Developing a strategic approach for crm marketing essay

Business, Marketing

University of Applied Sciences

Fakultät Wirtschaftswissenschaften

International Retail Management

Customer Relationship Management Strategies in Multichannel Retail Companies

Abschlussarbeit zur Erlangung des akademischen GradesBachelor of Arts (B. A.)vorgelegt von

Erdinc, Cavili

Erstprüfer(in): Prof Dr. Lars FendZweitprüfer(in): Prof Dr. Marc KnoppeAusgabetermin: 01. 11. 2012Abgabetermin: 31. 01. 2013

Acknowledgement

Writing this thesis was sometimes stressful and sometimes fun. This thesis was a required research study for the completion of Bachelor Degree of International Retail Management. Study program was organized with the cooperation of Media Saturn Holding GmbH and University of Applied Sciences Ingolstadt. Writing this thesis was a result of eight months of practical oriented semester. I have been working in Media Saturn stores and headquarters to collect relevant data and create a beneficial result for company and myself. After this long observation time, I spent eight weeks to combine it with literate understanding. There were also many people supported me during this work. I would like to thank my mentor Prof. Lars Fend for his understanding and supportive attitude. He was always available when I need help. I also thank to my company mentor Mrs. Merve Özer. She

supported me during my entire study program and she was there whenever I needed her. I would like to thank my company Media Saturn Holding for all the possibilities they provided during three and half years. This thesis mainly occurred with their help. I am very grateful to my all family, friends and loved ones who are contributed this work by supporting me spiritually and physically. As last point I would like to thank to biggest support point in life Roland Falkenberg. He was understanding during my stressful times and was always there to listen to me.

Abstract

Profitability, customer retention and sustainability are the biggest problem of the companies. They have been using many different tools to be noticed and chosen by the customers since a long time. But unfortunately, classical supply chain solutions between customer and producer are not enough anymore. That's why companies started to use many different CRM strategies to maintain their earlier balance. Another very important issue is the maintenance of long time relationships with the customers. Long and strong relationship with the customers helps companies to generate higher profits and lowers the high need of customer retention rates. This thesis planned to bring better understand to the multichannel applications of Customer Relation Management Systems. It focuses on CRM in general but mainly on retail businesses. That's why Media Saturn has been chosen as a practical example. This study paper also tries to answer questions of main challenges for a reasonable approach to multichannel customers. This paper also shows why the right mix of sources very important to reach most

effective results. CRM solutions can be seen by many companies like just a technical tool, this study shows why this idea not perfectly correct. INDEX

Introduction

Marketing has tried many techniques until it leaves its place to different understanding. Nowadays creating differentiation on products is getting harder and global competition increasing every day also. But this is not the only change recently happening. Customer demographics and satisfaction level also becoming a hard target to achieve. In such conditions, companies are trying to apply different methods and strategies to reach their customers. Customer Relationship Management is a very popular tool within companies to reach their customers. It creates many different possibilities to the companies to provide very different possibilities and apply new approaches to tempt their customers. Recently, Customer Relation Management systems became one of the main marketing tools of the companies, because these systems promise more to enterprises than classical marketing solutions. Customer Relationship Management refers to a process. This process starts with listening the customers and goes on with the defining the expectations of the customers. In customer relationship management another very important point is gathering as much as possible information about customers. Afterwards it is needed to create different sub-customer groups depending on their profiles and defining the profitability of these different profiles. These points define the main parts of the customer relationships management systems. Whilst applying these steps, companies should pay attention to start with customer. In other words, focus point

should always be customers and all activities have to be defined customer centric. One of the biggest problems that enterprises are facing is the differentiation in level of service and product. It is also getting harder to keep the customers only with prices or technological proceedings. Because of this situation, companies are trying to create more emotional relationship with their customers. Another very well known fact for the companies is that replenishment of the customers much more expensive and hard than sustaining the current ones. Sustaining this relationship will not only provide companies sustainable competition power also will generate the base of customer loyalty. Creating this relationship naturally only possibly by knowing the customer trends, market developments and being communication oriented. Within next pages, writer will discuss definition of Customer Relationship Management, new customer model and how it shapes the strategies of the companies.

2. 0. Customer Relationship Management

Before going deep into litretaure I want to answer the question of " What is Customer Relationship Management" with the different definitions and descriptions done by differet Autohors. CRM is an e-commerce application (Khanna, 2001). CRM is a term for methodologies, technologies, and ecommerce capabilities used by companies to manage customer elationships (Stone and Woodcock, 2001). CRM is an enterprisewide initiative that belongs in all areas of an organization (Singh and Agrawal, 2003). CRM is a comprehensive strategy and process of acquiring, retaining, and partnering with selective customers to create superior value for the company

and the customer (Parvitiyar and Sheth, 2001). CRM is about the development and maintenance of longterm, mutually beneficial relationships with strategically significant customers (Buttle 2001). CRM includes numerous aspects, but the basic theme is for the company to become more customer-centric. Methods are primarily Web-based tools and Internet presence (Gosney and Boehm, 2000). CRM can be viewed as an application of one-to-one marketing and relationship marketing, responding to an individual customer on the basis of what the customer says and what else is known about that customer (Peppers, Rogers, and Dorf, 1999).•CRM is a management approach that enables organizations to identify, attract, and increase retention of profitable customers by managing relationships with them (Hobby, 1999). CRM involves using existing customer information to improve company profitability and customer service (Couldwell, 1999). CRM attempts to provide a strategic bridge between information technology and marketing strategies aimed at building long-term relationships and profitability. This requires " information-intensive strategies" (Glazer, 1997). CRM is data-driven marketing (Kutner and Cripps, 1997). CRM is an enterprise approach to understanding and influencing customer behavior through meaningful communication to improve customer acquisition, customer retention, customer loyalty, and customer profitability (Swift, 2000). For this section the study, writer has choosen to use exemplary articles to create an objective and rich contented literatual background for the study. Table shows the used articles and grading of jornualTopicExemplary ArticlesJourqual Grading of JournalKey findingsBackground and Literature of CRMChen, I. J and K. Popovich (2003), '

