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WORLD MARITIME UNIVERSITY

Shanghai, China

**CRM Problems and Strategy Research for D
Logistics Company**

By

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MASTER OF SCIENCE

IN

INTERNATIONAL TRANSPORT AND LOGISTICS

June 2015

DECLARATION

I certify that all the material in this research paper that is not my own work has been identified, and that no material is included for which a degree has previously been conferred on me.

The contents of this research paper reflect my own personal views, and are not necessarily endorsed by the University.

(Signature):

(Date):

Acknowledgement

My deepest gratitude goes first and foremost to Professor Xu Dazhen, my supervisor, for his constant encouragement and guidance. He has walked me through all the stages of the writing of this thesis. Without his consistent and illuminating instruction, this thesis could not have reached its present form.

And my thanks would go to my beloved family for their loving considerations and great confidence in me. I also owe my sincere gratitude to my friends and my fellow classmates who gave me their help and time in listening to me and helping me work out my problems during the difficult course of the thesis.

Abstract

In recent years, customer relationship management (CRM) has become the focus of academic research and enterprise development. Especially in the service industry, the core is customer service. And the logistics industry as one of the typical service industry, its product is service. If the logistics company wants to develop in the cruel competition environment, retain old customers and develop new customers successfully, it is very important to satisfy the personalized requirements of the customers. The company must take the customer as the center and focus on the improvement of the quality of customer service and customer satisfaction.

This thesis is based on the theory of CRM, combined with the actual operation status of D logistic company, analyzes the CRM current situation and the related issues, which focused on system construction, personnel structure and staff appraisal system. And we will develop a set of reasonable suggestions and measures to improve the CRM, such as optimizing the customer relationship management system, establishing a customer identification system, adjusting the organizational structure, establishing a reasonable employee performance appraisal system and customer complaint channel. D company should adhere to the concept of customer relationship management to further improve the quality of customer service, which makes the D company has more advantage in market competition and achieves better results.

Through the combination of CRM theory and practice in D company, I also hope that the related optimization scheme is proposed to improve CRM level of the whole logistics industry, especially the domestic logistics industry.

Keywords: CRM; logistics; customer service quality; optimization scheme

Table of contents

List of Tables		
Table 1	Customer Value Evaluation System Table of D Company	43
Table 2	Customer Satisfaction Questionnaire of D Company	49
Table 3	Employee Performance Appraisal of D Company	52

List of Figures		
Figure 1	Research Path of Thesis	5
Figure 2	Three Golden Elements of CRM	8
Figure 3	the Reason of CRM Creation	9
Figure 4	the Change of Marketing Management Concept	9
Figure 5	the Organization Chart of D Company Shanghai Branch	17
Figure 6	the CRM Training Plan of D Company	30
Figure 7	Evaluation System of Customer Value of D Company	40
Figure 8	the Updated Organization Chart of D Company	46

Contents

Declaration	i
Acknowledgement	ii
Abstract	iii
Table of contents	iv
1. Introduction	1
1.1 The research background	1
1.2 Research purpose	2
1.3 Research methods and steps	4
1.4 Research path and content	4
1.4.1 Research path	4
1.4.2 Research content	5
2. Literature review	6
2.1 The meaning of the CRM theory	6
2.2 The emergence and development of CRM theory	8
2.2.1 The reason of the formation of CRM	8
2.2.2 Overseas research status of CRM	10
2.2.3 The CRM research status in China	11
2.2.4 The research status of the CRM of logistics enterprise	12
3. The CRM status of D logistics company	13
3.1 Profile of D logistics company	13
3.1.1 Current situation and trend of development of the logistics industry abroad	13
3.1.2 The present situation and trend of development of the domestic logistics industry	15
3.1.3 The profile of D logistics company	16

3.2	The current situation of D Logistics Company's CRM	18
3.2.1	The strategic concept of D company	18
3.2.2	The CRM information system of D company	19
3.2.3	The application of D company's CRM	22
4.	Problems of D Company's CRM	23
4.1	Problems of the CRM system platform	23
4.1.1	The disunity of the platform	23
4.1.2	The lack of system functions	23
4.1.3	The aging system server	24
4.1.4	Unreasonable system settings	24
4.2	The absence of D logistics companies' CRM philosophy	24
4.3	Problems of the organizational structure and the staff appraisal system	25
4.3.1	Organizational issues	25
4.3.2	Problems of the staff appraisal system	25
4.4	Other issues	26
4.4.1	Lack of the customer satisfaction survey system	26
4.4.2	The absences of the customers' effective recognition and segmentation	27
5.	Optimization plan of D company's CRM	28
5.1	Optimization objectives of CRM system	28
5.2	The optimization content of CRM system	29
5.2.1	The innovation of the philosophy	29
5.2.2	The update of the CRM software	30
5.3	The improvements of CRM System	38
5.3.1	The establishment of customer service department	38
5.3.2	Customer Identification System	39
5.4	The implementation of the CRM after optimization	45

5.4.1	Organization structure adjustment	45
5.4.2	Set up perfect customer complaint channels and processes	46
5.4.3	Improvement of staff performance appraisal system	48
5.4.4	Regular internal summary	53
5.4.5	The random checks	53
6.	Summary and Outlook	53
6.1	Research achievement	53
6.2	The main conclusions	54
6.3	The future prospects	55
	References	56

1. Introduction

1.1 The research background

With the rapid development of economic globalization and China's rapid economic take-off after reform and opening up, the volume of trade in China and world is rapidly increasing year by year. As the downstream of the international trade industry chain, the logistics industry is also developing rapidly.

According to Chinese customs statistics, China's total trade first to break the \$ 4 trillion in 2013, has become one of the world's largest trading nations. In 2013 China's trade value increased by 7.6% than the previous year, and has reached the continuous high-speed growth for years. From 2003 to 2011, the average annual output of the trade total amount of the logistics industry in our country reached more than ten percent, the total amount of 2011 has quadrupled from 2002 to 3.2 trillion Yuan. The rise of the logistics industry makes our country is emphasis on the development of modern logistics. Also our country provided a lot of good policy and the environment for logistics development. There are several obvious examples. In 2006, vigorously develop the logistics industry was written into the 11th five-year plan for state. In August 2011, the state council general office issued *Advice of Policy Measures to Promote Healthy Development of the Logistics Industry*. And in 2013, Shanghai free trade zone was set up.

Good background at home and abroad brings opportunities to the logistics industry's rapid development, but also brings great challenge to logistics enterprises. As the competition of logistics market is increasingly fierce, the price is more transparent and the sharply lower profits, service products tend to be homogeneous. In the process of selecting the logistics enterprises, customers gradually put the quality of

customer service as one of the first factor. So, in the fierce competition market, if logistics enterprises want to maintain old customers and attract new customers, achieve long-term development and profit, they must stick to the idea of take the customer as the center, improve the quality of customer service and establish a stable customer relationship and attaches great importance to customer relationship management.

In recent years, although people do not lack the theory and practice research of customer relationship management (CRM), a number of logistics enterprises have been plagued by how to optimize the CRM. Some companies think the update of the CRM system is the most important, while others think that improving the customer relationship management implementation process is more important, and others think to build a high value of customer relationship is the most critical. Therefore, studying how to improve the logistics enterprise customer relationship management, improve the quality of customer service and find out a set of reasonable optimization scheme is very worthy of our further research.

1.2 Research purpose

D company is a leading global international logistics company and has more than one hundred years' history. Its headquarters is located in Germany. It employs nearly hundreds of employees in global services in most countries in the world, and has set up more than 2000 offices. The company mainly provides the international air, sea and railway transport, road transport and all the related logistics services. In the late 1970 s it became one of the first companies to enter the Chinese market as the important international freight supplier. So far, D company has set up offices and relevant logistics facilities in more than 60 major large and medium-sized cities throughout the country, which has around 5000 employees. It is gradually built up a

comprehensive logistics service network across the whole of China. In addition, D company has the most powerful railway and highway transportation network in Europe, which has brought the rich business resources, but also caused the company's management and employees suffering consciousness. Problems of its CRM are mainly reflected in three aspects. Firstly, the organization structure of the company is not reasonable. The company does not have a dedicated customer service department. Although the company arranged for the corresponding key account manager ACTS as the role of the service to deal with the coordination of the transaction, the personnel of the service of small and medium-sized customers is missing. This will make customers lack of effective communication window and complaint channel and result in a decline in the quality of the service. Secondly, employees' performance appraisals are not clear. Because the customer complaints and customer satisfaction are not included in the staff performance appraisal system, employees show negative attitude to the customers' complaints, which greatly reduces the customer satisfaction and customers are also gradually lost. At last, the customer relationship management system is not integrated. Company does not have a unified information platform to manage all customers. Different departments has its own system, customer information is scattered in various departments and employees, which will cause the lost of the potential business opportunities without the precise analysis of the customer information.

In a word, D company has a large market share in Europe and America, which means the abundant customer resources, so company management and employees are lack the awareness of the market competition. They only pay attention to the management and operation level and support poor for sales and customer service. This is a kind of deformity business philosophy. This paper will analyze the current CRM system of D company, points out the existing shortage, and hope to optimize the process of the

CRM system, in order to achieve the purpose of improve its service quality and enhance the competitiveness. Moreover, at present customer relationship management for China's logistics enterprises is still in its infancy, most enterprise management process is not standard. Therefore, this thesis studies are also looking for the certain guiding significance for the development of the whole logistics industry especially the domestic logistics industry.

1.3 Research methods and steps

In this thesis, D company's customer relationship management (CRM) will be treated as the research subject. Then the operating condition of the company will be analyzed. At last, the thesis will put forward the corresponding countermeasures and Suggestions for the company from the change of organizational structure, the optimizing measures of the CRM system and the improvement of the staff performance appraisal system.

This thesis mainly adopts the method of case study, and supplemented by the literature method, interview method and investigation method to comprehensively study the CRM system of D company. This study is qualitative research methods.

