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**An investigation of customer attrition at an SME
multinational operative company (OPCO)
From a CRM core business process perspective**



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ΟΙΚΟΝΟΜΙΚΟ ΠΑΝΕΠΙΣΤΗΜΙΟ ΑΘΗΝΩΝ
ΚΑΤΑΛΟΓΟΣ



Abstract

In today's fast-paced global market, companies can no longer build their long-term strategies around a leading edge product. Instead, market leaders now tend to focus on their relationship with customers to secure an edge that will keep them ahead of the competition.

This paper examines customer attrition within the Graphic Arts industry in Greece through a Customer Relationship Management (CRM) perspective by examining the case of a specific industry supplier, BTI Hellas.

As a leader in its field with a large market share and limited scope for expanding this share, BTI Hellas needs to concentrate its efforts on customer retention. This must be done in an environment where its competitors are catching up on performance and price, where customers tend to be more Total Cost of Ownership (TCO) oriented and less loyal and where the print market is itself in a state of transition and coming under increasing pressure.

The study includes a scholarly survey of the literature to analyze the relative merits of CRM strategies, define customer retention and examine meaningful CRM objectives that can help BTI Hellas increase shareholder value and deliver customer value and satisfaction.

Using interviews, structured questionnaires and other tools, the dissertation examines how BTI Hellas is seen by its customers and attempts to identify areas where its performance can be improved, using feedback provided by the customers themselves.

It also looks at how this feedback can be used to design or redesign company activities related to customer management, in order to create a more effective CRM process and retain customers by increasing customer satisfaction and loyalty, as well as suggesting areas for further research.





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CHAPTER ONE

1.1 INTRODUCTION

No company today can depend on having the best products for long. With shortened development cycles and easy access to technology, competitors can arise and steal market share in a matter of months. For enterprise managers who are responsible for multi-year business plans, this is a serious challenge, according to Eechambadi (1999, p.16).

Increasingly, such managers are turning to new technology that develops a different kind of competitive edge. Instead of putting emphasis on the products, this edge is an information system that helps build a better relationship with the individual customer. As one senior executive said, "When our communication with customers is relevant to their particular needs, we form a long-term bond with customers that will be difficult for competitors to break." (Eechambadi, 1999).

The word satisfaction is derived from the latin *satis* (:enough) and *facere* (:to do or make), according to Hernon (2002). This illustrates the point that satisfaction implies a filling or fulfilment. Thus customer satisfaction can be viewed as a consumers' fulfilment response. Satisfaction, like service quality, deals with expectations and draws on the confirmation/disconfirmation process. It is an affective or emotional reaction to a service encounter or to a series of such encounters.

Another definition of the term "satisfaction" can be given as follows (Kotler, 1997):

"*Satisfaction* is a person's feelings of pleasure or disappointment resulting from comparing a product's perceived performance (or outcome) in relation to his or her expectations."(p.40).

As Kotler (1997, p.40) explains, this definition makes clear that satisfaction is a function of *perceived performance* and *expectations*. If the performance falls short of expectations, the customer is dissatisfied. If the performance matches expectations, the customer is satisfied. If the performance exceeds expectations, the customer is highly satisfied or delighted.

According to Kotler (1997, p.40) "Many companies are aiming for high satisfaction because customers who are just satisfied still find it easy to switch when a better offer comes along. Those who are highly satisfied are much less ready to switch. High satisfaction or delight creates an emotional affinity with the brand, not just a rational preference. The result is high customer loyalty.

How do buyers form their expectations? Their expectations are influenced by their past buying experiences, friends' and associates' advice, and marketers' and competitors' information and promises".

Given the importance of customer value and satisfaction, what does it take to produce and deliver them? Porter (1985) cited in Kotler (1997, p.44) states that "the value chain is a tool for identifying ways to create more customer value. Every firm is a collection of activities that are performed to design, produce, market, deliver and support its product".

Kotler (1997, p.46) supports that "today's companies must pay closer attention to their customer defection rate (the rate at which they lose customers) and take steps to reduce it. First, the company must define and measure its retention rate. Second, the company must distinguish the causes of customer attrition and identify those that can be managed better. Third, the company needs to estimate how much profit it loses when it loses customers and fourth, the company needs to figure out how much it would cost to reduce the defection rate".

In this dissertation the author wishes to investigate the reasons leading to customer defection in the graphic arts industry in Greece by examining the case of a specific graphic arts supplier, BTI Hellas. How could a company like BTI Hellas, operating in the industry, increase the value of its relationship with its customers and design its services in a way that will produce high satisfaction and fulfillment of its customers' needs and expectations.

Customer win-back should also be an issue to be researched, as a part of the company CRM strategy, focusing on the re-initiation and management of relationships with customers who have lapsed or defected from the firm.

1.1.1. The Need for Customer Retention

Kotler (1997) wrote that "the cost of attracting a new customer is estimated to be five times the cost of keeping a current customer happy. It requires a great deal of effort to induce satisfied customers to switch away from their current suppliers" (p.47).

Several studies, cited in Verhoef (2001), have considered the impact of Customer Relationship Perceptions on either customer retention or customer share, but not on both (e.g., De Wulf, Iacobucci and Oderkerken-Schröder, 2001; Bowman and Narayandas, 2001; Bolton, 1998; Anderson and Sullivan, 1993). A few studies have considered the effect of Relationship Marketing Instruments on customer retention (e.g., Bolton, Bramlett and Kannan, 2000). In contrast, the effect of RMIs on customer share has been overlooked. Furthermore, most studies focus on customer share in a particular product category (e.g., Bowman and Narayandas, 2001). Higher sales of more of the same product or brand can increase this share; however, firms that sell multiple products or services achieve share increases by cross-selling other products.

As Verhoef (2001) points out in his article: "Understanding the Effect of Customer Relationship Management. Efforts on Customer Retention and Customer Share Development":

"it is often assumed in the literature that the same strategies used for maximizing customer share can be used to retain customers; however recent studies indicate that increasing customer share might require different strategies than retaining customers (Kumar and Reinartz, 2003; Bolton, Lemon and Verhoef, 2002; Blattberg, Getz and Thomas, 2001)".

1.1.2 What is the CRM process?

"The customer relationship management (CRM) process focuses business processes on customer relationships by creating and extracting value that results in improved customer satisfaction and loyalty" says Brigandi (2000). "This ultimately translates into increased profitability. CRM is a customer-driven vision that should pervade the entire organization."

As Brigandi (2000) explains, a successful CRM system will:

- ❖ Increase revenue by customer
- ❖ Improve productivity and interaction between sales, marketing and other internal functions
- ❖ Improve and customize product and service offerings
- ❖ Provide a competitive advantage through differentiation

Many companies are transforming themselves to customer-focused organizations nowadays and the importance of establishing CRM systems to understand better what their customers want is becoming increasingly recognized. For businesses, CRM is more than a software package, it is a "killer application". It aims to understand, anticipate and manage needs of organizations' current and potential customers (Brown, 2000).

1.2 AIMS AND OBJECTIVES

Because there has not been much research on CRM strategies in the graphic arts industry in Greece, this study will try to investigate the following research questions:

- What types of companies are operating in the graphic arts industry in Greece, what their size is, how many years they have been in the business
- The investigation of customers' relationships with BTI Hellas as a graphic arts supplier, in order to turn this information into an advantage for our company, after analyzing the research results with the aid of CRM tools
- The investigation of customer opinion and customer satisfaction through ratings for company departments
- What are the most important factors influencing the customers' choice of a graphic arts supplier they want to work with, which will provide us with clues about the factors causing customer defection
- The information about possible problems, lack of communication, handling of complaints in the relationships between customers and the company
- The investigation of proposals given by customers for services' improvement as well as an in depth knowledge of customer needs

We will thus be able to talk about the potential opportunities and drawbacks in the graphic arts industry in Greece, discuss the effects of a CRM strategy on the organization and how it could be used by graphic arts suppliers and we will finally be able to recommend CRM objectives that could increase shareholder value for our company and deliver customer value and satisfaction.

1.3 COMPANY PRESENTATION-BTI HELLAS AEE

BTI Hellas, operating in the Graphic Arts Industry in Greece, is a member of a multinational group of companies, representing Heidelberg Sheet-fed printing machines, Pre-Press and Post-Press machinery all over Europe. The company also supports its machinery sales with the 3Ss, which are: Service, Spare Parts and Supplies & Consumables. The company's headquarters are located in Holland. Buhrmann Tetterode International is a market leader in most European markets, as well as in the Greek market.

The company mission: to be perceived by the market and our customers as first in class, total solutions value providers and by our suppliers as their preferred trading partner in Greece, with Heidelberg solutions and products as its core business.

The company has been operating non-stop since 1974. The company history is an asset for BTI Hellas. With a turnover over 18.000.000 €, 47 employees and the recognition of its efforts from its clients, BTI Hellas demonstrates a promising future growth in the Greek market.

The future market success of Heidelberg and BTI Hellas will primarily depend on two factors:

- the ability to retain existing customers and
- the ability to acquire new customers

What is more important to Heidelberg is a question that can be answered quickly and unequivocally: a world market leader has by definition a lot to lose and little to gain. Utmost attention must therefore be paid to retaining existing customers. Only a solid platform of high customer loyalty can be the basis for the acquisition of new customers.

An increase of customer loyalty can only be achieved by improving performance. Which type of performance counts, and at which level, is up to the customer, however. It is the task of our company to offer the type and standard of service that the customer wants.

In this dissertation we would like to research:

- the degree of loyalty our customers have toward BTI Hellas and the products offered, as well as possible reasons for customer defection
- the areas of performance for BTI Hellas and the possible gaps in customer loyalty
- the items of performance where actions need to be taken today

1.4 INDUSTRY BACKGROUND

There are several segments in "printing", such as: graphic arts, continuous print streams, desktop, and copy-shop. Different print applications are now converging, however. Each is built on different foundations (different priorities, different workflows) and as they converge, they will come into conflict as they compete for business.

There are three convergences in process today, according to Bronkart and Goril (2000). Within each category, additional pressure is being created by competition. So, a fourth factor is the urgent drive to get cost down, in all areas.

Exactly what will change first, as the underlying "plate tectonics" shift, is impossible to predict. Like earthquakes and weather, the process is chaotic. All we know is that the change is happening, and it would be wise to be proactive in managing rather than resisting it.

Here are the convergences that are already under way:

- the convergence of print technologies (digital, conventional offset, ink-jet)
- the convergence of graphic arts with photo printing and transaction printing
- the convergence of print and on line documents

Each of these is creating significant economic forces as barriers between segments erode, enabling technologies to spread to unfamiliar segments. In a world where walls are tumbling, the only reasonable thing to do is stay on our toes: manage scope, choose something that creates enough value to be worth everyone's investment, get moving, maintain momentum, and stay flexible as things change.

1.5 THE MARKET/COMPETITION

Graphic Arts Market

Number of customers	: estimated up to 4700 (source Icap*)
Active customers	: estimated up to 2500 *
Total customer turnover	: ~ 600.000.000 €
Average investment per annum	: 60.000.000 € (10% of T.O.)

* Digital Printing customers are not included

Table 1.

Greek Graphic Arts Market

Category	Turnover (mill. €)	Average Investments
Magazines/Newspapers	177,5	17,7
Advertisements	77,5	7,7

Packaging	77,5	7,7
Continuous Forms	54,6	5,5
Carton Boxes	91,0	9,1
Labels	17,6	1,8
Books	70,4	7,0
Others	23,5	2,3
Total	589,6	58,8

* Source: Icap Directories (2006)

Market Segments in the Greek Graphic Arts Market

Table 2

Market Segments											
Digital Services			General Commercials			Specialists					
Implants & Authorities	Prepress Services	Digital Printers	Quick Printers	Commercial Printers	Industrial Printers	Commercial Web Printers	Newspaper Printers	Packaging Printers	Label Printers	Direct Mail Printers	Other Speciality Printers
10	1800		730	1500					500		155

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BTI-Hellas
A Buhrmann Company

* Source: BTI Hellas AEE (2006)

Competitors by Object

The company's competitors should be mentioned by object, because there are no companies offering all types of machinery (prepress, press, post-press, digital printing, consumables competitors).

Table 3

In Table 3 we see the main companies in the Pre-Press area, which is the stage of preparing the printing jobs before printing. We have some local distributors or importers all over Greece selling supplies for Pre Press but they are not included in Icap's research.

Prepress Competitors

Company	Ikon SA	Argon SA	Fuji	AGFA	Graph Electroniki	Graphics SA	BTI Hellas
Total Turnover (€)	2.190.887	3.379.031	21.032.208	30.247.865	3.066.382	2.979.621	14.645.000
Employees	12	15	73	95	15	15	65
Products	Creo Scitex	ECRM	Fuji	Agfa	Esko Graphics	Dainippon-Screen	Heidelberg

Source : ICAP Directories



Both Fuji and Agfa companies are operating in photography materials, which is a completely different market and explains their size and turnover.

Table 4

Press Competitors

Company	Graphics SA	Talos	Ioniki Epina	Graph Elelectronici	Alpha Graph	Antonopoulos (Used machines)	Vaxevasidis	BTI Hellas
Total Turnover (€)	2.979.621	1.226.705	2.488.700	3.066.382	2.826.071	5.209.490		14.645.000
Employees	25	10		15	15	25		65
Products	MAN Roland	Ryobi	Komori	Mitsubishi	Adast	Sakurai	KBA	Heidelberg

Source : ICAP Directories



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In this Table we see that BTI Hellas is by far the biggest amongst Press companies, selling Heidelberg press machinery.

Table 5

Post Press Competitors

Company	Cutting Products	Folding Products	Binding Products	Stitching Products	Total Turnover €	Employees
AlphaGraph	Duplo	Sofrapli	Eurotechnica		2.826.072	15
Antonopoulos	Adast-Maxima	Eurofold, Fidia		Hohner	5.209.490	25
Vaxevasidis	Schneider	MBO				
Graphics SA	Wohlenberg		Kolbus		2.979.621	25
Linomedia	Itotec, Sem	Shoei	CP Bourg, Yoshino	Osako	9.909.092	40
Omnicom			Muller-Martini	Muller-Martini	946.374	15
Polygraph	Perfecta	Guk (Grieser & Kunzman)			395.785	
Framak		Asia Office, Framak				
NCA-Hellas		Herzog-Heymann				
Talos		MB			1.226.705	10
BTI Hellas	Polar	Heidelberg	Heidelberg	Heidelberg	14.645.000	65



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Source : ICAP Directories



With its line of post-press machinery BTI Hellas is a leader in this sector as well.

Table 6

Consumables Competitors

Company	AGFA	KPG	FUJI	KONICA TYPON	TSELIKIS	AVRAMIDES	CORETIS	BTI HELLAS
Turnover Film (€)	3.700.000	4.350.000	1.030.000	355.000				446.000
Turnover Plate (€)	3.500.000	2.700.000	1.700.000		3.650.000	400.000	300.000	1.256.000
Employees	95	120	73		12		8	65
Products	Agfa	Kodak	Fuji	Konica- Typon	Lastra	Ipagsa	Plurimetal	Heidelberg

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 **BTI-Hellas**
A Buhrmann Company

Source: Icap Directories

1.6 S.W.O.T. ANALYSIS of BTI Hellas AEE

Strengths

- the representation of Heidelberg Druckmaschinen, a well-known leader in Press and Pre-press machinery
- the company's long and distinguished history in Greece
- the ability to support different departments within the company, as the other group companies do in other countries
- the major bargaining power of BTI, as deals are made on a European level for all Buhrmann companies
- an organizational structure that may create a competitive advantage
- latest state-of-the-art products to be sold

- member of a multinational company
- very good delivery times for spare parts & supplies
- technical support

Weaknesses

- its size may require time-consuming procedures
- new company departments launching new products
- technical novelties/ difficulties that require personnel training very often
- communication between company departments
- adaptability to local market, due to location of headquarters
- mentality of employees

Opportunities

- the company is a market leader and has loyal customers
- the market is evolving rapidly
- the company is the only full-service "player" in the market
- the exploitation of the company's human resources
- the exploitation of business alliances (branch of a multinational company)

Threats

- strong competition from other Greek companies
- competition from used machinery originating in other European countries that replace their machinery at a faster rate than the Greek market
- the economy of the country does not encourage investment
- payment times in the country are very long, thus creating big problems to the whole chain (businesses, adv. companies, importers, printers)

1.7 EXPECTED OUTCOMES

The data and opinions obtained from both primary and secondary research (web survey, interviews etc.) might be used in order to propose some possible ways of customer retention and customer satisfaction, through the use of CRM processes.

The information gathered can be used to determine whether print buyers are satisfied with the relationships they have with their suppliers and the services rendered. This research will make us understand other ways in which their needs and expectations could be met. This way, it will be interesting for a company in the industry to make efforts, in order to be able to offer the desired products/ services.

We will also be able to find out what factors affect their purchasing behavior, what reasons might make them eager to defect and switch suppliers, at what times of the year they defect, whether retention varies by office, region or sales representative, whether there is a relationship between retention rates and changes in prices, what happens to lost customers and where they go and which company in our industry retains the customers the longest.

The above-mentioned list of information to be analyzed could help us develop a more effective CRM process, serving as a guide to print suppliers in the country.

