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MANAGING CUSTOMER LIFE-CYCLE

Case company: OY GOLDEN CROP AB

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ABSTRACT

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Name of thesis MANAGING CUSTOMER LIFE-CYCLE Case company: Oy Golden crop Ab		
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<p>Oy Golden Crop Ab has been founded in 2012 February and is food trading company in Finland which supplies the Asian restaurants all over the Finland. For example, Chinese restaurants, Sushi restaurants, Thai restaurants, Indian restaurants and Vietnamese restaurants. Due to the high competition in the Helsinki region, the company needs to improve its system from customer perspective</p> <p>The aim of this thesis is to generate models to manage customer life-cycle for Oy Golden Crop Ab. Therefore, acquiring customers, retention, segmentation and value creation for customers are the key elements in this thesis. The best models are to create a win-win situation, in others words, company and customers both benefit from the models.</p>		

<p>Key words Customer relationship, Life-cycle of customer, Long-term customer, Potential customer, Model</p>
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1 INTRODUCTION

The mainstream of this paper to generate models to manage customer relationship in long-term point for Golden Crop, especially to manage customer life-cycle. Nowadays doing business not means only to produce products or services to consumers, but also to retain long-term customers to maximize profit to be a competitive company. Furthermore to manage customers' satisfaction is a challenge for SMEs, especially for a new comer on the market. Step by step you need proceed to manage the customer life-cycle. First step is to acquire new customer by advertising, marketing or through existing customers. Second step is to select the customers who show interest in your products or services, trying to attract them by excellent price promotion, service offers and product quality. Once they have completed the first business transaction with your company, you get to know them more personally and their shopping habits, such as frequency of purchasing, location convenience. By giving the new client the right feeling is significantly important to establish the strong relationship between customers and the company. By exceeding customers' expectations and creating value for them are the core ideas to build up a long term relationship. A trust worth and creditable company is the first choice for the new consumer willing to cooperate with. The saying 'customer is god', is still the truly business concept in this age. (Roberts-Phelps 2001)

There are critical issues of developing the new or potential customers into loyal customers. The most important thing is to make every signal in order to make the customer feel special at any point. Honest dealing with customers physically and psychologically is crucial to build up a real relationship with them. For the case company Golden Crop, managing customer life-cycle is indeed a challenge for the company at this moment with the high increased number of existing customers. Golden Crop does not have models to

manage customer relations. Hence, generating models to manage customer relationship is crucial to Golden Crop to compete with their competitors and maximize profits in long term business life.

The author has been working in the company Golden Crop as an office assistance for one year. The aim is to create models for this company based on their real situation and necessity. The main methodology was conducted by interviewing two stakeholders of Golden Crop. The research aims are to generate models to manage customer life-cycle and to enhance customer satisfaction. Moreover, using models to manage their customer to gain more market shares and profits.

2 CUSTOMER RELATIONSHIP MANAGEMENT

There is no strict definition of Customer Relationship Management (CRM), which has different meanings depending on whom you talk with. It is the marketing tool to retain customers' loyalty. It is a value, an attitude that you take into your business and with the relations of the customers. Therefore the definition of CRM vary. (Roberts-Phelps 2001, 2-3.)

There are two essential definitions of CRM:

“CRM is not a software package. It's not a database. It's not a call center or a Web site. It's not a loyalty program, a customer service program, a customer acquisition program, or a win-back program. CRM is entirely a philosophy.”

-Steve Silver

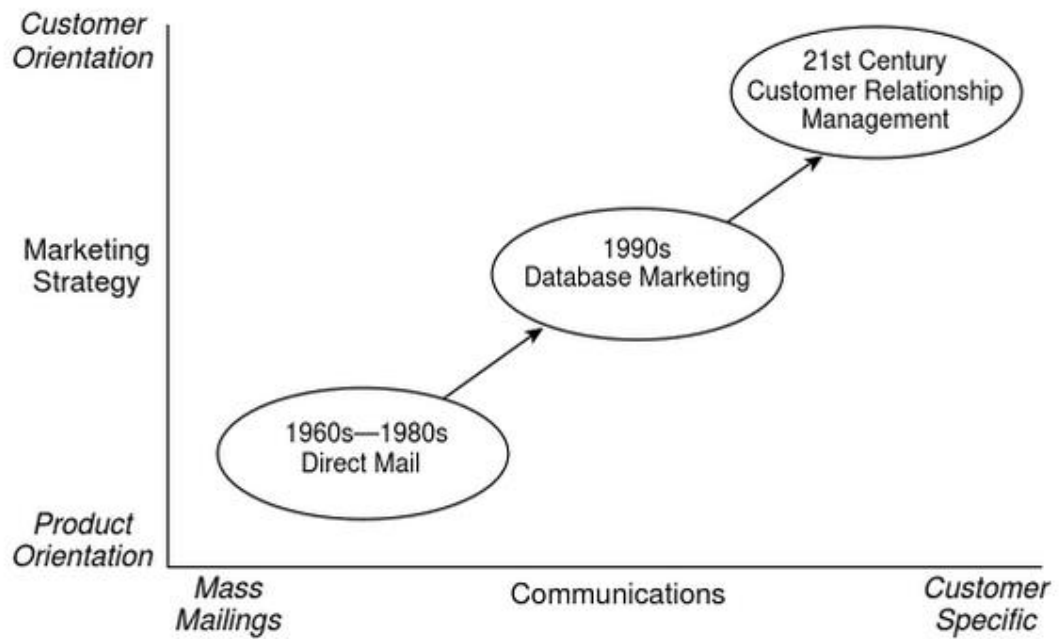
“A CRM program is typically 45 per cent dependent on the right executive leadership, 40 per cent on project management implementation, and 15 per cent on technology.”

-Edmund Thompson, Gartner Group

CRM represents a complex business strategy and is not a simple technique or tools. CRM is insensitively involved when organizations interact with consumers. During late 1990s, the CRM paradigm shift occurred dramatically. From the historical perspective, the CRM absolutely illustrate the development from products focus to customer focus. (Allen 2005, 97.)

Graph 1 clearly shows that from the 1960s to 1980s the business focused on product orientation and massive mailings for interacting with consumers. In the 1990s the technology had changed many business strategies, business intended to database marketing and more media interacting. As technology was developed dramatically at 21st century, the business is more focused on CRM. Therefore, the CRM emerged as the outcome of

marketing strategy and technology innovations. Obviously from Graph 1, the definition of the characteristics of CRM in business sector is developed from a product's centric organization to a focus on customer relationship management. (Allen 2005, 97-99.)



GRAPH 1. Gradual paradigm shift to CRM (Allen 2005)

According to Robert-Phelps' statement, there are three elements on the top list to manage customers relations in business sector. First is to deal with retention, to retain more new customers and exist one are goals for most businesses, because most businesses will lose their customer volume by 15-50 per cent annually. Secondly, to develop customer potential, to turn infrequent customers into frequent customers. Thirdly, to de-select customers, due to varied demands and needs from customers. Hence to develop the long-term future view. (Roberts-Phelps 2001, 2-3.)

The customer lifetime value is the revenue that a customer can cooperate or spend with you directly or indirectly, such as through referrals and recommendation in certain period like ten years. Purchasing once customers see it as trial, if the services and goods meet their

expectations, they will come back more frequently. The more frequently they come back, the tighter relationship you have built with them and ultimately they probably turn to loyal customers. Loyal customers generate more profits for the organizations due the less sensitively of price fluctuation. To contrast customers purchasing due to special offers promotion, cannot determined their loyalty in long term business. There are a few crucial factors to understand customer loyalty and customer lifetime value are emotional links that a customer has with your company, the brand image that promotes and personnel that serves in it. (Roberts-Phelps 2001, 3.)

2.1 Customer service

Customer service is an essential factor of success for the business and moreover your customer service must be better than your competitors, then you can attract more customers. Most businesses understand the costs of acquiring a customer, but they do not understand the costs of losing a customer. In fact, the costs of acquiring a new customer is six times higher than doing business with exist customers. Therefore, poor customer service may be the factor of business failure. There are several reasons why customers stop doing business with you, such as uncertainties of moving away, death. While most of them are not satisfied with the cooperation with you. For instance, poor service, the quality of goods do not meet their expectations, higher price than your competitors etc. (Gerson 1998, 3-13.)

Good customer service is invaluable for the company, while poor service is expensive for the company. According to (Gerson 1998), to present good customer service the company must do three things; Firstly, commit to the customers that they will receive superior service all the time. Secondly, to develop the customer service that easy for customer to access. Thirdly, to develop and design customer retention programs to maintain customer

loyalty. By increasing the possibility that current customers will be referral to their friends to your company.

