 239). If the company views CRM technology deployment project as a 'silver bullet' solution and fails to understand the significance of strategic and collaborative aspects, the risk of failure increases drastically (Herman and Le Bon 2015).

(SQ2) What is the impact of relationship quality on CRM?

The relationship quality component was held in high importance by the interviewees, yet majority reported that customer satisfaction is not being measured actively. In order to improve the overall customer satisfaction, it is important to start from the development of trust and commitment. Trust was also seen as an important enabler of successful relationships among the interviewees, however the level of trust varied between the relationships, and especially smaller customers were perceived as more committed. As suggested by Peppers and Rogers (2016, 563), by placing more emphasis on becoming a trustable partner instead of the traditional trustworthiness, case company X has potential to achieve noticeable breakthrough with customers. However, this calls for continuous tracking of customer satisfaction.

Although important, consideration of mere trust is insufficient when evaluating the relationship quality. Because of this, case company X must also assess the level of customer commitment; whether the customer is genuinely committed out of sheer desire or due to lack of alternatives. Based on the interviews, it became evident that the smaller customers were perceived as more committed than larger customers, however it would be important to determine the nature of commitment to see whether there is a risk of customer switching to another supplier when an opportunity arises. Case company X should also actively aim to increase the switching barrier for the customer by forming strong bonds to the customer organization through social- and technical connections (Storbacka et al. 2005, 130).

In order for case company X to achieve the maximum potential of CRM, the relationship quality aspect is one of the most important focus points. Without sufficient trust and commitment from both parties, the relationship cannot reap its full potential. The level- and development of customer satisfaction and loyalty should be measured and analysed on a regular basis, contrary to the current approach of overlooking the feedback from the customer.

(SQ3) How value creation is currently acknowledged?

Storbacka et al. (1999, 25) note that in addition to the direct value, which consists of the products and promises the customer receives for his reimbursements, the indirect value calls for mutual learning, development and sentimental value. Based on the interview results the overall perceptions of value were mostly linked to its monetary or product related term. Instead of merely observing value from tangible perspective, value should be seen as something generated within the company through successful utilization of processes and case company X's role as a facilitator of value. Without alignment to customer processes, the core value proposal, or potential value to the customer is unused. To ensure that these processes serve and support customer's value creation in most efficient way, they should be focus of continuous improvement (Knox et al. 2003, 11; Grönroos and Voima, 2013).

To improve the level of indirect value, case company X must begin collecting and analysing information of customers and their processes. As currently the knowledge of customer processes and activities varied to great degree, systematically collecting the information for example through customer feedback, touchpoints and employee experiences, case company X could utilize the information to improve its value proposal to the customer. It is naturally easier to focus on the direct value proposals as this has an immediate impact on the economic goals of the customer, whereas the indirect function provides impact only other relationships or actions, and the financial effects are generally developed later or outside the customer-supplier relationship. However, when the goal is to develop long-term relationships, it is crucial that the significance of indirect value function is also acknowledged.

8.2 Reliability and Validity of the Study

Saunders et al. (2016, 156-157) defines validity as a concern on the nature of the findings, more specifically whether or not they are what they appear to be, whereas reliability refers to the consistency of the data collection methods or analysis to yield coherent results. The main goal of this study is to provide case company X concrete suggestions on how to improve customer relationship management from strategic and collaborative perspectives. The research focus was determined by the need of the commissioning company, which is why internal interviews were conducted to scope out the current status.

From validity perspective, Saunders et al. (2016, 372-373) mention internal validity as the ability of the questionnaire to measure what it was intended to measure. Observing the results of the study from this standpoint, the semi-structured interview proved out to provide the best output, as this leaves room for the interview to be more dynamic in nature and for this study, the results obtained served well the overall research purpose. Additionally, the interview questionnaire enabled accurate and consistent data collection, both which Saunders et al. (Ibid) highlight as prerequisites for validity.

The relatively high number of interviewees from various positions within case company X support the reliability of this study. Furthermore, the consistency of the interview findings can also be stated to express the reliability. Additional contributions to the reliability of the study can be drawn from the detailed methodology part of this study, which supports transparency of the research.

8.3 Suggestions for Further Research

As a theme, CRM offers numerous potential paths for further studies. This study has overviewed CRM from a holistic perspective and offered some concrete future directions for case company X. With the holistic approach established, case company X could turn the focus on studying the requirements of more specific solutions or projects, for example implementation of a technological solution to support the established value-creating processes.

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APPENDICES

Haastattelurunko

1. Kommunikaatio
 - a. Sisäisen kommunikaation nykytaso (tavat yms.)
 - b. Ulkoisen kommunikaation nykytaso (tavat yms.)
 - c. Kuinka sisäistä kommunikaatiota voitaisiin mielestäsi parantaa?
 - d. Kuinka ulkoista kommunikaatiota voitaisiin mielestäsi parantaa?
2. Asiakassuhteet
 - a. Kohdellaanko kaikkia asiakkaita tasa-arvoisesti?
 - b. Mitkä ovat onnistumistekijät nykyisissä avainasiakassuhteissa?
 - c. Mitä ovat mahdolliset parannusalueet nykyisissä avainasiakassuhteissa?
 - d. Ovatko osapuolet sitoutuneita suhteeseen?
3. Vastavuoroisuus
 - a. Millä tasolla yritysten välinen yhteistyö on tällä hetkellä?
 - b. Pyritäänkö asiakkaiden kanssa yhteistyöhön?
 - c. Millaista tietoa asiakkaille jaetaan?
4. Arvon tuottaminen
 - a. Mikä on arvon rooli nykyisissä asiakassuhteissa?
 - b. Mitä ovat mielestäsi lisäarvoa tuottavat tekijät yrityksessänne?
5. Luottamus
 - a. Millaisena näet luottamuksen yrityksen ja asiakkaiden välillä?
 - b. Pyrkivätkö osapuolet ajamaan omaa vai yhteistä etua?
6. Asiakaslähtöisyys
 - a. Mitä asiakaslähtöisyys tarkoittaa sinulle?
 - b. Mitataanko asiakastytyväisyyttä mitenkään?
7. Informaatio
 - a. Onko asiakkaisiin liittyvä tieto kaikkien saatavilla?
 - b. Onko tieto ajantasaista?