1.8 CONCLUSIONS

If a company today plans on staying in a market it must focus on communication with customers, satisfying their expectations and building strong relationships that will not easily be broken. Customer loyalty is created by high satisfaction and in this case customers do not switch easily.

Given the fact that an old customer is cheaper to serve, a company should pay attention to its customer defection rate and take steps to reduce it. When a loyal customer switches from one supplier to another it means that a great deal of effort was made by somebody else.

Through a CRM process, a company creates value that results in improved customer satisfaction and loyalty, which will increase revenues, improve and customize products and give the company a competitive advantage.

It is not a panacea but it is definitely a tool that may help a company, under specific conditions of use, deliver superior customer value, thus making profits for the company.

CHAPTER TWO**2.1 CUSTOMER RELATIONSHIPS & HOW CUSTOMERS BUY****2.1.1 Understanding Customer Relationships**

The best customers, we are told, are the loyal ones. They cost less to serve, they are usually willing to pay more than other customers, and they often act as word-of-mouth marketers for our company. Winning loyalty will therefore bring profits, as the Customer Relationship Marketing software vendors claim. Flying in the face of this received wisdom, Kumar and Reinartz (2002) discovered in their research that half of the customers that made regular purchases for at least two years - and were therefore designated as loyal - barely generated a profit and that about half of the most profitable customers were blow-ins, buying a great deal of high-margin products in a short time before completely disappearing.

Kumar and Reinartz (2002) found that customers who purchase steadily from a company over time are not necessarily cheaper to serve, nor less price sensitive, nor particularly effective in bringing in new business. They suggest companies have to find ways to measure the relationship between loyalty and profitability, so they can better identify which customers to focus on and which to ignore. After conducting their research in four different companies, they came to the conclusion that the only strong correlation between customer longevity and costs - in the high tech corporate service provider company - suggests that loyal and presumably experienced customers were more expensive to serve. This is explained by the fact that customers that do business in high volumes know their value to the company and often exploit it to get premium service or price discounts. No doubt there are industries in which the oldest customers are the cheapest to serve, but there are also others where they are more expensive to satisfy.

"Customer loyalty presents a paradox. Many see it as primarily an attitude-based phenomenon that can be influenced significantly by customer relationship management initiatives such as increasingly popular loyalty and affinity programs. However, empirical research shows that loyalty in competitive repeat-purchase markets is shaped more by passive acceptance of brands than by strongly-held attitudes about them. From this perspective, the demand-enhancing potential of loyalty programs is more limited than might be hoped". (Dowling, Hammond, Uncles, 2003)

As Johnson and Selnes (2004) discuss in their article on customer portfolio management, in general marketing scholars agree that the fundamental phenomenon to be explained, predicted and controlled in the dynamics of the marketplace is the exchange relationship (Bagozzi 1975; Hunt 1976, 1983; Kotler 1972). The purpose of an exchange relationship is to connect a customer's needs with a supplier's resources and offerings, whether we are talking about business-to-consumer or business-to-business relationships. From a supplier's perspective, value creation is a process of understanding the heterogeneity of customer needs, developing products to fill those needs and matching customers to products through marketing activities in competition with other suppliers (Alderson 1957, 1965; Reekie and Savvit, 1982). From the author's perspective, the customer chooses the supplier or suppliers that provide the highest expected benefits less any associated costs and risk, where benefits encompass a bundle of qualities, processes and/or capabilities (Enis and Murphy, 1986).

A firm's efforts to evaluate the value of relationships occur within a dynamic and very competitive environment, under constantly changing conditions and factors. The firm will always be trying to motivate its customer, who will be asked to participate in this relationship.

Johnson and Selnes (2004) suggest that customer relationships progress over time to closer and closer forms of value creation, though there are individual

cases in which the progression of relationship is different. A relationship between a supplier and a customer may be established directly at a friendship level without progressing through the acquaintance stage.

Customers may move from being acquaintances with one supplier to friends with another supplier because the competitor's offering has a superior value proposition. Here, the trust required of friendship may be acquired not through direct experience but through brand building, personal selling, and so forth. Customers may also move directly to the partnership level, such as when an industrial customer decides to outsource its information technology or customer service activities completely to a partner with which it has no previous experience.

Johnson and Selnes (2004) support that the more intense the competition in any particular segment is, the more customers are likely to switch because of the abundance of substitutes. They believe, on the basis of their typology, that this relationship progression should systematically affect both the propensity of customers to switch and the costs incurred either to gain customers from competitors or to move them to an even closer relationship. The strength of a closer relationship creates a stickiness that lowers the probability of customer switching (Bendapudi and Berry, 1997; Johnson et al, 2001-cited in Johnson and Selnes, 2004).

Customers simply have a diminishing need to solve problems or to shop around. Closer relationships also increase the costs that a competitor incurs to induce switching at a given relationship level (Fornell, 1992- cited in Johnson and Selnes, 2004).

According to Anton (1996-cited by Goldsmith, 1997) loyal customers are valuable to service businesses because it costs less to retain them than to gain new customers, they provide disproportionately more revenue than most customers, they generate positive word-of-mouth, and they are good sources

of product improvement information. Enhanced customer satisfaction leads to improved employee moral and performance.

Commitment is usually defined as the extent to which an exchange partner desires to continue a valued relationship (Deshpandé, Moorman and Zaltman, 1992- cited in Verhoef, 2003). Verhoef (2003) focuses on the affective component of commitment, that is, the psychological attachment, based on loyalty and affiliation of one exchange partner to the other. He suggests that this type of commitment affects customer retention positively.

Customer intimacy, customer equity and customer relationship management (CRM), are the marketing mantras of today. In their quest for sustained success in a marketplace characterized by product proliferation, communication clutter, and buyer disenchantment, more and more companies are attempting to build deep, meaningful, long-term relationships with their customers (Bhattacharya, Sankar 2003, p.76).

What constitutes a company's identity? Consumers' knowledge structures about a company, conceptualized alternatively as corporate image, corporate reputation, or, more broadly, corporate associations (Brown and Dacin, 1997; Fombrun and Shanley, 1990 - cited in Bhattacharya and Sankar, 2003), include consumers' perceptions and beliefs about relevant company characteristics (e.g. culture, climate, skills, values, competitive position, product offerings) as well as their reactions to the company, including company-related moods, emotions and evaluations (e.g. Dowling 1986-cited in Bhattacharya and Sankar, 2003). According to Kunda (1999) and Lane and Scott (2000-cited in Bhattacharya and Sankar, 2003) this identity is shaped by the organization's mission, structure, processes and climate and, as do individual identities, represents possibly hierarchical constellations of characteristics or traits that are central to the organization, distinctive from other organizations, and relatively enduring over time (Albert and Whetten 1985 - cited in Bhattacharya and Sankar, 2003).

Bhattacharya and Sankar (2003) with references to prior research, reach the following conclusions:

1. The more similar consumers perceive a company identity to be to their own, the more attractive that identity is to them. In other words, the relationship between customers' perceptions of a company identity and their evaluation of its attractiveness is mediated by the identity's perceived similarity to their own.
2. The more distinctive consumers perceive a company's identity to be on dimensions they value, the more attractive that identity is to them. In other words, the relationship between consumers' perceptions of a company identity and their evaluation of its attractiveness is mediated by the identity's perceived distinctiveness on dimensions they value.
3. The more prestigious consumers perceive a company's identity to be, the more attractive that identity is to them. In other words, relationship between consumers' perceptions of a company identity and their evaluation of its attractiveness is mediated by the identity's perceived prestige.
4. Consumers' perceived knowledge about a company identity moderates the extent to which they use their identity perceptions to make identity-related (i.e. similarity, prestige and distinctiveness) judgments.
5. The perceived coherence of a company identity moderates the extent to which consumers use their identity perceptions to make identity-related judgments.
6. The perceived trustworthiness of a company identity moderates the relationship between consumers' identity-related judgments and their evaluation of its overall attractiveness.

The benefits of identification are that people become psychologically attached to and care about the organization, which motivates them to commit to the achievement of its goals, expend more voluntary effort on its behalf, and

interact positively and cooperatively with organizational members, say Bhattacharya and Sankar (2003).

Thus, company loyalty and company promotion, both social and physical, are developed. Customers are "recruited" voluntarily and are resilient to negative information, even if the performance of one company product is unsatisfactory, suggests Chapell (1993 - cited in Bhattacharya and Sankar 2003). In other words, just as consumers are likely to forgive themselves for minor mistakes, they will forgive the companies they identify with, particularly because identification leads them to trust the company and its intentions (Hibbard et al, 2001; Kramer, 1991 - cited in Bhattacharya and Sankar, 2003).

According to Brigandi (2000) the golden rule on relationships with customers is to treat them the way you want to be treated. Companies have tried to do more and have lost personal contact with customers as a result of being more efficient, perhaps at the cost of being more effective.

Another important rule that is very simple to follow is capturing and holding the first-time customer, according to Nucifora (2002). First impression counts. It is how customers judge the brand and evaluate its relevance to them. It can radiate good will or it can establish doubts about the company. Not incidentally, the research firm Gartner says that a 5% increase in customer retention results in an impressive 60% increase in profitability over a five-year-period.

Marketers are finally waking up to the fact that the most important element in a good first impression is exemplary customer service and it contributes mightily to brand loyalty and customer retention (Nucifora, 2002).

"Getting to know your customer doesn't necessarily mean investing in the biggest and most powerful data-gathering

tools available. Building loyalty doesn't mean asking your customers for their phone number every time they buy something from you. Good relationships and trust are built over time, with give and take on both sides, and not too much pressure." (Dawson, Reichheld and Rigby, 2003).

2.1.2 When should firms treat customers as partners

Marketers often think of customers as partners. In addition to its managerial appeal, treating customers as partners has strong grounding in theory (Coase 1960, Wernerfelt, 1994 - cited in Anderson, 2002). A fundamental premise of this perspective is that firms and customers should work together to increase their joint payoff.

An example of partnership perspective in practice is stated by the following:

"Our relationship [with our customers] has changed from adversarial to close partnership with both parties working together to identify, reduce and eliminate non-value adding activities. When customers recognize this, they are no longer interested in negotiating a lower fee. They now work with us...."

According to Anderson (2002), previous research in marketing has applied transaction cost analysis (TCA) to study how firms organize marketing activities. A recent paper by Carson et al. (1999) outlines three properties that must exist for partners to reach efficient agreements: (1) partners must be able to specify the set of tasks to be implemented, (2) the organization of these tasks must increase joint payoff, and (3) the firms must be compensated for implementing the tasks.

Similarly, Ghosh and John (1999 - cited in Anderson 2002) extend TCA to understand cooperative marketing relationships and how partners create and claim value.

Anderson (2002) concludes that if marketers follow the wisdom of partnering, then a firm should only offer a service when they are the low-cost provider. However, this wisdom only applies when firms can customize agreements at low cost with each customer, such as in business-to-business settings. When the scope of agreements is limited and negotiation is relatively costly, as in most business-to-consumer contexts, firms will trade off total surplus and the percent of surplus is captured. As such, they may not organize their activities in a manner that generates maximum surplus. Further, the firm may not seek to reduce its costs of offering a service, as this may sharpen price competition. In sum, Anderson's paper shows that seeking Pareto-efficient agreements (i.e. treating customers as partners) only makes sense in markets where negotiation and customized agreements are possible. Innovations in information technology may eventually result in widespread personalization. However, without customized, one-to-one negotiation, marketers should question the wisdom of treating customers as partners.

2.1.3 Customer Satisfaction

According to Oliver (1996) "Satisfaction is the consumer's fulfillment response. It is a judgment that a product or service feature, or the product or service itself, provided a pleasurable level of consumption-related fulfillment, including levels of under- or over-fulfillment" (p.12). Another definition of satisfaction is given by Tse and Wilton (1988): "The consumer's response to the evaluation of the perceived discrepancy between prior expectations [or some other norm or performance] and the actual performance of the product as perceived after its consumption" (p.204).

Verhoef (2003) defines satisfaction as the emotional state that occurs as a result of customer's interactions with a firm over time. Other analysts, according to Verhoef, connect customer satisfaction and loyalty, but this connection has been questioned, despite positive results in the literature. Other studies have shown that relationship age, product usage, variety seeking, switching costs, consumer knowledge, and socio-demographics moderate the link between satisfaction and customer loyalty (Bolton, 1998; Bowman and Narayandas, 2001; Broniarczyk, Capraro and Srivastava, 2003; Homburg and Giering, 2001; Beatty, Jones and Mothersbaugh, 2001; Kamakura and Mittal, 2001 - cited in Verhoef, 2003). Dynamics during the relationship that may affect this link may be customers updating their satisfaction levels using information gathered during new interaction experiences with the firm.

The costs of converting a customer from level to level should similarly increase as customers move from being strangers to being acquaintances, friends and partners, according to Johnson and Selnes (2004). And they believe that customers that are closer to the firm tend to buy more (because they are better acquainted with the firm's offerings), cost less to serve (because the firm knows them better), and are less price sensitive (because they have higher switching costs), according to Humby, Libai and Narayandas (2002).

Johnson and Selnes (2004) formally state their arguments about switching probabilities as follows:

Postulate 1.

As customers progress toward a closer relationship with suppliers, (a) the probability of customers switching to competitors decreases, (b) the cost of gaining customers from competitors at a given relationship level increase, (c) the costs of converting customers to an even closer relationship increase and (d) revenue premiums increase.

Postulate 2.

The stronger the dynamic marketing capabilities of a firm (a) the lower is the probability that a customer will switch to competitors, (b) the higher is the probability that a customer will switch from competitors, (c) the higher is the probability of converting customers to closer relationships, (d) the lower is the cost of converting customers to closer relationships, and (e) the higher is the revenue premium from closer relationships.

Postulate 3. As the sale advantages of growth in a market increase (a) overall CPLV (Customer portfolio lifetime value) increases and (b) the contribution of distant relationships increases relative to closer relationships.

According to Bourque (2004), regardless of the state of the economy, many companies are not doing as well as they should because they treat customers so poorly. There is a definite feeling throughout the transaction that neither customer preferences nor they as persons matter. He claims that the people and their managers don't know how to handle customers. And he concludes that regardless of how good your product or service is, you cannot afford to fail in this area. Finding out what displeases a company's customers and taking appropriate action could increase business. He suggests we become our own customer and see what it feels like or even hiring someone to do it for our company and report back to us. Improving processes and training people from the customer's perspective may change a company's view of the customer.

It is very important that customers seem to strongly resent companies that try to profit from loyalty. Surveys consistently report that consumers believe loyal customers deserve to pay lower prices (Kumar and Reinartz, 2002). It is quite impossible these days to get away with a price differentiation for any length of time. An example is Amazon's coming close to destruction, for charging different prices for the same DVDs.

Gitomer (2003) suggests that a company's policy should be treating all of the customers the same: like gold, after his small bank account had to be liquidated because it was "too small" and the bank wasn't making any profits from it. The broker's attitude toward the client: "I can't apologize for a policy I didn't make" caused the bank big problems when the policy was spread around. Gitomer's (2003) advice is to guard every one of our customers with our life for the following reasons:

- a. they may grow into big customers one day
- b. they may refer big customers one day
- c. if they are "fired" the ripple affect will be much more costly than the few cents a company may lose by keeping them

A properly serviced client will be appreciative of the vendor's professionalism and concern and be favorably sensitized to the vendor's more "hard-sell" marketing approaches (Willax, 2004). Therefore, ongoing communication with them is essential. Research shows that most people will retain a material recollection of communication for about six weeks. As a consequence, in order for a vendor to engender consistent, uninterrupted awareness, the client must be contacted at least eight times a year. Willax (2004) suggests the contact should consist of more than a mailed brochure or a mass media advertisement; a worthwhile relationship has to be built on systematic, personalized, consistent intercourse that is uniquely beneficial for the client.

In the case of business owners and CEOs, this means vendor contacts that are truly helpful and includes communication that provides a distinct, tangible benefit to the client. In many marketing efforts vendors convey "gifts" of special value that are tailored to the circumstance (i.e. books, audiotapes, or clippings with on-point information). Sometimes they sponsor seminars, workshops or networking clinics to which clients are invited, in order to provide an easily perceived benefit for the clients firm or him personally. The

vendor needs to "stay in touch" in a manner that will eventually evoke either a client-initiated contact or a more welcomed re-contact by the vendor. A good salesman knows that "no" does not mean "no forever". Circumstances or timing might not be "right" to consummate a sale at this specific point of time. But the involvement of the prospect in a formal, not-yet-transaction-ready relationship can be a commodious "foot-in-the door" approach that prevents the vendor from being "out-of-sight; out-of-mind" and out of luck (Willax, 2004).

Blattberg, Getz and Thomas (2001 - cited in Verhoef, 2003) argue that customer retention is not the same as customer share, because two firms could retain the same customer. Kumar and Reinartz (2003 - cited in Verhoef, 2003) suggest that relationship duration and customer share should be considered as two separate dimensions of the customer relationship.

2.1.4 Why is winning customer loyalty so crucial?

Several years ago, Bain & Co. documented the outstanding financial results you can achieve by cultivating customer loyalty: a five-per-cent increase in customer retention increases profits by 25-95 per cent. The reason? It costs so much to acquire customers that many of these relationships are unprofitable in the early years (Dawson, Reichheld and Rigby, 2003, p.1). Only later when the cost of serving loyal customers falls and the volume of their purchases rises, do relationships generate big returns. That finding prompted a lot of executives to search for ways to keep their customers loyal.