The most essential and useful concepts related to customer service are problems, complaints, satisfaction, loyalty, delight and word of mouth. Briefly defining each terms, problems are the questions appearing when dealing with products or services, whether or not the customer complains about them. Complaints are the problems that customers bring to the company through email, telephone, letter, or in person. While satisfaction could be simply defined that they meet the customer expectation. Loyalty is measured by the continued purchasing and cooperation. Delight occurs when a company surprises the customers by exceeding their expectations. Word of mouth (WOM) happens because the customers have a social and psychological need to tell another person about good or bad experiences. (Goodman 2009, 15-24.)

The critical factor of excellent customer service performances in real business life is to know the customers better. Whereas, to know the customers better in what they really need, want and expect. Hence, the company must know exactly what the customer need from them, what they want as the result of cooperating with the firm, and what they expect throughout the relationships with firm. The only way to get the result is to ask customers directly. Many businesses think they know what exactly customers want, so they offer it to customers. However, mostly, businesses guess wrongly without asking customers. This action is risky to all kind of businesses and they run into trouble or go out of business altogether. Regarding to Gerson (1998), there is a list of 10 points of customer needs for the firm. Due to the nature of business, the needs may differ.

- | | |
|------------------------------------|--|
| 1. Help | 7. A friendly, smiling face |
| 2. Respect and recognition | 8. Understanding |
| 3. Comfort, compassion and support | 9. To be made feel of important |
| 4. To be listen with empathy | 10. A quality product or service with fair price |
| 5. Satisfaction | |
| 6. Trust and trustworthiness | |

Furthermore, customers define the excellent service performance by establishing expectations, which have nothing to do with the firm or what firm is doing. For example, one customer expects you call him today, but you call him next day. Obviously, you have not meet his expectation then he probably will not trust you anymore. (Gerson 1998, 20-23.)

According to (Roberts-Phelps 2001.) customer service model is emerged with two crucial elements.

1. Customers need a solution to a problem.
2. Customers want in some way feel 'special'.

Concerning the number one element, mostly customers contact organization when they having problems with purchasing. Once the problem is solved as their expectations or over their expectations, they will gradually to be your loyal customers for a long run business. Regarding the number two element, every single customer wants special treaties from an organization. They just want the feeling of special and important for the company. Therefore, they could have a long term relationship with the company.

2.2 Customer focus

According to Kotler 2010, the 'customer' should replace 'product' in four Ps strategy and is the main idea of business today. He introduced customer management discipline, which contains strategies such as segmentation, targeting, and positioning (STP). It becomes a strategy, which focuses more on customers than on products. Therefore, to develop STP precedes the developing of four Ps. (Kotler 2010, 25-27.)

Comparing to the traditional way of marketing, nowadays, the businesses are more focused on customers' experiences instead of product features and benefits, in order to get high

customer satisfaction, demonstrate high level of retention, and repeat business and referral. Hence, marketing is no longer more to serve with products, it is more concerned with gradually developing and maintaining customers in a long-term relationship. (Buttle 1996, 1-3.)

According to (Roberts-Phelps 2001.), he highlighted three principles to sales process for customer-focused salesperson. Hereby, focus on the customer, establish credibility and persuade through involvement. Concerning to focus on the customers, see the customers as the center of the sales process. Centralize the customers buying steps rather than your sales process and planning. Making sure what you do or say to your customers during the interaction, the most important thing is that you make them feel special and valuable when cooperating with you. To establish credibility, trying to ask more questions after the customers understand the importance of sharing information is with proposing the situation when the customer perceives his or her needs as urgent. Trying to terminate after the customer has sufficient information to make a final decision. About persuading through involvement, the salesperson should listen more to customers rather than speak more than the customer. Allowing customers give more information and feedback. See the opposition as the sign of involvement and opportunity. Helping the customers figure out their difficulties and meet their needs. All in all, applying it simple, the importance of giving customers positive experience of buying, not only being sold out. Therefore, the sales approach should be pulling instead of pushing.

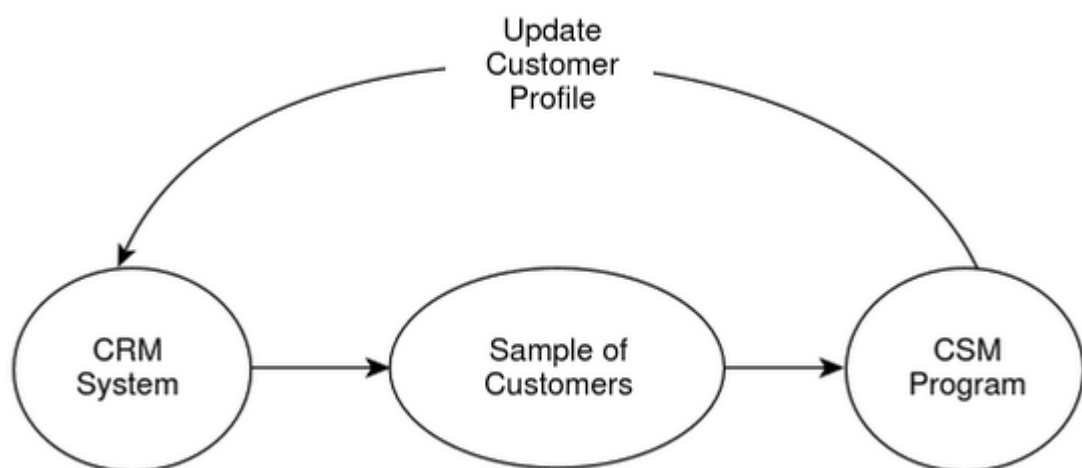
There are six customer-focused selling skills, which are the fundamental for the effectiveness of the customer-focused selling. They are; connecting, encouraging, questioning, listening, confirming and providing. These skills are equally relevant when you are working to meet customer needs or working with an association to meet mutual, personal and organizational needs. (Roberts-Phelps 2001, 89-93.)

“No company can succeed without customers, if you don’t have customers, you don’t have a business. You have a hobby.” (Peppers & Rogers, 2011)

This defines that customers are the source of revenue for every firm and customer are the valuable assets for all business. The roots of the CRM are based on the value of customers. Focusing on customers is new to business strategy. Enterprisers should deeply consider the declining of customer loyalty as a result of massive transparency of access to information. Thus, customer loyalty decrease, profit margin decline too, because the most frequency approach to acquire is lower price than your competitors. Therefore, focusing on customers is the way to sustain the business in the long term profit. (Peppers & Rogers 2011, 3-13.)

2.3 Customer satisfaction

As mentioned before, customer satisfaction can simply be defined as an organization meeting customer expectations. The relationship between customer satisfaction and CRM is complex. One of the CRM primary purpose is to increase customer satisfaction. The relationship between CRM and customer satisfaction measurement is symbiotic. Graph 2 illustrates it simply the dual nature of this relationship.



GRAPH 2. Symbiotic relationship between CRM and CSM. (Allen 2004)

As we can see from Graph 2, the CRM system generates samples for a customer satisfaction program. Customer feedback data are recorded in the CRM system. Assuming that, the permission of the respondent has been acquired. A longitudinal analysis of CSM data can serve as a performance evaluation of CRM program. After all, the organization fully embraces CRM at both strategic and operational levels, which should experience enhancing the level of customer satisfaction. The integration of CRM with customer satisfaction data is becoming gradually important for a business. There are differences between CRM and CSM, the CSM focus on aggregated data, whereas CRM focus on more individual customer data. (Allen 2004, 106-112.)

Basically, we all trust that customer satisfaction generates customer loyalty. If the products or services are below expectations, customers dissatisfied. Moreover, they will not continue to purchase or cooperate with you again. Therefore, the loyalty building has failed. (Schmitt 2010, 13-15.)

The approaches to deliver higher customer satisfaction are obviously vital for an organization. According to (Roberts-Phelps, 2001), there are several points of how to deliver high customer satisfaction highlighted in this book. Listening more to people around you, sometimes listening is more important than speaking with customers. While listening, you can generate more ideas from several customers by hearing positive or negative experiences from them. Therefore, you will know your customers better than before and showing the respects to them as well. In some situation, if you cannot say anything in a positive way, then saying nothing is the best choice. Treating every single customer fairly and honestly is crucial in nowadays business age. Moreover sharing your concerns with customers and reminding them the purposes of what are you doing. Furthermore, acknowledge them more details of the movement of the activities or plans. In this way, they could feel they are concerned by the company and they are involved totally

with the company. Developing more of the company strategies to be more competitiveness in the market to attract more potential customers and last long term relationship with exist customers. To ensure that customers do not regret choosing you, instead of your competitors. Finally the most important thing that should be emphasized, is that the company should know the priority things, which are what is important for customers in real and how to satisfy them. (Roberts-Phelps 2001, 81-88.)