Understanding customerrelationship management (CRM): people, process andtechnology', Business Process Management Journal, vol. 9, no. 5, (p. 672-688)CAim of CRM systems and importance for long term customer based strategic planningLevitt (1983), " After Sale is Over............." , Harvard Business Review, vol-61, No-5, (p. 87-93)DFirst ideas for CRM concept. Xu Y. Yen, D. Lin, B. Chou, D. 2002. " Adopting Customer Relationship Management Techbology" Industrial management and data systems (p. 441-452)CConcept of CRMBose R. 2002. " Customer relationship management: key components for IT success" Industrial management and data systems", Vol. 102 No. 2, (p. 89-97)CPossible output of CRM applications(software basedGreenberg P., 2004 " CRM at speed light: Capturing and keeping customer in internet real time" McGraw-Hill, Berkeley, CAWhat CRM should involveZineldin M., 2000," Total Relationship Management(TRM) and Total Quality Management (TQM)", Managerial Auditing Journal, Vol. 15, No. 1, (p. 20. 28)CWhat is CRM? Table 1. Table of Exemplary ArticlesCustomer Relationship Management is one of the most popular topics within companies recently. There is many explanation of this situation. According to Chen and Popovich, It became much important with the development of information and software technology. It is assumed as practical. But core aim of CRM was increasing long-term profitability of customer by moving into a more customer centric marketing. In early 1980s Levitt (1983) made one of the first proposals for Customer Relationship Management. He said relationship management consist of methodologies and terms which helps enterprises to set long term relations, good quality goods to strive their customers. After Levitt's idea, Relationship Management rapidly accepted

with in companies but many points were missing as companies aimed marketing still in product level. Somehow this interest shrunken due to fact those customers were expecting much more holistic approach. They were not only communicating with marketing department but instead trying to interact with whole parts of the organizations. Satisfying customer only with marketing activities was not possible. However companies' interest disappeared for relationship marketing when they realized it is hard to achieve short term good results with it. (Xu, Yen, et all, 2002)Bose (2002) stated need of CRM is occurred because customers started to differentiate from each other. Otherwise such need wouldn't be occurred. With the understanding of customer profitability, companies can tailor their business much effectively (Chen and Popovich, 203). They also added, CRM consist of minded data which are collected over all touch points of Consumers. Greenberg (2004) said, CRM should contain involve departments as manufacturing, product testing, billing, human resources, marketing, sales and engineering. Modern customer relationship management also contains much influence from total quality management understandings and new technological paradigm (Zineldin 2000). But literature still having some hardness's to define the definition of the CRM. Nevertheless, still general acceptance is in the direction of customer relationship, customer management, marketing strategy, customer retention, personalization (Zineldin 2000). In some companies CRM is considered as technology solution, considering of individual databases and sales force automation tools and sales and marketing functions. This may view CRM as a tool, which has been particularly designed for one to one customer communications,

which is future of sales, call centers or the marketing departments. From Information Technology (IT) perspective, CRM means integration of all departments via interconnected technologies. Data warehouses, websites, intranet systems, support systems, accounting, sales , marketing and production can be given as example. From customer's sight, CRM is a tool easy their life and offers customization, simplification of the complex processes depending on the kid of interaction channel used. (Gulati and Garino, 2000). Bose states the definition of CRM with his words;" Customer relationship management is an integration of technologies and business processes used to satisfy the needs of a customer during any given interaction. More specifically, CRM involves acquisitions analysis and use of knowledge about customers in order to sell more goods and services and to do it more efficiently" (Bose, 2002, p. 1)Another CRM definition according to Lancaster & Jobber is;" Customer Relationship Management is a term for the methodologies, technologies and e-commerce capabilities used by firms to manage customer relationships. In particular, CRM software packages aid the interaction between the customer and the company, enabling the company to co-ordinate all of the communication efforts so that the customer is presented with a unified message and image" (Lancaster & Jobber, 2006. p. 357)[1]

2. 1. Objectives of CRM

In previous parts, I have tried to give literately background of CRM. In this section, I will discuss the objectives with the different approaches of important authors' in the field. According to Chen and Popovich (2003) CRM

systems has much better ability to generate proper consumer data for much less cost than an old network technology could do. It also conducts much better inventory, sales and customer data throughout an organization. This information gives company the chance of shaping its operations depending on customer shopping trends and consequently reduces inventory, sales and similar operating costs. CRM applications take full advantage of technology innovations with their ability to collect and analyze data on customer patterns, interpret customer behavior, develop predictive models, respond with timely and effective customized communications and deliver product and service value to individual customers. Using technology to optimize interactions with customers' companies can create a 360 degree view of customers to learn from past interactions to optimize future ones (Chen and Popovich, 2003). It is also the infrastructure that enables the delineation of, and increases in customer value and the correct means by which to motivate valuable customers to stay loyal (Fjermestad and Romano, 2003).

[2]Implementation of CRM systems brings many benefits to a company. According to book of Swift(2001) benefits can be categorized as following. Reduced cost of Sales: Existing customers much more responsive who helps companies to reduce cost of Selling. Additionally level of knowledge will make the communications channels much more effective which also means of reducing campaign costs. Increased Customer Retention and Loyalty: The time that customers spend within the store increases, consequently they also spend more. Benefits companies offering with loyalty programs also increasing the bound with customers. They visit store more that results higher level of loyalty. Higher customer Profitability: Loyal customers tend to

spend more in the store. That means more average basket value and more profitability. It also means more cross selling, up selling possibilities and follow up sales. More referrals also come to store among existing satisfied customers. Lower acquisition cost: The cost of new customer acquisition and obtaining the existing ones are lower as a result of more effective marketing activities such as mailing, contracts and follow ups etc. Lower customer volume need: Companies need constant costumer acquisition to preserve business volume. Long and stable customer relationship will strengthen the bind with companies and customers will spend more over time. This will reduce the need of new customers for the companies. Evaluation of Customer Profitability: CRM systems let companies to know their profitable customers and customers who carries the high profitability potential. This is very important for companies to arrange their services and meet the expectations of them to obtain existing profitable ones.[3]There is companies adopt CRM systems only because it is the most advance system in sector and they have to have it since their competitor has it. But there is also many statistical data encourages companies to adopt these systems. In sales area sector, for a new sales on average companies have to make 8 to 10 calls to new customers although 2-3 calls enough to generate new sales for existing customers. According to Pareto's principle, 20% of existing customers of a company, generates the 80% of total sales. Acquiring new customer 5 to 10 times more expensive compared to a repeated sales done to an existing customer. A dissatisfied customer tells his/her shopping experience 8 to 10 people.(Paul Gray and Jongbok Byun , University of California, March 2001)[4]Date mining also gives the opportunity of knowing

customers closer. Through data mining company can have more information about the customer and act more proactively. This lets companies to offer more suitable product for the customer and generate higher customer retention and loyalty for longer time.

