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Optimizing CRM Readiness

Specifying a CRM Strategy for Volvo Penta

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Preface

The authors of this thesis would like to express their sincere gratitude to Professor Martin Löfgren and Professor Patrik Gottfridsson for their supervision and help throughout the process.

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Abstract

Purpose
The analytical purpose of this thesis is to link theory on how business processes should be designed to strengthen customer relationships, with empirical data on what these processes presently look like. The empirical purpose is to formulate a CRM strategy for Volvo Penta. This will be done by analyzing how the current processes of the company are designed and what limitations and possibilities the company and market characteristics offer.

Method
A triangulated research method with focus on qualitative interviews is used in the form of in-depth, face-to-face interviews. Thirteen such interviews have been conducted with representatives of different departments within Volvo Penta.

Findings
The empirical data has brought several findings on what needs to be done and thought through in order to optimize a CRM-strategy. One such finding is that Volvo Penta does not have thorough directions on how their processes and customers should be approached. Another important finding is that the level of cross-functionality within the processes is too low.

Recommendations
The authors can make several recommendations by analyzing the empirical data. These recommendations have various simplicity of implementation.
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Chapter 1 – Introduction

The background, problem and a company profile presentation of Volvo Penta are presented in the opening part of this chapter. The chapter ends with the purpose and the further structure of the thesis.

1.1 Background

There are several scholars who argue that customer care is important in today’s business, and there are probably not many that would disagree (Bee & Bee 1999; Cook 2008; Lancaster & Withey 2007). However, the customer focus is a fairly new concept, mostly represented by relationship marketing (Dwyer et al. 1987; Grönroos 1994; Berry 1983) developed in the 1990’s (Peck et al. 1999). One can ask why this topic has only been discovered in the last three decades. The answers are many but the technological advances and the global competition are two common explanations in recent studies. The World Wide Web and global competition (intercontinental distribution) has increased the product range and thus created a buyers’ market (Peck et al. 1999). The topic itself might not be a new problem. However, nowadays technology can enable management of the problem and turn it into an advantage.

Vargo and Lusch (2004) coined the concept of service-dominant logic in 2004 which aims the focus on seeing both products and services as the value that they produce through co-creation. This means that companies have to be engaged in the whole cycle of the product or service by interdependently interacting with customers and thus create relationships. Further studies of deepening the interdependent relationships between a company and its customers are, for example the customer needings concept (Strandvik et al. 2008; Strandvik et al. 2009a; Strandvik et al. 2009b) and the IMP interaction concept (Håkansson & IMP Project Group 1982; Håkansson & Johanson 1992; Håkansson & Snehota 1995).

Relationship marketing is further a way to reach competitive advantage and thus generate greater profits through loyal customers (Hennig-Thurau & Hansen 2000; Webster 1995). This is easier said than done because now the question of how you make the customers loyal arises. It is here this thesis’ main focus of Customer Relationship Management (CRM) enters the picture. A
CRM-system is an Information Technology tool used to enable relationship marketing strategies (Ryals & Payne 2001; Wilson et al. 2007). Companies need to identify and handle several processes within and outside the business (Peck et al. 1999). One large factor that many other models and theories of relationship marketing and customer loyalty do not treat is the internal aspect of marketing where employees are connected to the company and business strategy. Most companies that aim to increase the relationship marketing with the help of CRM most often fail since it is highly broad and complex (Payne & Frow 2005).

1.2 Company Profile of Volvo Penta

Volvo Penta is a part of the Volvo concern and is divided into three main segments, namely the marine leisure engines, marine commercial engines and industrial engines. The marine segment of Volvo Penta focuses on engines made for boats and the industrial segment focuses on industrial machines such as jaw breakers and electrical generators.

The company sells both directly and through so called Volvo Penta Centers (VPC) which are spread around the globe. These in their turn use so called Volvo Penta Service Centers (VPS) to supply customers with spare parts, repairs and maintenance.

Volvo Penta has a heritage that stretches back to 1868 when it was called John G Grönvall & Co and sold everyday items but it was in 1907 that Volvo Penta took its current shape as a marine engine producer. In 1916 the company was purchased and changed name to AB Pentaverken and the production was mainly engines with a focus on the marine market. In 1925, Volvo needed help to produce automobile engines for their first car. The relationship then became deepened and in 1935, AB Pentaverken was acquired by Volvo and then became Volvo Penta. In 2009, AB Volvo Penta had a turnover of approximately six billion SEK with 719 employees. Volvo Penta has mainly three production facilities; Vara in Sweden; Lexington in Tennessee, and Wuxi in China (Volvo Penta 2010).

1.3 Problem

As described in the background, relationship marketing and interdependent relationships with the customers are the ‘new’ ways of doing business. It is therefore important for companies to meet the needs of the customers and start
to adapt to the competitive situation. One way of doing this is to take advantage of the technological development that has increased during the past years. CRM-systems are, according to Möller and Halinen (2000) and Theron and Therblanche (2010), a way of adapting the relationship marketing to the computer technology. Though, as previously mentioned, many companies fail in introducing the CRM-system to their business situation. The question is why this fails.

According to Payne and Frow (2005), a company needs to have a clear CRM strategy which takes both the external and internal marketing into consideration before implementing a CRM-system, which presently, Volvo Penta does not have.

1.4 Purpose

The analytical purpose of this thesis is to link theory on how business processes should be designed to strengthen customer relationships, with empirical data on what these processes presently look like. The empirical purpose is to formulate a CRM strategy for Volvo Penta. This will be done by analyzing how the current processes of the company are designed and what limitations and possibilities the company and market characteristics offer.

1.5 The Further Structure of the Thesis

Chapter 2 In this chapter, the chosen methodology for the empirical research is presented along with a discussion about reliability, validity and precision and neglected research methods.

Chapter 3 In this chapter, the frame of reference is presented. The reader is introduced to theories which will form the knowledge base of the thesis along with the prerequisites which outline the design of the analysis.

Chapter 4 In this chapter, the empirical study is presented and further analyzed in connection to the theories presented in chapter 3.

Chapter 5 In this chapter, recommendations to Volvo Penta along with a scientific contribution is presented. The chapter ends with a discussion of further studies.
Chapter 2 – Methodology

The selected methodology is presented in this chapter, along with why it is suitable for the problem of this thesis. The selection of interviewees, the gathering of data and the analyzing of the conducted information are also explained. The chapter is concluded with a discussion of the validity, reliability and precision of the methodology along with a justification for rejected methodological alternatives.

2.1 Scientific Approach

Since the analytical purpose of this thesis is to link theory on how business processes should be designed to strengthen customer relationships, with empirical data on what these processes presently look like and the empirical purpose is to formulate a CRM strategy for Volvo Penta, it is of importance to translate the data and understand the information in order to grasp the context of the problem. This can be correlated to what Andersson (1979), Eriksson and Wiedersheim-Paul (1999), Ekström (1992) and Thurén (2007) describe as an interpretational approach, where the author deepens, develops and revises the knowledge of the context gathered from the research through interpretations.

In this thesis, it is of importance to capture and grasp the problem situation of the interviewees and make the problem clearer. When this is of importance, qualitative interviews are useful (Kvale 1996; Wallén 1996). However, when interviewing the customers, a combination of qualitative and quantitative questions is seen as most appropriate since the authors also would like to complement the “stories” of the interviewees with more statistically driven outcomes. According to Jacobsen (2002) and Carlsson (1991) this combination is called methodology triangulation and can be highly effective since it captures both the qualitative and the quantitative advantages. To conclude; the interviews in this thesis will have a focus on qualitative interviews with an additional complementary triangulated part for each individual.