2.4 The importance of CRM for a company

As industries are matured and developed, changes in market demand and competition increase dramatically. The consequences leads to a shift from transaction marketing to relationship management. (Christopher, Payne & Ballantyne 2002, 4-6.)

Therefore, from the historical point of view, relationship management plays a vital role in business nowadays. Customer relationship management is the strongest and most efficient technique for retaining and maintaining customers for companies. Generally CRM generates significant contributions for the organizations. The important elements of CRM to an organization are detailed in the following text. Basically, CRM is an analytic tool analysing existing customers and the future customers, such as preferences, personal information and consuming ability. Moreover, CRM contains detailed information on every customer, hence it determines which customer is profitable, or which is not. Furthermore, the CRM system is not only used for existing customers but is great tool to acquire new customers, by identifying new customers and putting in their detailed information into the CRM system. Then marketers target these customers consistently and get them involved into business, thereby, turning the opportunity business into real business cooperation. One of the most important reasons to adopt a CRM system for an organization is the cost-effectiveness. Comparing with the traditional way of customer relationship management, the CRM system eliminates the costs of printings, papers, labors

of managing. The technology used in a CRM system is not so expensive compared with a traditional way. Moreover, it reduces the process time and enhances the productivity. In the process of customer satisfaction, the CRM system plays a vital role in process, it has centralized all information of the customer. Therefore, it helps companies to know what the customer expectation exactly are. Due to the marketing influence, in the long term, CRM will generate more profit for the company and at same time enhance the company's competitiveness as well. (MSG 2015)

Small medium-sized enterprises (SMEs) play an important role in business nowadays and in international economics as well. SMEs get numerous benefits from the latest technology today. Especially SMEs require specific business strategies and management to be reproduced in CRM software. Moreover, SMEs require easy access and easy to use CRM software and to integrate with existing applications. Due to the nature of the business, the demands of the CRM software are different. However, keeping in mind that scalability and reliability are essential for CRM software. (Vogt 2008, 14-18.)

There are four main challenges for SMEs; numerous competition, comparable prices, customers' specific requirements and price and product transparency driven by internet. Within the market enlargement nowadays, the competition for a small business is extremely intensive. The CRM system provides a superior tool for entrepreneurs to deal with all the customers in the company. It gives visibility into customer base and allows to plan for long-term profit return. Especially, it is the most valuable system for SMEs to implement. Recent research shows that the company with fully use of the CRM system can contribute more sales revenue by 29 %. (Sales force 2015a.)

3 MANAGING CUSTOMER LIFE-CYCLE

Basically this chapter is the most important theoretical part for this thesis. Due to the fact that main idea and thoughts of this thesis is to generate customer life-cycle models for Golden Crop in Helsinki. Today most companies are surprised to find out that customers have a life-cycle comparing the familiar product life-cycle. A customer lifecycle management (CLM) is to measure of the performance of customers for a period and to indicate the business performance as well. Moreover, a customer lifecycle is a term in customer relationship management used to process of the customer acquisition, retention, value creation to get loyal customers. According to the marketing analysts Matt Cutle and Jim Sterne their findings, CLM is allocated in five steps: reach, acquisition, conversion, retention, and loyalty. Generally speaking, it means to attract potential customers' attention and illustrate what you are going to offer them. Once they get interested in, persuade them to be buying customers. Furthermore, developing them into loyal customers and exceeding their satisfaction. As Graph 3 below shows, CLM is the cycle which represents that customer retention and approach of CRM is to get customer through the cycle again and again. (Salesforce 2015b.)



GRAPH 3. Customer lifecycle (Fintellix Blog 2012.)

3.1 Customer acquisition

Simply defined customer acquisition is the process when a company persuades customers buying products or services from them. Customer acquisition is the first step and the foundation of the whole CRM process. Moreover it is the cornerstone of the company development. Without a sustained customer acquisition program, the company finally will run out of new customers to retain. There are three questions outlined when a company considers customer acquisition:

1. What is the future result of the acquisition promotion?
2. How many new customers can be acquired through this promotion?
3. How many orders or purchases from the new customer can be get? (Kumar 2012, 22.)

The importance of customer acquisition varies to company specific situations. For instance, a new started company's primary aim is to acquire new customers. While a developed and mature company concerns more about the customer retention. The costs and channels of acquiring customers are concerned significantly for the company. Then the costs of acquiring customers differ from varies of channels. Today is the information technology age. Thereby, website and electronic communication, such as direct phone calling and emails are the advantages for the company comparing with a traditional way such as direct post. (Christopher et al. 2002, 51-53.)

By a sound understanding of how to acquire customers across the costs and channels, the company can explore to acquire more customers cheaply. By improving customer acquisition, companies can develop insights of customer value proposition. Customer referrals and promotional campaigns are key and effective elements to acquire more customers. The excellent example for this customer acquisition of UK retail banking sector, approximately, one-third of its customers join as consequence of customer referrals. In this

situation, the costs of customer acquisition are reduced dramatically. (Christopher et al. 2002, 54.)

3.2 Customer retention

After customers have been acquired, the next crucial step is to retain them. According to Kumar 2012, customer retention strategies are applied in both contractual and non-contractual condition. Contractual condition is that customers are bound by contracts with companies, for instance the magazine subscription and phone subscription. Non-contractual condition is that customers are not bound by the contracts such as supermarket buying. Based on findings by Reichheld and Sasser 1990, improving customer retention by 5 % can drive the profit up between 25 % and 85 %. Therefore, customer retention is a direct element related to profitability for the company. (Kumar 2012, 63.)

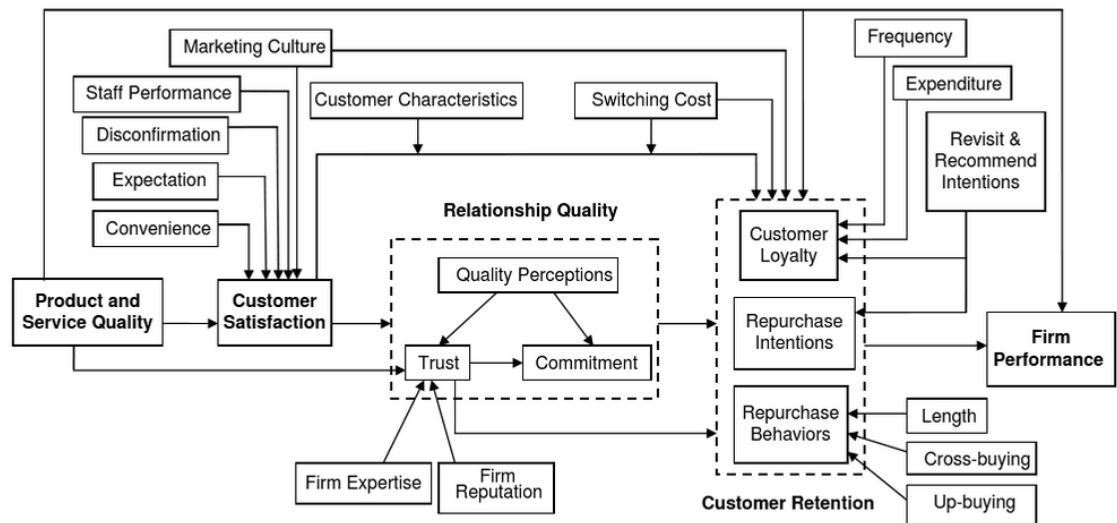
Universal knowledge that the costs of acquiring new customer are five times more than the costs of keeping exist ones. Many companies are still focusing on marketing and campaign to acquire new customers, rather than retaining existing customers. They are lacking knowledge that customer retention can generate much more profit for organizations. There are crucial points listed below pointed out by Reichheld and Sasser that the reasons of customer retention to be implemented.

- The costs of acquiring new customers is significant and it may take years to turn the new customers to profitable ones.
- A customer becomes more satisfied and confident in this relationship with companies, and is more likely to give lager proportion of business to companies, or ‘share of wallet’.
- As mutual relationship with customers, help produce efficiency and lower the operating costs for a company.

- A satisfied customer will refer to others about the company, which helps a company saving the costs when acquiring new customers. In business sector, the customer advocacy can play a vital role in acquiring new customer process.
- Loyal customers are less price-sensitive compared to new customers. (Christopher et al. 2002, 54-58.)