With the arrival of the Internet, it's harder than ever to keep a customer. They have far more choices and a couple of clicks allow them to check out the competition for a better deal. Churn has gone up. In fact, a company with a seemingly impressive 90-per-cent retention rate will lose more than half of its customers in five years (Dawson, Reichheld and Rigby, 2003). When times

are tough, who wouldn't want to increase profits and reduce costs, just by keeping more of the customers they already have?

Psychological investigations show that rewards can be highly motivating, that people possess a strong drive to behave in whatever manner necessary to achieve future rewards and that during participation in a loyalty program, a customer might be motivated by program incentives to purchase the program sponsor's brand repeatedly, according to Verhoef (2003). The program's reward structure usually depends on prior customer behavior; therefore customer has barriers switching to another supplier.

Kumar and Reinartz (2002) believe that the link between loyalty and profits is weaker than expected. They support that the reason the link between loyalty and profits is weak has a lot to do with the crudeness and the methods most companies currently use to decide whether or not to maintain their customer relationships. The most common method is to score them according to how often they make purchases and how much they spend (RFM= Recency, Frequency and Monetary Value). In general, the more items a customer purchases and the more recent the transactions, the higher overall score. Kumar and Reinartz (2002) have a different opinion after their research results have shown that scoring approaches of this kind result in a significant overinvestment in lapsed customers. An important issue seems to be pacing of a customer's interactions, since not all customers buy at the same times or have the same needs.

Loyalty matters a great deal. We often hear the 20/80 rule: 20% of your customer base generates 80% of the profit. That 20% represents a company's core customers, those who come back time and again to do business with you. Those are the ones a company should love to death. Their money delivers profits and their word-of-mouth generates leads. As in a good marriage, a company should listen carefully to their needs, maintain constant communication and make the extra effort to preserve the relationship,



extending it into a lifetime partnership (Nucifora, 2003). That's what loyalty is all about. They give us their money and their commitment; we reciprocate with appreciation, acknowledgement, exceptional service and attractive deals. If a company doesn't keep its end of the bargain, it doesn't deserve loyal customers. There are easy-to-find CRM tools that can act as a lubricant to help maintain a smooth and profitable relationship between marketer and customer. They let the marketer customize communications, cross-sell more effectively, maintain contact with the customer and ultimately, cement the relationship over a lifetime (Nucifora, 2003).

Loyalty is one of those words that conjure up images of a best friend, lifelong college pals, trusting partners and even dogs. So when it's applied to marketing and its assets - the customers - "loyalty" implies expectations and associations of the highest order (Magrath, 2000). Firms today are involved in a concerted effort to win over the hearts, minds and wallets of customers. Sometimes they call their efforts database marketing, CRM or frequency marketing. Each one involves hard-wiring your firm's offerings in such a way that customers will grow and stay with you, and not desert you for your competitors. Magrath (2000) explains that, aside from locking in repeat and upgraded purchases, companies use loyalty programs to understand purchasing dynamics at work in their most profitable customer segments. Precisely targeted programs are the result.

Besides gaining market share and customer share, firms developed a different view of customer opportunities with better market research and data mining. Well managed loyalty programs can also cut costs, as Magrath (2002) supports. He concludes that "until loyalty marketers develop more creative and meaningful ways to translate the voice of the customer, loyalty plans will not be perceived as special. Moreover, they will be easy prey for copy-catting competitors."

2.2 THE ROLE OF CRM

2.2.1 What is CRM?

There are many different descriptions of CRM, according to different authors. Nairn (2002) defines CRM as the technical ability to carry out a very sound management idea that has a long, strong pedigree.

Customer relationship management (CRM) has allowed many executives, with its use, to gather information on all their customers, so they can tailor their offering to the needs and desires of each one, as Dawson, Reichheld and Rigby explain (2003). Unfortunately, micro marketing to a segment of one suffers from several flaws, such as:

- catering to a segment of one is wildly expensive
- companies learned more about their customers than they wanted or needed to know and therefore couldn't use the gathered information effectively.

CRM is, above all, about building a relationship with your most valuable customers. You need to know your customers well enough to determine what kind of a relationship they want to have. Do they want an open relationship or would they prefer to be anonymous? (Dawson, Reichheld and Rigby, 2003).

CRM is a series of strategies and processes that create new and mutual value for individual customers, builds preference for their organizations and improves business results over a lifetime of association with their customers, according to Gordon (2002).

CRM may also contribute to a higher level quality management. According to Crosby (1979-cited in Brigandi 2000) "instead of thinking of quality in terms

of goodness and desirability we are looking at it as a means of meeting requirements". Thus, a business can better plan and provide its customers with products or services they need or prefer.

For both academics and practitioners, the dominant focus of CRM has been customer retention. Customer win-back should also be an important part of a CRM strategy. Customer win-back focuses on the re-initiation and management of relationships with customers who have lapsed or defected from a firm, say Blattberg, Fox and Thomas (2004). Loyalty and retention have been the dominant themes among scholars interested in CRM.

Its application gives companies a chance to transform themselves to customer-focused organizations and the importance of establishing CRM to understand better what the customers want is becoming increasingly recognized. For businesses, CRM is more than a software package, it is a "killer application". It aims to understand, anticipate and manage the needs of organizations' current and potential customers (Brown, 2000).

Brown (2000) defines CRM as the "key competitive strategy you need to stay focused on the needs of your customers and to integrate a customer-facing approach throughout your organization". CRM is a discipline which focuses on automating and improving the business processes associated with managing customer relations in the area of sales, management, customer service and support, according to Chatterjee (2000).

Hansotia (2002) claims CRM is essentially a customer data intensive effort. At its best it is a key corporate strategy and, like all useful strategies, CRM is about being different. At the heart of CRM is the organization's ability to leverage customer data creatively, efficiently and effectively to design and implement customer-focused strategies.

Gordon (2001) defines CRM as the ongoing process of identifying and creating new value with individual customers, and sharing the benefits over a lifetime association. It involves the understanding and managing of ongoing collaboration between suppliers and selected customers for mutual value creation and sharing.

Brigandi (2000) explains how CRM helps manufacturers adjust to changing business culture. Customers are nowadays more informed and technology has made buying options more plentiful and transactions faster. Personal contact with the customer is diminished because of technology and mass marketing. This is why companies have categorized customers, offering general services to reach the masses, in order to respond to increased competition.

Nevertheless, as Brigandi states (2000), a company is differentiated from competition when it establishes and strengthens a more personal relationship with its customers. His definition of CRM is the following:

"The CRM process focuses business processes on customer relationships by creating and extracting value that results in improved customer satisfaction and loyalty. This ultimately translates into increased profitability. CRM is a customer-driven vision that should pervade the entire organization".

CRM allows you to identify and satisfy your best customers, the small percentage that generates the biggest chunk of your sales and profits, according to Murtagh (2001). By focusing on building customer lifetime loyalty, a company knows its customers, can anticipate their needs and can respond to unique marketing opportunities. As Murtagh (2001) supports, a company knows when to send the customer information about an upcoming sale or a new product or service offering. The more the company knows

about the customer's buying patterns and preference, the more likely it is that the offer will be on target. He supports, as do many others, that all customers are equal and that 80 percent of profits come from 20 percent of customers.

2.2.2 Pleasing customers & CRM - when should we continue investing on a client?

Customer relationship management came into vogue over the past few years among large companies that contact customers through multiple channels, such as sales representatives, customer service call centers, fax machines, web-sites and e-mail, says Slania (2002). The idea is to track each interaction and gather information on customers' ongoing needs and preferences, purchase history, service requests and complaints. By sharing information, CRM advocates say, marketers serve customers better and determine ways to generate more sales.

While it makes sense for some companies, others have a hard time justifying its use. Critics cite the size of a company's database, the availability of money for investment and concerns about whether employees will alter their habits to use the new technology.

As Drake (2001) points out, companies these days are serious about using their computers to achieve sales force automation. The use of computerized tools to help cut customer attrition and company sales, which is very important in order to cut customer losses and increase profits, is a process well known as sales force automation, adopted by both large as well as small companies.

Consultants warn that "the software is the enabler, not the fix" says Edmund B. Galvin, a partner in the middle-market advisory services for Price Waterhouse Coopers LLP (cited in Slania, 2002). "A piece of technology can

help you get there. But a smaller business owner has to ask himself, "what do I expect to get from this, and is it worth the cost?"

Of course, there is also the old-fashioned concept, which supports that "CRM is nothing new; it started with the corner grocery store, where everyone knew your name and what you needed." Whether it uses index cards, Microsoft Outlook or custom software, a small business must maintain its customer intimacy. "If you can't anticipate your customer's needs and move quickly, you lose your competitive advantage", says Lawrence Goldman, vice-president of customer solutions for Brown Consulting Inc. in Chicago (cited in Slania, 2002).

But the decision to continue investing in customer relationships needs to be based on customer profitability, not the revenue they generate. The cost of servicing customers who buy only small quantities of low-margin products may exceed the revenue they bring in. As valuable as segmentation may be, even more valuable is correct identification of customers at the individual level, according to Kumar and Reinartz (2002).

According to Gordon (2001), many companies have been investing in CRM tools, in order to understand and touch the customer; yet technology investment is often fragmented, often made without the strategic integration and alignment needed to deliver superior customer value. Perhaps because of the tight link between CRM and technology, few companies have strategic plans for CRM.

2.3 FACTORS FOR CRM SUCCESS

2.3.1 When is CRM successful?

According to Hansotia (2002), CRM works better for certain types of businesses, products and organizational structures. Beyond the environmental

and organizational factors, success depends on a customer-focused strategy that is implemented by often re-engineering current customer interaction processes and sometimes designing entirely new processes.

The keys to profit enhancement, however, are processes that maximize the opportunity for increasing customer generated cash-flows at every customer contact. This is done by invoking decision rules that recommend specific customer treatments at each contact (Hansotia, 2002). He concludes that CRM does require managing customer interactions but more importantly, to be successful, it requires senior executives to be involved in creating the environment, culture and processes that will help it succeed.

According to Brigandi (2000) a successful CRM system will:

- Increase revenue by customer
- Improve productivity and interaction between sales, marketing, and other internal functions
- Improve and customize product and service offerings
- Provide a competitive advantage through differentiation

He explains that it is important for a company to know which accounts generate profit, but it is also important to know why they are profitable and to be able to determine whether they could be even more profitable or not. A well-focused CRM will help a company know all the above and it will also help understand when a company should walk away from unprofitable accounts.

He points out, as well, that the lifetime value (LTV) of a customer is an important factor in CRM, since customer requirements change and our organization must be able to change with those requirements, as well as anticipate that change and be prepared for it. CRM is a more appropriate business strategy and has the potential to generate bigger rewards for certain types of businesses than for others (Hansotia, 2002). Essentially, CRM is about managing customer interactions and creating memorable customer

experiences that exceed expectations. The following criteria are the ones that make the CRM strategy more appropriate for certain businesses and customers. The ideal environment for CRM will have:

- ♦ frequent customer interactions/purchases
- ♦ a high level of expertise needed to guide purchasing and problem resolution
- ♦ multiple products and services purchased by customers
- ♦ products that provide convenience, create simplicity or reduce risk
- ♦ products that are learning-intensive and require substantial customer service and support.

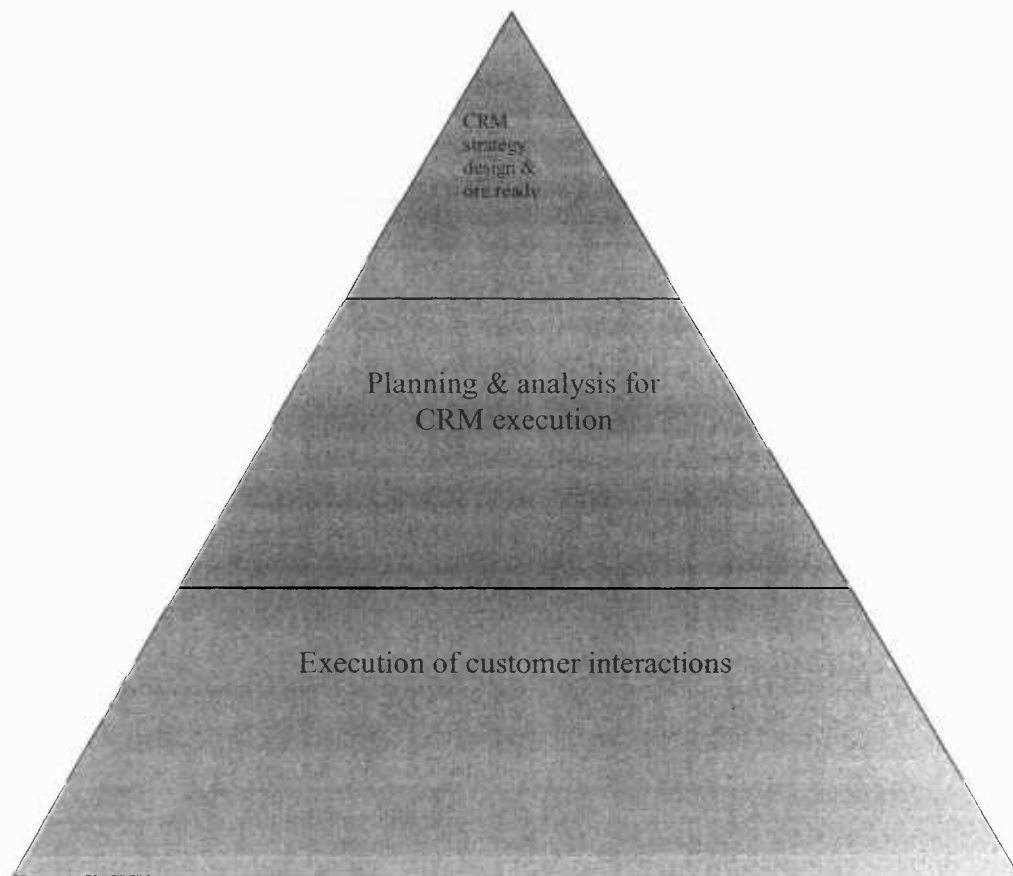


Figure 1-Activity Flow in Implementing a CRM Strategy

In Figure 1 we can see how Hansotia (2002) describes the Activity Flow in implementing a CRM strategy. Hansotia (2002) points out that in order to deliver on the CRM promise, companies need to become proficient in all three activities.

Gordon (2002) suggests that best-practice companies base their CRM capability plans not just on technology but also on developing and focusing organizational capabilities in other areas such as CRM processes, people and knowledge/insight. These are the four main CRM strategic capabilities, which are affected by factors such as the core customers on which the firm has chosen to concentrate, the leadership and the culture of the organization, the channels the company uses for stakeholder communications, transactions and logistics and the firm's business model, strategy and structure.

According to Fletcher (2002) a system or process which might be suitable for bringing a company to a position where it might use CRM is not necessarily the best system or process for ensuring its successful use. The effective use of a sophisticated CRM system is achieved by matching organizational capabilities and market context, rather than by uncritical adoption or development. Fletcher (2002) explains that although organizational and strategic barriers are more important than technical barriers this is frequently not recognized by the firms. What companies' marketing managers report is difficulty in making strategic use of information technology systems, partly due to inadequacies of IT systems but also because of lack of strategic focus in companies.

Hansotia (2002) supports that CRM works best in companies with a customer-focused strategy that frequently changes customer interaction processes. He supports that a company must have products and services that require frequent and ongoing interactions with its customers and customers should welcome these interactions and even seek them out.

There are two fundamental tools for generating customer insights and identifying opportunities and risks in the customer database: segmentation and customer value scorecards. Companies need to build in specific activities aimed at increasing customer-generated cash-flows, in order for CRM to pay off financially.

Most companies already accumulate data. However, they do not effectively utilize technology to organize and filter it, or use it to develop customer-driven strategies. We must recognize the difference between information and intelligence. Intelligence is information that has been filtered, organized and analyzed with a specific outcome. While the main focus of CRM is customer retention and increased profitability, an additional benefit of reduced costs is to gain new customers. As a CRM system becomes more sophisticated, we are able to target selectively those customers that are most likely to purchase our products or services. As a result, the cost of acquiring information decreases while the profitability of each campaign increases. Our business culture is changing, but with that change come opportunities. Being prepared and operating with a customer focused strategy will allow us to determine the future success of our business (Brigandi, 2000).

According to Croteau and Li (2003) three main organizational functions are supported within the technological initiatives' landscape of customer relationship management (CRM): customer support and service, sales force automation, and enterprise marketing automation. Customer support service (CSS) is becoming one of the most critical core business processes for most organizations. Seen as a growing envelope that can manage and grow long-term customer relationships with well-integrated databases, CSS covers the manner in which a product is delivered, bundled, explained, billed, installed, repaired, renewed, and re-designed. Sales force automation (SFA) means applying the best practices of selling

into a software package that can help organizations' sales teams attract and retain profitable customers.