The frame of reference (chapter 3) consists of pre-collected information in the form of secondary data. Secondary data is data that has been collected and researched beforehand and not during the current research (Patzer 1995; Kumar 2008; Wegner 2010). Thereby the authors have some assumptions
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Beforehand which will be tested for its validity. Further, the research area cannot possibly be covered solely on secondary data since the business situation of Volvo Penta and their relationships are unique. Therefore, the authors of this thesis will perform interviews which will form the basis of the primary data. Primary data is data collected for the first time (Kothari 2008) and is in this thesis composed through interviews.

2.2 Research Design and Data Collection

The qualitative interviews will be carried out through in-depth interviews. According to (Wallén 1996; Alvesson & Sköldberg 2008; Dubois & Gadde 2002; Pople 1973), in-depth interviews are useful to grasp the phenomenology which is how the interviewee acts and replies and also the interviewee’s visualization and experiences. Carlsson (1991) and Jacobsen (2002) further express that in-depth interviews are valuable when the number of interviewees are few and when the single individual’s story and interpretations are of importance, which is in accordance to the purpose of the interviews; to identify the current CRM situation and future needs of Volvo Penta. Further, according to Gubrium and Holstein (2002), through in-depth interviews, with help of the so called ‘probing technique’, the interviewer can ask follow-up questions and reach even deeper meanings of an answer.

The quantitative interviews will be a complementary part of the qualitative design in the triangulation interviews, mentioned by Bell (1993), with a questionnaire of listed questions where the interviewee chooses a few of the alternatives. Further a quantitative study was conducted with the purpose of reaching a clearer view of the information gathering and sharing within Volvo Penta (survey can be seen in appendix 2).

Performing the Interviews

The authors started by affirming the use of the interviews and the information, which was to depict the current CRM situation of Volvo Penta. Before the interviews were held, the authors provided the interviewee with information about the project and the purpose of the thesis, which according to Dalland (1993) and Ejvegård (1996) is important. The interviews were held in the interviewees’ natural environment to, as much as possible; minimize the ‘context effect’. If the interviews are held in a synthetic or staged environment the answers tend to be somewhat staged as well (Jacobsen 2002). The questions were put together in what Bell (1993) describes as an ‘interview guide’
(appendix 1) with loosely structured question, to be able to make the interviewee speak as freely as possible (the questions derive from the frame of reference and are designed to fulfil the purpose of this thesis). The interview guide was thereby used to keep the interview on track so that the interviewee did not soar away in his/her story. According to Carlsson (1991), it is important that the interviewer steers the interview on the right track, act more as a conversation partner rather than an interviewer and really listens to what is being said, a technique that was actively used throughout the gathering of the data.

2.3 The Interviewees

Since the purpose partly is to form a CRM strategy for Volvo Penta, it is important to grasp the current business situation and the future needs. The authors thereby, in accordance with Volvo Penta, agreed on interviewing a few representatives from each business area, which are industrial, marine leisure, business support, dealer business management and market support. The interviewees further represent different hierarchical levels in the organization. The reason for interviewing people in many business areas and hierarchical levels is that a CRM-system should not be solely implemented for the managers or front personnel but rather represent the needs of each and every employee within the organization. Volvo Penta is a large organization and according to Mr. Bjuve, the CRM-system should be applicable for the whole organization spreading all across Europe. Therefore, the authors additionally interviewed representatives from Italy to further grasp the business situation.

2.4 Analysis

The qualitative in-depth interviews engendered in a large quantity of information and the authors thereby started with summarizing the different interviews to more graspable data, i.e. the interviews were recreated into written text. Jacobsen (2002) recommend this as a starting point when doing the analysis of the data. Next, the authors focused on finding connections between the interviewees’ answers. This was done by categorizing these according to the prerequisites (presented in chapter 3). According to Bell (1993) and Ejvegård (1996), creating categories can make the analysis of the data more lucid. However the scholars argue that the categories need to be reliable, valid, exhaustive and mutually exclusive. The authors have through the frame of references critically presented theories with standpoints from several scholars. Thereby, along with common sense, the categorization is considered to fulfil
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the critical factors. Further, categorization through the prerequisites was used to show the connection between the different parts in the thesis and provide a thorough thread.

The authors will use citation throughout the analytical process to further grasp the individual’s thoughts and how the interviewees describe the phenomenon in his/her own words. According to Jacobsen (2002) citation helps the reader to connect further to the real-life situation and even the small details of the interviews. The citation has been translated from spoken language to written language which may cause some minor changes (Trost 2002).

2.5 Validity, Reliability and Precision

The customer relationship management strategy is complex to investigate and needs to cover basically the whole organization. Therefore, it is difficult to create an interview guide that is not directing the interviewees in any way. The authors started with a fairly large interview guide consisting of approximately 20 questions regarding most of the processes. However, after a few interviews, it was discovered that the interviewees had difficulties in answering many of the questions, for example regarding value creation and customer loyalty. The authors thereby chose to adapt the interview guide (with the help of theories) to the current situation and integrated most of the questions into the CRM part of the interview guide which further enabled the interviewee to speak freely. Since the strategy of CRM is complex, the authors are of the opinion that quantitative interviews would not provide a thorough picture of the problem and thus believe that the chosen in-depth interviews are most suitable for the purpose. According to Jacobsen (2002), there is no perfect research, but if the pre-collected information is used correctly, a more accurate one can be accomplished.

The question is now if the content of the interviews are valid and reliable. The validity and reliability of a qualitative interview are difficult to verify (Berger & Patchner 1988). However, the interviews have shown a saturation which indicates that the questions aim is fulfilled, i.e. the interviews have measured what was supposed to be measured and thus indicate a reliable result (Carlsson 1991; Bell 1993; Berger & Patchner 1988). The interview guide was supported by experts, which further indicates the validity of the outcome since the answers, according to the authors, were collected successfully. The authors have in a previous study (Fredriksson & Johansson 2009) successfully collected
reliable qualitative results within a similar field by applying a technique presented by Gordon (1970):

1. It is easier to acquire reliable information if the interviewee is aware of the purpose of the interview.
2. It is easier to acquire reliable information if you succeed in creating a bond with the interviewee that is based on trust and without anxiety.
3. The reliability of the information in general will increase if the interviewee gets to answer the questions independently and spontaneously.

Gordon (1970) further adds that factors that may affect the interviewee’s answers need to be considered. In this case, the authors found that it might be difficult for the interviewees to explain the desired way of shaping a CRM strategy. This is mostly because the way they work now may be the only way they know how to work and they might not be aware of neither their own needs nor the possibilities with a CRM-system. It should be added that the authors not only described the purpose of the thesis but also the functions of a CRM-system. Due to the previously mentioned technique and downsides of the questions, the authors are positive to the reliability of the outcome in this research.

According to Wallén (1996) it is difficult to generate a precise result when using a qualitative interview. The authors of this thesis are not educated in the interviewing techniques but have only some previous experience which may have engendered in a precision of the research which is not completely perfect. However, due to the resources available, the authors are of the belief that it is as precise as it could be. Further, the authors have focused on collecting precise information by connecting the previous interviews when interviewing (Regnéll 1982) and also by using tools to register the answers as accurate as possible (Trost & Hultåker 2007).