Due to the dramatic influence of improved customer retention it can increase the profitability for the companies. Therefore, the companies definitely need to implement a structure to enhance the customer retention and profitability levels. There are three crucial approaches to improve customer retention. Firstly, to measure customer retention, this is the first step towards to improve customer loyalty and profitability. The companies need to analyses numerous dimensions in detail to measure customer retention, such as to measure customer retention rates over time, market segmentation, and products and services served. Overall of the first step, the companies should have a clear picture of customer retention, measure exist customers retention rates and mutual understanding of future and present potential profits for each market segment. Secondly, to identify causes of defection and key service issues, this step mainly aim to figure out what it the truly reason for customers leaving or switching to others. Before they start implementing the retention program, companies need to identify and understand the root causes of customer defection. Thirdly, to correct actions to improve retention, is the final step to enhance customer retention which involves the remedial action. Gradually, companies realized that enhanced customer satisfaction towards better customer retention and profitability. Hence, the companies switch the customer acquisition to customer retention. Most of companies are enhancing customer services as the approach to increase the customer retention rates. In order to get the benefits of long term customer relationships, the companies need to get commitment from everyone in the company and to mutually understand and serve the needs and wants of customers. (Christopher et al. 2002, 59-60.)

Graph 4 shows an integrated framework which illustrates the various relationship examined in different business sectors. Basically the thread of this Graph 4, the increased quality of products and services leads to increased customer satisfaction. Increased customer satisfaction leads to increased customer retention, which is linked by relationship quality. Increased customer retention leads to increased firm performance. (Kumar 2012, 63-64.)



GRAPH 4. Integrated relationship addressed in customer retention (Kumar 2012)

In the practice, there are ten tips for long term customer retention according to Gerson 1998.

1. Call each customer by name.
2. Listen to what each customer has to say.
3. Be concerned that each customer as individual.
4. Be courteous to each one.
5. Be responsible to each customer specific needs.
6. Know the customer buying behavior and motivation.
7. Talk sufficient time with them until the issue solved.
8. Allowing customers involve in business, take some suggestion from them.
9. Make each customer feel they are important for the company. Pay them complaints.

10. Listen first to understand customers, then speak that customers can understand you.

3.3 Customer segmentation and development

Companies cannot retain all their customers. Some customers are important and some are less important. In terms of, some of customers are too expensive to acquire and they will never turn to be the profitable customers. Hence the key metric applied here is customer lifetime value (CLV), which means that the net presents value of the future profit flow over a customer's lifetime. Obviously, customer segments are mostly recommendations in this situation. It is likely that within a given portfolio and information of the customers. Thereby, the segmentation may be segment customers in 3 general groups, profitable customers, break-even point customers and unprofitable customers. Increasing customer retention does not always lead to customer profitability. Contrast, by increasing unprofitable customers' retention will decrease the profits of companies. (Christopher et al. 2002, 62-63.)

There are several elements concerned with customer segment, such as the number of existing customers; the annual target of customer acquisition; the costs of acquisition per customer; and the profit per customer annually. According to Christopher et al. 2002, the suggestion of the customer segments basis on annual basis and CLV basis. (Christopher et al. 2002, 62-63.)

Customer segmentation depends on identifying key differentiators that segment customers in groups which can be approached and targeted. They can divide customers in several categories, such as customers' demographic (age, race, gender, income level, education level, family size, religion etc.); also in geography (the location); psychographic (lifestyle, personality, social class etc.) and shopping behavior (spending, usage, consumption and

desired benefits). All of these elements are considered when making customer segmentation practices. (Techtarget, 2015)

Customer segmentation could be a powerful tool for CRM analysis to understand what is the exact customer needs and wants. Customer segmentation is a crucial element when consider developing of products and services. Hence, customer segmentation is the most effective tool to enhance profitability and competitive advantage. Customer segmentation could be a principle basis for the company to develop more customers and products, and more to enlarge the market share as well. (Bain & Company, 2015)

Moreover, how the customer segmentation works in a real company is the important issue that stakeholders care about. There are few points for a manager to consider when implementing customer segmentation. Firstly, to separate the market into a measurable segment based on demographic, geography, shopping behavior of customers. Secondly, to determine potential profits of each segments and to estimate the costs of serving each one, then balance the best profitable segment. Hence take the most profitable segment as priority one to serve. Thirdly, the company needs to develop products, services and distribution to satisfy each segment needs. Finally, to measure the performance of the segmentation according to the company current situation and development, moreover to adjust the segmentation approach over time as the marketing condition changed frequently. (Bain & Company, 2015)

From the company side to install customer segmentation, there are several elements to be highlighted.

- Prioritize new product development efforts
- Develop customized marketing strategy
- Optimize specific product features

- Build appropriate service offers
- Structure and optimal the distribution strategy
- Determine right products price tag. (Bain & Company, 2015)

3.4 How to create more value for customers

There is core concept of CRM to deliver the value to consumers. The value perception of customers are defined by benefits that customers get from products or services, and the sacrifices made to experiences these benefits. Hence the value can describes as equation. (Value=Benefits / Sacrifices). As the equation of value, there are two methods to increase customer's perceived value, by increasing the benefits they have experienced or by decreasing the sacrifices they made. (Buttle 2009, 186-187.)

The main aim of CRM is to establish the mutually beneficial relationship with customers. The approach to reach this goal is to customize the value proposition to acquire and retain targeted consumers. Therefore, the value delivery is the main duty for marketing people. Marketing mix is the most useful tool to analyses value proposition, as the well-known marketing mix composed by 4Ps: product, price, promotion and place. Moreover, this approach is widely applied in many business sectors, and this is a fundamental approach to analyses value creating for consumers. Nowadays, service is paid high attention from the marketing point of view. Hence additional 3Ps (people, physical evidence and process) are added to create more value to consumers. (Buttle 2009, 186-197.)

In the text below, there are three elements of value adding significantly emphasized; creating value from products, service, and customer communication.

3.4.1 Value from products

As there is intensive competition in the market nowadays, the products are critical elements to meet competitors. To add more value for customers from products is the fundamental of business success. Product innovation is the best and most efficient way to add value. Basically, most of new products are modified from existing products, only few new products are really new to the product category. Generally most of new products can improve customer value perception, while the products invention can create dramatically value for customers. Such as, from historical point view, Edison's incandescent light bubble, Stephenson's locomotive and Newcomen's steam engine. (Buttle 2009, 199.)

Additional benefits bundled with products is a significant approach to enhance the value perception of customers. Such as, longer guarantee and free delivery are the additional benefits for consumers. Therefore, product-service bundling is the solution tool to add more value to products. Basically product-service bundling is the offer that purchasing products and service at a single price. For instance, the tourist agent bundles air tickets, accommodation and meals at one single price. In this situation, service bundling can decrease expenses for customers, meanwhile to add more value for customers. (Buttle 2009, 200.)

Product synergy plays a crucial role in the process of value adding by combining products with the company's portfolio. For example, if you take Finnair flight, you will be served with Finnair tax free shopping on aircraft. If you purchase Microsoft software, you will get the complementally application related to that software from Microsoft company. All in all, to create value from products is the fundamental solution to enhance the value perception of consumers. (Buttle 2009, 201.)

3.4.2 Value from service

Mostly, service is the important part of many firms' value proposition. As universal knowledge that developed economic countries, 70 per cent of gross domestic products contribute to service organizations. Therefore, for these organizations, service is the core product for them. For general companies, service is a cornerstone when establishing mutual relationships with customers. The general methods to create more value from service are by improving service quality, service guarantee, and service recovery program. (Buttle 2009, 201-202.)

Concerning to improve service quality, there are two perspectives; quality is a conformance to specification, and quality is fitness for purposes. The conformance to specification might mean producing error-free invoices, on time delivery and complaints are solved within 24 hours. Fitness for purposes might mean allowing customers to select a preferred communication option (email, mobile and post service), customizing service delivery for customers. These two service quality theories have dominated management practice when companies try to improve service quality. From customer's point of view, a guarantee promise can decrease the risk they carry and by increasing the value of perception. Therefore, service guarantee defined as *an explicit promise to customer that the prescribed level of service will be delivered*. A service recovery program is the remedy solution and is critical for companies to resolve the service failure. Hence the service recovery program defined as *it includes all the action taken by a company to resolve service failure*. There are many reasons that cause service failure, such as technical issue. The service recovery program must be effective and efficiently solving the issue existing with consumers. (Buttle 2009, 206-209.)

3.4.3 Value from customer communication

Companies can generate more value for customers from communication practices. A significant changes from past to nowadays is the company-to-customer communication to multilateral communication; company to customer, customer to company and even customer to customer. There are three approaches to improve the value proposition for consumers; disintermediation, personalization and interactivity. (Buttle 2009, 216.)