1.4 Research path and content

1.4.1 Research path

The research path of this thesis is shown in the figure (1.1) below:

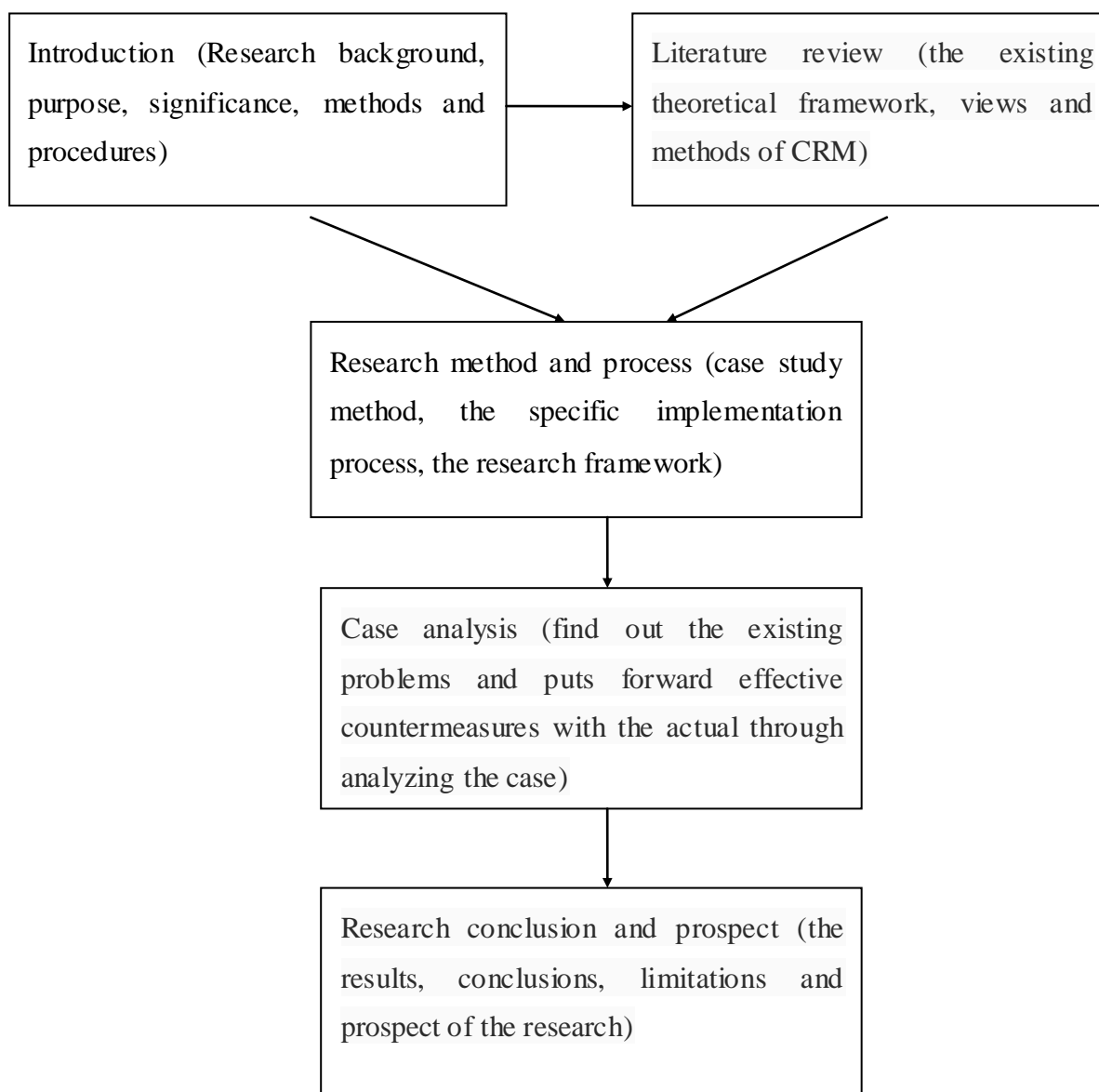


Fig 1.1 Research Path of Thesis

1.4.2 Research content

This thesis is divided into six chapters. The first chapter expatiates on the research background, research purpose, significance and methods. The second chapter expatiates on the meaning of logistics, the definition and development of customer relationship management, customer relationship management related theory. The third chapter introduces the history of D company and the present situation of its

CRM. The fourth chapter introduces D company's CRM, focused on the system construction, the personnel structure and the staff appraisal system. The fifth chapter put forward the purposes and principles of the optimization D company's CRM, and put forward the optimized plan for the CRM according to the specific problems of D company. The sixth chapter is the summary and outlook for the full text, and discusses the inadequacy of the plan.

2. Literature review

2.1 The meaning of the CRM theory

CRM was first put forward by Gartner Group as a kind of management concept, the definition is that it is a kind of business strategy in the scope of the enterprise and is designed for more profit and customer satisfaction^[5]. In simple terms, CRM is a process of the acquisition, maintain and increase of the profitable customers. It is different from the traditional concept which centers on the product and market, and it focus on the customers. The core of CRM is to improve the customers' satisfaction, improve customer relationship, and enables the enterprise to have a certain advantage in the fierce competition, to achieve a long-term development. In recent years because of the numerous scholars in different research direction of the customer relationship management, people also have different explanation to it in the industry. It is mainly divided into five types.

- a) From the perspective of enterprise values: Graham thinks that CRM is a kind of attitude or values for enterprises to deal with the relationship of the business and customers^[6]. Therefore, CRM can be understood as a kind of thoughts or ideas. The main body of every customer is independent. They all have their own different requirements, so enterprises should differentiate among different customers, provide the service or product conform to the requirements,

encouraging the customers to continue to choose the company.

- b) From the perspective of enterprise integrated management: Emma Chablo thinks that CRM is a method of system integration. It is a set of comprehensive methods to merging all areas related to the customer in operation (functions of sales, marketing, support functional and customer service) through the effective integration of people, technology and process^[7].
- c) From the perspective of corporate strategic planning: Imhoff thinks that CRM is a kind of technology for the coordination of the company strategic culture, organizational structure and customer information. It is used to effectively manage the customer contact, to achieve customer satisfaction for a long time, and to create profits for enterprises.
- d) From the perspective of enterprise information technology: John Anton thinks that CRM is a kind of technology system for the collection of company's internal and external customers' important information. Through the integration of company's telephone system, web sites and E-mail contact (touch point), it implements that the customer through self-service terminals can buy important products, and it guides the rational incremental sales and cross-selling in order to achieve the goal that improving the customer value and customer loyalty^[9].
- e) From the perspective of enterprise marketing: Don Peppers, Martha Rogers and Bob Dorf define CRM as one-to-one marketing, which can also be called relationship marketing^[10]. The establishment and management of customer relationship are marked as a kind of relationship marketing, which is also a major marketing tool^[11]. Yang Qin think CRM is a kind of brand-new marketing idea, and that the one-to-one marketing and database marketing can be incorporated into the category of the CRM marketing. This kind of view is that CRM is defined as a business strategy^[12].

Although different people have different definition of customer relationship

management, the definitions are all cover three aspects: the concept of strategy, information technology and the implementation of the application. So, the concept that taking the customer as the center is the basis and key for the success of its application, Information system and IT technology are the means and methods for its successful implementation, and the implementation determines the specific effect of its applications. These three points are interdependent, and constitute the three golden elements of CRM (2.1).

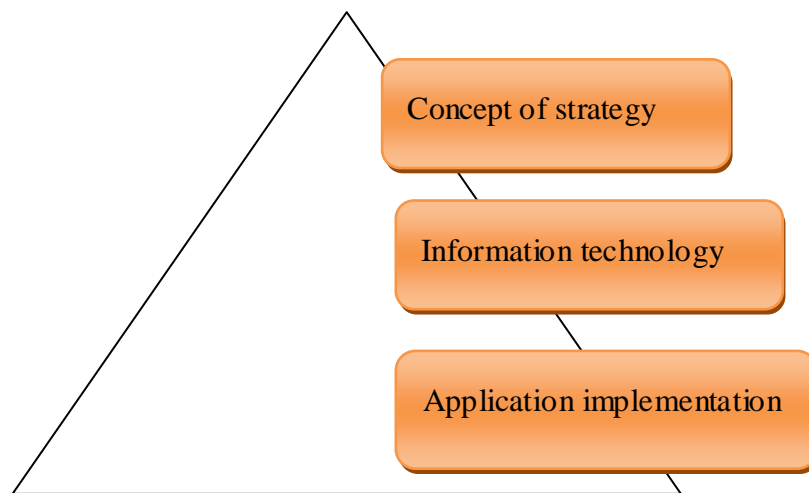


Fig 2.1 Three Golden Elements of CRM

2.2 The emergence and development of CRM theory

2.2.1 The reason of the formation of CRM

Customer relationship management derived from the pursuit of better profits of the enterprises. It is the product of the development of modern marketing. The specific reasons can be summed up in the following three aspects: updated management concept, enterprises' own demand, the development the technology in the network information environment (2.2).

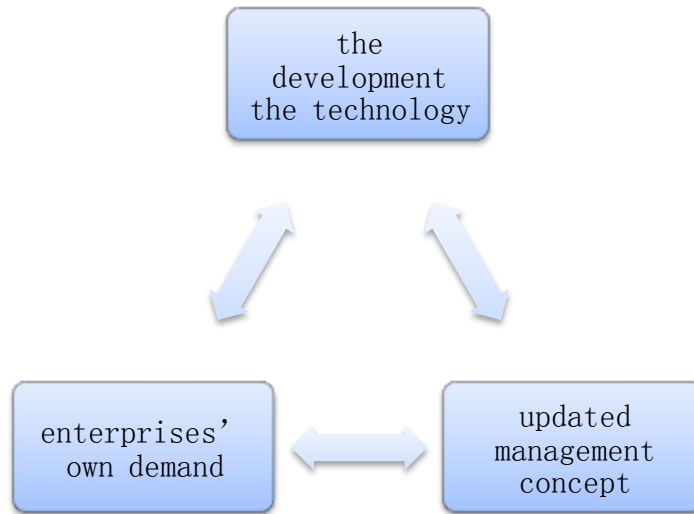


Fig 2.2 the Reason of CRM Creation

- a) Updated management concept: In the original traditional business marketing mode, the core of the competition is product. But in recent years as the change of overall market environment and the rapid development of information society, more and more enterprises realize the importance of customer resources. Marketing professor Philip Kotler once put forward the five stages of the development of the marketing theory: product concept, production concept, marketing concept, social marketing concept and marketing concept. The front three represents the traditional business marketing model and the latter two are the main management modes of modern enterprises. This means that the reforms of the marketing model (2.3).

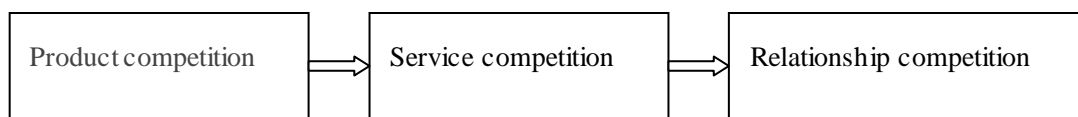


Fig 2.3 the Change of Marketing Management Concept

- b) Enterprises' own demand: In the enterprise especially the large companies, the quantity of the departments is large, the division of the labor is fine, and daily operation need the close cooperation among the departments. At the same time,

various departments hold different customers' information. Therefore, the formation of the customer center system is very important, through which we can put on the different information of customers and all department activities together and arrange them. Company will eventually formed automation and centralized customer information management system.

- c) The development the technology: Customer information is the basis of CRM. In fact, the concept of CRM has got widely recognized of many entrepreneurs and scholars for a long time. However, this concept fails to be fulfilled in the business environment because of the information technology lag behind. In recent years, the application and rapid development of computer and Internet technology create a good foundation of the systematic, information-based and intelligent of CRM.