2.6 Limitations and Criticism toward the Methodology

Criticism can be aimed towards the chosen research method of qualitative interviews because of the low precision and fairly low validity and reliability which were mentioned previously. However, it was not possible to perform a pure qualitative research due to the limited amount of information beforehand. The authors therefore chose to use the triangulation to increase the validity,
2 Methodology

reliability and precision of the research which in this case seems to be the best alternative. Then another question arises of the chosen qualitative research method of in-depth interviews. There are a number of different complementary ways of carrying out qualitative interviews e.g. focus groups. However, as mentioned before, the authors are not trained in interviewing methods and when using focus groups it is even more difficult to generate a reliable and valid result. A focus group needs to have a moderator which steers the whole discussion in the right direction and none of the interviewers have that knowledge. Further, it is of importance to grasp the current and future situation of the individuals within Volvo Penta and get their ‘story’ which would not have been possible with a focus group (Jacobsen 2002).

There are many ways to analyse the collected information. Another way of analysing, apart from the chosen one, is to follow three steps; premises, deduction and conclusion (Bengtsson & Bengtsson 2003). However, the authors found it necessary to keep a thorough thread of the thesis which is enabled through categorizing the information. This step is not mentioned as a part of the method mentioned by Bengtsson and Bengtsson (2003) which is why it was rejected.

Another limitation is the number of interviewees and which ones that were interviewed. When performing qualitative in-depth interviews, there is a lot of information generated and it is important to be able to handle it all. The authors therefore chose not to interview more than 20 persons which are seen as an adequate number by Jacobsen (2002). The selection of the interviewees has been agreed upon by the contact person at Volvo Penta, Mr. Bjuve.
Chapter 3 – Frame of Reference

In the beginning of this chapter, a brief motivation of the chosen theories is given. The theories that are presented will give the reader a general description of the actual phenomenon. It includes theories on e.g. key account management, relationship marketing and CRM-systems. The chapter ends with the use of the dimensions and a review of the prerequisites that are conducted through the theories.

The content of the frame of reference is considered suitable for fulfilling the analytical purpose; to link theory on how business processes should be designed to strengthen customer relationships, with empirical data on what these processes presently look like and the empirical purpose; to formulate a CRM strategy for Volvo Penta. This will be done by analyzing how the current processes of the company are designed and what limitations and possibilities the company and market characteristics offer. The design of the frame of reference is built upon a CRM strategy framework presented by Payne and Frow (2005). Within each of the processes in this framework, further and deepened theories are added.

Payne and Frow (2005) have constructed a framework for adapting processes to become compatible with a CRM-approach. They emphasize that the processes need to be cross-functional and have chosen and defined them with this specifically in mind. Further, the scholars claim that there are few such frameworks that have a cross-functional approach. Since supported by several other scholars who recognize the importance and even necessity of cross-functionality in a CRM strategy (Lipka 2006; Finnegan & Currie 2010; Kaplan & Norton 2002) the authors of this thesis concur with this approach. Moreover, Payne and Frow (2005) suggest that the framework should be used as a guideline when formulating a CRM strategy. They make this clear in the following way:

“Synthesis of the diverse concepts in the literature on CRM and relationship marketing into a single, process-based framework should provide practical insights to help companies achieve greater success with CRM strategy development and implementation.” (Payne and Frow 2005, p. 169)
Consequently, the framework of Payne and Frow (2005) will be adopted and used as a platform in this thesis to develop a CRM-strategy for Volvo Penta. Theories from other sources will all be sorted under each of the processes and later linked to Volvo Penta’s particular situation in order to define a CRM-strategy for the company. The five processes that Payne and Frow have identified are: strategy development process, value creation process, multichannel integration process, information management process and performance assessment process.

**Figure 3.1 – Payne and Frow (2006) p. 143**

**Process 1** – The strategy development process is divided into business strategy and customer strategy. The business strategy is about how to compete in the future based on the company- and markets characteristics. The business strategy is then used to formulate a customer strategy. Within this process, theories on key account management are presented since this form the basis of the strategy development of Volvo Penta.

**Process 2** – The value creation process is all about enabling co-creation and co-production of value between the company and its customers. This process is backed up by theories of service dominant logic and customer needings. These theories give the reader underlying facts to how the value creation process
works. Further, the IMP-model and the ARA-model are also presented since they explain what factors enable relationships and value creation between two interacting parties.

**Process 3** – The multi channel integration process is about selecting the appropriate combination of channels of interaction with each customer. It is also about showing one face no matter which channel is used.

**Process 4** – The information process is about how to collect information about customers from all interaction points, making it available to anyone and then analyzing it in order to be able to provide better value to the customers and thereby strengthening the relationship to them. Theory on CRM-systems backs up and illustrates the use and circulation of the information within an organization. The theory of knowledge management illustrates how the information is processed and handed over between people and departments in an organization.

**Process 5** – The performance assessment process involves how to evaluate the performance of the company and use that data to improve the performance further. This process will not be covered further in the thesis and will thereby only be presented briefly.

To validate the choice of these processes further and how they are exhaustive in forming a CRM strategy, a more recent framework conducted by Lambert (2009) should be mentioned. This framework consists of the very same processes except for the multi channel integration process. However, the scholar criticizes Payne and Frow’s (2004) view of cross-functionality and claims that it is too limited. He argues that the processes must involve all functions within a company and that these should be represented both in top management and on so called key account and segment teams that interact with the customers’ respective teams.

Lambert’s (2009) framework consists of a strategic and an implementational dimension much like Payne and Frow’s (2005). However, Lambert’s (2009) are divided into sub-processes. Some of these sub-processes have been borrowed and placed under Payne and Frow’s (2004) processes to further detail the description of the processes. No respect has been paid to whether the sub
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process is strategic or implementational. The sub processes that were selected were sorted in the following way.

Strategy formulation process: review corporate and marketing strategy, segment and identify criteria for segmenting.

Value creation process: Provide guidelines for the degree of differentiation in the product and service agreements, internally review accounts and identify opportunities with the accounts.

3.1 Relationship Marketing

According to Hutt and Speh (2010, p. 92), relationship marketing centres on “...all activities directed toward establishing, developing, and maintaining successful exchanges with customers and other constituents”. The importance of strong relationships has grown within industrial companies during the past decades due to their various advantages (Theron & Terblanche 2010). One advantage is that the deepened relationships work as a shield to prevent competitors to steal the customers. Another advantage is that loyal customers are far more profitable than ordinary ones (Theron & Terblanche 2010; Hutt & Speh 2010; Söderlund 2000).

The industrial relationship marketing is widely shaped through e.g. the industrial marketing and purchase interaction model and the ARA-model (explained further later on) (Buttle 1996). Many scholars (Håkansson & IMP Project Group 1982; Theron & Terblanche 2010; Hutt & Speh 2010; Buttle 1996; Håkansson et al. 1976) point out the importance of building a deep and interdependent relationship with the customers in which the important factors mainly consist of trust, commitment, satisfaction and communication. Reichheld (2001, p. 76) on the other hand argue that loyalty is not a matter of having a widespread database, measurement systems or reward programs but the outstanding loyalty is rather “…a direct result of the words and deeds – the decisions and practices – of committed top executives who have personal integrity”. In other words, the important factors are not the use of excellent technology or strategy but rather in the dedication of top management.

According to Möller and Halinen (2000) and Theron and Terblanche (2010), the information technology has created a large opportunity for relationship marketing where customer data can be assembled and manipulated, which
enables customer relationship management (explained more later on). According to Payne and Frow (2005) and Ryals and Payne (2001) relationship marketing and customer relationship management (CRM) is interdependent and CRM is sometimes called ‘information-enabled relationship marketing’.