Due to the technology emerged nowadays, the direct communication tools have been multiplied, for instance, the direct email, and message to mobile phones. Equally, customers can get information or message directly from a company, and a company can get the message directly from customers. Based on customers' purchasing history, the important customers can offer a higher response rate and conversion rate than conventional mailings. Therefore, time, content and way of communication could be based on customer preference. Personalization can be used for a customer service agent to perform communication between customers and employees. Interactivity can take place through three channels, email, message and World Wide Web (WWW). Emails enable effective interaction between customers and company. For more specific names or groups in email, such as info@ and help@, it will deliver the message to customers that they are highly important for a company, and the solution will be solved effectively. All in all, these three approaches can enhance added value for customers. (Buttle 2009, 216-217.)

4 CASE COMPANY: OY GOLDEN CROP

Oy Golden Crop Ab has been founded in February 2012 and it is an Asian food trading company in Finland which supplies Asian restaurants all over the Finland. For instance, Chinese restaurants, Sushi restaurants, Thai restaurants etc.

TABLE 1. Oy Golden Crop Ab growing in Brief

	2012	2013	2014	2015
Employees	2	4	6	10
Equipment	1 Truck	2 Trucks	3 Trucks	4 Trucks
Warehouse	300m2	300m2	1000m2	1000m2
Products	CN	CN,THAI	CN,THAI,SUSHI,	CN,THAI,SUSHI,
Sales Revenues	e500,000	e2,000,000	e3,700,000	e5,000,000
Customers	40-50	80-100	130-150	240-260
Note: CN=Chinese food				

Table 1 above shows the significant development of Golden Crop (GC). As we can see very clearly that sales revenue increased dramatically from 2012 to 2015. Furthermore, the variety of products have increased from simply Chinese food to all kinds of Asian food. Moreover, the investments of company increased significantly as well, such as more equipment, employees, purchasing amount and warehouses. (Appendix 2)

4.1 The SWOT analysis of Golden Crop

According to interviewee Mr. Xu (App' 1), he describes Golden Crop's strengths, weaknesses, opportunities and threats in detail. Doing a SWOT analysis can help a company deliver better performance than competitors. Therefore, a SWOT analysis is

crucial for the company developing.

TABLE 2. SWOT analysis of Golden Crop

<p>Strengths:</p> <p>Excellent service</p> <p>Pay more attention to customer satisfaction</p> <p>Frequency of updating products</p> <p>Products innovation and differentiation(such as Sushi products)</p> <p>Sole distribution authorities</p> <p>Problem solving efficiency</p> <p>Enhancing credibility for customers</p>	<p>Weaknesses:</p> <p>Young growing company (4 years)</p> <p>Not enough purchasing experiences</p> <p>Middle-man barrier(not directly to origin exporters)</p> <p>Internal system</p> <p>Internal regulation</p> <p>Employees' cultural differences</p>
<p>Opportunities:</p> <p>Asian people population increase yearly</p> <p>Asian food gets more popular</p> <p>More restaurants are raising gradually</p> <p>More customers</p>	<p>Threats:</p> <p>Limitation of warehouse</p> <p>Changes in marketing</p> <p>Competitors</p>

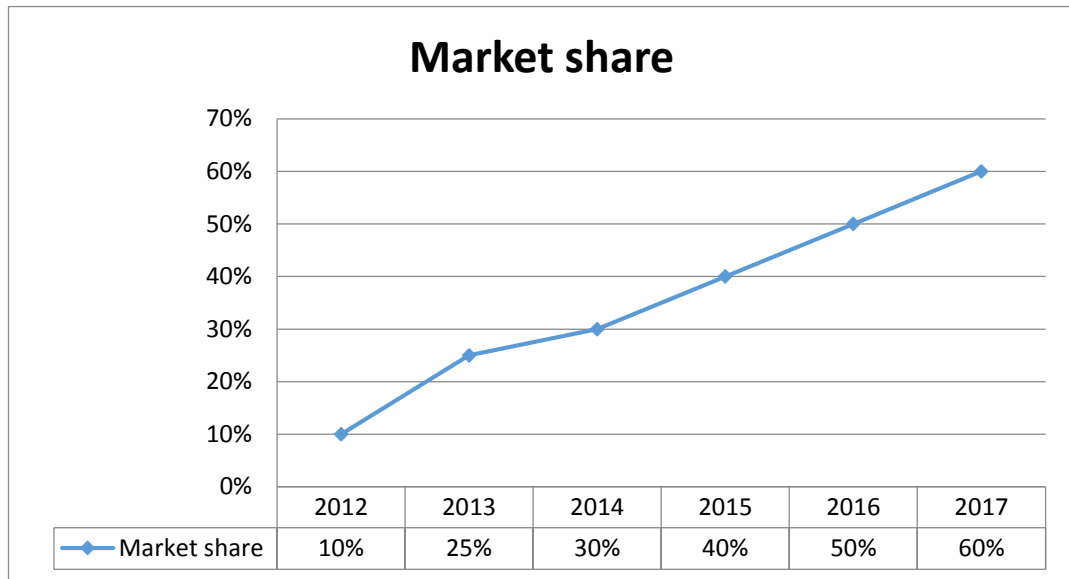
A SWOT analysis is the simplest and a useful tool to analyses the strengths, weaknesses, opportunities and threats companies meet. It helps a company develop its strengths and eliminating its threats. Moreover, turning threats to opportunities is the big challenge for companies, while it is a great opportunity to compete in the market and get more profits and benefits in the long-term. Strengths and weaknesses are the internal to a firm, but opportunities and threats are often external for a firm. Therefore, a SWOT analysis is also called an Internal-External analysis, which helps the company to set up a business plan and eliminate threats and weaknesses, develop more strengths and opportunities. (MindTools,

2016.)

4.2 The main aims of Golden Crop in 2 years

According to the interviewee Mr. Xu's perspectives (Appendix 1.), Golden Crop plans to enlarge its warehouse by using 50 % profits from revenue to establish or purchase the larger warehouse. Therefore, the company could change the threat, which is warehouse limitation to their strength. As Mr. Xu said, increasing the space of warehouse, will generate more benefits for company. For instance, they can increase the purchasing amount, and reduce costs by increasing the amount of purchasing. Moreover, a larger warehouse saves much man power to manage it. Another plan from Mr. Xu is to establish a retail store in the Helsinki region, which is going to be the biggest the Asian shop in Finland. (App' 1)

According to the interviewee Mr. Li perspectives (Appendix 2), in two years, based on keeping 40 % loyal customers the company will make loyalty programs to extend their life-cycle. Meanwhile to maintain both available and potential customers to become loyal customers gradually is the plan also mentioned the same idea as Mr. Xu to increase the warehouse scale to store dry products and frozen products. Moreover, another plan is to hire more employees for delivery, trying to achieve the quickest delivery in Finland comparing to competitors. One important plan is to gain a market share in Finland covering 60 % and developing more new and popular products to guide customers to purchase. Therefore, customers will more depend on GC, in the long-term point of view, GC will maximize profits by maximizing their life-cycle time. The Graph 5 shows the market share of GC from 2012 and aims to reach in 50 % and 60 % in year 2016 and 2017 respectively. (App' 2)



GRAPH 5. Market share growth of Golden Crop

Regarding Golden Crop's mission and vision by Mr. Xu (App' 1), the mission is planning to be the largest-scope of Asian food trading company in Finland market, the final aim is to be a supplier for competitors. In other words, changing the competitors to be customers. Increasing delivery speed in the Helsinki region is a crucial element to be successful. Hence Golden Crop plans to make the delivery time within 24 hours after the order is received. The Vision is to get a 70 % of market share in Finland and have an excellent working team being aware of market changes and competitors appearance. Another is to foster the company culture in the long-term point of view, which could help the company to develop more smoothly and effectively. (App' 1)

5 INTERVIEW ANALYSIS CREATING MODELS FOR CASE COMPANY

This thesis methodology is qualitative research by using interviews. The author has interviewed the supervisors Mr. Li and Mr. Xu, who are the owners of Golden Crop. The author has been working in Golden Crop for one year as an office assistant. The main responsibilities were to require orders from customers and put the orders into the database. Once delivery is completed, invoices are issued to customers. From time to time, the author has helped company to do a marketing plan and customer relationship maintenance. Therefore, the recommendations for Golden Crop will be based on the interviews and working experience from Golden Crop. In this chapter, the models will be produced to help Golden Crop to manage its customer life-cycle mainly. Managing customer life-cycle needs proceed step by step,

5.1 Customer acquisition model

As mentioned in Chapter 3, the definition of customer acquisition is the process that a company persuades customers buy products or services from them and customer acquisition is first step and is the foundation of the whole CRM process. The importance of customer acquisition was highlighted in Chapter 3, which is the cornerstone of the company development. Without a sustained customer acquisition program, the company finally will run out of new customers to retain. While different channels to acquire customers may have different effects and costs. Therefore, Golden Crop needs to have its own acquisition model according to the situation.