2. 2 Components of CRM

Meeting customer's expectations not at all an easy process, requires 360 degree view of the customer. Best solution comes with the known CRM implementation model; which integrates the dimension of people, process and technology within the context of an enterprise-wide, customer driven, technology-intagrated, cross-functional organization. Each particular component presents different challenges for the companies, but at the end, it brings either success or the break down on a CRM system.[5]

2. 2. 1 Technology

Companies have many different processes. They are needed to be performed to generate aimed results. IT with a simple touch makes it much more effective and fast. They create dramatic efficiency compared to manually generated processes. CRM requires many datas to be analyzed and its core formed basicly by IT. Generating better results with CRM technologies very natural for the companies looking for greater productivity and efficiency in customer- facing operations like sales, marketing, customer support and service.(Greenberg, 2004). With the rapid correspondence help of CRM technologies, companies can enable the chance of enhancing customer relationship. Acorrding to Trepper (2000) CRM technologies are designed to automate sales and service functions, It is also one of the very important

points that technology provides a great benefit on CRM efforts, by linking front (e. g. sale) and back office (e. g. logistics) function to create for the efficient and effective management of interaction across different touch-points(e. g. Internet, direct mail, call etc.)(Chen and Popovich, 2003) CRM technologies enables companies to harness the power power of database, data mining and interactive (e. g Internet) technologies to collect and store unprecedented amount of customer date, build knowledge from the data, and disseminate the resulting knowledge across the organization(Bose, 2002)[6]Figure 1. CRM implementation Model(Cehn, Popovich, 2003, p. 676)

2. 2. 2. Business Process

A business process is the whole activities and tasks that performance of them results in a desired business outcome. It can be explained as process that converts into organizational outputs. The process of CRM application very important because each not very well organized process will only speed up the occuration of the problems in the company. Engineering of processing is not very easy. Clearness and easiness of the process is one of the most important essentials. Especially processes like payment, putting goods into basket etc. which is in directly interface with the customers should be clearly identified and engineered. They also have a great effect on customer satisfaction and retention. But the other areas which surely need processes are; the Philosophical bases of CRM which are relationship marketing, customer profitability, lifetime value, retention and satisfaction created through business management(Chen and Popovich, 2003) On otherhand

Goldenberg(2000) warnes the companies which are believing CRM is only technological solution. Because it is definitely not.

2. 2. 3. People

Technology and business processes are very important for CRM systems but people is the most important factor since it the employees who are building the customer relationships. Top managements committement is an essential element for bringing an innovation online and ensuring delivery of promised benefits.(Chen and Popovich, 2003)CRM initiatives require vision and each and every employee must understand the purpose and changes that CRM will bring. Re-engineering a customer-centric business model requires cultural change and the participation of all employees within the organization. Some employees may opt to leave; others will have positions eliminated in the new business model. Successful implementation of CRM means that some jobs will be significantly changed. Management must show its commitment to an ongoing company-wide education and training program. In addition to enhancing employee skills and knowledge, education boosts motivation and commitment of employee and reduces employee resistance. Additionally, management must ensure that job evaluations, compensation programs, and reward systems are modified on a basis that facilitate and reward customer orientation. After all, how people are measured will determine their behavior(Chen and Popovich, 2003)[7]

2. 3 Developing a Strategic Approach for CRM

Developing a strategic approach for CRM requires two focus points. One of them defining strategic aims of company (business strategy) and its

customers (customer strategy). These two of the strategies define the success of overall CRM strategy.

Business Strategy

Business strategy includes traditional industry analysis like The industry conditions, competition etc. But depending on the company more augmented option can be taken to consideration e. g. Cooperation, data sharing and other activities. Customer strategy is also very important part of business strategy as well. Strategy approach requires companies to define their customer strategies and plan how this approach will evolve over the years.

Customer Strategy

Customer strategy involves examining the existing and potential customer base and identifying which forms of segmentation are most appropriate. As part of this process, the organization needs to consider the level of subdivision for customer segments, or segment granularity. This involves decisions about whether a macro, micro, or one-to-one segmentation approach is appropriate (Rubin 1997). Several authors emphasize the potential for shifting from a mass market to an individualized, or one-to-one, marketing environment. Exploiting e-commerce opportunities and the fundamental economic characteristics of the Internet can enable a much deeper level of segmentation granularity than is affordable in most other channels (e. g., Peppers and Rogers 1993, 1997). In summary, the strategy development process involves a detailed assessment of business strategy and the development of an appropriate customer strategy. This should

provide the enterprise with a clearer platform on which to develop and

implement its CRM activities.[8]

2. 4 Value Creation Process

The value creation process transforms the outputs of the strategy

development process into programs that both extract and deliver value. The

three key elements of the value creation process are (1) determining what

value the company can provide to its customer; (2) determining what value

the company can receives from its customers; and (3) by successfully

managing this value which involves a process of cocreation or coproduction,

maximizing the lifetime value of desirable customer segments. 5Figure 2.

Conceptional Framework for CRM

The Value Consumer Receives

It can be explained as the benefit enhances the customer offer. This

enhancement is so important for the satisfaction of the customer. Nowadays,

Companies trying to understand the expectation of the customer to enhance

the satisfaction factor and consequently create more value. From this point it

is possible to say development of the products also depends on expectation

of the customer and somehow customers working as a co designer of the

product. This also affects the performance of the end product. What

companies should do in this case is evaluate these different attributes comes

from customers and common preferences can be taken under consideration

during value creation.