3.2 CRM Definition

CRM (Customer Relationship Management) has been and is defined in many different ways by different sources (Payne & Frow 2005). Wilson et al. (2007) observe how some scholars see it as a synonym to Relationship Marketing (Hobby 1999) while others define it as using IT in implementing relationship marketing strategies (Ryals & Payne 2001). Several scholars describe how company executives commonly view CRM as a pure technology initiative and mention this as a major reason to why CRM so often fails (Payne & Frow 2005; Kvale 1996; Finnegan & Currie 2010; Foss et al. 2008; Reinartz et al. 2004). According to Pitt et al. (1995) and Ewusi-Mensah and Przasnyski (1991), it is reported that at least 70 % of the implementations of CRM-systems fail to some extent.

Payne and Frow (2005) emphasize the importance of having one consistently used definition of CRM since it “significantly affects the way an entire organization accepts and practices CRM”. Therefore, they have, through interviews with company managers and by reviewing literature on CRM, identified and sorted different definitions into three main perspectives. The perspectives are: narrowly and tactically as a particular technology solution, wide-ranging technology and customer centric. While the first two, focus on technical implications to different extents, the latter, customer centric perspective has a more strategic and broad approach that views CRM as a way of strengthening relationships to customers in order to increase shareholder value. The scholars argue that any organization should adopt the customer centric perspective, since it will enable them to realize all that needs to be considered in order to have a successful CRM implementation. Consequently, the scholars define CRM in the following way:

“CRM is a strategic approach that is concerned with creating improved shareholder value through the development of appropriate relationships with key customers and customer segments. CRM unites the potential of relationship marketing strategies and IT to create profitable, long-term relationships with customers and other key stakeholders. CRM provides
3 Frame of Reference

"enhanced opportunities to use data and information to both understand customers and co-create value with them. This requires a cross-functional integration of processes, people, operations, and marketing capabilities that is enabled through information, technology, and applications" (Payne and Frow 2005, p. 168).

The authors of this thesis concur with Payne and Frow’s (2005) definition and will use it throughout the thesis.

3.3 Strategy development process

The strategy development process is divided into business strategy and customer strategy. The business strategy is about how to compete in the future based on the company- and markets characteristics. The business strategy is then used to formulate a customer strategy. The customer strategy states how to segment and target customers. In terms of CRM it is much about identifying what kind of relationship is appropriate with what customers.

3.3.1 Key Account Management

“The term key account management refers to the process of categorizing the company’s VIP clients (those who can really affect the strategy of the company) and serving such clients in a special and tailored manner” (Jansen 2008, p. 1).

People in general may refer to key account management as identifying and targeting the most profitable customers in terms of turnover or pure income. However, the field covers a large area of profitability and it is up to each specific company to establish what profitability is for them. According to Cheverton (2004), when a company has decided on what a profitable customer is, they then automatically will address them that way. The scholar gives an example shown in figure 3.2 below.
The big ones
What about tomorrow’s oak trees?
Do you always let the sales statistics make your decisions for you?

The ones you mustn’t lose
You’ll do anything to keep them happy, even if it kills you...

The ones that offer future profit
And where does today’s profit come from?

The ones your staff focus on
So, do they ignore the rest?

The ones where extra effort brings extra return
Not bad, nut now define return – and how many can you do this for?

The ones demanding more
Every industry has its loud mouths; does that make them important?

The ones that will take your business where you want it to go
Perhaps the best, but are you that certain? Do you know? The future is never clear...

Figure 3.2 – Key account management, (Cheverton 2004, p. 6)

As shown in the figure, the aim of profitability addresses the customers and the view of customers in different ways. The scholar further mentions that it is important not to get stuck in current profitable customers but have a future vision of which customers may have a significance importance in the coming years. Pareto’s 80/20 rule is agreed upon by many scholars (Baclawski 2008; Nugus 2006; Parmenter 2007) which describes that, in general, the top 20% of the customers stand for 80% of the profits. This aims the focus on the already existing high profitable ones. Cheverton (2004) does not contradict this principle, however he adds the importance of predicting future customers who further can increase the profits.

In an empirical study, Cheverton (2004) discovered that it is not always obvious who are the key customers or even what a key customer is in a company. The scholar thereby argue that it is of great importance that a company has the same view of what a key customer is and who those customers are to be able to have a thorough aim towards the most profitable ones.

The key account management theory is applicable to the environment in which Volvo Penta is interacting. Further, the key account management is a large part in the CRM strategy development where the selection of VIP customers is of importance.
3.4 Value Creation Process

This process is all about enabling co-creation and co-production of value between the company and its customers, as explained by Vargo and Lusch (2004). The theories presented under the value creation process are also used to design the other four processes since all processes need to be designed to create value. However, they are presented in this part for structural as well as logical purposes.

3.4.1 Service-Dominant Logic

The concept of service-dominant logic (SDL) is to see tangible goods as the value that they provide i.e. as services (Vargo & Lusch 2004). By this, the scholars mean that products do not generate value until they are used by the customer (even include organizations). The customer is thereby a part of the value creation process since he/she is co-creating the value (Vargo & Lusch 2006). This concept was coined by Vargo and Lusch in their article Evolving to a New Dominant Logic for Marketing in 2004, but the concept of co-creating value and seeing even tangible products as services has been researched for decades ((Normann & Ramírez 1993; Prahalad & Ramaswamy 2004; Schlesinger & Heskett 1991)). Grönroos (2000) explains that the supplier is a co-producer of value rather than only making value propositions. This means that value is generated by the customer in the usage of the products which can make every offer unique (Anderson et al. 2008). According to Vargo and Lusch (2004) SDL is a way to strengthen and understand the relationships with the customers which has become more important during the last years.

The service-dominant logic theory is used to identify the value creation process of Volvo Penta. The authors have applied the theory to the situation of Volvo Penta and thus adopt the view that the products of Volvo Penta do not provide values in themselves but rather when used.

3.4.2 Customer Needings

In a study conducted by Strandvik et al. (2008), the scholars found that oftentimes the offer of a supplier is not really what the customer wants. A customer needing is what a customer really needs as opposed to a compromised solution supplied by an offering. Customer needings is based on three dimensions; the doing dimension, the experiencing dimension and the scheduling dimension. These dimensions have further two functions which in
the case of doing and experiencing is mutually exclusive. The model of customer needings can be seen in figure 3.3 below.

**Doing**

- Relieving
- Enabling

**Experiencing**

- Sheltering
- Energizing

**Time framing**

**Energizing**

**Timing**

**Doing**

- Relieving
- Enabling

**Experiencing**

- Sheltering
- Energizing

The doing dimension has got the functions; relieving and enabling. The relieving function concern if a customer wants to be relieved of a certain activity. This means that the customer wants the supplier to deliver a more complete package of products and services. The enabling function refers to when a customer wants to be provided with tools that enable them to do the activities themselves.

The experiencing dimension has got the functions; sheltering and energizing. The sheltering function coheres with a customer that wants the supplier to minimize their risk i.e. to deliver good quality products on time. The energizing function is if the customer wants the supplier to be a part of the development of their value creation process.