2.2.2 Overseas research status of CRM

Overall, research on customer relationship management in foreign started early. Since the end of the twentieth century, many foreign scholars invested a lot of research. Taken together, the results can be roughly divided into the following four stages^[13]:

- a) Infancy: From 1975 to 1975, CRM is still belongs to the budding stage. Contact Management theory came out in 1980, but this theory is only limited to the collection of customers' information. Then in 1985, Barbara Bend Jackson put forward the concept of "relationship marketing", which let the customer relations management theory research has the further development.
- b) In-depth phase: From 1985 to 1985, during this period people had a deeper discussion to the CRM. By 1990, the contact management evolved into customer

care, which is a call center supporting the data analysis^[14]. Then in 1996, it developed into call center with the functions of comprehensive customer service and sales. In theoretical research, "to keep the customer" and "looking for customers" are the behalf of the articles, the author respectively are Benson P Shapiro and John j. Sviokla^[15].

- c) Application stage: From 1996 to 2002, CRM has gradually developed to the practical direction. After 1998, the rise of e-commerce makes CRM has a leap progress .In this stage, many well-known companies and experts actively launched their CRM systems and concepts, such as the Hurwitz Group and the Carlson Marketing Group. In this period practical research of CRM get more attention.
- d) Stationary phase: From 2002 to now, the development of CRM is stable, all kinds of new concept is confirmed or implementation. Such as to prove the correlation between corporate performance and customer value(Teck- Young Eng,2004; D.R. Lehmann & J.A.Stuart,2004) and the introduction of artificial intelligence technology in the application of customer value(H.W. Shin&S.Y.Sohn,2003).

2.2.3 The CRM research status in China

In recent years, customer relationship management in the domestic academic research is mainly focus on the application of data mining. Based on the decision tree method, LangPeng puts forward an evaluation model about the customer profit contribution^[16].Data mining is the basis of the implementation of customer relationship management. And as a common technique in the world at present, data warehouse occupy as important position in CRM as data mining. Only apply a combination of both, the company can achieve the perfect combination of technology and business practice, and maximize the profits from CRM.

At present the application of CRM in enterprises in our country is not mature enough and both in theory research and in terms of software development, the quality of our country is in its infancy. In addition, domestic enterprises' concept about the importance of CRM needs to be improved.

2.2.4 The research status of the CRM of logistics enterprise

In theoretical research, domestic scholars emphasized the importance of customer service. A long-term and stable relation need to establish between the cooperation of logistics enterprise and the customer. Doctor Wang Zuo has mentioned in article "*what is a modern logistics*" that modern logistics is "customer service", and it is based on customer service value for guidance. In order to gain more customer resource, more and more logistics enterprises not only can meet the needs of customers, but also can provide value-added services to enhance the competitiveness of the companies. Logistics enterprises' profit mainly comes from some of the key customers, and enterprises should provide personalized service for the customers. This would allow the key customers and the company formed a long-term strategic alliance, and the customers will not easily change the logistics partners. In general, the logistics industry in our country in terms of the practice of CRM is not very completed. Deficiencies are in several aspects as follows:

- a) Logistics service is simplified: Most of the logistics enterprises in our country only provide a simple transportation or storage class basic logistics service, unable to provide comprehensive logistics services. Customers cannot find long-term cooperation and satisfaction of logistics service providers. What's more, Logistics enterprises lack proper customer identification system and the ability to segment for the customers, which means the lack of personalized, it

leads to the logistics enterprise service level is very difficult to adapt to changing market needs. Even due to the lack of the attention to key customers, some enterprises may lose a large number of valuable customer resources.

- b) The aging management concept: Although quite a number of domestic logistics enterprises begin to emphasis on CRM, they do not have to do some in-depth study of the concept of CRM. They just copy the management mode of some famous foreign logistics companies, and the neglect of the concept makes them have still a low level of the customer service ^[19].
- c) The operation excessive dependent on the system: In some domestic logistics enterprises, employees rely too much on the customer relationship management system and ignoring the real-time communication with customers. And managers don't care about the level of logistics service. They pay blindly emphasis on low cost operation ^[20].
- d) The organization structure is too centralized: In the logistics enterprises in our country, especially some state-owned logistics enterprises, they have some bureaucracy. This severely restricts the development and progress of our country's modern logistics industry.

3. The CRM status of D logistics company

3.1 Profile of D logistics company

3.1.1 Current situation and trend of development of the logistics industry abroad

The concept of modern logistics is the earliest originated in the Second World War. At that time the logistics was mainly providing logistics transportation support for the army. With the coming of the ages of peace, logistics has been gradually used in

the business. Logistics is a new type of integrated management to combine a series of logistics activities, which includes the transport, information, storage, storage, handling and packing. Its purpose is to maximize reduce enterprise logistics cost and to provide the best service to our customers at the same time.

According to the nature of the logistics service companies, now logistics is divided into the first party logistics, the second party logistics, the third party logistics and the fourth party logistics. The first party logistics means the logistics service is undertaken by the enterprises who sell the goods. The second party logistics means the logistics service is undertaken by the enterprises who buy the goods. And the third party logistics refers to the logistics enterprises has independent and specializing logistics service. Below is the development status of foreign third-party logistics:

- a) The rapidness of the logistics feedback: Logistics demand of feedback speed becomes faster, the delivery time of point to point becomes shorter and the turnover frequency also becomes more frequent.
- b) The standardization and systematization of the logistics operation: International logistics companies generally have Standard Operation Procedure (SOP), which makes the originally complex operation becomes simpler, and easier for management and examination of the companies. In terms of the systematization, now logistics need to include the upward or downward extension of the value-added services, such as providing logistics planning, logistics consulting or issue a corresponding logistics solution.
- c) The modernization of logistics information network and logistics transportation: At present, because of the globalization of international transportation, international logistics companies as the logistics service providers have to have their own branches or agents all over the world. Meanwhile, in order to let the

owners of the cargo realize the dynamic conditions of the cargo in time, foreign logistics enterprises have established the advanced computer technology. For example, International well-known notebook brand Acer sticks RFID tags on the external packing of the cargo to track transportation condition of the laptops and ensure the safety of the goods. Radio frequency identification (RFID), which is also called radio frequency, is a kind of communication technology that can identify target and reading and writing by radio signal correlation data.

- d) The marketization and the fervorization of the competition of logistics: The third party logistics market has occupied a very important position in foreign countries. In Europe, the proportion of the utilization of third-party logistics enterprises reached more than 70%, which is 80% in Japan and 60% in America.

3.1.2 The present situation and trend of development of the domestic logistics industry

Compared with foreign logistics industry, development in our country is relatively backward. The problems are mainly as follows:

- a) The relatively small size of the domestic logistics enterprises and the comprehensive service ability is weak.
- b) There are less professional logistics personnel in domestic.
- c) The operation channels of logistics are not smooth. Domestic logistics enterprises have fewer branches, and always need the outsourcing in some conditions.

In recent years, in terms of the international freight forwarding business of the third party logistics, European and American market's demand decreased gradually with the 2008 financial crisis. China's exports also gradually reduced. However, because the domestic market, imports of foreign trade is growing at a steady speed. The strategy of the development of logistics companies will be more focus on import

market. According to the experience of the foreign trade, the import trading terms is always EXW and FOB. In other words, domestic customers will be the focus of the logistics companies that take international freight forwarding business market share in the future. Domestic clients are sensitive to the price and service. Under many logistics company's competition, profits will become lower and lower, living conditions will become worse and worse. The competitiveness of the company will be more and more dependent on customer service, so the importance of customer relationship management is obvious.

3.1.3 The profile of D logistics company

- a) The company's history and organizational structure: D company is a world's leading international logistics service company with more than one hundred years history. Its headquarters is located in Germany and it belongs to Germany railway group. It employs about hundred thousand of employees in global services in most countries in the world, and has set up more than 2000 offices, Company is mainly provide logistics services for industrial and commercial enterprises, including land transportation, international air and sea freight. The headquarters in China has established more than 50 years. D company has more than 5000 professional logistics staff in China so far, and has set up 62 offices or branches, which is distributed in Hong Kong, Shanghai, Beijing, Tianjin, Nanjing, Wuxi and Ningbo. In 2012, D company divided China into seven areas, including Beijing, north China, northeast China, Shanghai, east China, west China and south China region. Each region has a company general to manage the branches in their respective area. The regional organization framework in each region is basically the same, and they all have air transport department, shipping department, finance department, personnel department and sales department (3.1).

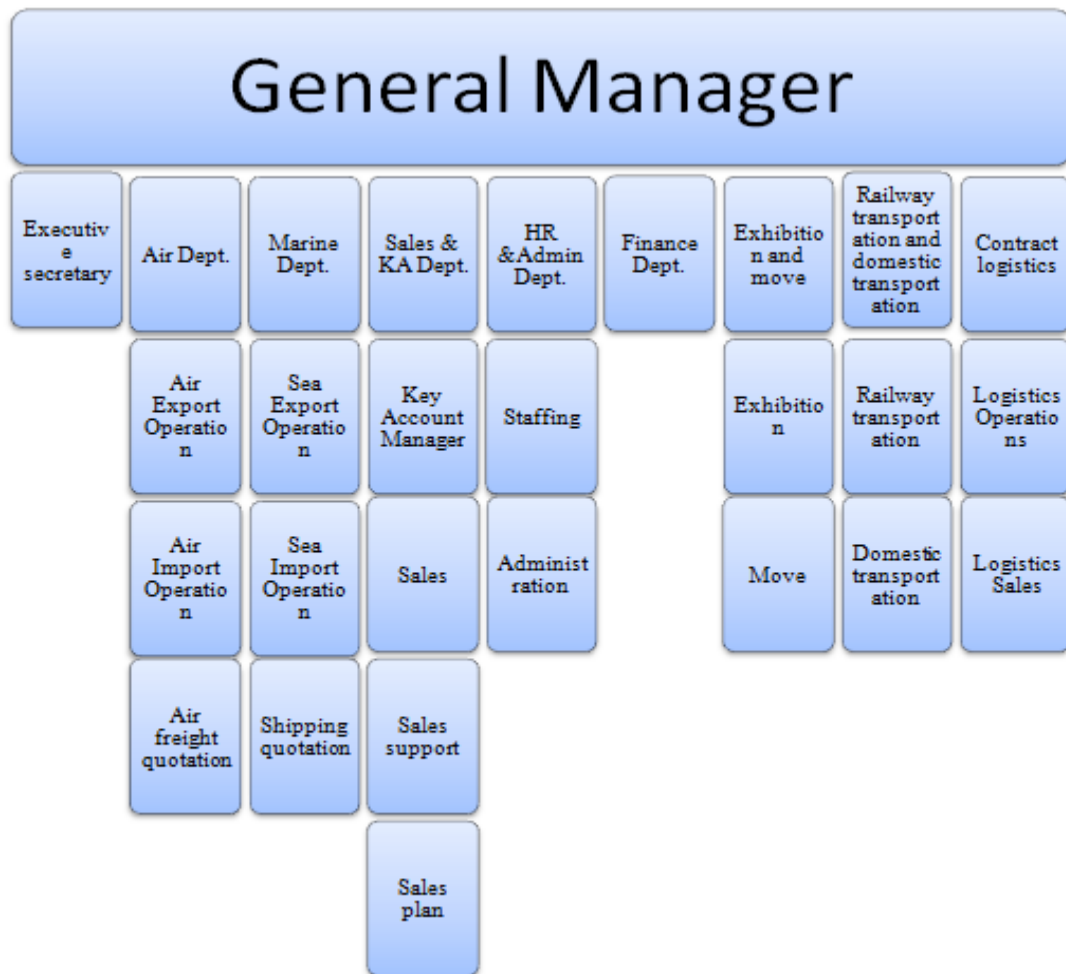


Fig 3.1 the Organization Chart of D Company Shanghai Branch

b) D company's main business:

Air transport: international air transport as the main mode of transportation of door to door service. Features: fast but expensive.