SFA practices are designed to shorten selling cycles, increase customer face-to-face time, and guide the sales process. Enterprise marketing automation (EMA) seeks to have the same automating and empowering impact on marketing that SFA has on sales (Croteau & Li, 2003). Top management support is a critical factor that influences the impact of CRM initiatives and diminishes resistance to change, as well as organizational readiness that is necessary for a high level of integration between all contact points, a visible supply chain, encompassing sales, support and service, and marketing functions, and a solid IT infrastructure in order to support CRM initiatives. Another factor of the success of a CRM system is knowledge management capabilities, which is described as the ability of an organization to capture, manage and deliver real time authenticated customer, products and services information in order to improve customer response and provide decision-making based on reliable information. (Croteau & Li, 2003).

Daniel, McDonald and Wilson (2002) conducted a survey on factors affecting the success of a CRM system. The factors identified by previous authors are: the importance to the success of IT/marketing initiatives of a market orientation, the need for business system convergence on a single view of customers and other entities such competitors, the need to include cultural change issues within the project's scope, the need to design for flexibility and the need to manage IT infrastructure.

Their research also shed some light on some other factors, described as follows:

- ♦ the need for commitment across numerous functions which deal with the customer, in order to understand and satisfy particular customer segments

- ♦ the need for common directorships for sales and marketing, or at least a coherent design for the two departments
- ♦ the need for a "rapid strategy", because long-term projects seem particularly vulnerable to cancellation due to structural or personal changes, or simply due to perceived lack of progress
- ♦ the need for effective communication between IT staff and their commercial counterparts, given the different cultures they inhabit
- ♦ reducing the risk involved in developing software, by using an off-the-shelf system
- ♦ the need for the board to be aware of IT's strategic capability and be actively involved in the formulation of an IT strategy and
- ♦ the need for approval procedures for capital expenditure that do not act as a barrier to development with a strong rationale but a degree of risk

2.3.2 Managing the information collected

After gathering all information about our customer database we are to decide on relationship management actions. Kumar and Reinartz (2002) have created a matrix called "Choosing a Loyalty Strategy", which is presented below (Figure 2):

		<i>High profitability</i>
<i>Short-term customers</i>		Butterflies
<i>Long-term customers</i>		True friends

Figure 2. Choosing a Loyalty Strategy Matrix

Short-term customers

High profitability

Butterflies * good fit between company's offerings and customers' needs

* high profit potential

Actions:

- aim to achieve transactional satisfaction, not attitudinal loyalty
- milk the accounts only as long as they are active
- key challenge is to cease investing soon enough

Low profitability

Strangers * little fit between company's offerings and customers' needs

* lowest profit potential

Actions:

- make no investment in these relationships
- make profit on every transaction

Long-term customersHigh profitability

True Friends * good fit between company's offerings and customers' needs

* highest profit potential

Actions:

- communicate consistently but not too often
- build both attitudinal and behavioral loyalty
- delight these customers to nurture, defend and retain them

Low profitability

Barnacles * limited fit between company's offerings and customers' needs

* low profit potential

Actions:

- measure both the size and the share of the wallet
- if share and wallet is low, focus on up-and-cross-selling
- if size of wallet is small, impose strict cost controls

According to Kumar and Reinartz (2002), different approaches will be more suitable to different businesses, depending on the profiles of their customers and the complexity of their distribution channels. Fortunately, technology is making things easier every day, allowing companies to record, analyze the often complex, and sometimes even perverse, behavior of their customers.

2.4 CRM TOOLS

An ideal sales force automation system will help manage and improve customer relations, increase the speed with which people communicate in the organization, give salespeople access to database information, help to improve sales, planning, scheduling and help to increase growth and the bottom line (Drake, 2001). Besides the acquisition of the system, the second half is assuring that salespeople adopt the new software and management should insist on that. Some of the reasons why a system may be poorly accepted are: inadequate training, poor commitment on the part of the sales force, a sense they did not participate enough in the development of the system or insufficient emphasis by managers upon measurable outcomes.

One rule of thumb: Salespeople will resist any system they feel takes too much time to use. Salespeople shouldn't be sitting at their desk most of the day typing in information. They should be out in the field selling (Drake, 2001).

Peres says the arrival of solutions hosted by application service providers may make things simpler. "Instead of buying and installing a software package and having to implement it, you can get a solution over the web. It's totally Internet-based, so you don't have to install it on your laptop. And it's a low risk way to get started in the market" (Drake, 2001). According to other

analysts, the future has got to be in voice recognition software. Sales force automation tools will be much easier when sales people can dictate instead of typing. Beyond that, all eyes are on wireless Internet, which will allow salespeople to fully assert their value in customer service and satisfaction. As the power of the wireless Internet grows, palm-and-pocket-sized devices will put technology at a salesperson's disposal where it is most effective, during face-to-face interactions with a prospect or customer. The big push these days is to offer business intelligence tools that determine which customers are most profitable, what are the turnover trends, and so on. We can get all sorts of bells and whistles with software packages, but what we have to make sure is that we use them (Drake, 2001).

Siebel Systems, Inc. (Nasdaq: SEBL), a leading provider of business applications software, announced that Advanced Material Solutions (AMS), a provider of electronic component kits and solutions for customers requiring printed circuit-board assemblies, has deployed Siebel CRM On Demand. AMS required a system that would capture customer information from their strategic partners and enable their sales force to better leverage leads. The system was very clear from the beginning to all sales people, who could easily obtain information at any time, from everywhere, according to an article in Business Customwire (2004). The system was a cost-effective, efficient and easy-to-use CRM solution that would ensure high-quality customer relationships throughout the sales process, managing it and developing partner and customer relationships, spending less time on maintaining and synchronizing customer records and generating manual reports.

Unlike Microsoft Office, a software package used for internal office management, CRM software is used for external operations and to help provide instant support for clients (Boyer, 2003). ACT, SalesLogix, UpShot, Microsoft Customer Relationship Management and Goldmine Business Contact Manager are a few popular software programs in the market.



2.5 CRM IS QUESTIONNED

CRM and data warehousing are costly and often fail, according to Payton and Zahay (2003). Compounding the widely reported CRM implementation failures ranging in rates of 55-75 per cent is the fact that data warehouses have often been used as the underlying basis for CRM and add to the complexity of the applications.

The findings of their research on a large healthcare payer group indicated that marketing needs included specialized analysis that could not be performed with the present combination of warehouse data and analysis tools. Apparently these analyses had not been considered in detail prior to implementation, particularly the needs of marketing for historical data on lost customers and information about future prospects.

According to Newell (2003), CRM initiatives often fail because the idea of customer-centricity is at variance with the way companies work, with implementation problems of various kinds being the other main reason. Newell (2003) enumerates in detail all the reasons for failure and shows that the underlying reason is often that the company ignored customers' needs. He believes that technology and databases are rarely the reasons for success or failure of CRM initiatives, but rather may lead to a cultural problem - the tendency to talk about customers in general, as average constructs, rather than the idea of specific customers and their needs.

The question set by Newell is: "Is CRM for you?" asking questions that range from the strategic to the practical - many of the latter relating to culture and commitment. His approach is: "Start small and steadily, be sure you know what gains you can really expect to make, and keep the program under tight review".

Scepticism and disappointment have replaced initial enthusiasm about CRM. The disappointing results of CRM projects are often related to difficulties that managers encounter in embedding CRM in their strategy and organization structure, according to Langerak and Verhoef (2003).

Patron (2002), supports that things were much better before we started using the term Customer Relationship Management (CRM). He thinks database marketing was great and had a good future, while 80 per cent of CRM projects failed in Europe. Companies have already embraced database marketing and now know who their best customers are. They are developing CRM capabilities so that they can give the right offer, to the right person, at the right time and through the right channel and he supports this can be much more complicated than database marketing. Mass production and mass media enabled mass marketing. Then the computer and the marketing database facilitated database marketing. CRM and the Internet are making one-to-one marketing a reality (Patron, 2002).

According to Patron (2002), CRM requires the integration of many different front-office customer facing functions from the call centre and sales force to the marketing database. Areas not traditionally associated with marketing become important. He presents some barriers to a successful implementation of a CRM project, such as:

- starting a CRM project without a customer segmentation strategy or plan
- the administrative complexity required for compete customization at the individual customer level, which is a barrier to one-to-one marketing
- companies must be processing twice as many data every 18 months, which leads to a big amount of data gathered by marketing that cannot be processed and turned into information due to stable IT

expenditures of a company every year. Information overload is a huge problem.

A suggestion is a strategy that will help everyone understand the data, and measure what can be managed, before starting CRM projects.

Starkey and Woodcock (2001) suggest that actual customer management performance measured using C.M.A.T. (Customer Management Assessment Tool) is disappointing and companies may be destroying rather than creating economic value. Investment in REAP (Retention, Efficiency, Acquisition and Penetration) measures can provide a four to one return on investment for well-managed programs.

According to Starkey and Woodcock (2001) CRM performance is not improving but probably declining and this poor performance of companies, despite the investments made, is due to the following factors:

1. Managers have a short-term focus: financial objectives are usually set quarterly or annually, when CRM approaches often take longer to pay back
2. It's the behavior and attitudes of employees that have to be changed and not enough work is done in this area
3. Senior managers ignore the basics of what defines good CRM and business performance and therefore cannot recognize their companies' CRM strengths and weaknesses. That, in combination with their small authority to challenge the status quo and work across the enterprise makes them ineffective
4. companies make CRM too complicated (strategies & programs) to fit in customer reality and difficult to use
5. CRM is still implemented by functions and departments that do not always support building value through its various stages
6. Smaller companies do better at managing clients than larger ones

7. CRM behaviors are often not embedded in the culture of an organization and when people change roles their thinking is gone
8. More education on CRM technologies is required, in most companies
9. There remains a belief that IT is a panacea, but a company must define its CRM model first and finally
10. There is poor implementation of customer management projects.

2.6 CONCLUSIONS

According to Gordon (2001), there are several steps to the direction toward a CRM strategy:

1. *Identifying the best and worst customers*, deciding which of them we will focus on and which ones to neglect is the first and most important strategic decision
2. *Distributing value differently to different customers*, in order for them all to receive appropriate value. Most companies reward their worst customers and penalize their best customers by giving both groups average value. This may be the result of not fully allocating all customer costs, including those that occur after gross margin, such as inventory carrying costs, late payments, communications and merchandise returns.
3. *Competing on scope*, by creating unique value for each of their clients.
4. *Focusing on strategic capabilities* that the company should have, including process, technology, people and knowledge/insight as well as creating durable bonds with the stakeholders within the company.
5. *Winning through customer-centric innovation*

Customer Relationship Management is transforming how businesses relate to customers. Knowing each customer as an individual builds a strategic asset - tightly focused market data - that is much easier to protect than a technological edge is. Companies everywhere are reporting improved

competitive strength and higher "share of wallet" through implementation of CRM.

To maximize the value proposition and impact of this strategy, CRM process managers and system developers strive to extend the influence of their systems to every available medium and outlet across the enterprise. Customer response to any message is understandably better when the message speaks directly to the individual's known interest.

CRM systems carry the imperative "Personalize Everything" into the arena of customer interactions, automating the old-fashioned value of knowing each individual. In a fully implemented CRM system, each employee who speaks with customers has access to all the company's knowledge of that customer and can act almost as a personal valet.

Knowing each customer, personalizing everything, speaking uniquely to each customer to protect against competition: it's common sense in a competitive world.

Written communication is a huge industry and it is the only message medium that has any durability. Yet even though printing is mostly computerized, very little is personalized today. Companies spend billions every year on advertising mail, and most of it is thrown away with no response, because most of it is mass-produced and not personalized.

Mail producers didn't have the ability until now to connect their databases to a printing press, all they could do was find the best mailing list they could and send everyone the same mass-produced mailing, with a 98% non responding customers.

Paper documents continue to be a huge industry and printing presses have become more cost-efficient than ever, without having decreased in volume

because of the use of the Web. Printed advertising is more durable; a consumer must see a message repeatedly if it is to "stick" and influence buying decisions. The consumer will only keep it if the message is of interest and this will happen repeatedly. This is where personalization comes in.

The above information from the world markets is of big importance for a company in the press business, such as BTI Hellas. On the one hand it will try to use all this information in order to provide its customers with all the products and services needed to serve the increased CRM needs of organizations and on the other, it will use CRM tools for its own benefit.

Customer management starts with analysis and planning and this includes planning for:

- retention
- efficiency
- acquisition
- penetration

These are referred to as the REAP measures, according to Starkey and Woodcock (2001). Investment in REAP measures can provide a four to one return on investment for well-managed programs, according to the findings of Starkey and Woodcock's case studies (2001). They support that companies in the bottom quartile in CM performance face a difficult and uncertain future and are unlikely to survive, unless they do something. Overall CM performance remains disappointing, but the payback for those that invest in the "right things" can be substantial. Technology investments alone are not sufficient.

CRM software can help increase customer loyalty in many ways. It can track customer defection and retention levels. It can tell you how satisfied your customers are. But in the end, technology is not the answer. Dawson, Reichheld and Rigby (2003) showed that the prime driver of customer loyalty

is the loyalty of the company's employees. Customer loyalty hinges on committed teams of high-caliber employees – the kind of employees that exceed the customers' expectations, rather than grudgingly meeting them. Loyalty demands that profits be earned through the success of the company's partners, not at their expense. Furthermore, loyalty can be earned when leaders put the welfare of their customers and their partners ahead of their own self-interest. This doesn't mean sacrificing financial gain. In fact, loyalty leaders that Dawson, Reichheld and Rigby surveyed in the 1990s enjoyed robust stock price appreciation; their stock price grew at twice the rate of their competitors (2003). They suggest a company starts with customer strategy, realigns the organization and processes to fit the strategy and then chooses a CRM technology that is appropriate for its strategy and processes.

Nairn (2002) supports that CRM is certainly not just a hype and is much more than simply helpful - it is an essential part of doing business in the 21st century. Nevertheless, he points out that attention should be turned to assessing the organizational changes required to get the best out of CRM, because CRM requires a cross-functional cooperation. According to Nairn, IT, marketing, sales and human resources researchers should get together to make the very most of the CRM revolution before it is dismissed as a hype.

"CRM is an Odyssey" (Plakoyiannaki and Tzokas, 2002). "Unless firms develop an understanding of the trip (process) and its requirements (capabilities) they will find it difficult to navigate towards their final destination which is the delivery of long-term superior customer value, at a profit".

CHAPTER THREE**3.1 METHODOLOGY**

In order to achieve the research objectives, both desk and field research was carried out. Both quantitative and qualitative methods were applied for the analysis of data.

Other sources of information used were the following:

- Secondary sources of information (desk research and web literature in academic online databases such as EBSCO for academic books, reviews and journals, Firstsearch and other relevant internet sites, as well as professional magazines and reports)
- Primary sources of information. To generate all the information required, questionnaires and interviews were applied as sources of evidence. Interviews were conducted with the Marketing Manager, the Supplies & Consumables' Manager, the Technical Department Manager as well as the company's CEO, for information on the market, competition, the company, previous surveys on satisfaction and issues of interest for the company.
- The field research included research based on a self-administered questionnaire addressed to printing systems buyers all over Greece (via e-mail, fax, telephone or personal interviews). The sample chosen was representative of the total market. It was decided to interview 102 companies all over the country that were clients and non-clients of BTI Hellas.
- The author also interviewed (via e-mail, fax, telephone, personal interviews) executives of companies operating in the graphic arts industry in Greece.

At this stage SPSS for Windows seemed to be the most appropriate means for data entry and analysis.



3.1.1 Choosing a Method to Use

The author chose structured interviews as a main qualitative technique for print businesses in Greece and unstructured interviews with managerial personnel of Greek companies operating in the graphic arts industry in Greece.

With the use of quantitative methods, through the structured questionnaire addressed to print business units operating in the Greek market, we are studying independent variables and the relationship between more than two variables. A small but representative sample is superior to a large but biased sample. For sampling we chose stratified sampling, dividing a heterogeneous population (i.e. from different parts of the country) into a number of homogeneous populations (i.e. print business units in Athens, Macedonia, Thrace etc.).

3.1.2 Data Research Design

In order to research the factors affecting customer retention in the graphic arts industry in Greece from a CRM perspective, a questionnaire consisting of eleven questions - plus some demographic questions - was developed, as a primary research tool.

The author had the following in mind, for the research to be carried out:

What type	:	Self-administered questionnaire
When	:	Work period: November 2005-January 2006
How	:	internet, fax, telephone, personal interviews
Who	:	pre-press, press and post-press business units
Where	:	in Greece, divided in geographical areas

Demographic questions were posed, in order to categorize interviewees according to their size, type of machinery, years in business, annual turnover, type and area in which they conduct their business.

The questionnaire was given to the Marketing Manager, the Supplies and Consumables' Manager and BTI Hellas' Chief Executive Officer to comment upon.

Likert scales were used, as well as category, quantity and list questions and two open questions, in order to have the interviewees' suggestions on any improvements to be made, as well as their company types. The questionnaire can be found in Appendix A.

Though customer satisfaction is in the eye of the beholder, common ways of monitoring customer satisfaction do not allow for customers to 'speak their own mind', suggest Pothas et al (2001). By employing open-ended questions and structuring the resulting textual data we are promoting working from the frame of reference of the respondent.

A cover letter introduced the research and the researcher, it explained the purpose of the research, it stated that the information provided by respondents would be treated as confidential and outlined the reasons for completing the questionnaire.