**The use of the experiencing dimension in this thesis**

The experiencing dimension concerns the relational and more emotional aspects of the relationship. It involves the actors and their expectations on the relationship and willingness to develop it. It has the dimensions sheltering and energizing. Sheltering is about minimizing risks. Energizing is about co-creation of value. Fredriksson and Johansson (2009) found that these dimensions are not necessarily mutually exclusive. However, energizing comes at a price. It requires the buyer to become interdependent of the supplier by adapting processes and organization in order to link resources, tie activities and create
bonds between actors, as mentioned by Håkansson and Snehota (1995) in the ARA-model. The functions can be related to a transactional respectively a committed relationship. Information regarding needings within this dimension is harder to get by and to quantify. It is usually picked up by actors who interact with their counterparts in the customer organization. It is likely that the needings are of a sheltering nature at the initial stage of the relationship but this needing has potential to evolve gradually given that the relationship is nurtured. Therefore, it is very important to pick up clues of the experiencing dimensions present location i.e. at what stage of a relationship the customer and the supplier are.

Shanks et al. (2009) divide the stages into acquisition, retention and strategic customer care and argues that the service level needs to be adapted to each level. Hollyoake (2009) agrees but uses the levels core, differentiated and bonded. Finally, Mcdonald (2000) identifies different levels of key account management and what the approach towards the customer should be at each. The IMP-model by Håkansson and IMP Project Group (1982) can also be used to identify different kinds of relationships. Especially, the environment factor can give clues on the expectations and limitations on the relationship, an evaluation of the atmosphere can describe the current state along with signs of institutionalization of the interaction process.

- The scheduling dimension has got the functions; time framing and timing. The time framing function describes how long the supplier sees the duration of the relationship. The timing function describes how well the supplier can detect changes in the customer’s needs over time.

Even though the theory of customer needings is fairly new and somewhat unexplored, the authors found it vital to include it in the CRM strategy development. The theory brings up important processes in the value creation and thus, as the service dominant logic, helps mapping the process of how a company creates and helps to create value.

### 3.4.3 The IMP Interaction Model

The IMP interaction model was made by Håkansson and IMP Project Group (1982) for the purpose of depicting an interaction between two parties in an industrial relationship. According to Ford (2006) the business process is based on interactions rather than single isolated transactions. Håkansson and IMP
Project Group (1982) describe the model in four elements; the interaction process, the participants in the interaction process, the environment within which interaction takes place and the atmosphere affecting and affected by the interaction. Figure 3.4 below illustrates the connection between the four elements.

**The Interaction Process**

The interaction process separates the individual episodes and the relationship. The episodes refer to the actual exchange between two parties i.e. exchanges of products and services, information exchange, financial- or money exchange and social exchange (often characterized by adapting and dealing with cultural differences). The relationship is generated in the use or interaction of the episodes, especially the social exchange. According to Ford (2006) a relationship is built up when the episodes are institutionalized which means that the parties do the exchange without questioning it. Buttle (1996) argues that it is not the exchanges mentioned previously that form the relationship and the institutionalization of these but rather the way IT is forming the business nowadays. IT enables companies to preplan the interactions and exchanges and thus relationships do not grow because of the many exchanges.

**The Interacting Parties**

As mentioned above, the relationship is integration between two interacting parties. There are a number of factors that affect their relation and Håkansson and IMP Project Group (1982) mention the following factors. Two companies can have different technological standards which will affect the way that the two will do business. One party might use technically advanced communication tools and production tools while the other party uses traditional and non-technically advanced tools and thus make the episode exchanges complicated. The structure and size of the organizations will also affect the relationship. A large company with high bargaining power may be seen as the dominant party and thereby the decision power between the parties is uneven. Organizations’ experiences will also affect the relationship where the parties can be differently committed due to previous practices. Finally, Håkansson and IMP Project Group (1982) mention the individuals in the interaction between the parties. The individuals have a more complex way to reach a committed and trustful relationship than the other factors due to cultural differences, individuals’ history, experiences etc.
According to Håkansson and IMP Project Group (1982) a relationship cannot be seen as isolated but has to be seen in context to other surrounding factors. One factor is the market structure which is affected by the environment of the business where the relationship is acting, for example if the market is domestic or international (in an international context, the factor of internationalization is of meaning). Dynamism is another factor that describes the parties’ commitment to the relationship. The position in the supply chain should be identified by the two companies since their actions and interactions will affect further relationships closer to the consumer. The scholars finally add the social systems as a factor that needs to be considered when evaluating and looking at the interaction environment. The social systems exist of e.g. product/service regulations, local purchasing laws and language restrictions.

Figure 3.4 – Figure from Håkansson and IMP Project Group (1982) p. 32

The Atmosphere

The atmosphere between the interacting parties explains their closeness to each other. According to Håkansson and IMP Project Group (1982), having closeness between two parties brings advantages to both but the interdependence to other companies has to be balanced. The benefit that the parties can receive from a close and committed relationship is that the
transactional cost and the production cost can be reduced due to the opportunity to optimize the production process between the parties. Further, as mentioned in the relationship marketing part, a close relationship often engenders higher revenues (Theron & Terblanche 2010; Hutt & Speh 2010; Söderlund 2001). The mutual control between and within the companies can further increase the prediction of future needs and changes and forecasting the environmental situation.

3.4.4 The ARA Model

The activities, resources and actors (ARA) model explains how to deepen and further link the involved parties in a supply chain and enables an interdependent thinking rather than individually solving problems (Bals & Hartmann 2008). The model was developed by Håkansson and Johanson (1992) and is further explained in the book Developing Relationships in Business Networks by Håkansson and Snehota (1995). As the name intends, the model describes the relationships between the activity links, the resource ties and the actor bonds which originally was aimed towards industrial relationships.

There are a number of activities performed between two parties in a relationship. The activities need to be linked between the parties and thus enable effectiveness and cost reductions. The activities, for example, regard technical, administrative and commercial aspects. When linking the activities, the parties become more interdependent which makes it more complex to replace a party for another i.e. the relationship is strengthening every time activities are linked.

The resources in a relationship can be tied to the involved actors and further tie the activities between the firms. The resource ties, for example, are manpower, equipment, knowledge and image. The interface of the resources between the parties can over time grow and become broad and deep which further creates strong ties between the involved parties.

When two companies interact and develop some sort of relationship, it is always individuals who perform the interactions which makes them an important aspect in each and every relationship. In a successful relationship, the actors create bonds between each other and thus generate an interpersonal relationship as well as a resource and activity based relationship. When bonds are shaped, the parties become mutually committed to the relationship which is
shown in the way of trust and commitment. A relationship does not have to be building on all three layers but also of a single or combination of two layers. Håkansson and Snehota (1995) further explain that the more the companies are focusing on the layers, the more integrated and deepened the relationship will get. Figure 3.5 below illustrate the connection between the three layers.

Both the IMP interaction model and the ARA model describe what activities enable a successful relationship. The authors have used these theories to find similarities and dissimilarities in the relationships that Volvo Penta has to their customers and also their internal processes of enabling strong relationships to the customers.

3.5 Multi-channel integration process

This process is about selecting the appropriate combination of channels of interaction with each customer. It is also about showing one face no matter which channel is used. In other words the channels a customer interact with need to be coherent, co-ordinated and designed to maximize the customers’ value (Payne and Frow, 2004)

In the strategy development process the company constantly assesses the business environment in order to manage the business and customer strategy. The strategy determines how the company considers customer value and how to create it. However, it is not enough to know how to create it. It must also be
realized in practice. This is where the channels enter the picture. The channels are the touch points with the customers where all their interactions with the company happen. Payne and Frow (2004) have identified the following six groups of channels: sales force, outlets, telephony, direct marketing, e-commerce and m-commerce. In order to provide value, the right channels and channel combinations must be chosen for each customer or customer segment, it must be ascertained that the channels really do provide the value stated in the value creation process and the channels must be integrated so that they provide a consistent and coherent experience for customers who use multiple channels (Payne & Frow 2004). Mcdonald and Dunbar (2005) stress the importance of viewing channel selection and strategy as an ongoing process and that companies need to understand the dynamics of channels.