The Value Organization Receives and Lifetime Value

For the benefit of Organisation, first important step is to determine the value of existing and potential customer profitability. Second important point is economics of customer acquisition and customer retention and opportunities for cross selling, up-selling, and building customer advocacy should be studied. Contribution of these elemets increases the Life time value and also value creation process. Figure 3. The integrated framework for Customer Value and CRM Performace(Chi et al, 2004. p. 117)

3. 0. CRM in Multichannel Retailing

In this part, writer will more focus on the Customer relationship Management in multichannel concept. He will try to start with the point " What is a multichannel Retailer?" , than will discuss the main challenges of CRM in this specific area. Writer preferred to use high quality journal articles to involve many different ideas in his work. You can see the table of exemplary articles in following. TopicExemplary ArticlesJourqual Grade of JournalKey FindingsCRM in multichannel Retailers. Verhoef, Peter C., et al. " CRM in data-rich multichannel retailing environments: a review and future research directions." Journal of Interactive Marketing 24. 2 (2010): 121-137Ban overviewof the extant literature on customer relationship management (CRM), with a specific focus on retailingdiscuss howretailers can gather customer data andhow they can analyze these data to gain useful customer insightsNeslin, Scott A., et al. " Challenges and opportunities in multichannel customer management." Journal of Service Research 9. 2 (2006): 95-112. Aproposeframework that show linkages among these challenges and

provides a means to conceptualize field of multichannel customer managementWarrington, P. T., Gangstad, E., Feinberg, R., & de Ruyter, K. (2007). Multi-channel retailing and customer satisfaction: implications for e-CRM. International Journal of E-Business Research (IJEBR), 3(2), 57-69. CSatisfactionofcustomers and its effects to channel preferenceTable 2. Table of Exemplary ArticlesSince long time retailer are collecting lots of information on customers. They follow the frequency of purchases, transactions, marketing activities and also customer attitudes. But on the other hand there are companies like Aldi, Lidl, Wal-Mart that they are more focused on low prices and excellence of operational activities. Although it does not mean they don't collect data at all. They just do not prefer to do it at consumer level. In practice, finding an clear answer, about the results of using customer data, is quite mixed. There is quite different information on the topic. Tesco is always given as a good example of customer data (Humby and Hunt 2003). On the other hand there is many retailers has not been very successful in elimination of customer data. A McKinsey study reports that the majority of retailers are unable to recover the investments in loyalty programs, especially because only less than 50% of customers increase their spending after enrolling in a loyalty program[9]One of the most dramatic trends in the shopping environment has been the proliferation of channels through which customers can interact with firms. The Internet, kiosks, ATMs, call centers, direct marketing, home shopping networks, and catalogs, as well as bricks-and mortar stores, are now commonplace means by which consumers shop. This proliferation has created a challenge for firms to manage this environment effectively and opportunities for academics to

produce insights that can help address these challenges. The field of "
multichannel customer management" has emerged as a result.[10]Another
emphasis on multichannel comes from Verhoef (2010), he says additional to
customer value management; multichannel became very important as a
result of retailers having ability of reaching large customer databases and
generates the view of the customer across many channels at the same time.
Multichannel retailing gives opportunity of different transaction options to
consumer which lets companies to increase profitability at the same time. To
sum up these ideas we can clear see; main challenge in multichannel
retailing is, the collection of the correct data over different channels and
integrate them into a data base which is also accessible and updatable over
different channels. But in any case collecting correct data is the key point of
the whole process. But some retailers even cannot collect correct data from
their customers.

3. 1 Key Challenges for Multichannel Customer Relationship Management

3. 1. 1 Data Integration

In previous section we already mentioned the importance of data integration.
In multichannel retailers, customers interact with the companies by many
different channels. And in each channel different or similar information are
being collected by the databases that's why it is very important to combine
these information in one database or make them accessible from each
channel. Accorrding to Neslin et all (2006), ideal position for a firm would be
complete data integration (CDI) or an integrated , single view of the

customer across channels. Ideal database would contain the each step of customers through each channel and even competitor's. While defining a database integration, companies should answer following questions. Which data need to be integrated? Is it sufficient to integrate only one specific part of the customer activity (e. g. purchase data only) or also search data should be integrated? Which activities of the firm would benefit from integration? Is cross selling only activity or other activities also possible? What is the sufficient integration level? Is %100 necessary? What would be the possible loses with integration? Does is worth to do ?[11]Figure 4. A Frame work for Multichannel Customer Management[12](Neslin et all p. 97)

3. 1. 2 Understanding Customer Behavior

Firms should be aware and understand the customer behavior in multichannel environment. Why customers choose a specific channel to another? And if the company has a better profiting channels than others. Following questions should be answered by companies to have a better overview about the choice of the customers. What determines customer channel choices? Which channel is strategically most important? How marketing activities influence the choice of the customer? Different channels means segmentation of customers? Which segment of the customer uses various channels at the same time? Customers make channel choice according to channel or firm? Does multichannel creates any impact on customer loyalty? Does multichannel increase the turn over or support the growth of the company? (ibid)

3. 1. 3 Channel Evaluation

Data integration and Customer behavior analysis helps companies to gather data and also ability to understand customer's preferences. Customer's channel choice can partially evaluate the success of the channel but following questions will help company to develop a better understanding. What is the contribution of an additional channel to the firm? If the firm tend to add another channel, what kind of impact expected from this activity? What is the proportional value adds of each channel? Which channels works more in a synergy? Total sum of each channel should be more than single parts and synergy should exist but which ones are the best?[13]

3. 1. 4 Allocating Resources Across Channels

A firm should reflect its channel policy with the allocation of the sources. Better performing channels may require more source by time. And allocating sources into these channels may help company to increase success factors over market share in that channel. To understand the requirements better, asking following questions can be helpful. What is the optimal channel mix? What would be the possible impacts of removing or downsizing channels? How marketing sources should be used across the channels? Should company spend equally effort and source to each channel or marketing activities should be designed to drive the customers to a specific channel? What determines the equilibrium channel structure in an industry? Should all firms offer the same channels to customers? Will firms differentiate their channel strategies?

3. 1. 5 Coordinating Channel Strategies

One of the hardest task for the companies is setting the strategies, defining the objectives and directing the organization to reach these targets. To reach the target of set marketing mix may also require detailed coordination and organization. To be sure a company should ask following question for a self checkShould channels be independent or integrated? Which aspects of the channel design should be integrated? Should prices be the same in all channels; should channels carry the same products? In a related issue, how should the organization be integrated with regard to channel management? How firm can define the strategy which will create the synergy? Should channels be designed around the segments or functions? For example , one strategy might encourage the customers to use the Internet for search, the brick-and-mortar store for purchase, and the call center for after sales support, which would represent a functional channel strategy. In contract a segmentation channel strategy would recommend that customers in Segment A use the Internet for all stages of their decision process , those in Segment B use the store for all stages, and those in Segment C use the call center. Obviously , intermediate combinations are possibleHow can firms manage the research shopper phenomenon , whereby the customer searches on Channel A but purchases through Channel B(not necessarily from the same firm)? Does a firm's superior search capability confer a competitive advantage that grows sales and profits? How should firms manage their relationships with channel parters when applying a multichannel strategy?[14]