The author received approval from the company management in order to go ahead with the research, using the questionnaire with its final alterations. The next steps taken were the research itself and the familiarization with SPSS, which was the tool for the data analysis.

CHAPTER FOUR**4.1 FINDINGS OF RESEARCH**

After having elaborated research findings with the SPSS statistical tool, we arrive at the following results, based on frequencies for each one of the questions set in our questionnaire:

a. Number of employees



Table Nr 1

We notice that more than 50% of the companies interviewed are small size organizations, employing from 1 to ten employees. Only 20,60 % employ from eleven to thirty employees, 13,70 % employ more than 31 people, 10,80 % employ more than 51 people and 1,00 % employs more than 101 people.

b. In the second demographic question we are trying to see which of the graphic arts' business units are fully equipped and which are not. Traditional units in the past decade were either pre-press companies, which were responsible for the artwork and films' preparation, or printing units (press), which were usually sending out printed jobs for finishing (post-press).

From our research we see that trends are changing, companies are becoming more and more autonomous by adding pre-press and post-press activities to their workflow, when in the past they only offered printing (press). There are also pre-press companies that are adding printing machinery to their production, which increases competition between them even more.

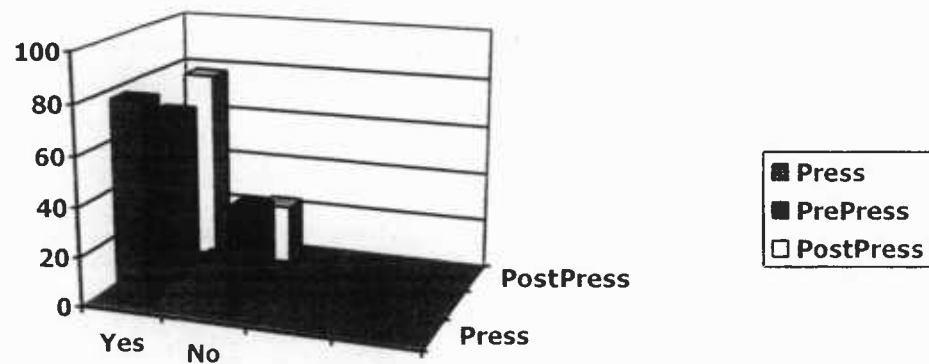


Table Nr 2

In Table Nr 2 we see that press is the main category of businesses followed by post-press units. The pre-press activity added to most printing units increased the 'Yes' answers, which added to the pre-press units gave us 67.60 % for pre-press activity in total.

c. In the third demographical question we are seeking the companies' years in the business.

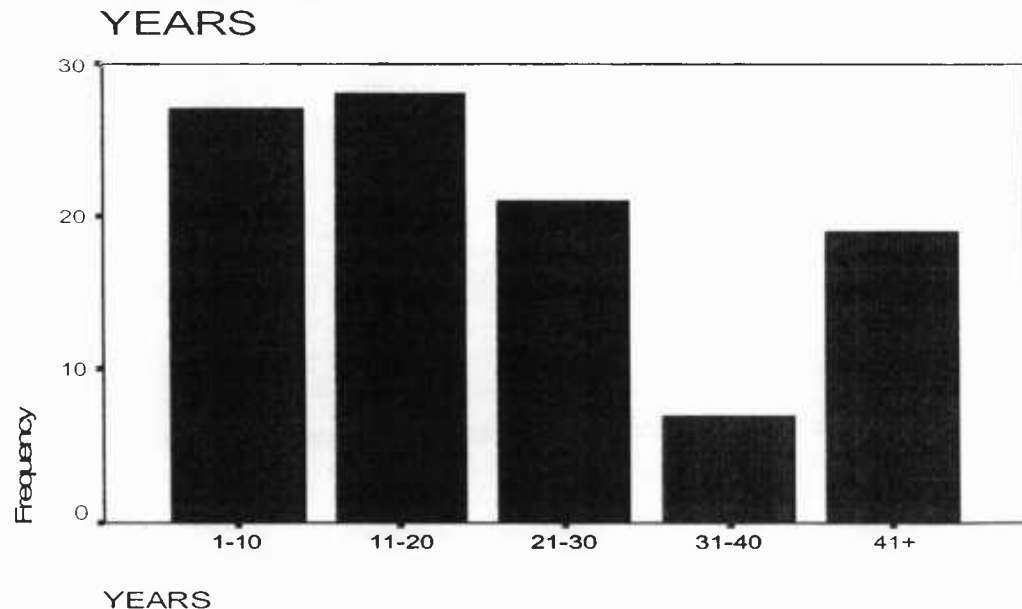


Table Nr 3

It is very interesting that 26.50 % of the companies have been in the business for less than ten years, while all the rest are in it for a much longer time period. One explanation may be that it is a business with a long tradition that was passed on from generation to generation and another may be that it

has been a profitable business during the previous decades and not many companies did badly.

d. In the fourth question we want to see what their annual turnover is in thousand euros.

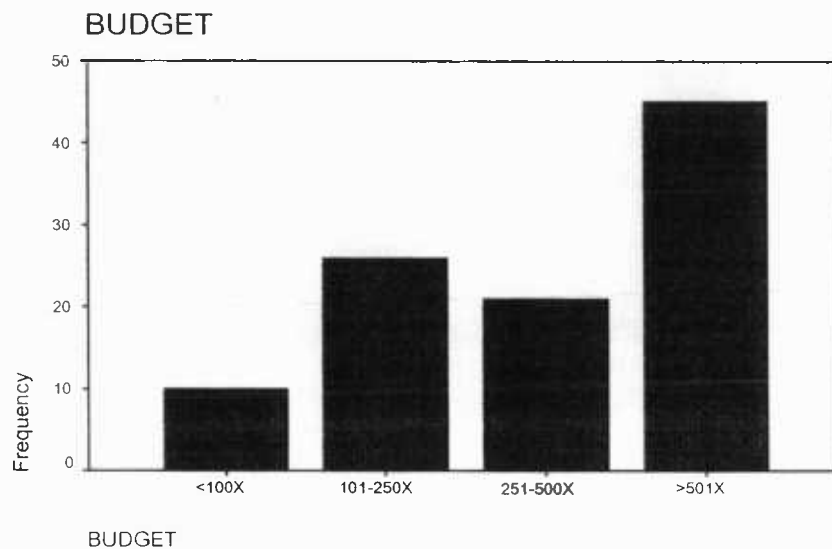


Table Nr 4

Annual turnover ranges from €101,000 to more than €501,000, with a very small percentage of companies with turnover less than €100,000.

e. The fifth demographic question is an open-ended question in order to see what types of companies are operating in the industry. The company types mentioned by the interviewees are: S. A., Ltd, and personal companies.

f. In the sixth question we see the areas in Greece for all interviewees.

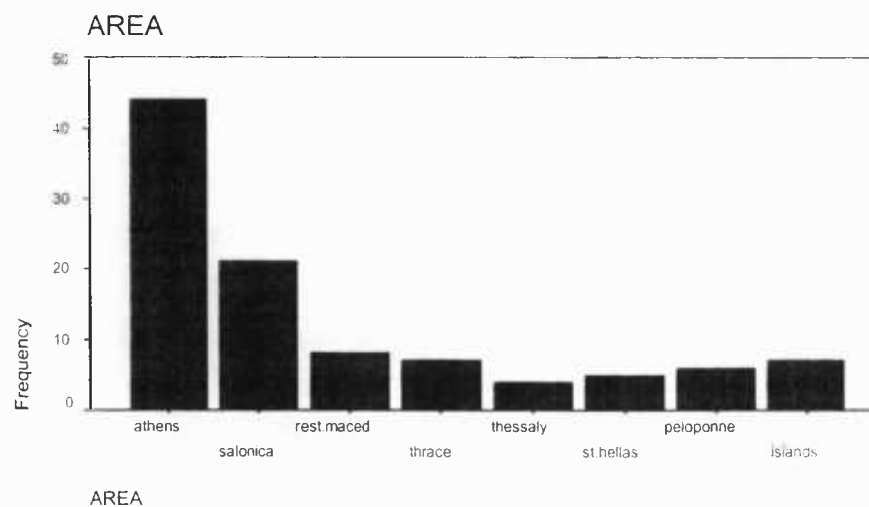
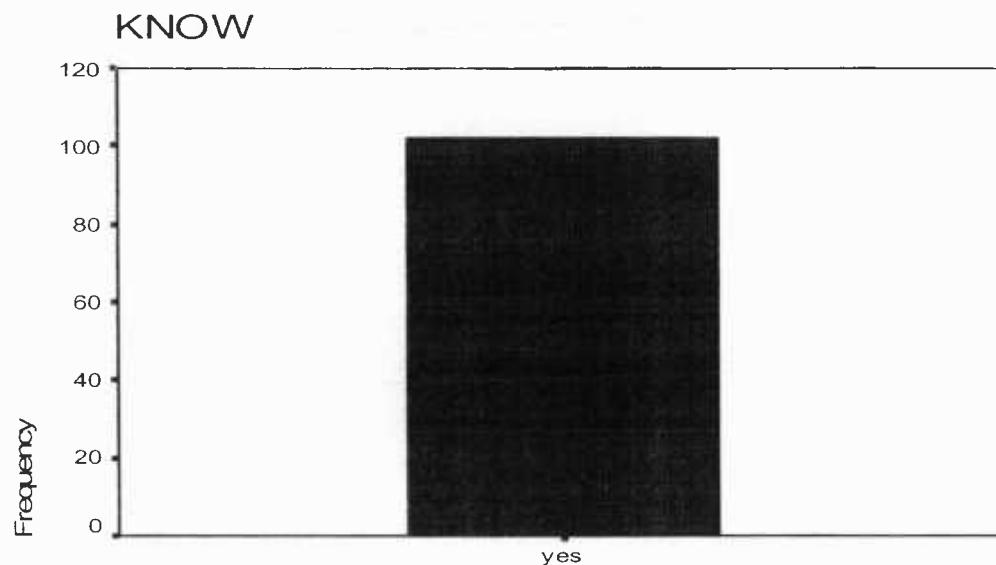


Table Nr 5

The sample was chosen between all areas of the country, based on their population. 'Restmaced' stands for 'Rest Macedonia' and 'sthellas' stands for 'Stereia Hellas'. Athens is the biggest market with almost half the population of the country; we therefore have 43.10 % of the interviewees located in Athens.

After the demographic questions we have the main questions numbered from 1 to 11, in our questionnaire.

1. Do you know BTI Hellas?



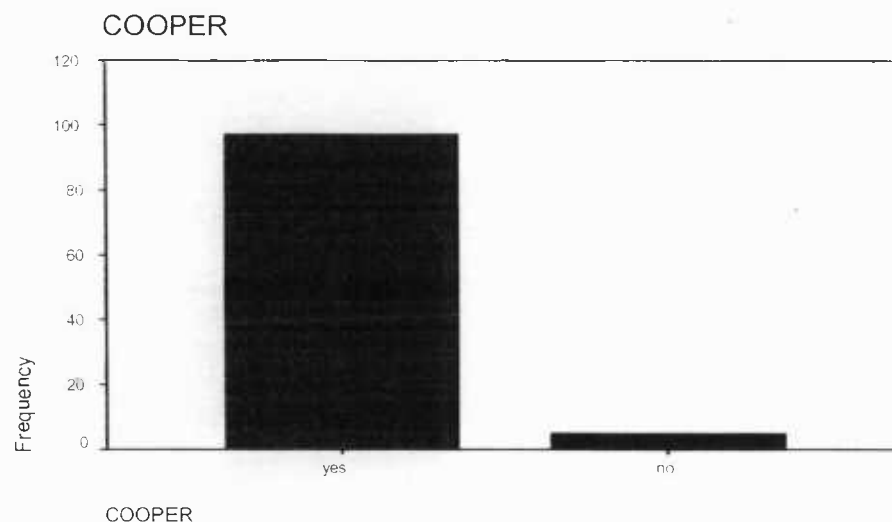
KNOW

Table Nr 6

100.00 % of companies interviewed know the company. As mentioned before it is a leading company in the graphic arts' industry.

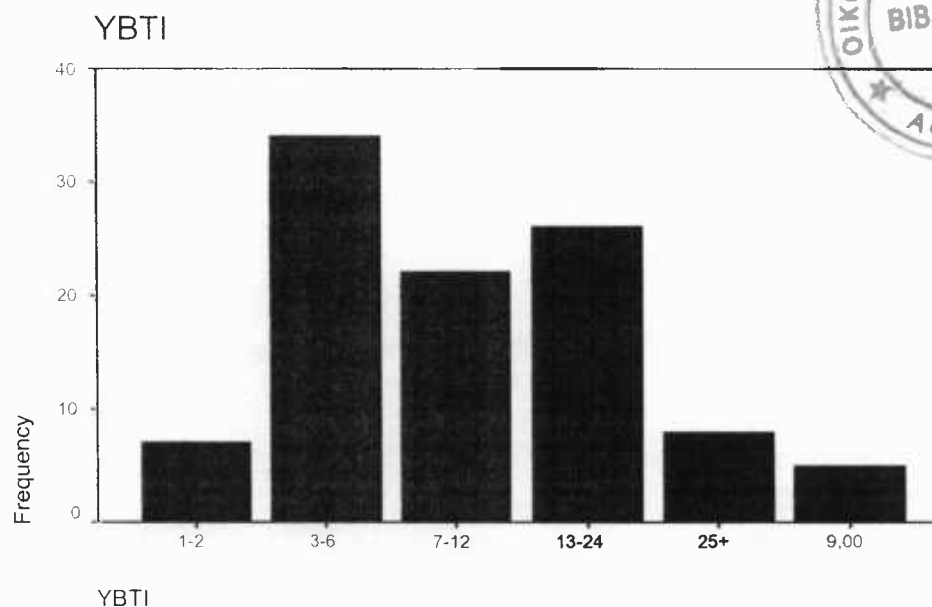
2. Do you work with BTI Hellas?

A very big percentage of 97.00% replied that they have dealt with BTI Hellas. We would like to explain that this cooperation with BTI Hellas may mean that they are buying machinery, spare parts for machinery they may or may not have purchased from our company, they may use the technical department services or they may only buy their supplies from BTI Hellas.

Table Nr 7

Nevertheless, the percentage is incredibly big, considering there are other competitive companies in the market, offering all types of services and products.

3. For how many years have you been working with BTI Hellas?

Table Nr 8

We can observe that most of the companies have been cooperating with BTI Hellas for many years, but there has been an increase of these companies



during the last 3-12 years. This may mean that they are new companies that have started collaborating with our company or that older companies have begun collaborating with BTI Hellas for some reasons (i.e. new company management).

4. Rate BTI Hellas

In this question we are asking the interviewees to rate BTI Hellas for general services offered.

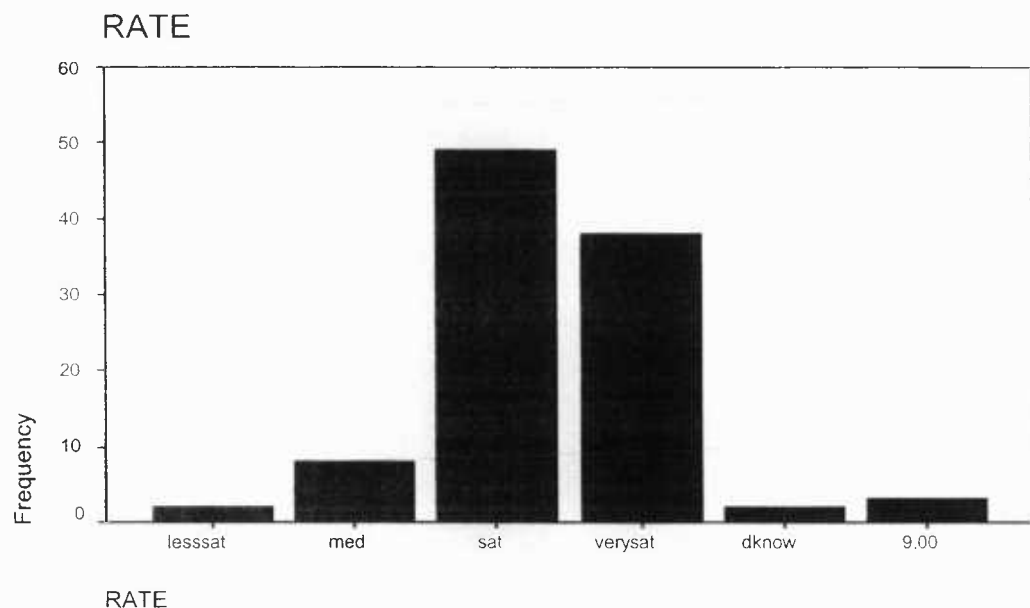


Table Nr 9

A percentage of 48.00% are satisfied, when another 37.30 % of them are very satisfied. Negative opinions are very low and we received very few 'don't know' answers together with '9' which represent those that have not answered at all. We may say that a percentage of 85.00% satisfied customers is extremely high.

5. Rate Press, Pre-Press & Post-Press Machines/How satisfied are you?

We are seeking a rating for machinery sold by BTI Hellas (Heidelberg machinery mainly). A percentage of 44.10% is satisfied and together with those that claim to be 'very satisfied' we reach a percentage of 82.30% that have answered positively to this question. A percentage of 13.70% has answered they do not know. They are most probably companies that have not had any experience of BTI machinery until today.