Golden Crop should plan to have a target customer group, which plan to target at certain periods. Due to the different groups, using different methods to approach them. Table 3 below illustrates how to make an acquisition plan.

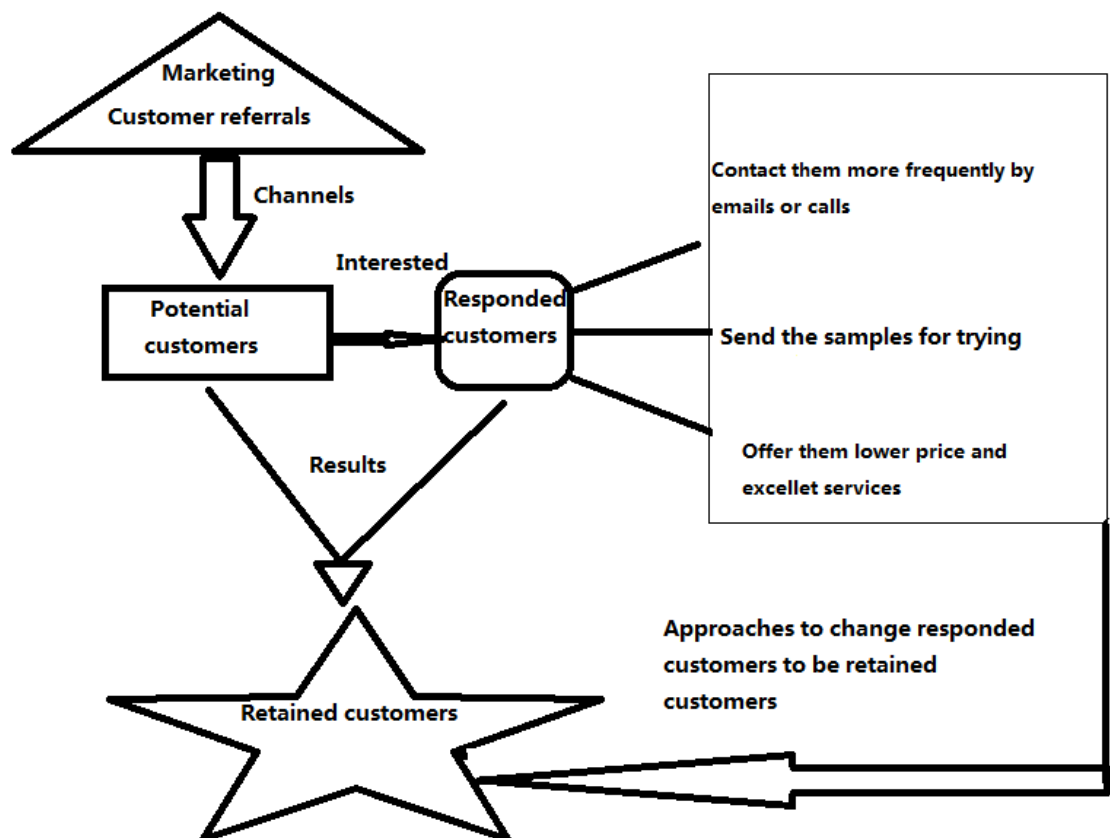
TABLE 3. Customer acquisition plan model for Golden Crop (Tuominen 2010)

Target Customers:	Chinese restaurants	Thai restaurants	Sushi restaurants
Actions:			
Priority:1-3 (Location and type of customers)			
Target number to acquire			
Methods & channel			

Table 3 is the customer acquisition checking list model for GC. According to Golden Crop's situation, the main targets customers are Chinese, Thai and Sushi restaurants. The actions for this plan are of priority, target number to acquire and methods. Due to the market distribution, the location and type of customers should be of priority option when GC makes an acquisition plan. For instance, the plan is to target on South of Finland part or North part, thus which part is priority to target. Due to the different groups of customers, which is the priority customers group to target and how customers to acquire? Nowadays it is the information technology time, therefore the acquisition and channel are mainly depending on IT. For instance, marketing on webpage, via Email, Facebook and Twitter etc. The traditional methods are still applied in GC, such as post the promotional papers,

directly phone calling and visit customers place. Depending on the different groups of customers, the methods are different.

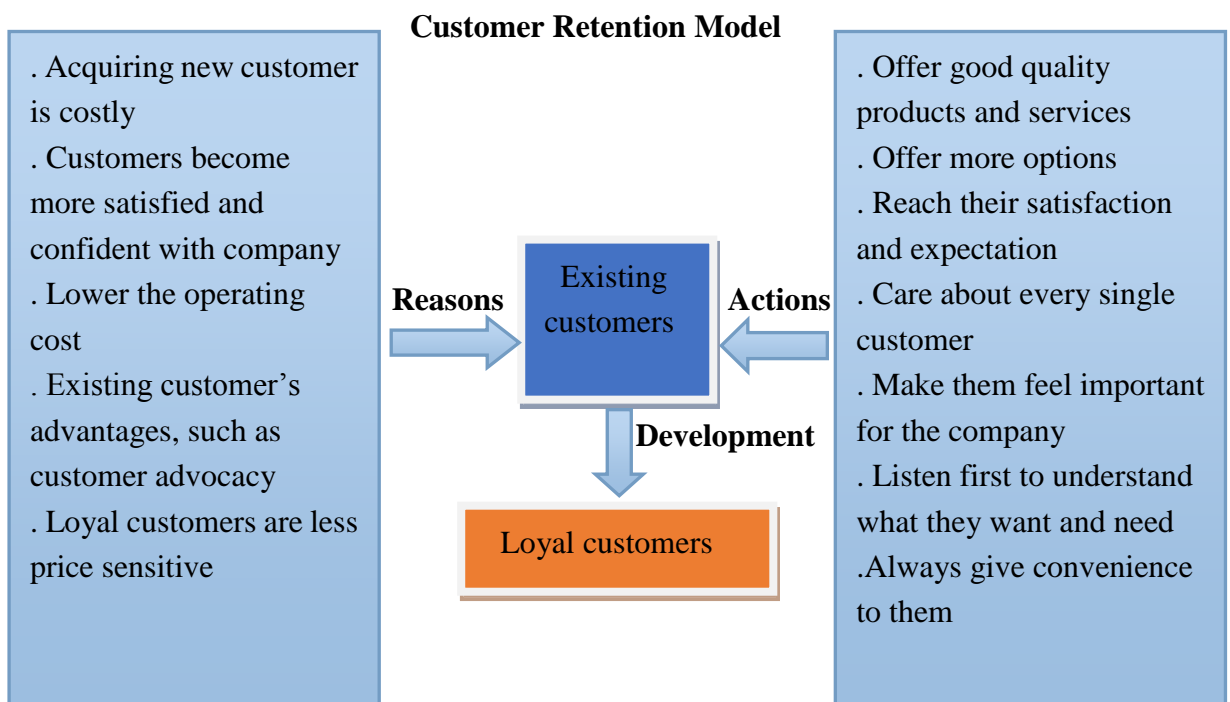
Graph 6 below shows that the customer acquisition process. Taking the attention from potential customers by marketing and customer referrals, such as word of mouth approach. Once the potential customers get interested in your marketing or your company, these customers are called responded customer. The company should pay more attention to responded customers, because it just needs a few steps turning them into retained customers. There are few approaches to turn responded customers to be retained customers. Such as, contact them more frequently by email and calls, send samples to them for trying and offer them a lower price than your competitors and serve them as they expect.



GRAPH 6. Customer acquisition process model for Golden Crop

5.2 Customer retention model

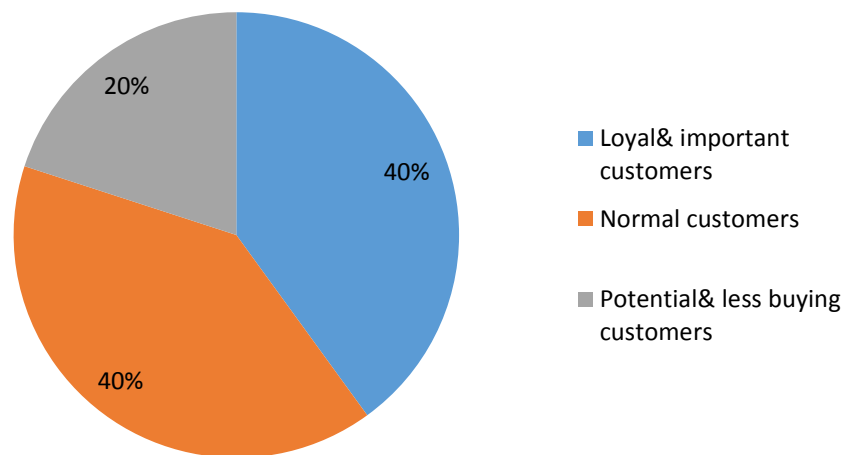
As mentioned in Chapter 3, the costs of acquiring new customers is five times more than the costs of keeping exist ones. Therefore, to retain the existing customers is the priority for SMEs. Based on the findings of Reichheld and Sasser 1990, improving customer retention by 5 % can drive the profit up between 25 % and 85 %. Therefore, customer retention is a direct element which is related to profitability for the company. (Kumar 2012, 63.)