3. 2. Customer Satisfaction and Multichanel

Multi-channel access allows retailers to reach a greater market and to leverage their skills and assets to increase sales and profits. It allows a single organization to overcome the limitations of any single channel. The goal of retailing is to attract consumers, keep consumers, and increase " wallet share," and a multi-channel presence increases the probability of all three (Chu and Pike, 2002)[15]. One can construct an argument for the importance of multi-channel retailing for retail success by noticing that most of retail sales on the Internet are done by multi-channel retailers. Research on multi-channel retailing has focused on the factors that drive channel choice (e. g. Chu & Pike, 2002; Inman, Shankar, & Ferraro 2004;)[16]and the nature of the multi-channel shopping experience generally (Burke, 2000). As reported by Chu and Pike (2002), the National Retail Federation's Shop. org found that 78% of online shoppers also made a purchase at the retailer's physical store and 45% bought merchandise from the retailer's catalog. The same study reported that 23% of catalog shoppers also shopped at the retailer's Internet site (e. g., Eddie Bauer catalog shopper also purchased at eddiebauer. com). Only 6% of store shoppers purchased from the retailer's online site. However, slightly more than half of catalog shoppers and 75% of store shoppers search for pre-purchase information online. Unfortunately, research did not give clear explanation to the complex relationship between shopping experiences and future shopping behavior in a multi-channel environment. The complexity of the relationship between store-based, catalog, and online shopping extends beyond the mere description of what people are doing inter- and intra-channel. It encompasses the relationship between

encounters in one channel and subsequent decisions to shop in the same or another channel. Is a good experience in one channel equivalent to a good experience in another channel as it relates to future channel choice? Indeed a recent study showed very clearly that there are trade offs that consumers make between channels and these tradeoffs are not equal; a positive/negative experience differs in value depending on the channel and the resulting choices differ as well. Another research supports the premise that satisfaction/dissatisfaction of customer experience in a store has a direct impact on the probability of re-visit to the store. Satisfaction is generally viewed as the foundation for any marketing relationship. Research on e-retailing has been founded on the same premise with the same general finding: customer satisfaction is related to return visits to a website (. The belief in customer satisfaction as the " prime directive" of the retail-consumer relationships is further supported by the extensive range of popular boks on the subject. If customer satisfaction is important for decisions in one channel alone, there is likely to be some relationship between the satisfaction in one channel and future channel decisions. Multi-channel retailers will benefit from understanding the nuances of these effects and be better able to successfully implement and fine-tune eCRM strategies.

4. 0 Case Study: Media Markt and Saturn

4. 1. Background

Media Markt and Saturn surely in the list of the most successful consumer retailers of the world. In Europe, have long since evolved from a medium-

sized enterprise into a global player – with over 900 stores, 70, 000 employees in 16 countries, and revenues exceeding 20. 6 billion euros. Media Saturn created this success with its values till now. It has been changing itself always with the requirements of the market. And today, more than ever before, it must reinvent itself. With its three-retail-brand strategy, product portfolio, low prices and individual service, Media-Saturn has changed the face of consumer electronics retailing. Now the Internet and multichannel are changing the markets.[17]. With the online pure player redcoon, Media-Saturn is defining a three-retail-brand strategy. Media-Saturn is as versatile company with a wide diversion of customers. Company concern recently new approaches to target them better. Some customers would like to go to store and take advice and purchase afterward. On the other hand some would like to consider more and make purchase online and have delivery to home. Media Saturn make it possible to enjoy shopping experiences like these today – and, in the future, many others as well. [18]Media Saturn CEO Mr. Norberg says " Some call it multichannel, others omnichannel. We call it optimum customer orientation. The work we do is becoming increasingly international. We offer you the best prices. And we love technology. This is what has made our group the market leader in Europe. We want to exploit this potential for your benefit . Whatever it is you need, you will find an even wider selection here with us – thanks to our exclusive brands ok., KOENIC, PEAQ and ISY."

4. 2. Consumer Electronic

Within the Metro Group, the sales division of " non food specialized discounters" is represented by the Media-Saturn Holding GmbH, which is based in Ingolstadt and divided in the three companies " redcoon"," Media Markt" and " Saturn". The Media-Saturn Holding GmbH is one of the leading European company in the consumer electronics trade with a turnover of 20. 6 billion EUR in 2011 and 70, 000 employees worldwide. With a growth in turnover of 9% to 20. 6 billion EUR in 2011 after having reached 12. 2 billion EUR in 2004, the group has consequently consolidated and enlarged its operative efficiency during the last years. In Germany, the level of turnover associated with numerous marketing measures with the 25 years anniversary of Media Markt, as well as the opening of the hundredth Saturn market, could be increased by 100 million EUR despite unfavorableFigure 5. Markets of Media Saturn and Current situationAll in all, the sales division disposed Over a Europe wide branch network comprising 900 stores with a sales area Of 1. 7 million m2. But since last couple years, company struggling with financial results. In the financial year 2012, the Media-Saturn Group decreased The EBIT by 13. 2% million EUR from 625 million EUR to €542 million EUR. With growth of -13. 2%%, the Media-Saturn Group lost its strength in Earnings power for the Metro Group, because of a difficult competitive environment and substantially increased expenditure on advertising and marketing at a continuously high rate both at home and abroad.[19]

4. 3. New Multichannel Strategy in Media-Saturn Holding

In the international arena, Media-Saturn investing in key future markets like Russia, Turkey and China. Today, the company already generates over half of it revenues outside of Germany. At the same time, the group is dramatically expanding its presence in the online world. The launch of the online shops in the test markets Austria and the Netherlands in 2010 gets the ball rolling. Then things really take off. In the summer of 2011, the online pure player redcoon is acquired. In the autumn of 201 1saturn. de goes online. This is followed a few months late by the launch of Media Markt's online shop in Germany. In the months ahead, online shops will also be launched in all the other countries in which Media-Saturn operates. With its three-retail-brand strategy, the group is implementing a major change from a bricks-and-mortar retailer to a multichannel retailer. Conventional stores and virtual shopping platforms will, in the future, form a symbiotic relationship. Pieter Haas is playing a major role in shaping this change. At the company since 2001, he joined the management board of Media-Saturn-Holding GmbH as COO in 2008. He coordinates strategic orientation in the areas multichannel and e-commerce. Haas points to a photograph on his desk of pop icon Madonna in a series of different person as: material girl, saint, super vixen, mature woman. " Be like Madonna" is written above it in capital letters. Haas laughs. " You can learn a lot from that woman. She shows the world how you can reinvent yourself over and over again while still basically remaining true to yourself. We here at Media-Saturn are similar. We hold the top position among consumer electronics retailers in Europe, no one is bigger than we are. And now we are reinventing ourselves. Since last

year, we've been maintaining a high profile in the Internet. But instead of just tapping into another sales channel, we are closely integrating not only our online activities but also our mobile offerings with our local stores. The future is clearly omnichannel."[20]