Shipping: international shipping as the main mode of transportation of door to door service. Features: slow but cheap.

Sea-air freight: combination of sea and air transportation mode. Features: speed and price between dielectric sea and air transportation.

International exhibition and move: provide enterprise of international exhibition service, international and domestic moves service personal belongings or factory.

Customs clearance and delivery: auxiliary service content, usually with outsourcing.

c) D company's current business situation: D the company's business covers a wide range, and the business mainly includes air and shipping transportation and storage. In the China region of D company in 2012, airfreight department employees reached more than 1000 people, operating cargo reached 412000 tons, shipping staff reached more than 800 people, operating cargo reached 766000 containers, contract logistics staff reached more than 2200 people, the quantity of the warehouses reached more than 60. According to statistics, the three main businesses are ranked within the top three in the global business.

3.2 The current situation of D Logistics Company's CRM

It can be analyzed with the three elements of CRM, namely the concept of strategy, the information technology and the implementation of application.

3.2.1 The strategic concept of D company

As a global leading company in the logistics industry, D company has a long history background, has a good brand reputation in the developed countries, has many stable customer bases and has a strong global network and a large number of professional logistics staff. Therefore, D company has many obvious advantages in the market shares. Since China's reform and opening up, D company has had a rapid expansion in China area and the business has developed at a high speed. Sales and regional manager in China can always easily exceeding of the business objectives. However, it also greatly reduces the subjective initiative. But in recent years after the financial crisis, European and American market economy was continued weakening, and China export business was also continued weakening. In the other hand, Due to the development of the domestic economy, improve domestic consumption led to the business growing of China import. This created an opportunity for the forwarding agents. Most of the import business is paid by domestic customers, namely the FOB

or EXW clause. And domestic customers are quite sensitive to the price and the requirement of logistics service. The competition of domestic logistics market is fierce, so price war is no longer a reasonable approach. This requires as D company change the strategy idea, take the customer as the center of the enterprise values are needed to serve customers, improve customer relationship management level, to be prepared for the potential customers in China.

To sum up, D the company's strategic concept need further change and change the backward management concept.

3.2.2 The CRM information system of D company

In the D logistics company each department have different information systems, such as air freight department has P system, shipping department has T system, sales have S system and the finance department has O system. Differences between various system interfaces is larger and can't connect to each other, each have different relevant customer data and background information, hard to achieve unity.

- a) Air department: P system is mainly used for the information input and the making of the bill of lading. The company name, address, phone number, contact on the bill of lading is inputted in this system. But due to the system limitation, sometimes some information cannot be input complete because the information is too long, this leads to the lack of basic information. The company only can rely on a typewriter or other ways to add information, which caused a lot of inconvenience. P system can also be used to the invoice inside the company, and make out a report of the quantity of the goods and the customer information table. According to the requirements of the company's management, every month operation department will send the new customer information table on a regular basis to the sales department, sales department will contact customers for the

potential business or get feedback of the existing business services. But in fact this statistical table is very rough. Form just shows some simple information on the bill of lading, such as customer company name, address, contact person and telephone, and the information is often incomplete or wrong. At this point, the sales staff cannot successfully conduct the business. The company will lose the opportunity to further expand the business potential, and the advantage of the big customer database will lost its meaning. Sometimes, even if salesmen can contact on the clients, they often have to struggle to deal with the complaints. The reason is that the operators always have poor attitude towards the domestic shippers in the arrangement of the goods. And a long time, such behavior not only undermines the reputation of the company, but also makes it difficult to develop new business sales in the country, affecting the enthusiasm of the sales staff. This vicious circle will be limited development of the company, and the performance cannot be further developed.

- b) Shipping Department: Function T system is substantially the same as P systems. It also produces a form of customer information every month. However, because T system and P system cannot be docked, lots of the customers' shipping information provided by the Customer Information Sheet is as the same as the P system, which resulted in the rework of sales department. Also T system and P system cannot derive the cargo information reports automatically. This may lead to that operating department personnel can only make the reports manually when customers require D company to provide relevant KPI report. . That would increase the workload of the operator, and also reduces the employees' productivity and the accuracy of KPI reports.
- c) Sales: S system is a tool of sales performance assessment and it mainly has the following features and functions.
Advantages: it can assess the sales activity with only a few simple variables, such

as the number of new customers per month and the number of customer meetings.

Cons: Its system has a very slow response, which often requires upgrading and maintenance, and the functions are too simple. It cannot be docked with the operating system, so the quantized examination of the sales performance is very difficult. In addition, it has no customer segmentation, no detailed characteristics of business conditions and no customer records. Sales staff can only distinguish large customers and general customers with their own feelings.

The main functions: The meeting record of the salesmen and customers, the establishment of the customers' information, potential business opportunities record and sales leads record.

- d) Finance Department: O system is the tool for the finance department to handle the financial data of D company. Because it cannot be connected to the S system of the sales department, salesmen cannot timely know the recalcitrant customers. The accountants often sent the balance forms to the salesmen after the statistics, and then to carry on the reminder, which causes the delay and the lag of the information. Sometimes salesmen come to recover the arrears of the customers, and the customers just pay the money. On this occasion, the salesman cannot check it through S system. They only can return to the finance department and do the verification from O system. The un-unified system and the lack of information sharing have caused too tedious process flows and the reduction of the efficiency.

To sum it, D Logistics Company's customer relationship management system is too complex and lack of a unified management platform. It not only unreasonable takes

up the limited resources, but also affects the efficiency of various departments. It goes against to the management and the classification of the company's customer relationships and reduces the customer satisfaction.

3.2.3 The application of D company's CRM

Since D logistics companies rarely lacked the customer resources, the company paid few attentions to the sense of competition and the customer service philosophy. From the company's management to the low-level operators, they all have not paid enough attention to CRM. The company does not have a dedicated customer service department so that customers lack the channels for complaints, which may cause the conflicts escalating even the loss of the customers. In D company the operators are the major staff to communicate with the customers, but they often have bad attitudes with customers. When confronted with a problem, they often do not take calls from customers and they cannot stand in the customer's position to consider, which ultimately affects the quality of the service and leads to the declining performance. On the other hand, the operators' assessment by the company managers is also not comprehensive. The assessment only involves the order quantity and the profit margins and does not touch the quantitative assessment of the customer complaints or the quality of service, which is the lack of the monitoring mechanism of customer service quality.

The company set up the account manager position in recent years. To a certain limited extent, it has improved the quality of the big customer service. But for the more general customers, the company has not set up the corresponding customer service positions. Moreover, the long-term vicious circle may greatly increase the difficulty of the sales staff's work. Over time, the salesmen will lost the initiative of the extension of new business. D companies just like an old train which is becoming

slower and slower.

4. Problems of D Company's CRM

Based on the current status of customer relationship management of D company, a number of problems are summarized in the following points.

4.1 Problems of the CRM system platform

In the fast-paced and competitive business environment now, information technology has penetrated into all walks of life, and the importance of the customer relationship management system is obvious. In particular, as the logistics industry is the typical service industry, CRM software is the key to determine whether the CRM will be implemented successfully. Therefore, the person who understands customers better and grasps a more complete and accurate customers' information can better maintain the relationships with customers and achieve better performance. The problems of D company's current CRM have severely limited the company's development.

4.1.1 The disunity of the platform

The systems of each department cannot be connected to each other or share the customer information. Large amounts of customer information is scattered in various departments, and it cannot be centrally managed. The customer database as the company's most valuable resource is the foundation of the CRM system. However, because there is no uniform system platform, the company cannot establish the complete and effective customer database.

4.1.2 The lack of system functions

P and T system in operations department lack the function of the exploring of the KPI report. Especially, the S system in the sales department as a dedicated customer relationship management system only have some basic functions. It unable to describe the full range of customer information, such as the route has been operated,

products, shipments preferences of the guests and the focus degree indicators of customers selecting logistics service providers. Obviously, D company's current sales system is unable to meet the needs of the highly competitive market.

4.1.3 The aging system server

D company system server is set up in the European headquarters. Its aging makes the system is relatively slow in operation and there are too many crashes in the using. Because of the complexity and diversity of the system, the system server requires regular maintenance with a variety of issues need to be addressed. However, the jet lag makes the communication to be inconvenient, and the problems often cannot be solved in time, which affects the efficiency of the company's overall operation and causes the inconvenience for the employees and customers.

4.1.4 Unreasonable system settings

Since the S system does not limit the number of the customer information establishment, and anyone of the salesmen can establish new customer information at any time without the approval of the system administrator, the condition often appears that a customer is registered by more than one message record. When sales support staff inquire about a customer's contact information, they often do not know to trust which, and it is also not clear that the customer belongs to which salesman. They have to wage the individually inquiry or telephone verification.

Based on the above analysis of the problems, we can see that the upgrading of D Logistics' CRM software is imperative.

4.2 The absence of D logistics companies' CRM philosophy

D company has a good customer base in Europe and America, although it brings the maintaining long-term growth of company's business, but it also has caused a serious imbalance of the distribution proportion of nomination cargo and prepaid cargo in

China business. According to the statistics in the Chinese business, the specific gravity of the nomination cargo of D Company was as high as more than 80% of total business. A high percentage of the nomination cargo makes the management of the company only focus on the operational level of operations and ignores the building of the sales team. Good performance of the company also make the management ignores the domestic market development and the importance of customer relationship maintenance. In recent years, with the deterioration of the market circumstances in European and America, the absence of the customer-centric business philosophy reduces the company's earnings growth rate year by year. So, the change of the philosophy and the concept of CRM have been pressing to establish as soon as possible in order to make D company to maintain the sustained and healthy development.