GRAPH 7. Customer retention model for Golden Crop

Graph 7 above shows the reasons to retain existing customers and actions how to retain them in real for GC, the main purpose is to develop existing customers to be loyal customers. The reasons to retain are from the company's point view, because the acquiring new customers is costly, reduce operating costs by marketing. While from the customer point view, satisfied customers stay with the company and would like to refer to others,

and are less price sensitive. Concerning action to retain exist customers, every single action is a crucial element for customer retention. Hence GC should pay more attention on that, such as to reach customer satisfaction and exceed their expectations. This model fits with the situation of Golden Group, because according Mr. Li (App' 2) the Golden Crop existing customer distribution as in Graph 8, there are 60 % customers need to retain consistently.



GRAPH 8. Golden Crop existing customer distribution

Graph 8 clearly shows that GC's existing customers distribution. It has three major customer groups. Loyal customers and important customers take a 40 % share, which are the less price sensitive customers, and satisfied with GC services and product in general. Moreover, most of them have been cooperating with GC for more than two years. Normal customers refer to price sensitive customers, and they easily to switch suppliers. This group of customers takes a share of 40 %. Therefore, this portion of customer needs to be maintained and developed to loyal and important customers. Potential and less buying customers take a share of 20 %, which are cooperating with GC for few times or going to cooperate with GC in the future. To deal with this group of customers, GC has to pay more attention and to satisfy them as they expect.

There is the equation of customer life-time, thus:

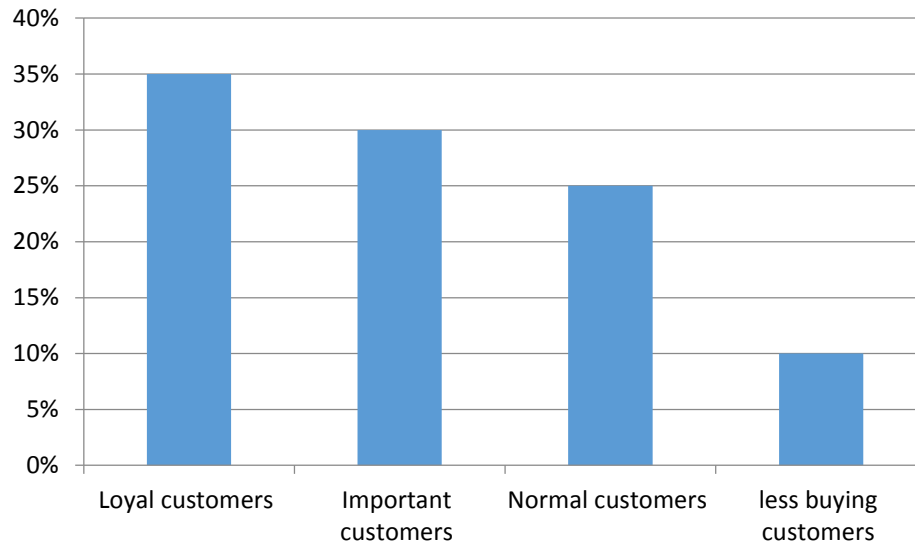
$$\text{Average customer life-time (years)} = 1 / 1 - \text{retention rate}$$

For example, if the customer retention rate is 90 %, then the average customer lifetime is 10 years. If customer retention rate is 95 %, then the average customer lifetime is 20 years. Hence, the doubling of the average customer lifetime is achieved by small improvements of retention rate. (McDonald, Rogers, Woodburn 2003, 169.)

5.3 Customer segmentation and development model

As Chapter 3 mentioned companies cannot retain all their customers due to the importance degree of customers. In terms of, some of the customers are too expensive to acquire and they will never turn to be the profitable customers. Thereby, the segmentation may be segment customers in 3 general groups, profitable customers, break-even point customers and unprofitable customers. Therefore, increasing customer retention does not always lead to customer profitability. In contrast, by increasing unprofitable customers' retention will decrease the profits of companies.

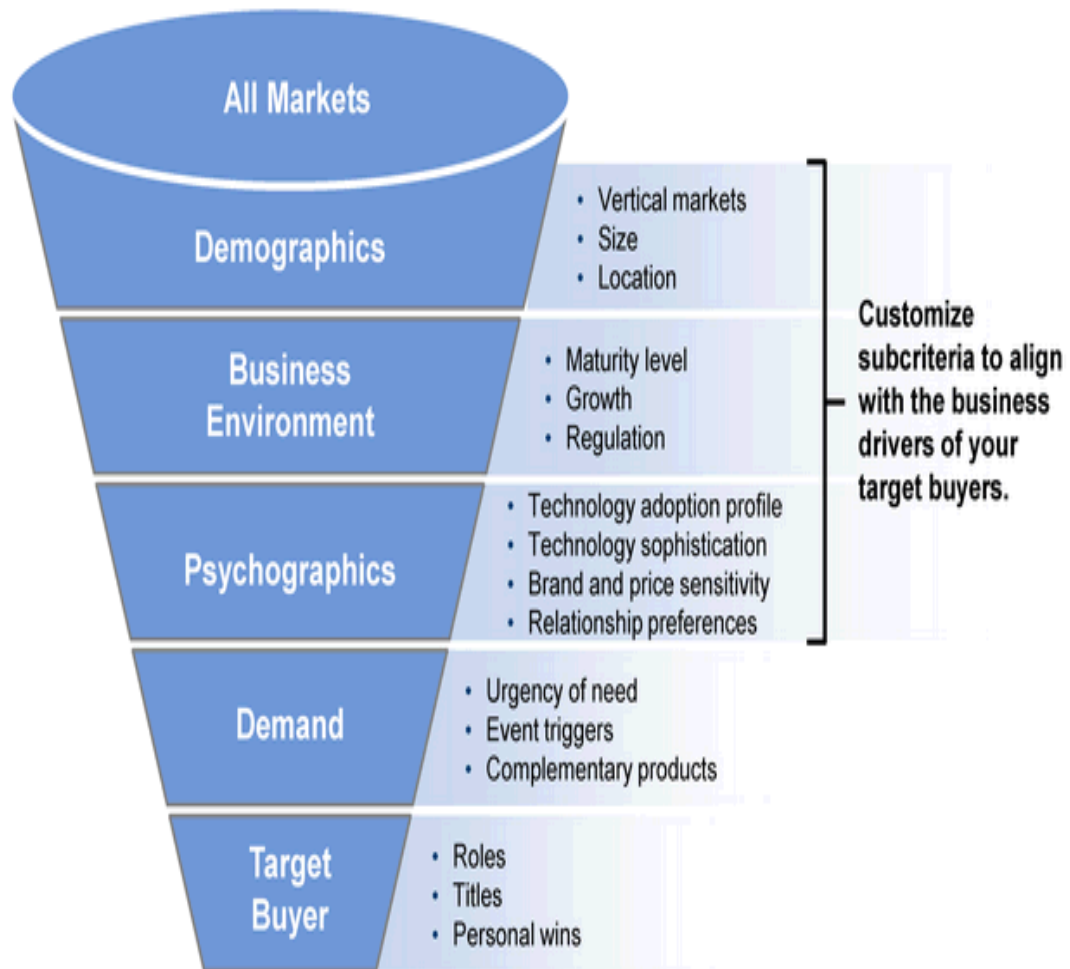
Graph 9 below shows sales revenue contribution by different customer groups according to interviewee Mr. Li (App' 2). As it shows, the portion of sales revenues contributed by loyal customers and important customers 35 % and 30 % respectively. The normal customers contribute 25 % sales revenues and less buying customers generate 10 % sales revenues. Therefore, Golden Crop needs to extend the loyal customers life-cycle, turn important and normal customers to be loyal customers. Moreover, turn less buying customers to be frequency buying customers.



GRAPH 9. Sale revenue distribution by customer group

Concerning customer segmentation, it depends on identifying key differentiators into segment customers groups which can be approached and targeted. Customer segmentation could be a powerful tool for CRM analysis to understand what the exactly customer needs and wants are. Customer segmentation is a crucial element when considering the development of products and services. Hence, the customer segmentation is the most effective tool to enhance profitability and competitive advantage. Customer segmentation could be a principle basis for the company to develop more customers and products, and more to enlarge the market share as well

As interviewee Mr. Li (App' 2) mentioned that managing the existing customer life-cycle is the first step to segment customers by location, types, size, demand, and loyalty degree. While the customer number is increasing, the company needs to segment customers into different groups to manage them and, therefore to set up a plan for these groups respectively.