4. 3. 1. Saturn

The brand related positioning of Saturn is based largely on two pillars or dimensions: assortment variety and the price performance ratio. Still mostly in inner cities, the company offers customers a comprehensive assortment at low prices. Assortment efficiency or competence is passed on to the point of sale (PoS) with the help of an extremely broad and deep product range and high brand availability. The excellent selection especially of CDs and DVDs–is at the core of Saturn's differentiation from competitors. With up to 60, 000 articles in this range, Saturn presents itself to the costumer as a large, competent provider. The price/performance ratio serves as an important image related component and consequently comes to the fore at Saturn. The aim is to conduct bulk business by catering specifically for the masses(lowest price as the activating unique selling proposition). Figure 7. Saturn CommercialsAggressiveness in particular, to suggest an extremely low price level, is a dominating and dynamic factor in Saturn's market image. This price aggressiveness is achieved particularly through instore communication and distance mass communication, i. e. media advertising, and thus has an important influence on Saturn's brand image (Zentes/Neidhart/Schramm/Klein: 2005).

4. 3. 2. Media Markt

In 1979, Walter Gunz, Erich and Helga Kellerhals as well as Leopold Stiefel, the Management CEO until the end of 2006, opened the first Media Markt in the Euro Industriepark (commercial zone) in Munich. With the discount oriented category specialist concept " Everything under one umbrella" they were ahead of their time. At the end of the 1970s and beginning of the 1980s, consumers bought televisions from the local consumer electronics retailer, sound storage media at the music shop and washing machines from mail or companies. The selection within each respective category was limited – and prices correspondingly high. " A limited sales area combined with a limited number of articles within the assortment as well as good margins" – is how Leopold Stiefel described the company's philosophy which paralleled that of many consumer electronics retailers at that time –until the establishment and the great success of the Media Markt concept: impressive outlets with a large sales area, large line extensions in all categories – and high sales figures combined with a narrowly calculated contribution margin. Additionally, current brands under one umbrella were already consistently in the focus during the start up phase.[21]In 1988, the Metro AG acquired a 54 % interest in Media Markt with the help of the Kaufhof AG. Today, Stiefel still holds 5% of the company, Kellerhals about 20 % and Metro about 75 %. Media Markt is Europe's no. 1 in the consumer electronics specialized discounter sector. With the help of constantly low prices, a unique product range of the latest brands throughout the industry and an enlarged net of specialized discounters, Media Markt has succeeded in achieving market leadership with a healthy margin over the competition. In recent years,

Media Markt has been characterized by an increasing internationalization with the aim of concentrating its market presence within a short period of time. In addition to the domestic German market, the company is currently also active in Austria (since 1990), Switzerland (since 1994), Hungary (since 1997), Poland (since 1998), Italy (through the Takeover of Media World in 1999), Spain (since 1999), the Netherlands (since 2000), Belgium (since 2002), Portugal (since 2004), Greece (since 2005), Russia(since 2006), Sweden (since 2006), Turkey(since 2007 and China (since 2010). It is thus further extending its leading market position in Europe. Foreign business currently has a 50 % share of total turnover–and this share continues to rise. [22]Figure 8. Media Markt Commercials

4. 3. 3. Positioning of Media Markt as Modern Category Specialist

Media Markt positions itself as a high performance and price aggressive specialized discounter through a comprehensive assortment of an average of about 45, 000 articles from the following departments: telecommunication, computer, photo, hi-fi and consumer electronics. A broad service portfolio and competent and individual consulting are part of the (international) service standard. The outward presentation of Media Markt in the international market (with slight country specific modifications) is characterized by the powerful and catchy advertising campaign " Ich bin doch nicht blöd!" (I'm not stupid!) This deliberately polarizes consumers. This campaign contributes to the high level of name recognition for the company. For example, 98% of German population are acquainted with both brands of the Media-Saturn Holding and 70% also buy there. These advertising

messages were flanked in 2006 by the seasonal campaigns " Bester Media Markt aller Zeiten – Wir holen den Titel!"(The best Media Markt of all time – we deserve the title!) and within the scope of Saturn's internationalization " Saturn wächst nach Europa – mehr Leistung für Sie!" (Saturn expands throughout Europe – more performance for you). Since the formation of the company, the attributes " humor" and " honesty" are used to communicate the great selection of brand products at low prices. With the help of these attention grabbing and emotive advertising campaigns, Media Markt has succeeded in stabilizing its brand image in terms of consumer awareness and in further developing its position as a distinctive retail brand. The decentralized organizational structure within the distribution outlets makes a considerable contribution to the continuous and profitable growth of the Media-Saturn Group. As fellow partners, Media Markt's managers are directly integrated into and responsible for corporate success. Accordingly, the managers hold a share of 10 % in the (local) company and thus fulfill the role of a " local entrepreneur" – as the past has shown. They have essentially sole responsibility with regard to the assortment, pricing and scope of personnel and marketing and thus considerably influence the turnover and profitability of their own outlet. Above all, the decentralized management structure allows a quick and flexible adaptation of the range of goods to specific customer expectations which differ according to the location. A reaction to the price and assortment activities of competitors in the direct local environment is possible both promptly and flexibly. Thus, the sales division as a whole benefits from managerial scope and autonomy in the single outlets on site. The respective prices are the " local best prices" offered by

the respective outlet compared to direct local competitors. Thus, standard prices at a national level are avoided deliberately in order to benefit from local price fluctuations and a varying willingness to pay. Individual stores benefit from the store network's high performance and the company relies on motivated employees satisfying the customers and their needs. Individual advice from trained employees as well as full services, correspond to the volume and quality of the assortment. This includes a professional repair service as well as delivery and installation of large items at people's homes