4.3 Problems of the organizational structure and the staff appraisal system

4.3.1 Organizational issues

Existing organizational structure of D company lacks the customer service department. The logistics industry is a typical service-oriented industry. Its customer service department is vital, which is the natural connection in constructing harmonious relationship between the company and the customers. However, the company's management is reluctant to invest the manpower in the construction of the customer service department and sales department. They put most of the resources and the cost on the expansion and operation of the operating department, which caused swollen structure of the operating department.

4.3.2 Problems of the staff appraisal system

D company lacks the reasonable assessment mechanism for the employees. D company's management only pays attention on the performance assessment. And the staff appraisal system only involves the workload statistics and lacks the quantitative evaluation of the quality of service and the complaints rate. In particular in the operating department, although the evaluation of the quality of customer service is provided at the end of the year, it has no quantitative data and the assessment is often subjective. Competent staff will follow the impression in their minds or whether they have received the customer complaints to make judgments of the staff. To put it simply, as long as the relationship between employees and supervisors is better, the employees will be able to get the higher scores. So, this appraisal is useless and also cannot strengthen the importance of the concept of customer service of employees. Especially in the operation of the nomination cargo, since domestic customers have no right to replace the logistics service providers, the operators often ignore the domestic customers' requests and complaints, which may leads the situation that the domestic customers complaint to the foreign payer customers and foreign customers eventually replace the logistics service providers. Because the decline in business and the unreasonable assessment mechanism does not affect the fixed salary of the operation employees, the operators will be more unscrupulous in their daily work. So the improvement of the assessment mechanism is considerably important.

4.4 Other issues

4.4.1 Lack of the customer satisfaction survey system

Customer satisfaction is the core concept of CRM, and it is referred to the customer satisfaction survey system in the service industry. In the logistics industry, the product provided by the company is service. Service is completed by the connection of people. When employees provide logistics services, the customer satisfaction survey is very important because customers' feedbacks and suggestions allow the

company to understand their own service levels and the shortcomings for improvement, and it also supervises the attitude of the staff service supervision. Because of the lack of customer relationship management concept, D company's management has not organized staff for the customer satisfaction surveys. The company still has not established customer satisfaction survey mechanism, so customers only can express their dissatisfaction of the service by complaint, which means a single complaint channels.

4.4.2 The absences of the customers' effective recognition and segmentation

According to customer pyramid theory, enterprise customers based on different customer lifetime value should be divided into four different categories, namely the uranium metal layer, gold layer, steel layer and heavy lead layer. However, D company only divided it into large customers and general customers. Large customers are specified by the company's global headquarters (in Europe) or the Asia-Pacific headquarters (located in Singapore), and it is divided into industrial, chemicals, luxury goods, pharmaceuticals and electronics in accordance with the industry. The customers are usually the world's top 500 foreign-funded enterprises, such as Siemens, HP, ABB, APPLE, Samsung Electronics and other well-known companies. There are the specially-assigned people in charge of the operation of these large customers, including the key account managers, who are responsible for the daily operations of the large customers. These managers generally have senior experience and industry background, and large customers also can enjoy the best resources and services of the company, such as the preferential routing of the shipping space, longer account period and lower freight. Besides, the rest of the customers are provided the same service and there is no further differentiation on the subdivision or service. The problem is that although some customers ranked into the

large customer list, in fact the orders they entrusted to the D company's shipments or airline carrier are not many. In terms of the price and service, they are enjoying the VIP treatment, resulting in the company of such customer's investment and return is not proportional and the profit margin is low. And these customers' loyalty degree to the company is relatively low. Due to the annual or semi-annual global tender and their extremely sensitive to the price and services, it is more frequent for them to change the logistics services providers. And in the general customers, some have higher loyalty and are not very sensitive to the price and service. These quality customers' orders are not less than some big customers, and the profits are much higher. Because there is no differentiated service, these customers are often assigned to the different routes operation, and there is no dedicated customer service staff in charge of the maintenance follow-up, which may lead to the continue complaints and the escalation of conflict, and eventually D company will lost these customers.

So, simply dividing the customers into large customers and general customers is unreasonable. D company has to establish the segments according to the customers' lifetime value and related theories, and then provide differentiated services to the customer. It is very important for the building of D company's CRM, which can not only retain the profitable customers but also phase out some of the bad customers to ensure the maximum optimization rate of company's inputs and outputs. So that D company can maintain the advantages in the fierce competition in the logistics market and have a long-term and stable development.

5. Optimization plan of D company's CRM

5.1 Optimization objectives of CRM system

CRM is the key to enhance the core competitiveness of the company. D company's

goal in optimizing the CRM system can be divided in three areas. Firstly, the company should strengthen the CRM concepts of the employees, improve the customer service levels and customer relationships, and enhance the company's core competitiveness, so that to increase the market share and achieve better performance, and the company can develop long-term stability. Secondly, the company should enhance the operational capabilities of various departments, such as sales department, operation department, ministry of finance and customer service. Finally, the company should make sure the efficient implementation of the CRM system.

5.2 The optimization content of CRM system

5.2.1 The innovation of the philosophy

The change of the strategy principle is the foundation of the optimization of customer relationship management. D company management has to change the concept that focusing on the profit or the performance only. Management must have a long-term vision of the development strategy. Only the company insists the concept of customer-centric and makes all employees have a sense of customer service, it can improve its market competitiveness. The concrete method is that the senior management need establish the concept of self-innovation, and do the arrangements of the regular intensive training for the middle management. Then supervisors in each department should do the training of CRM theory for junior staff, so that the customer-centric philosophy will be conveyed deathly from top to bottom. In the regular training, the employees should not only receive the innovative concept, but also send timely feedback to the supervisors in terms of the theories issues existed in the practical application. In addition, in the training employees should exchange with other colleagues to share experiences and play a team work. It can constantly improve the perfection of the concept and consolidate the learning effect, and ensure the concept can stand the test of time. So that it gradually become an inherent culture

and a long-term strategy of the company. The training schedule is as below.

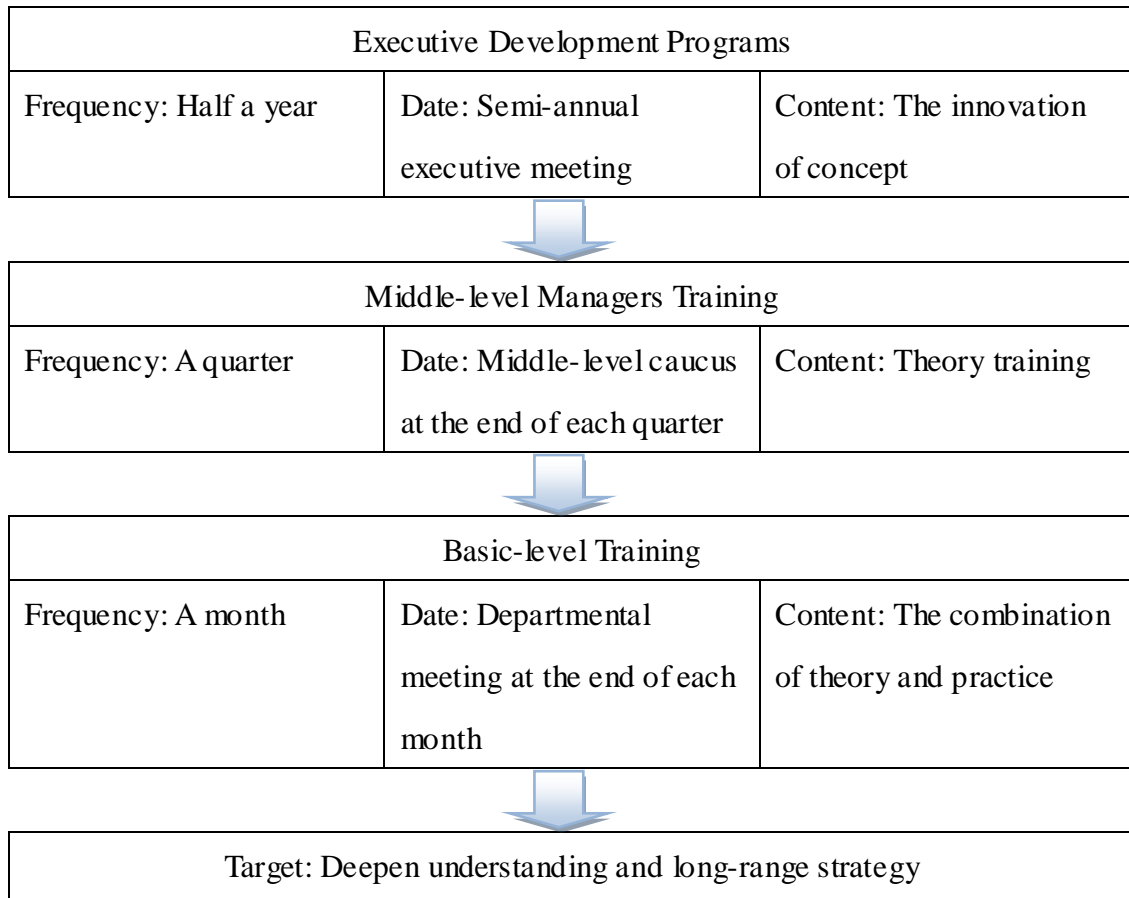


Fig 5.1 the CRM Training Plan of D Company

5.22 The update of the CRM software

CRM software is essential as the tool of company's successful implementation of CRM. Whether reasonable of the software design determines the success and effectiveness of CRM applications. According to the existing status and problems analysis of D company's CRM software systems in chapter three and four, the update of the software system is divided into three main pieces.

(1) The establishment of the completed customer database.

A complete customer database as an important part of CRM system is the basis for

the work of every department in the business. It is more important than any business function, and its importance is mainly reflected in the following points. It can help companies distinguish various types of customers, build customer recognition system; help companies pinpoint the key customers from the customer base, help companies provide the most appropriate services to meet the needs of different types of customers, reduce costs, improve efficiency and help companies improve customer loyalty. D company is urgently required to create a complete customer database, customer database is the foundation of the CRM software and the soul of the customer database is customer data.

So, the follow things should be done:

- a) Obtain the complete customer information: D company need to list the existing complete customer information in each department, including the data in department and the relevant data scattered outside the departments. Then these data should be combined and screened in order to saving the most accurate and complete information. Although in the information-based society, the processing of the database is very powerful; all the data processing will become meaningful with the complete raw data. If the original data is the serious error or incomplete information, the data process becomes meaningless, and the results also lost significance for companies. So we can see the importance of the original customer information databases built.
- b) The distinction of the customer data categories: Customers' original data is generally divided into internal or external data. The internal data refers to the direct customers' data obtained by companies during the sales activities. The data truly reflects the characteristics of the basic information and buying behavior of customers, which has a vital role of the data's accurate analysis. Relative to the internal data, the accuracy of the external data is not high. It refers to the

customer information obtained by enterprise through external sources, such as consulting firms, government agencies and network platform. For example, in D company, sales department purchased the customs' import and export data from consulting firm, and obtain the customers' main import and export routes, transportation modes and volume to target their customers. However, the data is generally not instantaneous in nature and the outdated phenomenon exists. It can only be a reference. When company does some really marketing, the data also need to be amended according to the actual situation. Therefore, it is necessary to make a distinction between internal and external customers' information, so as not to affect the accuracy of customer data analysis results.