Selecting the right channels to interact with certain customers

The choice of channel or channels used to interact with certain customers must be based on the criteria that it should enable the value creation for that certain customer (Lanning 1998). In other words, the selected channel should be able to provide exactly that, which was found to maximize the customer’s value in the value creation process (Payne & Frow 2004). Some customers might have lower expectations or needs due to their own resources and capabilities and would therefore not need the most expensive way of interaction. This is in line with the ARA-model which states that the distribution of activities between companies in a value chain depend on their resources (Håkansson & Snehota 1995).

Further, as part of CRM is to focus on the most profitable customers this also has to dictate the channel choice. For example, those customers who are considered potentially profitable might be interacted with by face-to-face while those that are less profitable might have to do with a call center (Payne & Frow 2004).

Finally, the choice needs to be based on what information the company needs from the customer. Even if a channel is the right one to make the sale then it should still not be used if the information needed to support the CRM-strategy cannot be reached through it. This information can be used to detect needs both when it comes to how to create value and what channels are preferred and needed presently and will be needed in the future (Storbacka 2001).
Making sure the experience within the channel is good

Payne and Frow (2004) highlight the importance of designing the channel interaction so that it meets or exceeds the customer’s expectations. This might mean that you have to customize within the same channel to differentiate the interaction between different segments or customers. Yet again, the success of this depends on the amount of information you have about customers. To further emphasize the importance of a perfect interaction experience, a study by Jones and Sasser (1996) can be mentioned. They found that only customers who were highly delighted could be considered truly loyal. The customers who were only satisfied were only slightly more loyal than those who were thoroughly dissatisfied.

Offering a consistent and coherent experience across channels

Madaleno et al. (2007) have found that in a B2B context, customer satisfaction is strongly related to multichannel consistency. Storbacka (2001) concurs by claiming that a company needs to have consistency across the channels if it wants to form a particular perception of itself in the customer’s mind. Further, the scholar warns that any inconsistency might confuse the customer, diminish his view of the company and lead to negative word of mouth. However, according to Payne and Frow (2004) multichannel integration is not only about providing a consistent experience. Sharing information about customers across the channels and knowing about other channels’ interactions with the customer can also enable the supplier to participate in their value creation process in the best possible way.

3.6 Information management process

This process is about how to collect information of customers from all interaction points, making it available to anyone and then analyzing it in order to be able to provide better value to the customers and thereby strengthening the relationship to them. Payne and Frow (2004) underline the importance of creating a purposefully designed system consisting of different kinds of technology that can make this possible.

3.6.1 CRM-system

The authors previously described the CRM-systems as IT-based relationship marketing where the focus, as the name intends, is to strengthen the relationship to the customer regardless if it is the end-customer or industrial
customer (further agreed upon by Bygstad (2003)). According to Ryals and Payne (Ryals & Payne 2001), a CRM-system is used to enable the relationship marketing strategy. Also mentioned earlier, CRM-systems usually are unsuccessfully implemented and about 70 % fail to adapt a CRM-system (Tafti 2002). According to Schwartz et al. (2002) this is because companies most often view a CRM-system as purely technical and thereby only takes that into considerations. Though the technical aspect is one affecting variable, equally important is organizational change, different views of the customer and business change. Further Argyris and Schön (1997) argue that the managerial implications from articles often form the basis for the implementation of a CRM-system where the actual business is not regarded and is not optimally applied to the current situation. It is easy for the companies to skip some important steps in frameworks such as the one conducted by Payne and Frow (2005), which further indicates the high failure rate.

Bygstad (2003) mentions that a CRM-system is most often implemented to collect and store information about the customers and the way to communicate with them. Ciborra and Failla (2000) describe CRM as an information infrastructure with three main factors; processes, people and technology which intends that the CRM-system is not an isolated tool to communicate with customers but rather a tool that needs to be integrated in all transactions of the business lifecycle. According to Bygstad (2003) the CRM-system has three main promises to the business; (i) help each worker to manage the personal contacts, activities and documents, (ii) works as a tool for dialogue marketing in the form of individually aimed marketing (expressed as an important factor for CRM-system by several scholars (Deighton 1996; Peppers & Rogers 1997)), and (iii) use the information from customers to analyze future product and service potentials. Figure 3.6 below shows an example of the CRM-system solution offered by Microsoft. This shows how some features are correlated in the CRM-system and further which parts of the company that are affected. Though, it should be added that this is just a reference from Microsoft and not representatives for all CRM-systems since they can vary in both complexity and width of usage.
Hutt and Speh (2010) mention five main CRM priority areas; (i) acquiring the right customers, (ii) crafting the right value proposition, (iii) instituting the best processes, (iv) motivating employees, and (v) learning to retain customers. Companies can choose either to have the CRM-system to cover all or just some of the priority areas depending on what the need might be. Within these areas, Hutt and Speh (2010) further show how a CRM-system technology can help a business. This is illustrated in figure 3.7 below (modified by the author from a table presented by Hutt and Speh (2010) p. 105).
CRM-system benefits

<table>
<thead>
<tr>
<th>Acquiring the Right Customers</th>
<th>Crafting the Right Value Proposition</th>
<th>Instituting the Best Processes</th>
<th>Motivating Employees</th>
<th>Learning to Retain Customers</th>
</tr>
</thead>
<tbody>
<tr>
<td>Analyze customer revenue and cost data to identify current and future high-value customers</td>
<td>Capture relevant product and service behavior data from customer transactions</td>
<td>Process transaction faster</td>
<td>Align employee incentives and performance measures</td>
<td>Track customer defection and retention levels</td>
</tr>
<tr>
<td>Target marketing communications to high-value customers</td>
<td>Create new distribution channels</td>
<td>Provide better information to customer by contact employees</td>
<td>Distribute customer knowledge to employees throughout the organization</td>
<td>Track customer service satisfaction level</td>
</tr>
<tr>
<td>Develop new pricing models</td>
<td>Manage logistics and the supply chain more efficiently</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Figure 3.7 – CRM-system benefits

3.6.2 Knowledge Management

A company needs to distribute different people’s experiences throughout processes in the organization to enable the best customer value. Experience management focuses on managing the knowledge in a company and thus requires the knowledge to be; captured, modelled, stored, retrieved, adapted, evaluated, and maintained. According to Bergmann (2002) and Siebert (2005), this knowledge should, to make it effective, be combined with the Information Technology such as CRM-systems or other information intranets. According to Kerschberg and Jeong (2005) it is important for the decision makers in a company to easily access knowledge which is generated from other employees. The scholars call this just-in-time knowledge management. Though, there is now a need to figure out what is the right information and who the recipient of the information is. The answer lies within the company which has to decide on standards for the knowledge management. One large reason for focusing on experiences and knowledge management is that through CRM, the company needs to adopt a customer-centric approach through a single communication point and thus needs to act unified without hazarding multi-message answers (Bergmann 2002).