4. 4. Online-Shopping/E-Commerce at Media Saturn

Whereas Media Markt is present in fifteen European countries with its stores, and it is operating also online nearly in all countries (exept Turkey, Russia and China). In all other country markets, the company's homepage in the respective country only gives product information and refers consumers to the local outlet. (Reference) prices are not indicated, because, as already indicated, they are calculated locally and thus are not valid nationally within the context of retail store business. The entry into e-commerce was combined with the market entry in Italy in 1999. In the course of the takeover of Media World, the online shop Media World. it started at the beginning of 2000 with 500 articles. Logo and design were adapted to Media Markt, but with orange, green and yellow, they were flashier. Later on, it was adapted gradually and since January 2000, the company belongs to the Media-Saturn Holding. Under company law, it had been a direct affiliate of Metro Italia up to that time. On the homepage of Media World. it, the button " Compro online" (online shop) used to be somewhat hidden between job

advertisements and the repair service. However direct access is now possible on the homepage, enabling the customer to visit the online shop independently of visiting the homepage itself. On the shop's main page, it was not very clear at the beginning how large the product assortment really was: apparently, about 500 electrical equipment articles in welve groups, from car radio to washing machine. By the end of 2000, the product range had been increased to 1, 500 products, with the aim of ultimately having a shop with an assortment of 5, 000 articles. At the beginning, the prices of the Internet shop represented an average of the prices offered at all 23 Italian outlets at that time. Media World stores were not yet represented in the South of Italy or in Sicily. However, deliveries from the online shop were possible to all of Italy from the central warehouse in Monza. Today, prices are calculated on the basis of comparisons with those of domestic online competitors are indicated on the homepage at the respective product description and are communicated aggressively (Hedewig Mohr 2000). From thebeginning, Media World has guaranteed delivery within five working days, but freight costs depended on the weight of the goods. Up to the present, payment is mostly made with credit cards. Other countries did not meet with online shop that early unfortunately. Metro and Media Saturn management had a long discussion time about the current market requirements of the sector. Metro Group managed to convience the Media Saturn Holding by 2011 for multichannel and Media Markt went online in 2011 in Austria first. End of 2011 Saturn opened its online store in Germany. Media Markt Germany followed in early months of 2012. By then all counties launched their online operations one by one. Only Turkey, Russia and China not

operating in online channel yet. But preparation are ready for Turkey and Russia. It is expected to have online channel in these countries soon. China is not yet clear.

5. 0 Analysis of CRM in Media Saturn Holding

In this section will disscuss the 5 step of CRM in Media Saturn as practical application. We study the CRM approach of the company.

5. 1 Data integration in Media Saturn

Let's remember from the previous section " what was data integration?" and we will ask the question to figure out our current positionAccorrding to Neslin et all (2006)[23], ideal position for a firm would be complete data integration (CDI) or an integrated , single view of the customer across channels. Ideal database would contain the each step of customers through each channel and even competitor's. While defining a database integration, companies should answer following questions. Which data need to be integrated? Media Saturn brands have different touch points with its customers. And each channel collects needed information for itself. An integrated data system not yet achived. The most important datas needs to be integrated is: Customer Personal Data (User name, address. Telephone number), Customer Purchase History, Customer Payment methods, Customer communication details(e-mail, telephone number, address). Which activities of the firm would benefit from integration? Store of Media Saturn Holding would benefit from data inregration in the areas: After Sales support, cross selling, up-selling would benefit from data integration. Adress data would be benefitial for potential analysis for new store openings. What is the sufficient integration level?

100% integration would be the most benefitial one, to see 360 degree of the customer. What would be the possible loses with integration? Investment lose would be biggest risk ROI would be low. Benefit on the average spending generated with CRM systems not clear. There is not yet very clear research result with a certain positive effect of CRM systems.

5. 2 Understanding Customer Behavior

Firms should be aware and understand the customer behavior in multichannel environment. Why customers choose a specific channel to another? And if the company has a better profiting channels than others. Q. What determines customer channel choices? Which channel is strategically most important? How marketing activities influence the choice of the customer? A. Attitude of Customer defines the channel. This attitude defined by the demographics of the consumer. Working time, income, age and country have effective on this decision. This brings the chance of creating customer classifications and different marketing activities to attract each group. Marketing activities strive consumers to try different channale. Campaigns, special discounts and comfort advantages may convience customer to use this channels. Q. Different channels means segmentation of customers? Which segment of the customer uses various channels at the same time? A. Media Saturn yet doesn't have any research in this area. Because of lack of information in the company, it is hard to proof the claim; for its customers specific channels means specific customer profiles as well. But studies show there is some correlations between the channels choosen and customer profile in common. Age and country can effect the usage of

internet and trust on online shopping. Q. Customers make channel choice according to channel or firm? Studies shows there is very bigh correlation between store experience and internet channel. Previous experiences are also very effective on repetation of the Purchase. Media Markt and Saturn has very strong brand image, reliability of the brand would create trust for internet or mobile purchase as well. Q. Does multichannel creates any impact on customer loyalty? A. Yes. Many media-saturn customer asks form online shopping possibility. Writer of the thesis had chance of working experience within many Media Saturn store and experience the demand of customer in this direction. Missing channels would push customers to use competitor as an alternative. If competitor makes customer happy with this purchase, loyality lose may occur also. Does multichannel increase the turn over or support the growth of the company? Yes, current results give positive indication.

5. 3 Channel Evaluation

Data integration and Customer behavior analysis helps companies to gather data and also ability to understand customer's preferences. Customer's channel choice can partially evaluate the success of the channel but following questions will help company to develop a better understanding. Q. What is the contribution of an additional channel to the firm? If the firm tend to add another channel, what kind of impact expected from this activity? A. Additional channel seemed generally chance of interacting with another profile group. Media Saturn also expect to attaract online shoppers with internet and mobile channel. Expected impacts are; higher customer loyalty,

multichannel retailing position, higher turnover, sustainability and profitability. Q. What is the proportional value adds of each channel? A. Each channel is a new option for the customer. Customers can choose freely between channels which they feel most convient and comfortable. It is also very important to adopt the changes to keep the companies orientation in market and take apart in market developments. It is a very important chance for leader companie to differentiate with first implementation of these channels in the market. In many cases first idea generator companies, like " Amazon" or " McDonalds", takes the biggest market share with such applications. Q. Which channels works more in a synergy? Total sum of each channel should be more than single parts and synergy should exist but which ones are the best?[24]A. At the moment, Media Saturn tries to implement multichannel approach. This means more synergy between online channels and mortar-brick stores.