- c) Update customer information in time: In the competitive business environment, customer information is changing with the market changes. Only companies continuous realize the dynamic changes of customers, collect new information and update the database, can the database play the largest role. According to distinguish between internal and external customer data, the data update is also divided into two parts. Firstly, company changes the internal data and collects the information generally through sales calls, sale telephone interviews, customers' announcement and questionnaires. Specific update of the information collection will also require many efforts for the company, but the effect is relatively good with the timeliness and authenticity. Data maintenance and update is very important for businesses, and it is also the basic needs. D company belongs to the logistics industry. Its general concern should be the customer demand for logistics products, shipping routes, the changes of overall volume and the customer preferences changes. Secondly, the update of the external data needs to collect the data from external organizations such as the consulting firms. The data is generally not as true as the internal data and needs to be analyzed to improve the accuracy. D company is generally purchased the potential customers'

information, including the target and non-target customers.

d) The database security system must be established: When D company database is established, the specialized persons must be arranged for the management and maintaining. If the outflow or lost of the information occurred, the losses of the D company will be immeasurable.

(2) The integration of the platforms in different department.

At present, the systems in different departments of D company are not unified. They are very complex and the information cannot be shared with each other. The only way to change this situation is to unify the various sectors of the system platform and establish an only system for the company, including operations, sales, finance, customer service, marketing and other functional modules. The unified system can achieve the information sharing among the various functional modules, so that the customer information can be centralized managed, which improves the integrity of customer information and also the efficiency of the team.

(3) The promotion of CRM system's functions

According to the functions, CRM in D company should be grouped into seven species, namely operating module, sales management, marketing, service management, customer management, financial management and system management.

First, the operating module is that operating departments arrange the ship, bills, back orders and other specific operational issues. The prophase operation includes pre-orders, shipping, delivery, customs clearance and warehousing. The mid operation includes the bills generation, bill release, cargo information tracking, and the late operation includes expense settlement and chargeback. In the prophase operation, the operators receive the entrustment and ensure the sales quote by contacting to the overseas or domestic salesmen. Then they should input the booking

information from the entrustments such as ports, number, weight, volume and name into the booking module. And the ship personnel receive the cargo information from the system and arrange the freight space, and then enter the shipping date into the system. As the order takers obtain the receipt information, they should enter the relevant delivery information such as delivery time, address, delivery contact telephone number, contact person and cargo information through the delivery module. At last, fleet will arrange the delivery after receiving the information. And after the warehouse, cargo's accurate information is entered into the storage module by the warehouse personnel. Customs personnel immediately arrange the customs declaration. At the same time, documentation specialists start the document operation. And the delivery is completed after the order takers release the bill of lading. The operators make the freight bill in the system, and financial officers update the order status in the system after receiving customer's freight. At last, the operators arrange the chargeback. The updated operation module of the system makes the company's operational processes more intelligent and automated. It decreases the inefficiencies of the communication due to the non-transparent information, thereby improving the work efficiency.

Second, sales management is the management of the related activities of sales by CRM software system. It includes sales information, sales quotes, sales analysis and commission management. Sales information includes the information record of the daily activities of sales, such as conferences, potential business opportunities and the newly acquired business. Sales analysis includes the analysis of KPI assessment data. And commission management mainly refers to the reward management module of new business, which can be linked with the cargo data in the operation module, so that to reach the commission management automation.

Third, Marketing is divided into market analysis, marketing activities and competitor analysis. Market department can accord the purchased data to analyze the rivalries' advantages and disadvantages and D company's position in the market, and then make a reasonable positioning and marketing strategy.

Fourth, service management is the relative important one in the CRM system, which is a measure of maintaining customer relationships. D companies can improve service quality and increase customer satisfaction and loyalty with it. It mainly involves contract file management, products file management, customer feedback and customer satisfaction analysis. Contract file management refers to for preparing contract records for stable customers. Products file management is the detailed product descriptions provided by the product managers, including air, sea, rail and inland transportation. Customer feedback is the recording of the suggestions and opinions of company's customer service. It can be used for the correlation analysis and make corrective measures to improve service quality. Customer feedback's record and share can also help the company know the dynamic of the clients in time and allows other colleagues get the share experiences, thereby avoid the same problems recurring in the different customers. Customer satisfaction is an important module to inspect the service level of customer. The analysis of customer satisfaction has a vital role of the customer relationship management.

Fifth, customer management is the module to manage customer information into the customer information management and customer analytics two blocks. It is the information basis for CRM software systems, and its function of customer information management can effectively organize customer databases and achieve the timely updates to ensure the accuracy and integrity of customer data. Customer analysis refers to that according to the existing customer data to analyze the

dynamics and status of the customer's business. Understanding the customer's situation is conducive to maintain the relationships with existing customers and expand their business scope of cooperation. The integrate data analysis also can master the route distribution, the volume of information and the tender factors of the potential customers for the targeted sales activities of customers.

Sixth, financial management refers to the management module of the financial system. Finance officers of D company can update the information of customer arrears or payment through this module. Salesmen can also realize the payment status of each customer by the sharing, to facilitate tracking, which can timely find the unpaid debt and avoid the loss. The financial system can also product the quarterly earnings reports with the sharing of the cost and profit information, which can be used for the analysis of management.

Seventh, the system management refers to the back-office operations management functions of CRM system. It generally is daily managed by the system administrators. It is the brain of CRM software. It controls the rights management, system settings, and data backup. Rights management need to give employees at different levels or departments different privileges, such as permission of the department heads should be higher than the average employees. If the sales staff needs to apply for new customer information in system, it requires the approval of the competent. Therefore, the repeat or random establish of customer information can be prevented and the effectiveness of CRM software data can be improved. In addition, some important information should be limited to share, which prevents the leakage. It is not necessary for all employees to be aware of all information. For example, the financial statement in financial information management module involves the company's confidential, and it is generally not open to other departments without the special

privileges from the System Administrators. Data backup is the backup of customer information in the background system to prevent data loss or error problems due to the software crash.

(4) Technological innovation of D company CRM system

- a) The development of CRM software's APP client: In recent years, the smart phones make the mobile office become increasingly common. Salesmen often go out and have meetings with clients, and sometimes immediate office is required to resolve customer questions about the meeting. However, salesmen do not always take the computer with them every day, and the network does not exist everywhere. So, it is very necessary to develop a CRM system APP mobile client, and with the APP client and 3G signal salesmen can inquire the quotation and related customer information in the system. They can also deal with some unexpected situations and quickly answer customers' problems particularly with regard to the data. It can improve the efficiency of the meeting, win the trust of the customers and promote the success of the meeting. It is also convenient for the employees inquire the customer information during the non-working time, and answer customers' questions quickly. And in the logistics industry, many unexpected situations often happen after hours, such as the flight delays and the delivery problems.
- b) Server replacement and migration: The server in the D company's European headquarters has the problem of aging in many years and the system crashes occur frequently. The frequent maintenance greatly reduces the efficiency of the staff. So D company should gradually update the server and allow a smooth transition of data in order to solve the problem of the aging. And the existing server is located in Europe, so some problems cannot be solved in time due to the time difference. People always need to keep waiting for the fixing until the next day. Therefore, in order to accelerate the speed of response and restoration, the

server of D company can be migrated to the Asia-Pacific headquarter in Singapore, thereby avoiding the jet lag, which is a preparation for the company to transfer the main business to the Asia market.

- c) Improvement of the CRM system application: It can increase the function of global search, so that customers can be classified according to the group. When developing new client business, salesmen can realize the condition of the client company's' foreign subsidiaries and some important information can also help salesmen to get closer to the customers.

5.3 The improvements of CRM System

The implementing measures of CRM determine whether the final CRM theory can successfully put into practice, and also determine the degree of the CRM practice effect. The implementers of the CRM theory should be customer service staff.

Currently D company has not set up an independent customer service department and the customer service roles are generally served by the operation staff. They lack the proper customer care awareness and specialized skills, which reduced the customer satisfaction. Therefore, D companies need to set up a separate customer service department response for the customer service work.

5.3.1 The establishment of customer service department

Since D company's business is mainly the nomination cargo, the management pays more attention to operation department and ignores the sales department and other relevant departments. The total number of employees of D company in Shanghai area reached about 1500, and the operating unit of employees has reached more than eighty percent. In the absence of an independent customer service department, the daily customer service work is mainly done by the operation employees. Although the key account managers group has been set up for the large customers, but much more small customers lack the proper customer service support. So the company

needs to establish a customer service department for the daily customer service work. At the same time it also need to establish the appropriate customer service management assessment system, customer identification system, customer complaint handling system and customer satisfaction survey system.

5.3.2 Customer Identification System

Currently D company customers are simply divided into large customers and general customers. Large customers' list is designated by the headquarters and without the specific customer value analysis. The degree of the customer contribution reflects the customer value's level and the contribution of each customer create a company's performance and profit. Customer value is an important consideration in customer identification. The correct assessment of the value of customers' makes the company can reasonably improve the customer relationship management, and use limited resources to create more profit. Customer value includes the current value, potential value and historical value. Customer's current value refers to the current value of the customer in the current model for the company. Potential value refers to the customers are made the effectively cross-sell by the company or customers recommend the company's products to other customers. Historical value is the total customer value has been achieved of the company until now. It is a three-dimensional concept of customer value. In addition to the above classification, it also includes customer life cycle (namely the maintenances time of the customer) and customer share (namely the proportion of services or products provided by the company of the total consumption).

In theory, the lifetime value of each customer can be considered by follow three steps. Firstly, customer life cycle should be ensured, and the customer's consumption time period should be calculated, which is the real consumption of customers in the life

cycle. Finally, the average profit should be calculated, which is the profit for the company each year. Although the life-cycle method can simply calculate the total profits of the enterprise customers, the unforeseen factors of the customer life cycle and related variables and the out of consideration of other relevant factors such as customer satisfaction and loyalty into account, Therefore, this method is not suitable for use in practical situations.

Therefore, in practice, the use of multivariate comprehensive assessment method is more scientific and reasonable. According to the D company's own operating conditions, and the background in the logistics industry, D company's specific customer value assessment system is divided into four blocks.