RMACH

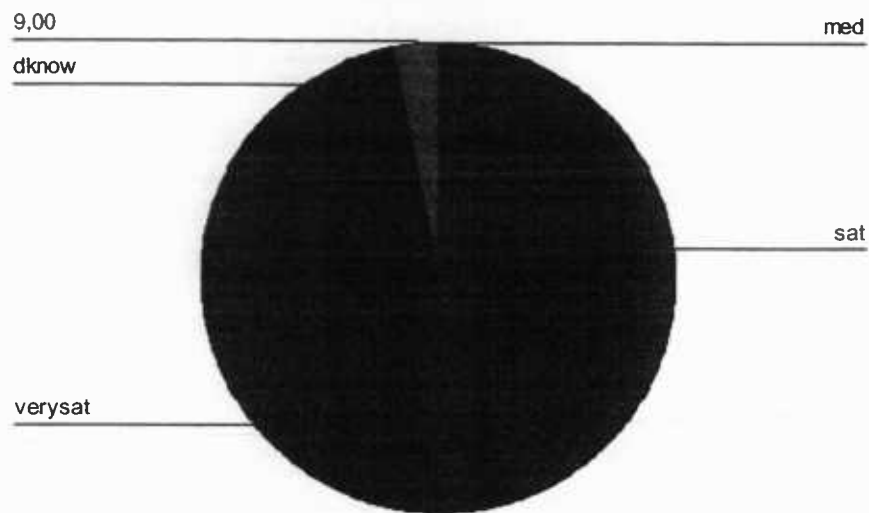


Table Nr 10

6. Rate service & spare parts department (for machinery/on-site service)

RSERV

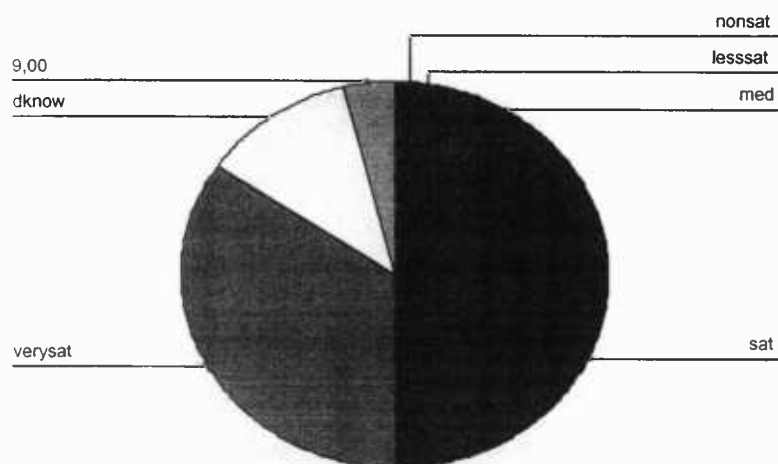


Table Nr 11

For the service and spare parts' department we have a differentiated picture from the one we had for machinery. A percentage of 10.80% are rating it as 'medium' when choices 'satisfied' and 'very satisfied' are reaching a percentage of 70.60%. A smaller percentage of 'don't know' answers appears in this category (11.80%).

7. Rate Supplies & Consumables department (quality & service)

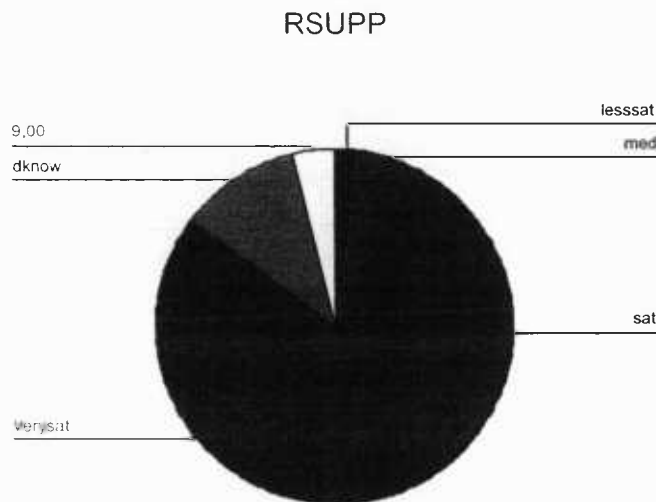


Table Nr 12

The consumables department reaches a percentage of 77.50% of satisfied and very satisfied customers and 10.80% answers for 'don't know'. We should bear in mind that it is a new department with only 4 years of presence in the Greek market and it has already reached satisfaction levels comparable to the machinery department, which is a market leader both in Greece and in Europe.

8. Tick **only two (the most important for you)** of the following factors to consider when selecting a print services provider:

- ☐ Dependability
- ☐ Quality
- ☐ Turnaround time
- ☐ Ease of doing business
- ☐ Price
- ☐ Specific technology used by provider
- ☐ Unique capabilities
- ☐ Geographic proximity
- ☐ Competence/communication with salesperson

With this question we will be able to see which factors are of the biggest importance to a graphic arts business unit, when choosing its supplier. This may give us explanations/reasons of customer defection, if this is noticed.

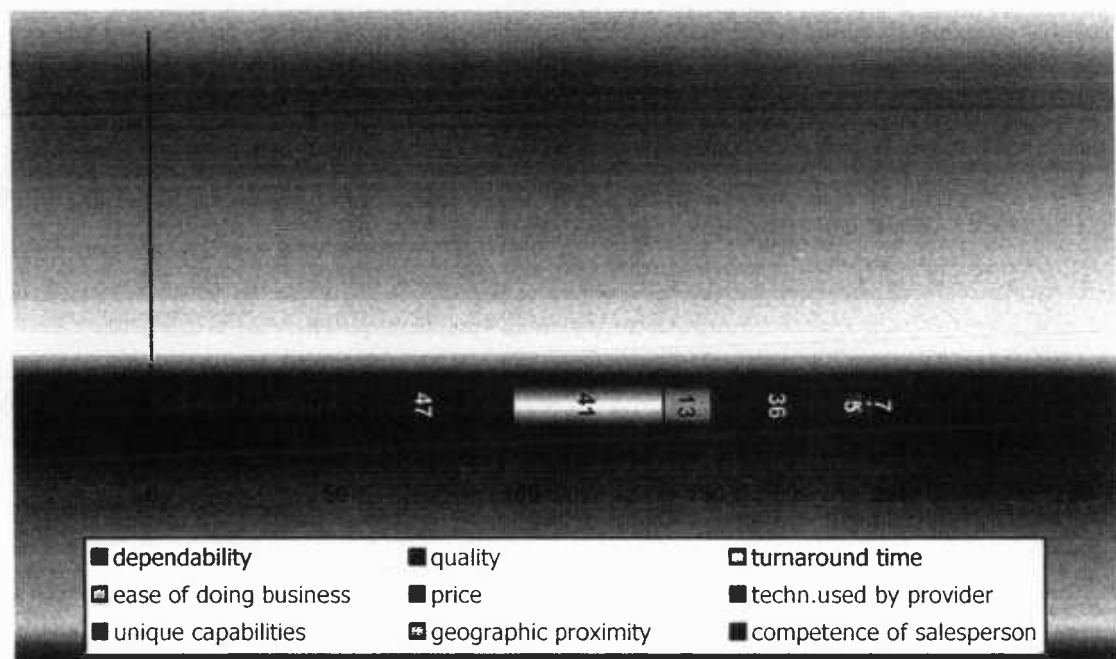


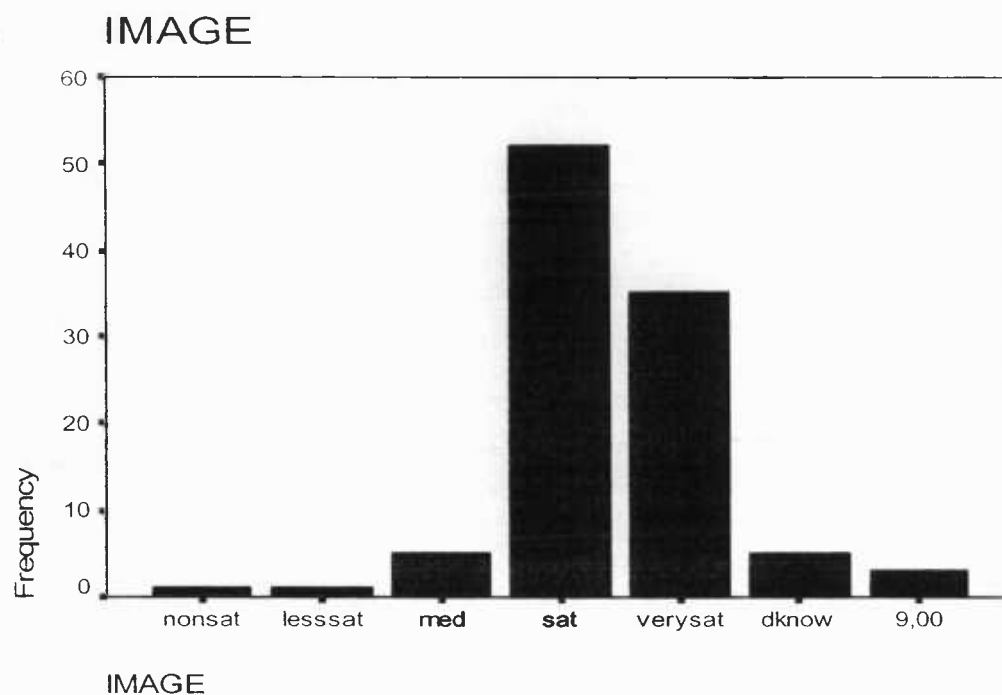
Table Nr 13

We see that the number one factor in customers' priorities is dependability with 51 answers, while quality comes second with 47 answers, followed by turnaround time with 41 answers. Price comes fourth with 36 answers, and the next one after that is ease of doing business with 13 answers.

A similar survey of 250 advertising agencies, sponsored by the Printing Industry Center located at the Rochester (N.Y.) Institute of Technology revealed the top five factors that buyers consider when selecting a print services provider are, in rank order, dependability, quality, turnaround time, ease of doing business and price. It seems that graphic arts' customers consider the same factors as crucial in their choice for a supplier.

In our answers we notice that unique capabilities, geographic proximity, the technology used by the provider and the competence of the salesperson matter much less than the factors mentioned above.

9. Rate BTI Hellas (1 to 5) for its image

Table Nr 14

The company image is considered satisfactory and very satisfactory by the majority (85.30%) of the interviewees. This has to do with the ways in which BTI Hellas supports its image through Open Houses, Expositions and advertisement combined with its T.Q.M. strategy.

10. Rate BTI Hellas for handling of complaints

This rating shows that almost 52,00 % of the interviewees are satisfied, but we see a differentiation of the 'less satisfied' and 'average answers' compared to other rating questions posed. We also notice a bigger percentage of 'don't know' and 'not satisfied' answers. This should probably be a point to be taken under serious consideration, in order for improvement measures to be taken.

Table Nr 15 displays the ratings one by one together with the percentages of each.

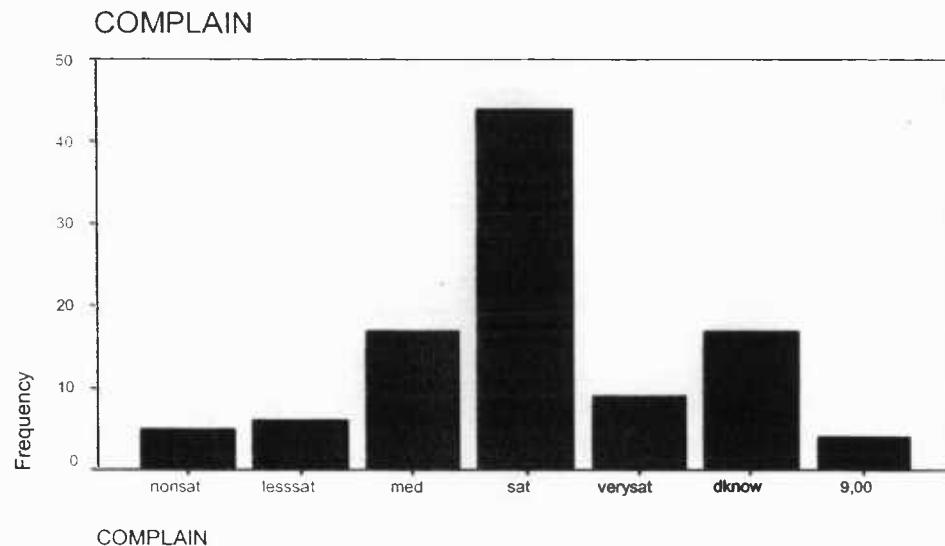


Table Nr 15

11. Rate BTI Hellas for Price/performance ratio

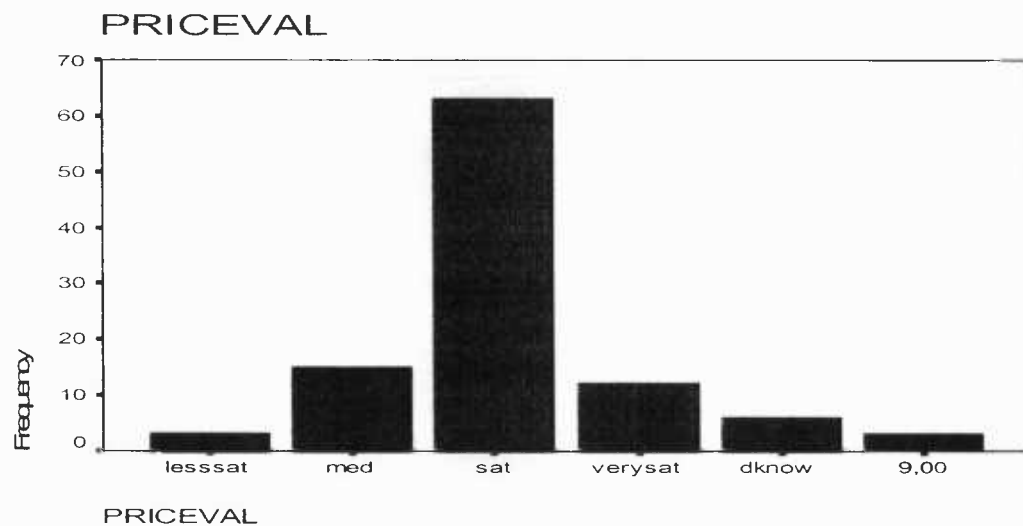


Table Nr 16

In this Table we have a concentration for 'satisfied' with 61.80%, a percentage of 14.70% for 'average satisfaction' and 11.80% for 'very satisfied'. The percentages of 'less satisfied' (2.90%) and 'don't know' (5.9%) are relatively small.

12. Rate BTI Hellas for the Support & competence of sales representatives

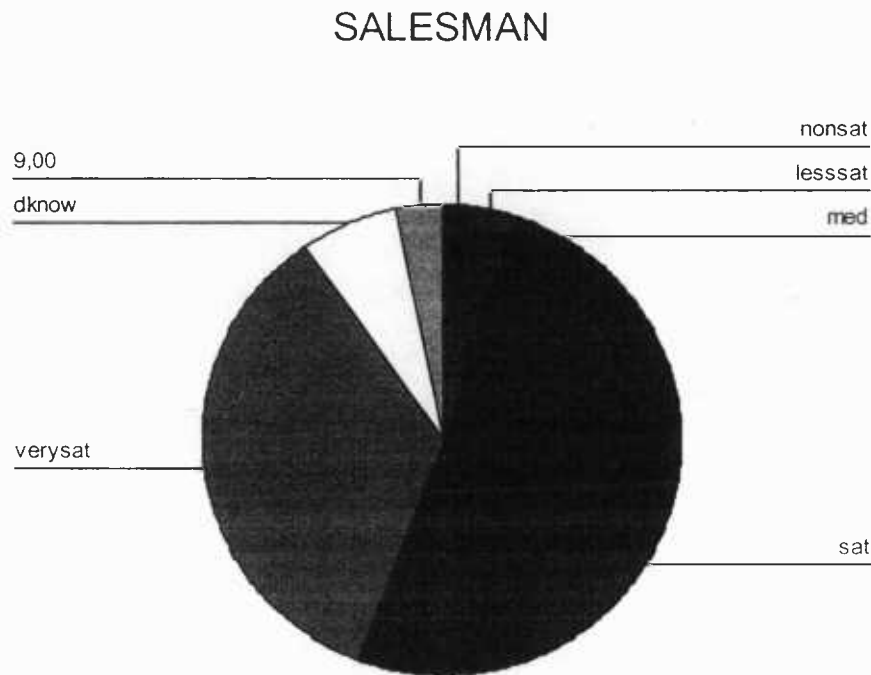


Table Nr 17

Satisfaction levels for sales representative competence and support seem to be rather favorable for the sales people, with 78.40% for 'satisfied' and 'very satisfied' answers. Only 2.00% are not satisfied with sales people' competences, 2.90% are less satisfied and 6.90% ticked 'average' as an answer. A percentage of 9.80% did not answer this rating question at all.

13. Would you continue working with BTI Hellas?

A percentage of 69.60% answered "yes" to this question, only 1.00% answered "no" and 22.50% of the interviewees answered that it "depends". 6.00% answered they don't know.