3.7 Performance Assessment Process

This process involves how to evaluate the performance of the company and use that data to improve the performance further. It needs to be decided which metrics should be used for this assessment. Probably measurements like
customer lifetime value are more appropriate when having a CRM-focused strategy. It is also important to have cross-functional metrics so that finance does not have some and marketing others.

3.8 Implementation

Payne and Frow (2006) have developed a framework for the implementation prerequisites of CRM. They have identified the elements of CRM readiness assessment, change management, project management and employee engagement to be vital when it comes to the implementation stage. However, even if these elements are vital to the success of CRM the authors of this thesis must limit themselves to the strategic part consisting of CRM-processes due to time restrictions and complexity. Therefore, the implementation elements will only be described briefly.

According to Payne and Frow (2006) a CRM readiness assessment aids in showing to what degree a company is ready to progress with CRM implementation and what first needs to be done as far as strategy processes are concerned. The scholars suggest the use of an overview audit if an organization is in the early stages of CRM development. The purpose of this audit should be to underline the relative priority of each of the five key CRM processes and what degree and what kind of change work needs to be applied within each process. Further, the scholars emphasize the importance of having an effective change management program. Companies that adopt CRM usually need to undergo major organizational and cultural changes, something which is not often realized by company executives. Payne and Frow (2006) identify three recurrent change management issues. Firstly, a visible sponsor for CRM from the highest level is vital for avoiding employee resistance and instead making employees understand and become committed to the CRM initiative. Secondly, a clear CRM vision is needed to create shared values and a customer focus. Finally, cultural clashes between departments within a company can prevent the possibility of working in a cross functional manner. These need to be made visible and resolved. The scholars have found that a common recipe for success in CRM implementation is the establishment of cross-functional teams (Payne and Frow 2006).

The project when implementing CRM can be either in the form of specialists working with a deadline or an internal cross functional team. Issues of main importance are that the project goal must support the CRM- and business
objectives as well as corporate strategy and that any changes in scope should be made with great care since it is very easy to add functions that are not needed to support a customer centric strategy. According to Payne and Frow (2006) it is impossible to implement CRM without a motivated and trained staff. The scholars refer to Srivastava et al. (1999) who note: “processes are meaningless when viewed in isolation of those people charged with implementing them” (p.170). Payne and Frow (2006) claim that selecting the best employees, developing them through training and effective leadership, motivating them and empowering them will enable them to provide an outstanding customer experience. They even go as far as concluding that employee engagement is generally the most important factor in successful CRM implementation.

The Prerequisites

The service dominant logic does not clearly add knowledge to the CRM strategy as such. However, it is important to adapt the view of service dominant logic to be able to understand the company’s value creation process. Therefore, the authors have taken the service dominant logic view when conducting the interview guide and further in the analysis and empirical part of the thesis.

<table>
<thead>
<tr>
<th>Prerequisites</th>
<th>Included theories</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Strategy Development</strong></td>
<td>Key account Management</td>
</tr>
<tr>
<td></td>
<td>Service Dominant logic</td>
</tr>
<tr>
<td></td>
<td>Customer Needings</td>
</tr>
<tr>
<td><strong>Value Creation</strong></td>
<td>IMP Interaction Model</td>
</tr>
<tr>
<td></td>
<td>ARA Model</td>
</tr>
<tr>
<td><strong>Multi-Channel Integration</strong></td>
<td>Channel Management</td>
</tr>
<tr>
<td><strong>Information Management</strong></td>
<td>CRM-system</td>
</tr>
<tr>
<td><strong>Implementation</strong></td>
<td>Knowledge Management</td>
</tr>
<tr>
<td></td>
<td>Implementation</td>
</tr>
</tbody>
</table>

Figure 3.8 – The prerequisites

Due to the complexity of connecting many of the theories, the authors found it necessary to illustrate the use of the theories further. The prerequisites are built upon four of the five processes namely; the strategy development process, the value creation process, the multi-channel integration process and the information management process as well as the implementation stage. The sixth
process of performance assessment is excluded due to the fact that it is complex and not as relevant to the purpose of the thesis. The prerequisites are conducted to keep a thorough thread in the coming parts of this thesis. Figure 3.8 above illustrates the use of the theories in connection with the prerequisites that will form the basis of the coming chapters.
Chapter 4 – Empirical Result and Analysis

The beginning of this chapter divulges the information about the interviewees. The analysis of the empirical result is presented within each of the previously mentioned prerequisites.

4.1 Qualitative Study

Figure 4.1 below shows the participants in the interviews. The single interviewee’s stories and thoughts will be anonymous and not directly linked to the specific interviewee.

<table>
<thead>
<tr>
<th>The Interviewees</th>
<th>Contact Person</th>
<th>Position</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Department</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Industrial</td>
<td>Peter Karlsson</td>
<td>Management</td>
</tr>
<tr>
<td></td>
<td>Miron Thoms</td>
<td>Project Manager Sales</td>
</tr>
<tr>
<td></td>
<td>David Henngren</td>
<td>Product Manager</td>
</tr>
<tr>
<td></td>
<td>Roger Carlund</td>
<td>Application</td>
</tr>
<tr>
<td>Marine Leisure</td>
<td>Pascal Jamet</td>
<td>Management</td>
</tr>
<tr>
<td></td>
<td>Nils Ingerslev</td>
<td>Sales Manager</td>
</tr>
<tr>
<td></td>
<td>Nicola Pomi</td>
<td>Sales Manager</td>
</tr>
<tr>
<td>Business Support</td>
<td>Ingrid Thedin</td>
<td>Local Manager</td>
</tr>
<tr>
<td>Dealer Business Management</td>
<td>Eva Nilsagård</td>
<td>Management</td>
</tr>
<tr>
<td></td>
<td>Anders Alvhede</td>
<td>Sales Manager</td>
</tr>
<tr>
<td></td>
<td>Gabriele Nenicioni</td>
<td>Sales Manager</td>
</tr>
<tr>
<td>Market Support</td>
<td>Micheal Rooney</td>
<td>Management</td>
</tr>
<tr>
<td></td>
<td>Andreas Floberg</td>
<td>Service Engineer</td>
</tr>
</tbody>
</table>

Figure 4.1 – The interviewees

The presentation of the empirical qualitative strategy will include results from the quantitative study as well, since the two are correlated. The analysis and presentation of the empirical study is done through the five prerequisites presented in the previous chapter.

- Strategy Development
- Value Creation
4 Empirical Result and Analysis

- Multi-Channel Integration
- Information Management
- Implementation

4.1.1 Strategy Development Process

Payne and Frow (2005) underline the importance of formulating a clear business strategy that will determine a customer strategy. In interviews the authors have not been able to identify a clear strategy neither when it comes to overall business nor customers. This might be because the interviewees have not been on the highest managerial level. However, the authors have been able to make qualified speculations on the underlying criteria that decide the design of the strategy formulation process. This has been done by analyzing recent and past actions in the form of reorganizations within the company as well current customer procedures along with comments by interviewees.