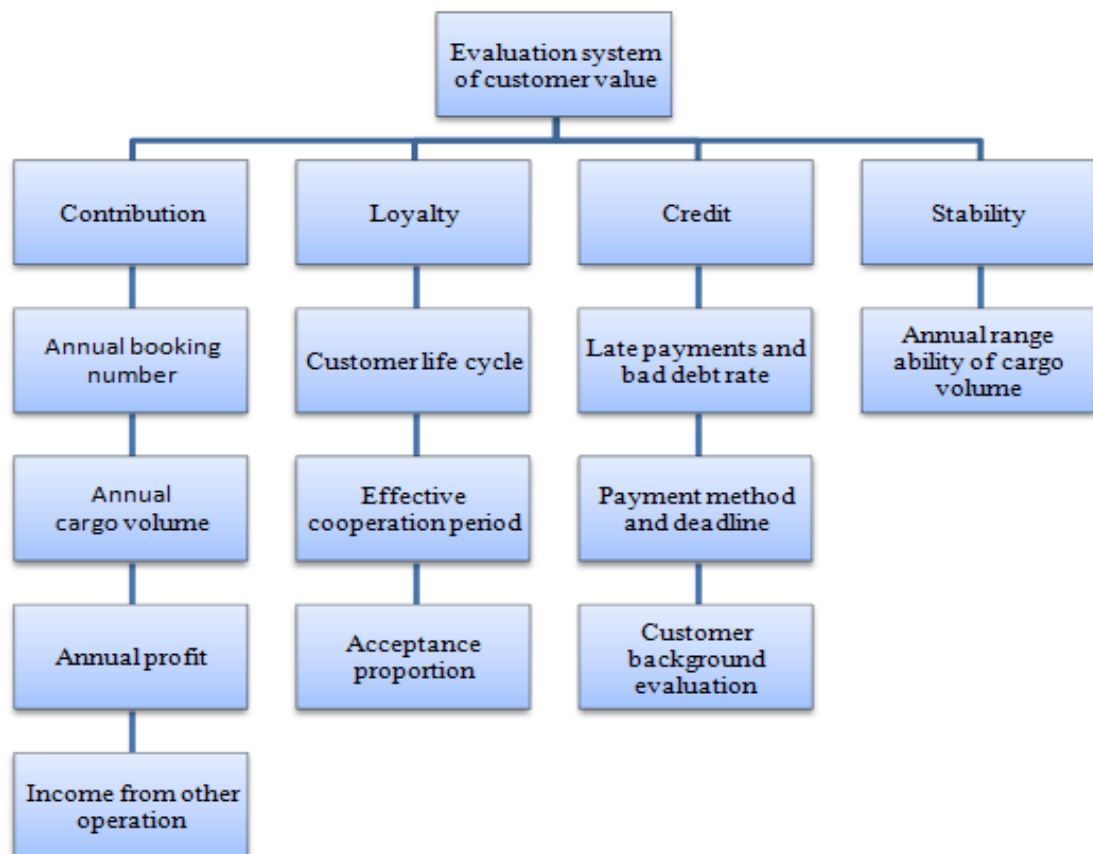


Fig 5.2 Evaluation System of Customer Value of D Company

D corporate customer's value system is divided into four parts, namely the contribution, loyalty, credit and stability. Each section is divided into several small variable parameters, and each parameter from good to bad is marked in 5 kinds of value, namely 5, 4,3,2,1. The weighted proportions of 4 parts according to the importance are respectively contribution (30%), loyalty (20%), credit (20%), and stability (30%). At last we will multiply the four total values of each portion by the weighted proportions and then get each customer's value score. This formula can be used for the quantitative analysis of customer value, ranking and classification.

a) Contribution refers to the performance of each customer in the business, including its annual booking number, the annual volume, the annual profit and income from other operation. In booking number, the more the number of customers' annual booking represents the higher the customers' activity, and in general means the greater contribution for the company. And annual volume means the annual booking volume of customers. Annual profit refers to the annual profit after deducting the cost of the customer. In general, the higher the profit means the greater the contribution and the higher the customer value.

Income from other operation means that the annual profit of other services commissioned by the customers in addition the traditional air, maritime operations, such as logistics, warehousing, inland transportation and exhibitions.

b) Credit is the quantitative assessment of customer credit system, including late payments and bad debt rate, payment method and deadline and the customer background evaluation. Customer background evaluation is the classification of customers according to the customers' company size, operating status and credit status. The payment method is divided into two types of cash settlement and monthly statement. And deadline refers to the limit time of payment, usually

divided by five types, namely 0 days (cash settlement), 15 days, 30 days, 45 days and 60 days. Late payment and bad debt rate means the number of the customers' delay in payment, the total amount of annual delay in payment, the total time of the delay in payment and the amount of bad debts.

- c) Loyalty is the degree of customers' loyalty to the company, including customer life cycle, the effective cooperation period and the acceptance proportion. Effective cooperation period refers to the time of truly effective cooperation of customers' whole life cycle. The acceptance proportion refers to the cargo volume proportion commissioned for the company of the customer's total cargo volume.

- d) Stability refers the range of the change of customers' annual cargo volume. Generally the more stable cargo volume of customers, the more stable contribution the customers have for the company. This is an important factor to consider with the customer value.

In summary, in order to more effectively quantify the four factors, according to the current operating status of D company, we carry out the detailed classification for the parameters.

Customer parameters	Measure unit	Category	Weight	1	2	3	4	5
Annual booking number	Votes	Contribution	7.5%	Under 15	15-30	30-60	60-120	Above 120
Annual cargo volume	Containers	Contribution	7.5%	Under 300	300-1000	1000-3000	3000-5000	Above 5000
Annual profit	Ten thousand Yuan	Contribution	7.5%	Under 20	20	35	85	150
Income from other operation	Ten thousand Yuan	Contribution	7.5%	Under 10	10	30	40	50
Customer life cycle	Years	Loyalty	6%	Under 1	1	2	4	6
Effective cooperation period	Years	Loyalty	6%	Under 0.5	0.5	1	2	3
Acceptance proportion	Percentage	Loyalty	8%	Under 40	40	60	80	100
Late payments and bad debt rate	Percentage	Credit	10%	Above 30	30	20	10	0
Payment method and deadline	Days	Credit	4%	Above 60	45	30	15	0
Customer background evaluation	Difference in quality	Credit	6%	D-	D	C	B	A
Annual range ability of cargo volume	Percentage	Stability	30%	Above 30	30	20	10	5

Table 5.3 Customer Value Evaluation System Table of D Company

Based on the analysis of D company's customer value assessment system, we can

rank the D company's customer base in accordance with the score of the customer value from high to low. The top 10% of the customers are in the Class A, 10 % to 60% are in the Class B, the 60% -90% are in Class C and last 10% are in the Group D.

Class A involves the Super VIP customers, which have very high customer value are generally the company's global large customers. The company set up specifically large customer service team for these customers. The account managers take the role of customer service staff. They formulate special operation for the customers, handle daily affairs between customers and operations and complaints or emergency situations, actively communicate with customers, keep good relationship with big clients, develop and expand the new and old business, eventually strengthen the long-term cooperation of the large customers and the company.

Class B VIP customers are medium-sized customers with medium value. The company should arrange experienced customer service for such customers' staff to maintain the relationships, provides a unique value-added service and develop the standard operating procedures. In routine maintenance, we should enhance Class B customers' value as much as possible to gradually shift it to Class A. The Class B customers generally have strong loyalty.

Class C customers mainly refers to the low-value, low potential and small customers. For these customers, the company has general customer service for the maintenance. But in general, company just provides basic services without any features and the operational procedures also just meet the basic requirements. These customers' loyalty is often poor, which are easy to loss due to price or other factors. For this kind of customers, company should mine other derivatives business such as logistics,

warehousing and inland transportation to strengthen the cooperation, and gradually transfer the customers to Class B.

Class D customers are namely the worthless or causing losses customers. These customers are provided with the daily arrangements of corresponding route operating and without specified customer service. Company's management is obliged to monitor the customers' development. If the adverse development trends appear, such as arrears or collapse threatened, we should promptly terminate the partnership.

5.4 The implementation of the CRM after optimization

5.4.1 Organization structure adjustment

What has been mentioned in section 5.3 is that D company structure adjustment should start from the establishment of the customer service department. However, D company is a giant multinational with many departments, so the establishment of a customer service department is not enough. D company need to set up a new post of Director of Operations to unified manage the customer service and operation departments and coordinate the relations between the two departments for the better service for customers. The newly established customer service department should also be fractionized into three groups, namely the key account manager, senior customer service group and general customer service group. Responsibilities of each group are the same, including the daily communication between the customer and the operation teams, handling the customer complaints, the development of potential business sales, setting standards or characteristics operational processes, providing customers with KPI reports, customer satisfaction surveys, assisting the director of operations for the operating department staff supervision.

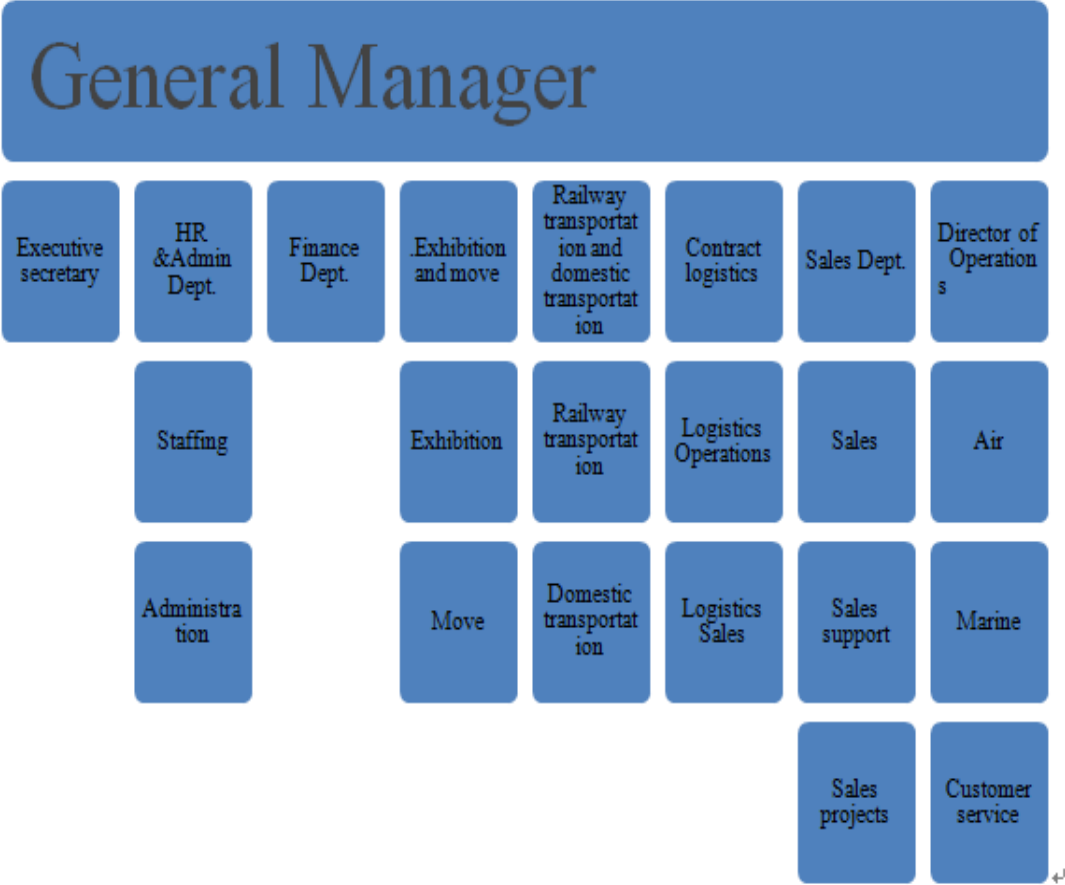


Fig 5.4 the Updated Organization Chart of D Company

5.4.2 Set up perfect customer complaint channels and processes

Logistics industry is the typical service industry, so customers' feedback on the quality of service is particularly important. Customers' comments or complaints can make employees recognize the deficiencies and problems of daily operations, which can gradually improve the service quality and improve customer satisfaction. D Company's existing structure does not involve a customer service department, and customers generally complaints directly to the operating party. The operations staff often takes a perfunctory attitude towards customers' complaints. That no more channels for customers to make a complaint lead to the escalation of conflict and the

customer loss. Therefore the establishment of a more reasonable complaint mechanism and wider range of complaints channels is necessary for maintaining customer relationships.