The results are displayed in Table Nr 18 below.

FUTURE

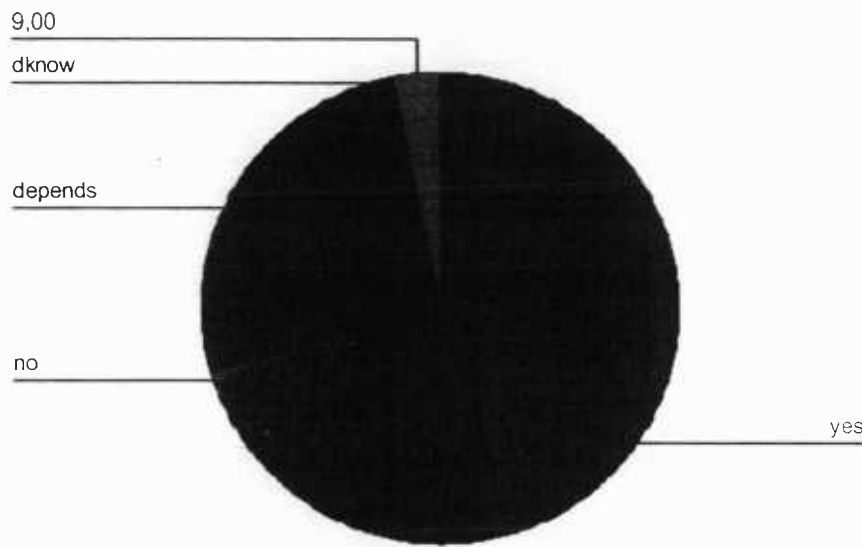


Table Nr 18

14. What are the improvements you could recommend?

This is the second open-ended question in this questionnaire, which will help give us an idea of what other products or services our customers would like to receive from BTI. It has been very interesting taking all the proposals/recommendations from the interviewees because some of the proposals were repeated more than once.

Some of the recommendations made by the interviewees were the following:

- ☺ Precautionary service by the company, research of customers' needs, investment advising for customers, lower prices
- ☺ Lower prices and longer guarantee periods for new machinery
- ☺ Approaching the customer even closer, being less impersonal as a company
- ☺ Sales of used machinery at lower prices
- ☺ Bigger flexibility for transactions within the company (bureaucracy). This is a recommendation requested more than once during this research. Simplicity in communication is also suggested.

- ☺ More technicians of different expertise/departments in the Northern Branch of BTI Hellas
- ☺ More frequent visits to customers located outside Athens
- ☺ Bigger variety of products
- ☺ Initiating constant customer education programs, to help customers gain a competitive advantage in the market. Creation of training centres for press and pre-press activities with demos. Creation of an information library in an electronic form
- ☺ Offer better prices for precautionary service of clientele machinery, in specific time periods
- ☺ Lower prices for multiple purchases at strategic customers
- ☺ Lower charges for the technical department services (this is a recommendation that was made more than once)
- ☺ Higher prices and better services for the purchase of used machinery from BTI Hellas, when customer replaces it with a new one
- ☺ Greek editions of books for all types of machinery
- ☺ Having Open Houses more often, in order for customers to receive all necessary information on new technologies. This is also repeated by interviewees.
- ☺ Lower prices for spare parts (this is also a recommendation made more than once). Their selling price is considered too high compared to their actual cost
- ☺ Better quality for some spare parts

We also had recommendations such as: "Stay exactly as you are" or "Keep being the best!" from the BTI fanatic customers.

4.2 COMMENTS OF BTI EXECUTIVES

For the recommendations we received from customers the author requested some comments from BTI managers and they are mentioned below:

Price. Prices of services rendered and spare parts sold to clients appear to be the primary source of complaints. This was more-or-less anticipated, thus

some answers which maintain that the price issue is the only question are understandable, despite the fact that they offer little insight to the problem when examined by themselves.

Other answers give a broader sense of the issue or propose more specific ideas on methodological issues, on how to offer service more effectively, such as by precautionary machinery service. This helps avoid the extra cost of urgent repairs, when a machine breaks down and costs increase geometrically.

The technical department could possibly consider periodic preventive service visits with a small charge, where problems can be detected at their beginning, thus utilizing the idle time of personnel, increasing revenue and generating a positive image of BTI towards the clients.

It has additionally been suggested by clients that technical expertise to out-of-Athens clients should be enhanced with seminars where local printers could be invited and technological or new developments information could be presented, explained and evaluated. Investment suggestions could be made during these seminars. It is very encouraging how fresh ideas through clients can reshape the image of BTI once the company decides to adopt new policies.

Spare Parts. It is mentioned too often that spare parts are very expensive and way above market prices. The company could examine a differentiated policy over spare parts that have to be ordered at the time of the breakdown of the machine and those that are in stock and are considered as regular items to be sold over the counter. Possibly, a differentiation should be made to offer spare parts at attractive prices at sales lag periods. This could help eliminate the image of the company as a monolithic giant who monopolistically sells at prices which are too high.

Service. From the answers received it seems that BTI cannot convince clients that the service rendered is worth it. Many clients complain about too expensive prices but qualified answers are few. The suggestions "*Offer better prices for precautionary service of clientele machinery, in specific time periods*" or "*precautionary service by the company, research of customers' needs, investment advice for customers, lower prices*" or "*Initiating constant customer education programs, to help customers gain a competitive advantage in the market. Creation of training centres for press and pre-press activities with demos. Creation of an information library in an electronic form*" are crucial in the sense that it suggests that the market leader in the graphic arts industry has not sensed the market's thirst for client education and steady information on market developments, which is something that could differentiate BTI from the competition. Open Houses and participation in trade fairs is essential for BTI's effectiveness in communicating through its clients.

Flexibility. Several clients view BTI Hellas as a monolithic and inflexible giant that is detached from market reality, as it appears from some of the answers.

There is an element of detachment from market policies and reality, so communication between BTI and its customers leaves a lot to be desired.

The author concludes that customers have made several points which BTI could work on, in order to better serve them. It is obvious that customers want to maintain a close contact with their suppliers for more information and knowledge as well as support at all times. This could be brought about through CRM tools discussed in Chapter two.

4.3 MORE FINDINGS/CROSSTABS

The statistical program used allowed us the possibility of making an even more interesting analysis of the results of this research, in order to be able to answer more questions, such as interrelationships between different factors.

It would be interesting to see how many of the customers cooperating with BTI Hellas rated the company's image positively, with the aid of crosstabs. This is demonstrated in Table Nr 19 below.

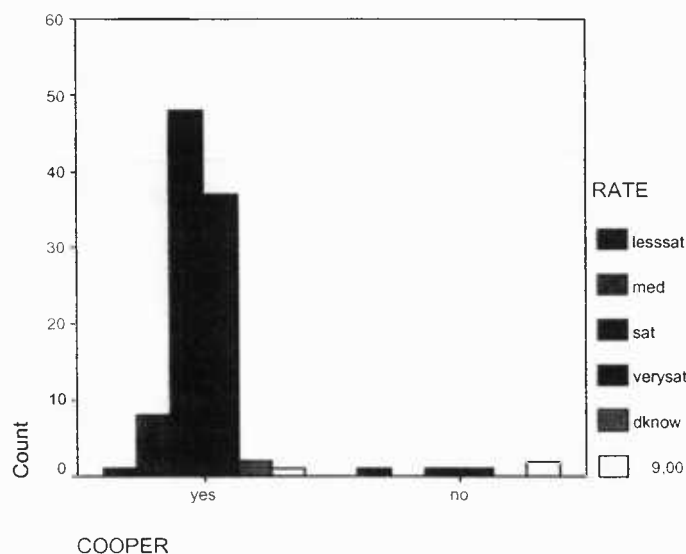


Table Nr 19

It is obvious that amongst the customers that cooperate with BTI Hellas the most important percentage of them is satisfied or very satisfied.

It would also be interesting to see if we have more satisfied customers in different areas of the country. This is demonstrated in the Table and the diagram below.

AREA * RATE Crosstabulation

Count		RATE						Total
		lessat	med	sat	verysat	dknow	9,00	
AREA	athens		5	20	15	2	2	44
	salonica		3	10	8			21
	rest.maced	1		4	3			8
	thrace			3	4			7
	thessaly			2	2			4
	st.hellas	1		3	1			5
	peloponne			5	1			6
	islands			2	4		1	7
Total		2	8	49	38	2	3	102

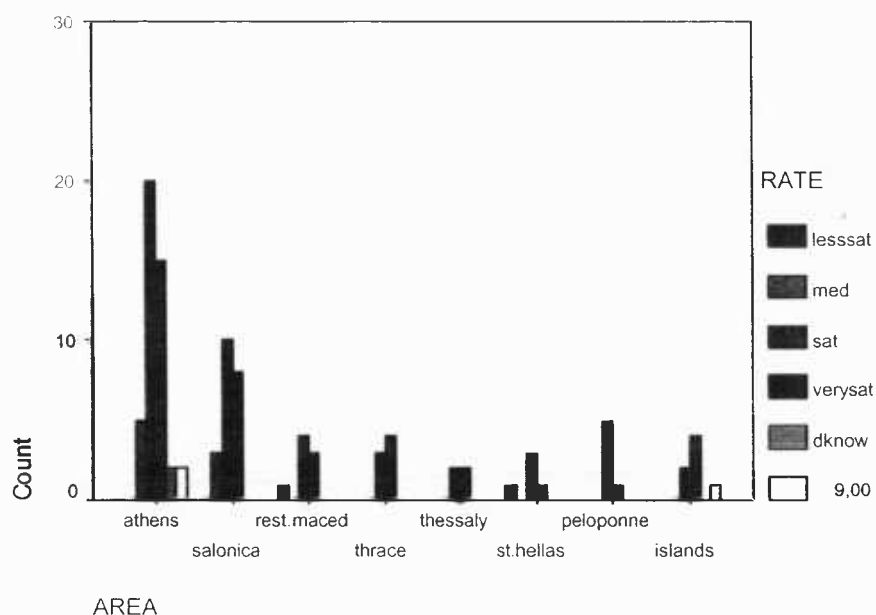


Table Nr 20

It seems that customers are satisfied or very satisfied in most areas, but there is a 'don't know' percentage in Athens. There are 'average' answers both in Athens (where the company is located) and Thessaloniki (where the company's branch for Northern Greece is), and there are also 'less satisfied' customers in Rest Macedonia and Sterea Hellas.

We may also see the customer satisfaction from company salesmen by area, in the following Table.

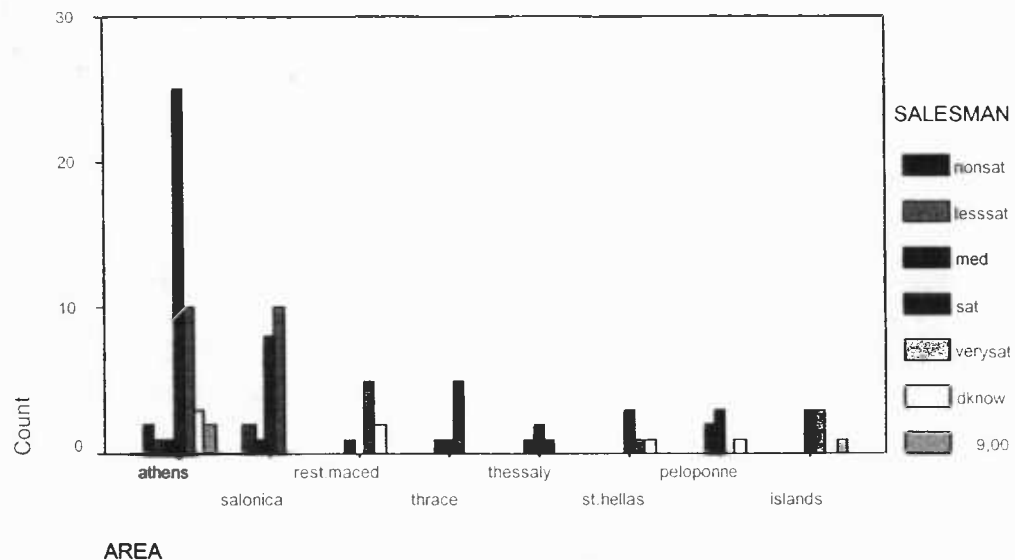


Table Nr 21

We only see dissatisfied clients in Athens, few less satisfied in Athens and Thessaloniki, with a majority of satisfied customers in most areas. The 'don't know' answers were given in areas such as Athens, which may mean that some areas in Athens are not satisfied with BTI salesmen, and Rest Macedonia, Sterea Hellas and Peloponnese, which the company covers with salesmen from either Athens or Thessaloniki on a regular basis.

In Table Nr 22 we observe that in all country areas, customer rate us positively for the price/value ratio.

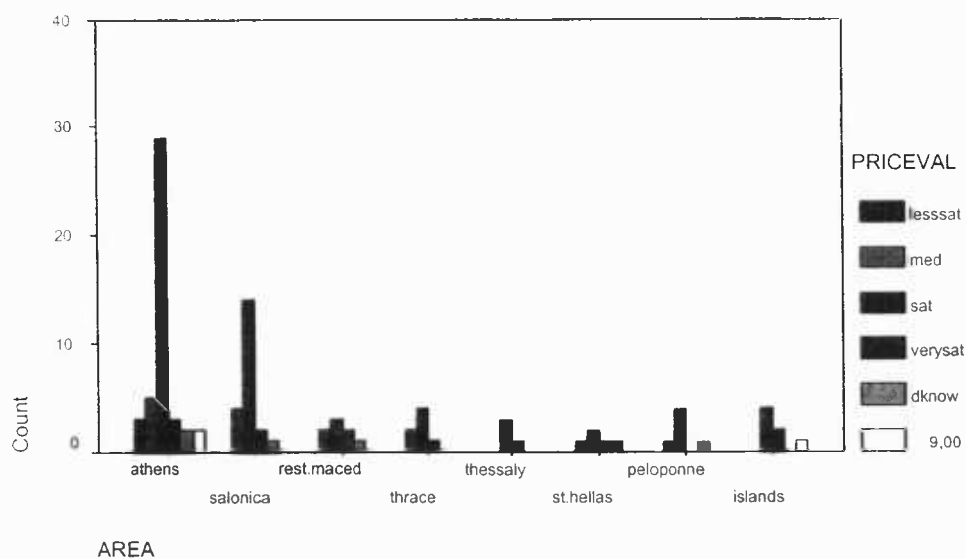


Table Nr 22

Let us now see in which areas our customers are not happy with our handling of complaints.

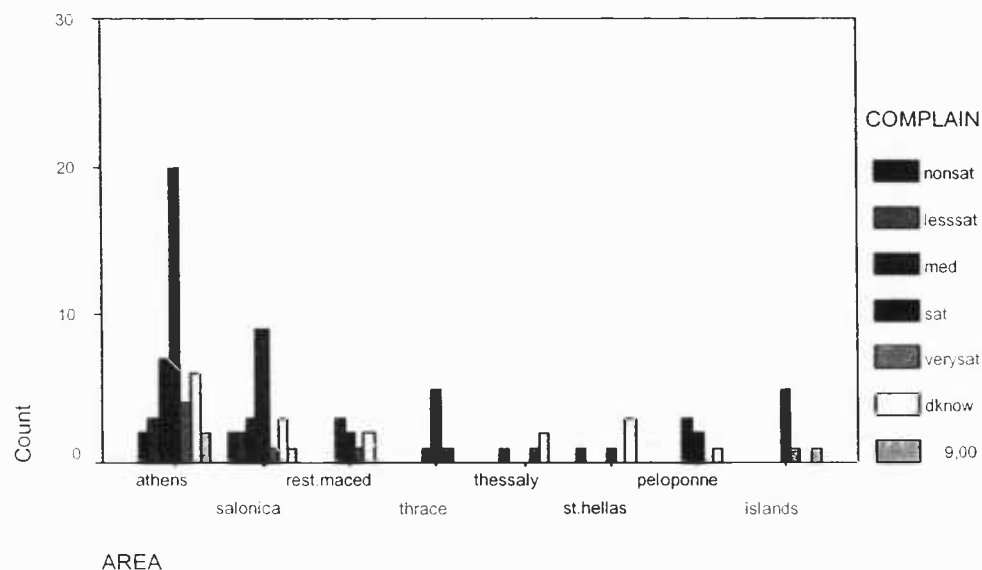


Table Nr 23

There seem to be some dissatisfied customers in Athens, Thessaloniki, Thessaly and Sterea Hellas, while the majority again is satisfied but not very much, compared to answers on other questions, while we see a lot of 'don't know' answers. These last may be customers who have never had a complaint they addressed to BTI Hellas. These results, compared to the suggestions of the customers that complained over bureaucracy in handling transactions, may give us a hint about a field to be discussed within the company.