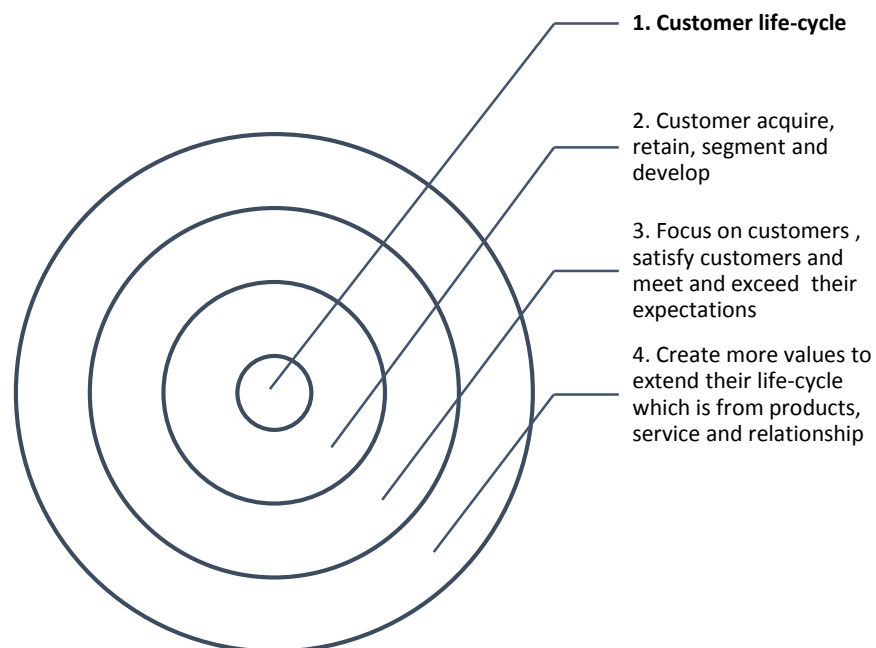


GRAPH 10. Customer segmentation model (Barnes, 2013)

Graph 10 shows the customer segmentation model. Firstly, segment customers according to demographics, such as the size and location of customers. Secondly, segment customers according to business environment. Such as maturity of relationship level, and customer growth and developments. Thirdly, psychographics are the elements to segment customers. Such as customer shopping habit, products and relationship preferences. Fourthly, segment customers by demanding, some customers less demanding and some are large. Finally, who is your target and long-term buying ones is the most important question for developing a company. As Mr. Li said, a good customer segmentation can produce a better marketing plan for the company, due to the different customer groups. Moreover, to know the needs and wants of each group, to design different plans for each group.

5.4 Customer life-cycle model

The customer life time value is crucial for a company developing in a long-term perspective, such as from the financial perspective to analysis customer life-time value. If customers are loyal and continue to purchase from you, then definitely these customers' life time value is greater than less buying customers and easier to switch to another suppliers. (McDonald, Rogers & Woodburn 2003, 167-170.)



GRAPH 11. Customer life cycle model for Golden Crop

The customer life-cycle model same as tree rings, if you want to extend the age of tree, you have to give the nutritive soil to it. Therefore Graph 11 illustrates how to extend the customers' life-cycle. Firstly, one needs to acquire new customers, and then retain them, then segment the existing customers, and finally develop them into loyal customers. As mentioned in Chapter 3, every process of acquiring, retaining, segmenting, and developing were clearly described. Meanwhile, in Chapter 5, there are models designed for GC,

customer acquisition plan mode, customer acquisition process model, customer retention model, and customer segmentation model.

Secondly, the approaches to develop them to become customers by meeting their satisfaction demands and exceeding their expectations. As mentioned in Chapter 2, focus on customers, customer service, and customer satisfaction are sources for GC to develop existing customers to become loyal customers. Focus on every single customer and making them feel important for company developing is crucial. Offering better services than competitors is the key option for customer to select. Satisfied customers are the most important element which can lead to cooperation in the long-term perspective.

Thirdly, life-time prolong action by creating extra real value for them, such as creating value from products, services and relationship are mentioned in Chapter 3. Value from products, to provide good quality products as customer demand, and bound products with delivery together, in term of, buying products get free delivery is important. Value from service, service guarantee and recovery programs are taken into the value creation process. Such as to guarantee customer superior service will be delivered and complaints solving efficiency. Communication between customer and company is beneficial for both parts. A company can deliver new products or promotional activities to customers, meanwhile customers can express what they really need and want from the company. The better a company knows the customers, the more benefits the company can get from a long-term cooperation. If the company needs longer life cycle of the customers, then it should do more for the customers.

According to Mr. Li (App' 2), GC should have a team planning to extend customer life time value. The main aim of the team is to solve complaints, effective communication, and apply strategies to retain customers in long term. For instance, quality guarantee, delivery

speed, and price competition. From long-term perspectives, to extend a customer life-cycle is definitely beneficial for a company. Loyal customers are less price sensitive, and more confident with products and services. Hence, the Graph 11 is brief and easy to apply with Golden Crop and this model is beneficial for customers, it could be a win-win customer life-cycle model.

6 CONCLUSION

This these is based on the concept of Customer Relationship Management and the final purpose is to generate models for the case company Golden Crop to manage its customers. In this thesis, customer is the core element. As in Chapter 2, the customer focus was emphasized instead of product focus. Customer satisfaction and expectation are the key elements to success to retain them. Nowadays, the customer not only focuses on products, but also pays attention more on service. Due to the high competition situation, the service is a priority competitive advantage to compete with competitors. Good service is a crucial factor to satisfy customers, because many customers want to be feel important and be delighted.

Managing customer life-cycle is the main part of this thesis. From a long-term perspective, to extending customer life time is the ultimate obligation for a firm. Managing customer life-cycle involves several process, such as customer acquisition, customer retention, customer segmentation and development. A loyal customer and continuing cooperation with you generates more profit, is more important to you than to acquire new customers or less buying customers. Customer life-cycle is like tree rings, to enlarge the cycle you need more value creation for customers. Such as, creating more values from products, services and relationships.

The interviewees Mr. Xu and Mr. Li, are the establishers of Golden Crop. They described the basic information of Golden Crop, such as Golden Crop SWOT analysis and aims. This information gives a clear picture of Golden Crop in the market. Customer acquisition model, customer retention model, customer segmentation and development model, and customer life-model are built basing on the CRM concept and interviewee's perspective.

To conclude, a customer is the life of a business. No business can survive without customers. Therefore, managing customers is one of the most important issues for a company. As the number of customers increased gradually in Golden Crop, the system of customer management is indeed needed. Segmentation and development is the most important part for Golden Crop to manage customer life-cycle as mentioned by Mr. Li. All in all, the customer life time extension is a win-win result for company and customers.

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I have interviewed the manager from OY Golden Crop Ab, his name is Xu Cheng Fu and he is mainly responsible for delivery arrangement, customer-relation and company developing. The interviewed was taken on 12.01.2016 in the Golden Crop. The interview questions were:

1. How do you understand the importance of customers for developing the company?
2. What is your Customer Relationship Management concept?
3. Do you think managing customer life-cycle is important?
4. Do you have ideal models to manage customer life-cycle?
5. Do you think the models you mentioned above can apply on Golden Crop in real?
6. Due to your job availability, you have more chances to contact your customers face to face, how do you keep a closer relationship with your customers?
7. Do you think customer satisfaction is important for developing the company?
8. Comparing with your competitors in Finland market, what is your company situation and what is the SWOT for Golden Crop?
9. Where do you see your company in 2 years? What is the company's vision and mission?

I have interviewed the manager from OY Golden Crop Ab, his name is LI JUN and he is mainly responsible for purchasing, office management and marketing. The interviewed was taken on 12.01.2016 in the Golden Crop. The interview question were:

1. How do you understand the importance of customers for developing the company?
2. What is your Customer Relationship Management concept?
3. Do you think managing customer life-cycle is important?
4. How many customers does Golden Crop have right now? Loyal, variable and potential customers their portion of the total?
5. Why do these customers chose you rather than your competitors? Due to lower price, better service, and better quality of goods? Do you have any loyalty programs?
6. How is the sales revenue contributed by customers?
7. Do you have customers segmentation and how, why?
8. What are the real reasons of a customer to be loyal to you? In other words, have you created extra value for them by products, service and customer communication?
9. What do you plan to do in 2 years? What are your ideal models to manage customer life-cycle?