- (1) D companies need to establish wider range of channels for complaints. For example, the management sets up a common customer complaint mailbox, which includes Public Complaints Director of Operations and various operating department heads' mail address. It can be attached to the complaint column on our homepage so that the customers can complaint through the public mailbox. And it also played a supervisory role for the staff.
- (2) D companies need a sound and reasonable complaint process. Generally customer complaints are divided into two categories, one is on the business, and the other is on the staff. Complaints on business are more complex, mainly including the delay, damage and loss. And for the employees, it mainly includes the staff attitudes and professional degree. Now D company does not have a customer service department, so the complaint process was chaotic and the processing speed is relatively slow. Therefore, a comprehensive complaint process is necessary for improving the quality of customer service. The specific processes are as follows.
 - a) Receiving complaints: Complaints should be received by the customer service department as a unified conventional window and almost all the regular clients have the corresponding customer service staff.
 - b) Identifying the types of complaints: Customer service staff should classify the responsible people and the complainant issues. There are two types of the complaints, including transport quality of service (business issues) and service conditions of employees (employees' issues).
 - c) Analysis of the reasons: Customer service staff is responsible for investigating the cause of the whole procuresses of the complaints and analyze them.

- d) Providing solutions: Company should provide more than one solution for customers, then send the solutions to the customer for the final confirmation and finally put in implement with customers' agreement.
- e) The monitoring of the implementation: Company should monitor the implementation of the program and collect the views of customers, in order to improve the follow-up implementation, which is persistently taken until the customers satisfy with the final results.
- f) Providing corrective measures: Through the final analysis of the process and results, combined with feedback from customers and employees in other departments, the service staff should provide a set of corrective measures to reduce or prevent the multiple productions of the same problems.
- g) Filing complaint records: Company should register the content and results of the complaints and reserve and share the experiences with colleagues about the cases of complaints to prevent similar problems' reproduction. And in monthly staff meetings the management can make a presentation to share the appropriate treatment methods of some classic cases, so as to achieve the purpose of improving customer service quality and customer satisfaction.

5.4.3 Improvement of staff performance appraisal system

As has mentioned in Chapter 4, since D company has no reasonable performance appraisal system, the staff lacks the concept of customer service. Company's management only concerned with the volume of the workload. The quality of service is generally based on the subjective judgment of the competent. So, to achieve the truly customer-centric, in addition to the training of the service concept, the performance appraisal system reform is also very important. D company's management must establish a multi-faceted and quantify employee performance appraisal system.

For example, in the newly established customer service department, the specific analysis of performance appraisal system standards should be as follows. .

- (1) Customer complaints rate: It refers to the total number of customer complaints to the company every month in business, which effectively reflects the quality of customer service.
- (2) The complaint solving success rate: It refers to the probability of successful handling the customers' complaints.
- (3) The timeliness ratio: It refers to the efficiency of handling customer complaints. Generally it can be quantified by the time from the beginning of the complaints handling to the end. It can help to speed up the complaints handling.
- (4) Business skills: It refers to the assessment indicators of logistics expertise or skills. The company will regularly trains the customer service staff and carries out the related business skills exams. Improving the customer personnel specialized skills helps to enhance the customer confidence.
- (5) Customer satisfaction mainly refers to whether the customers are satisfied with the service of D company and the collection of relative suggestions.

Customer Satisfaction Questionnaire of D Company		Survey time: In July, 2015			
Number of investigation: First time in 2015					
D company's Tel: Contact: E-mail:					
Customer Information:					
Company: Name: Tel:					
Please refer to the following scoring guide to choose in your mind. If you don't have the experience or can't evaluate the project, please select N/A.					
Scoring guide:	5 is the highest	1 is the lowest	N/A		
Part A: Satisfaction survey					

Please select the appropriate score according to the satisfaction of the project, If you don't have the experience or can't evaluate the project, please select N/A.		
Max terms	Min term	Score (1-5 or N/A)
Shipping Quality	Timely rate of cargo delivery	
	Error rate of declaration	
	On-time rate of prewired shipping date	
	On-time rate of actual shipping date	
	Delay rate of arrival and departure	
	Timely rate of documents released	
Degree of staff adaptability	Damage or loss rate	
	Commitment of KPI report in time	
	Vehicles satisfaction in delivery	
	Whether The drivers comply with the requirements	
	Whether employees make documents with the requirements	
Crisis management	Timely rate of emergency	
	Treatment effect of emergency	
	Subsequent improvement measures	

	Rate of recidivism				
Evaluation of the service personnel	The initiative				
	Proactive communication-behavior				
	Response speed				
	Professional answers				
	Trustworthy				
	Attitude				
Part B: further improvements					
Please select the most important one in the improvement projects.					
Projects	Please select one project				
Shipping Quality	Time rate		Accuracy		
Degree of staff adaptability	On-time rate		Adaptability		
Crisis management	Time rate	Treatment effect	Improvement measures	Rate of recidivism	
Evaluation of the service personnel	Attitude	Speed	Adaptability	Trustworthiness	Communication
Part C: Comprehensive evaluation and relevant advice					
How about the comprehensive performance compared with the previous survey in your mind in the first half of 2015?					
Large progress	Small progress	No progress	Small regress	Large regress	
Customer opinion					

Table 5.5 Customer Satisfaction Questionnaire of D Company

According to the assessment standards, D company still needs to do the monthly quantified performance evaluation. By weight and proportional distribution method we can calculate the composite performance score for each customer service staff, and then rank the scores for the reward and punish. The top 10% staffs of the employee performance evaluation can be conferred the excellent employee and obtain bonus awards, and the last 5% will be added to the list of dismissal liability. Company informs their rectification. If there is still no significant change three months later, the company can order the dismissing. And then the company can recruit new employees to add fresh blood, so that strengthen the internal staff's competition and promote the further development of the concept of customer service.

assessment programs	Assessment direction	Project score	weight proportion	Project weight score	total score
Customer complaints rate	Numbers	A	20%	$A*20\%$	$A*20\%+B*20\%+C*10\%+D*30\%+E*20\%$
The success rate of complaint handling	Quality	B	20%	$B*20\%$	
The timely rate of complaint handling	Efficiency	C	10%	$C*10\%$	
professional skill	Professional	D	30%	$D*30\%$	
Customer satisfaction	Attitude	E	20%	$E*20\%$	

Table 5.6 Employee Performance Appraisal of D Company

5.4.4 Regular internal summary

The company's management should regular internal conference to sum up the process and the problem occurs in the CRM innovation. It avoids the implementation of CRM be stay on the surface, so that the concept of customer relations can be deeply rooted among the staffs, and improve the overall competitiveness of the company.

5.4.5 The random checks

In addition to the above measures, the director of operations should lead the management of customer service department to establish the monitoring group. The customer department manager holds the post of deputy head, team leaders in department are the members. The group will monitor the progress of each of the primary sector reform and implementation of customer relationship management from time to time, such as the customer service attitude, situation of customer service staff handling complaints and the random monitor of the telephone communications.

6. Summary and Outlook

6.1 Research achievement

This thesis analyzed the theory of CRM with the background of the logistics industry and D company's actual operating status, described the profile of the company's CRM, found the main problems and proposed specific solutions. The use of customer value theory and the establishment of customer identification system let D company to provide differentiated services for different value customers thereby increase the customer loyalty, quality and satisfaction, ultimately improve the competitiveness of the company.

6.2 The main conclusions

The thesis combined the CRM theory and D company's status and summed up the following conclusions.

- (1) D Company's CRM concept reform will help improve the quality of customer service

The company's management and employees must possess the CRM philosophy as soon as possible. Training CRM concept is particularly important, which is the presupposition of improving the quality of customer service and the foundation of the customer relationship management system reform.

- (2) D company CRM system optimization is in favor of the integration of customer resources

Customer relationship management system is a tool to implement the concept of CRM. Sales staff can use the system for getting more valuable and more complete customer information, in order to maximize the maintenance of existing operations and to tap the potential business to create the most value for the company.

- (3) The customer identification system's establishment of D company will improve the company's resource utilization

Customer identification system is the classification of customers based on the customer value and customer loyalty. For different customer groups D company should provide differentiated services. Due to the limited resources of the D company, it is necessary to focus on the quality or larger customers, while moving away from some low value or non-profit customers, thereby achieving the company's resource utilization and profits maximize.

- (4) The improvement of D company employees' performance appraisal system will improve the customer service levels

The Improvement of employee performance appraisal is conducive to protect the CRM implementation. It is also conducive for the reasonable performance evaluation of employees. The quantization segmentation performance evaluation makes the management clearly understand the specific performance of employees, which will strengthen the internal staff's mobility and competitiveness, enhance customer service levels and improve the implementation of the concept of CRM.

6.3 The future prospects

I hope that the analysis of the current situation and corrective measures of D Company's CRM can play a leading role for the future development of the Company. In recent years, the logistics industry has become more and more complex and been full of highly competitive. Companies relying on price competition cannot meet the needs of today's market. They have to establish a customer service philosophy, improve customer satisfaction and loyalty to improve the company's overall competitiveness. What's more, I hope that the relevant analysis and measures can be a reference for the development of the domestic logistics industry. The current domestic logistics service level and operating status are not advanced in the world. We do not have the strong basis, such as the global network edge, the wealth of operational experience and the professional logistics personnel. On the other hand, the CRM theory in China started late than in other countries, CRM concept is not deeper understood by domestic logistics companies. Therefore, the CRM innovation is imperative for domestic logistics companies to have a strong competitive and to compete with foreign logistics companies.

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