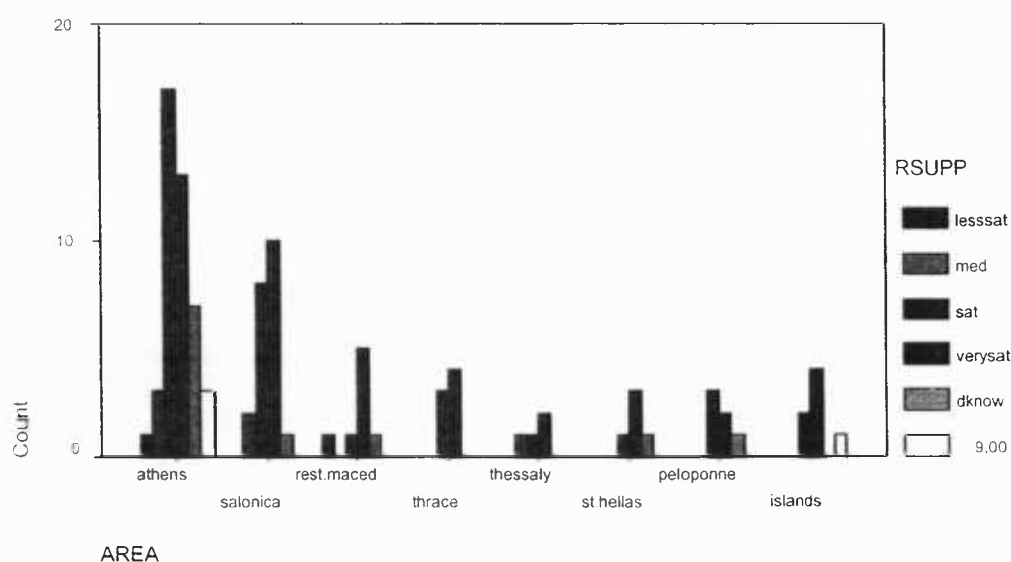


Table Nr 24

In this Table we see how customers all over Greece have rated the Supplies department. We see a few negative ratings in Athens and Rest Macedonia. In the rest of the areas, replies range from 'average' to 'very satisfied'. It is interesting to see the relatively large number of 'don't know' answers received, mostly from the city of Athens, where more than 50% of the country's graphic art units are located.

It will be very interesting to see how the same customers rated the Service department, by area.

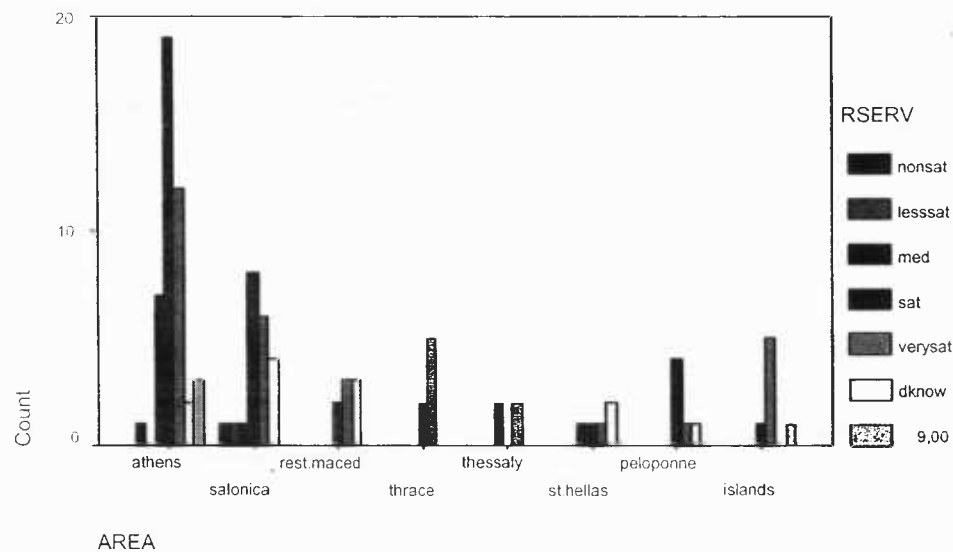


Table Nr 25

It is quite normal for companies located in Athens, where all the technical departments are based (pre-press, press and post-press) and response is immediate. For out-of-Athens customers the company makes visits on 24-hours notice. There is also a 24-hour service telephone line for any types of problems that may arise. It is rather impressive how high ratings are in most areas, and especially Thrace, Thessaly and the islands.

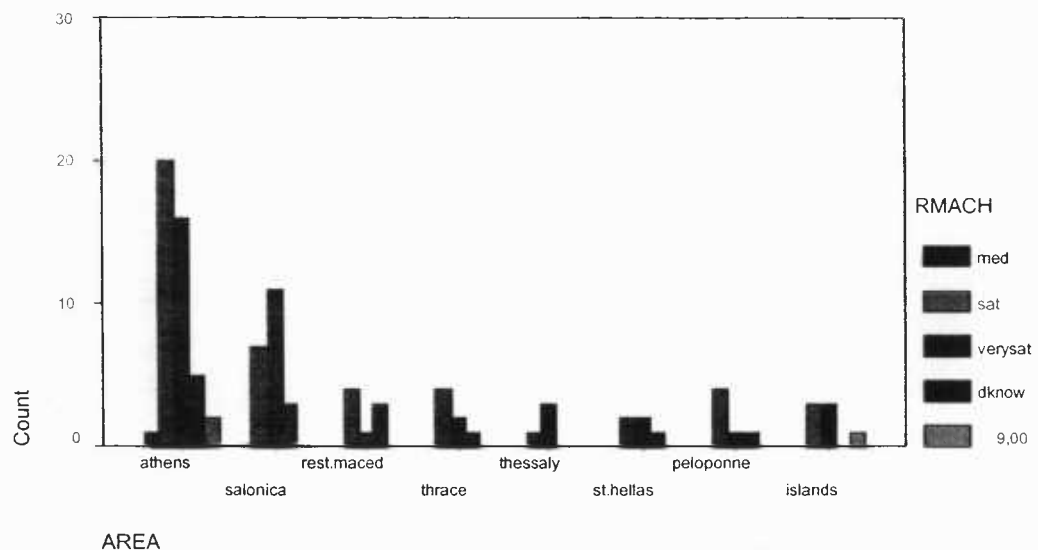


Table Nr 26

This is a rating for the machinery department. This is a diagram that describes how satisfied customers all over Greece are with Heidelberg machinery. This is an explanation for BTI's leading position in the industry in the country as well as abroad: Customers' trust and satisfaction with Heidelberg.

The evaluation of the answers to each question of the survey and the charts showing the company performance compared to a similar survey made in the past for the same company are very encouraging. We may say that the results of this survey are very positive for the company, considering the majority of the interviewees were not only aware of the company but have a positive opinion about its different departments and services, as well as its image. Ratings were more than satisfactory in most cases. Support of salesmen seems to have improved significantly, compared to the previous survey, where a similar question was posed.

We were also able to see which are the most important factors influencing their choice of a graphic arts supplier and we can focus on them even more from now on.

Very important information was received about problems customers face and things they would prefer to see changing, in their cooperation with BTI Hellas. They could be discussed and actions may be taken, for the improvement of services rendered to customers and customer satisfaction delivered.

It is also very important to see there is a stability of the business relationship between BTI Hellas and its customers, the majority of which will continue to

cooperate with the organization. BTI Hellas, in its quest for success in the marketplace, has for years been building meaningful, long-term relationships with its customers and this seems to have had results, such as customer loyalty and appreciation. We know from the literature review chapter how important loyalty is for a company and how much it increases profits, when serving loyal customers (Dawson, Reichheld and Rigby, 2003; Nucifora, 2003). The loyal customers that regularly return and do business and whose word-of-mouth generates leads are very important to BTI Hellas.

The findings of this survey are very significant for the company and will be forwarded to the company management for further discussion.

CHAPTER FIVE**5.1 SUMMARY OF RESULTS**

The purpose of this dissertation was to investigate customer retention in the graphic arts industry in Greece and see the results of this investigation through a CRM perspective.

The aim was to research companies operating in the industry and their relationships with BTI Hellas as a graphic arts supplier, in order to turn this information into an advantage for our company.

Our intentions were:

- To get customers' opinion on BTI Hellas' different departments individually
- To research the most important factors influencing their choice of a graphic arts supplier to work with, as well as possible factors of defection
- To spot possible problems, lack of communication, opinions about handling of complaints in their relationships with the company
- To investigate customers proposals for further improvement

The present study reveals the need for constant market monitoring and proves its importance for company managements that are aiming to improve customer satisfaction and loyalty, which ultimately translates into increased profitability.

According to Sureshchandar et al (2001), service companies are now beginning to grasp the truths that their manufacturing counterparts learned in the past few decades; that quality does not improve unless it is measured. It is postulated that service quality is based essentially on 5 dimensions:

1. Core service of service product
2. human element of service delivery
3. systematization of service delivery---non human element
4. tangibles or service
5. social responsibility

These elements send strong signals towards improving the organization's image and goodwill and consequently influence the customers' overall evaluation of service quality and their loyalty to the organization.

BTI Hellas, based on the findings of the research conducted, is believed to be satisfying the needs for the service product through the human services delivered to its customers. This is fulfilled by systematization of service delivery through CRM tools already used by the company.

Zeithaml (1978) defined perceived quality as "the consumers' judgement about an entity's overall excellence or superiority". Moreover, much research unambiguously confirms the notion that service quality, as perceived by the consumer, stems from a comparison of what they feel companies *do* offer (i.e. their perceptions) with their expectations of what the firms *should* offer, according to Coulthard (2004).

Parasuraman et al (1988, cited by Coulthard, 2004) devised the scale on the basis of five dimensions of service quality:

- tangibility
- reliability
- responsiveness
- assurance and
- empathy.

They claimed that SERVQUAL was a "concise, multiple-item scale with a big reliability and validity that retailers can use to better understand the service expectations and perceptions of the customers, and as a result improve service" (p.30).

This theory could well be used by our company or at least kept in mind when dealing with customers.

According to Hernon (2002): "... if customers say there is quality service, then there is. If they do not, then there is not. It does not matter what an organization believes about its level of service".

It seems that BTI Hellas customers believe there is quality service and we should try to keep them believing there is, through our everyday work.

CRM techniques may help the company with customer retention and customer satisfaction. It seems that the reasons for their possible defection are mostly dependability, quality, turnaround time, price and ease of doing business. When these needs are covered BTI Hellas can easier retain the existing customers and acquire new ones, based on a solid platform of high customer loyalty.



5.2 RECOMMENDATIONS FOR FURTHER RESEARCH

There is still much left to be investigated in the ongoing debate on the usefulness of CRM theory. Since this dissertation and its research outcomes are mainly concentrated in the Greek graphic arts industry and the position of BTI Hellas in it, a larger study for all players in the industry would be extremely interesting.

Other issues of interest in the graphic arts market were set by the customers themselves and are worth of our consideration:

- the need to provide advice to customer on investments, resulting in bigger productivity and profitability
- the constant need for research of value added services and products
- the constant need for outsourcing, keeping in mind the decrease of costs
- the need for communication and closer contact with the customer through more than one communication methods
- the need for bigger flexibility for companies operating in the industry
- the need for customer training on new technologies (i.e. Open Houses) and ways in which they could be organized
- the requirements for the creation of an on-line library on graphic arts issues
- covering customers' requirements in time/response and tools to be used for this purpose

5.3 CONCLUDING REMARKS

Even before the catastrophe of 9/11, the graphic arts industry was showing the effects of unrelenting competitive pressures, which have only gotten worse. Since 2001, about three-quarters of the firms reporting their results have disclosed that they're earning little or nothing - and definitely not enough to stay in the game in the long term. Many printers feel squeezed by market pressures that dictate low prices even as they must install expensive digital workflows.

For almost two decades the number of graphic arts companies remained the same. Over the past few years, industry data indicates the number of business units has shrunk by more than 15 percent.

According to a Hellastat survey on the print sector for 2005 (reported by the ANA-MPA news agency on October 3) average net profits in 2005 were trimmed to 3.5% from 5.4% in 2004 but were still satisfactory compared with the 2.2% profit margin achieved by the average industrial enterprise in the same year.

The report covered 161 enterprises, which showed a mixed picture in profitability growth, with 85 reporting increased profits and 75 declines, though in terms of net profits, eight in 10 were profitable in 2005.

The value of the entire market in 2005 was estimated at roughly €572.00 million, up just 0.7% from €568.50 million in 2004, while the average rate of growth per enterprise within the sector was 2.1%.

Rates of growth were highest among businesses involved in printing packaging - reflecting a rise in marketing activity by industry and commercial enterprises - while printing of publications and newspapers fell. The advertising material sub-sector showed a mixed picture, as expected after a "bumper year" in 2004 on account of the Athens Olympics and Greek elections.

The foremost companies in the field have made major investments in the past years, both in acquiring fixed assets and in buying out smaller firms, thus creating streamlined groups able to offer integrated, high-quality services.

New and innovative services made possible by new technologies have also been added to the traditional range, such as flexible printed packaging, printed advertising on vehicles and outsourcing.

According to Hellastat's survey, the 40 largest businesses in the sector (with revenues greater than €3.00 million) operate at an average net profit margin

of 4.9 % (lower than in 2004, when it was 5.7%) and the 68 middle-sized firms (revenues from €1.00 - €3.00 million) took a sharp cut in their profit margin from 6.5% in 2004 to just 3.9% in 2005. Profits were even more depressed for small enterprises, whose profit margins were down to 2.5% from 3.5% in 2004.

The sector also reported a sharp increase in its short-term bank borrowing to 30.5% of sales in 2005, from 20.0% in 2002.

The question is: Who will survive?

The more successful companies identify three key things:

1. Having enough sales
2. Producing work efficiently, cost-effectively and quickly
3. Finding new ways to add value for customers

This is as true for printers as it is for a company operating in the business as a supplier.

Customer relationship management focuses business processes on customer relationships in order to extract value for the organization. We need to increase revenue by customer, improve productivity and provide a competitive advantage against competition through differentiation. This is why establishing a CRM system that works for our organization, is important in order for us to understand what our customers want.

When times are tough, who wouldn't want to increase profits and reduce costs, just by keeping more of the customers they already have?

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APPENDIX A - Questionnaire**Demographic Questions---Please fill in****Number of employees**

- ☐ 1-10 ☐ 11-30 ☐ 31-50 ☐ 51-100 ☐ 101 or more

Type of machinery

- ☐ Press ☐ Pre-Press ☐ Post-Press

Years in Business

- ☐ 1-10 ☐ 11-20 ☐ 21-30 ☐ 31-40 ☐ more than 41

Annual Turnover:

- ☐ less than 100.000€ ☐ 101-250.000€ ☐ 251-500.000€
☐ more than 500.000€

Type of company (i.e. S.A., Ltd., etc).....**Area**

- ☐ Athens ☐ Thessaloniki ☐ Rest of Macedonia ☐ Thrace
☐ Thessaly ☐ Rest of Sterea Hellas& Ipiros ☐ Peloponnese ☐ Islands

Questionnaire---Please tick only one answer

1. Do you know BTI Hellas AEE? ☐ Yes ☐ No
2. Do you work with BTI Hellas AEE? ☐ Yes ☐ No
3. For how many years have you been working with BTI Hellas AEE ?
☐ 1-2 ☐ 3-6 ☐ 7-12 ☐ 13-24 ☐ more
4. Rate BTI Hellas----general rating for services rendered
☐ 1 ☐ 2 ☐ 3 ☐ 4
very unsatisfactory unsatisfactory average satisfactory
☐ 5 ☐ 6
very satisfactory not applicable
5. Rate Press, Pre-Press & Post-Press Machines/How satisfied are you?
☐ 1 ☐ 2 ☐ 3 ☐ 4
very unsatisfactory unsatisfactory average satisfactory
☐ 5 ☐ 6
very satisfactory not applicable

6. Rate service & spare parts department (for machinery/on-site service)

- ☐ 1 ☐ 2 ☐ 3 ☐ 4
very unsatisfactory unsatisfactory average satisfactory
- ☐ 5 ☐ 6
very satisfactory not applicable

7. Rate Supplies & Consumables department (quality & service)

- ☐ 1 ☐ 2 ☐ 3 ☐ 4
very unsatisfactory unsatisfactory average satisfactory
- ☐ 5 ☐ 6
very satisfactory not applicable

8. Tick **only two** of the following factors considering when selecting a print services provider:

- ☐ Dependability
☐ Quality
☐ Turnaround time
☐ Ease of doing business
☐ Price
☐ Specific technology used by provider
☐ Unique capabilities
☐ Geographic proximity
☐ Competence/communication with salesperson
☐ Other.....

9. Rate BTI Hellas (1 to 5) on the following:

• Image

- ☐ 1 ☐ 2 ☐ 3 ☐ 4
very unsatisfactory unsatisfactory average satisfactory
- ☐ 5 ☐ 6
very satisfactory not applicable

• Handling of complaints

- ☐ 1 ☐ 2 ☐ 3 ☐ 4
very unsatisfactory unsatisfactory average satisfactory
- ☐ 5 ☐ 6
very satisfactory not applicable

- Price/performance ratio

- ☐ 1 ☐ 2 ☐ 3 ☐ 4
very unsatisfactory unsatisfactory average satisfactory
- ☐ 5 ☐ 6
very satisfactory not applicable

- Support & competence of sales representative

- ☐ 1 ☐ 2 ☐ 3 ☐ 4
very unsatisfactory unsatisfactory average satisfactory
- ☐ 5 ☐ 6
very satisfactory not applicable

10. Would you continue working with BTI Hellas?

- ☐ Yes ☐ No ☐ Depends ☐ 4 I don't know

11. What are the improvements you could recommend?

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