5. 4 Allocating Resources Across Channels

A firm should reflect its channel policy with the allocation of the sources. Better performing channels may require more source by time. And allocating sources into these channels may help company to increase success factors over market share in that channel. To understand the requirements better, asking following questions can be helpful. Q. What is the optimal channel mix? What would be the possible impacts of removing or downsizing channels? A. Optimal mix for Media Saturn brick-mortar stores and online stores. Removing one of the channels is not an option for Media Saturn. For the moment company plans to enlarge number of channels. Telephone

orders also online with the mobile channel which has been launched by 2012. One of the future consequent would be downsizing of the stores if the online channel goes on growing. It can make offline channel customers sad maybe but Media Markt or Saturn does not plan to be pure online player anytime. Q. How marketing sources should be used across the channels? Should company spend equally effort and source to each channel or marketing activities should be designed to drive the customers to a specific channel? A. Media Saturn does not spend special effort for any particular channel. Marketing activities goes on as before. Only additional emphasis is done to alternative shopping channels. Since company has difficulaties to define its customers and different customer profile, specific marketing activities for particular channels not in question. Q. What determines the equilibrium channel structure in an industry? Should all firms offer the same channels to customers? Will firms differentiate their channel strategies? A. Media Saturn tried to differentiate itself by not going into online for long years. But we can clearly say, it did not bring anything to company. Sometimes market pushes companies to offer similar channels. That's why it is not necessary to offer same channels but more follow the trends on the market and apply it on time.

5. 5 Coordinating Channel Strategies

One of the hardest task for the companies is setting the strategies, defining the objectives and directing the organization to reach these targets. To reach the target of set marketing mix may also require detailed coordination and organization. To be sure a company should ask following question for a self

checkQ. Should channels be independent or integrated? A. Media Saturn defined a multichannel strategy. Using the whole potential of the firm is a very logical approach. Integration creates a nice combination for more benefit to customer. Q.: Which aspects of the channel design should be integrated? Should prices be the same in all channels; should channels carry the same products? In a related issue, how should the organization be integrated with regard to channel management? A. Media Saturn not yet achived the full integration of the whole channels. There are two different assortments. First one is the online assortment. These products has to be available also in the stores. They are ordered by central procurement. That's why these products are available in all stores and online. Prices of these products are also central. Mean same in all channels. Online channel products, which refers to mobile and online store products, has same price in all channels. Second assortment type of assortment is an assortment that stores carry. But all store products not avaliable on online stores. This makes naturally pricing also challenging. Store products are priced locally. Q. How firm can define the strategy which will create the synergy? A. Media Saturn had a hard strategy defining process but after decision of multichannel made, internal communication made it announced. Recently very clear strategy noticeable in all organizations of the company. Q. Should channels be designed around the segments or functions? For example , one strategy might encourage the customers to use the Internet for search, the brick-and-mortar store for purchase, and the call center for after sales support, which would represent a functional channel strategy. In contract a segmentation channel strategy would recommend that customers in Segment A use the

Internet for all stages of their decision process , those in Segment B use the store for all stages, and those in Segment C use the call center. Obviously , intermediate combinations are possibleA. Media Saturn does not have any segmentation yet due to lack of customer data. This question is unfortunately not applicable for Media Saturn . Q. How can firms manage the research shopper phenomenon , whereby the customer searches on Channel A but purchases through Channel B(not necessarily from the same firm)? Does a firm's superior search capability confer a competitive advantage that grows sales and profits? A. Also answering these question not possible with the current status of CRM technologies of the company. There is not enough clear data. Only there it would be possible to set correlation of webpage visits and purchases versus store purchases. High frequency days would be detected and turnovers of stores would be observed after such high frequency days. But still there is not enough data to define a clear picture. Q. How should firms manage their relationships with channel parters when applying a multichannel strategy?[25]A. That requires a special operation. Media Saturn not yet defined a very clear channel partnerships for each channel. There is a big partner cooperations for IT part to create a efficient CRM system.

6. 0 Findings and Conclusion

6. 1 Finding and Conclusion of Media-Saturn Case

During last five sections. Writer questioned the basic requirements of business strategy, Technology and People (Chen and Popovich, 2003) source of the Media Saturn Holding. In this section we will disscuss and summarize

the findings of this questionnaire. Writer used his own knowledge, observation and experience of 3 years within the company to answer these questions. Questions have been taken from academic source. (Neslin at all, 2006). Positive Findings: Media Saturn managed in 2011 to create clear strategy and decided to put milestone for multichannel positioning. Organizational awareness created successfullyProcesses and ıntegration of the channels defined. Partial integration achieved. Marketing efforts have been started to create awereness of new channels. Negative Finding: Organizational sources limited and organizational structure reqires re-modeling for the channel focusCustomer Behavior data is not available. This makes customer segmentation and channel specific marketing imposisible also limited healthy business decisions. IT integration not managed. Integration systems primal. Workarounds are complex and time consumingChannel strategies not clear.

6. 2 Conclusion

Customer Relationship Management is one the the " focus topic of the moment" in retail and overall service area. It requires newest IT technology, customer oriented business scope and enough human source for organizational integration. This study not only focused on CRM but also tried to give an idea how it is implemented in multichannel. Media Saturn was choosen as example company and empherical finding evaluated with the study of Neslin, Scott A., et al. " Challenges and opportunities in multichannel customer management. Study was stating several question to make sure company implemented all needed business process, technology

and human resources. Which also supports the study of Chen, I. J and K. Popovich (2003), ' Understanding customer relationship management (CRM): people, process and technology'. We also discussed multichannel in retailers. We also saw it is much needed for many companies to implement it. Not offering more than one channel will create much more pressure on companies in the future. We also figured out channel satisfaction and dissastisfaction is a very significant issue on other channels but not always equally. For some channels level of satisfaction has greater or lesser impact. Intgeration level and synergy of the channels one of another challenging points. Companies should have allocation scenarios and defined clear particular channel strategies. Promotoions and incentives will need to be multi-channel as well. Multichannel retailing will obviously grow within nexy years. One clear reason that mutlchannel custıomers spend more. But they require more attention as well. That's why integration of cumstomer service as well as operational systems will be needed for each channel. The customer interaction should be involved across all channels.