The macro segmenting within Volvo Penta is by area of use or product. The segments are industrial, marine leisure and marine commercial. Within these segments, some customers are chosen to be so called ‘key accounts’. Key account management according to Hutt and Speh (2010) is about identifying the ‘key customers’ with the highest profit potential, applying resources to and providing them with value that is not given to ‘normal customers’ in order to get a big share of wallet and long term relationship in exchange. This is concurrent with relationship marketing principles (McDonald 2000) which suggests that key account management may be seen as part of the newer discipline of relationship marketing and proves that Volvo Penta have adopted a mindset that sees relationships as important. The practical implications of being a key account customer within Volvo Penta, according to an interviewee, is that they are prioritized when it comes to quickness of reply, time given to resolve issues, participation in product development process, ability to negotiate changes in contracts and so on. Further, they are assigned to a key account manager rather than a sales manager or a centre. In other words Volvo Penta’s general customer strategy formulating process is driven by the aim of identifying the most profitable customers and discriminating towards these. A CRM strategy is supposed to facilitate key account management. Therefore it is relevant to try and map the processes of how key account customers are identified i.e. who decides on the criteria for selection and who provides the information on which to base decisions. After mapping the processes it will be analyzed whether this process can be redesigned to be more customers centric.
Empirical Result and Analysis

Review corporate and marketing strategies

A manager at Volvo Penta describes how the switch towards key account management (within Norden) has been rather problematic. Executives out in the regions became key account managers, mostly within the marine leisure segment. The idea was that these should be able to focus all of their attention on the customers and selling by having a team of people to support and report back. This is in line with Shapiro’s (1989) definition of key account management as an approach that puts one executive or team in charge of “all aspects of a customer’s business, directly or coordinating the efforts of others”. However, the executives were neither happy to lose their, as they figured it, ‘executive status’ nor did they fully understand how the new process was supposed to work. The interviewee further mentions how there was not enough time to educate everyone about this but that it is now slowly falling into place. Further Volvo Penta has reorganized their retailer structure in Europe within all segments. They call this ‘The New Dealer Structure’. The whole idea of this is to reduce the number of its so called VPC’s (Volvo Penta Centres). The interviewee mentions how the aim was to reduce a thousand centres to around a hundred in Norden. Further in the dealer department, another manager adds that:

“Volvo Penta has already reduced the number of centre accounts in Europe from 2500 to approximately 800 and continuing.”

The reason for this disintermediation was that Volvo Penta simply found that selling through most of these VPC’s did not contribute much to profits or was even unprofitable. The majority of the centres were not offered new contracts based on current performance and estimated ability to improve. This conforms with relationship marketing thinking which emphasizes the gain of identifying and focusing on the few most profitable customers. In parallel to the disintermediation, Volvo Penta also transferred more customers on the few remaining centres. This along with the reduction depended on the fact that other segments (industrial and marine commercial) were more profitable and more closely related with Volvo Penta’s core competences. This is by an interviewee expressed in the following way:

“Before and sometimes still, some private person on a boat out bobbling in the middle of the sea would call our guys and ask for help.”
4 Empirical Result and Analysis

In other words, this is not where Volvo Penta’s core competence lies. To fully utilize the resources they should be used in the most profitable segments and on the most profitable customers. Further, an interviewee mentioned that Volvo Penta could not even maintain the service level that was needed towards all of these smaller customers.

“Today, if something goes wrong a boat owner calls their lawyer before they call to complain”.

The changes have lead to that the key account managers can now have a higher degree of control over the best performing centres and are able to help them to improve further. Moreover, the resources used to maintain the former centres can now be applied to more profitable customers such as big OEM’s and industrial customers who also are divided into key- and normal accounts. Most interviewees agree that this is the way Volvo Penta works (the customer strategy), how they should work and that it will be profitable. One interviewee however, criticizes the idea of letting centres handle a larger amount of customers, at least on the industrial side. He argues that the centres are not sufficiently equipped with the tools necessary to deal with the customers. This means that the resources (man hours in helping) that were supposed to be freed for more profitable activities are put on the centres instead of the end customers. He admits that it does not take exactly the same amount of time to help the centres as the customers but thinks that if Volvo Penta were prepared to trust the centres enough to provide them with the tools necessary it would reduce the problem. He issues the remedy of training and access. He further welcomes the idea of decreasing accounts served per manager. However, he indirectly expresses the need to reduce it even more as he describes how there is constantly limited time for face to face meetings and time to nurture relationships with existing customers and his partner concurs in the following way:

“I’m confused. I find myself looking for new customers when we do not even have time to take care of the existing ones.”

Other interviewees have expressed a similar worry how it would be hard to find time to actually enter customer information after a visit or call or analyzing the data. There is already too much to do with everyday work activities. McDonald (2000) describes how many companies have too many key accounts so that the
whole idea of being able to assign resources disappears. In line with theories claiming that very few customers stand for a big part of the profit, the authors suggest that the number of key accounts or the number of customers is to be reduced. However, to optimize the most profitable customers and to grow, prospecting is an important factor. Two interviewees work with spotting new opportunities and enlarge the market share by prospecting new customers. Though it is here, as well as when minimizing the number of existing customers, important to know who a key customer is and can evolve to be. If this is not carefully managed, the process of minimizing the number of customers will be an endless spiral.

The authors do not feel that the employees fully know how to interact with the key accounts or maybe know it but rather just do as they see fit. In an empirical study, Cheverton (2004) discovered that it is not always common who are the key customers or even what a key customer is in a company which means that it would not be surprising if this was the case for Volvo Penta.

Further, Volvo Penta has recently implemented a completely new order to delivery process that is supposed to let the customers be more involved in the process. With the help of the system they can, among other things, make changes in orders and enter their future demands well ahead of ordering date and thereby get a more customized service. This also lets Volvo Penta see more clearly what each customer requires which means that this process improvement benefits both parties. The OTD-system is described further in the information management process part.

Another change that Volvo Penta has made is, according to a manager, to centralize management in the Norden region. This might be good for consistency across channels but there is a risk that information about customer needings is not transferred all the way to the highest level which means that the customer strategy formulation is based on incomplete data.

To sum up, it should be said that the strategy reviewing process is dynamic in the sense that many changes have been implemented recently which all seem to be based on a thorough strategy. They are doubtlessly customer centric in their nature and they prove that information about necessities to change really reaches top management. Key account management, disintermediation, change of channel strategy (increased responsibility of centres) and implementation of
an OTD-system are all perfect examples of changes intended to help create appropriate relationships with the right customers. However, no matter how customer centric they are on a strategic level, the actual implementation of them they are not always optimal. The specifics in each change seem to be based heavily on management level and do not fully consider the reality as seen by certain front office functions. In other words, the attitude of being prepared to make strategic changes will heavily support and be supported by a CRM-system but to maximize the benefit, more cross-functionality is needed.

**Identifying criteria for segmentation**

Criteria used to distinguish key accounts from normal accounts were in the quantitative survey said to be volume, profitability, potential sales, turnover and potential turnover. None of the respondents but one claimed to have been involved in the selection of these criteria however. They further explain that they are informed of which the criteria are by top management. It can therefore only be assumed that top management have decided these criteria. The question is if the criteria would be the same if front office functions had been involved in the selection of criteria. Something an interviewee said hints of this. He notices how sellers do not prioritize customers as the company wants them to. He claims that the sellers are probably aware of which accounts are key customers but that they prioritize the people within companies whom they have formed strong bonds to. The interviewee refers to these actors as ‘goa gubbar’ (‘nice guys’) and mentions the problem in the following way:

“I think this occurs because it is not always fun to talk to all customers. Some customers are tough and have high demands. I think that people prioritize the nice guys before the ones higher up on the list since the ones high up usually are the ones that are the toughest and bark the loudest.”

This is interesting since Volvo Penta do not seem to include such criteria as actor bonds when selecting key accounts, even if it presents the opportunity to strengthen the relationship and increase share of wallet. Hutt and Speh (2010) describe how the number of interpersonal ties, the strength of these and what degree of power the customer contacts possess are strong drivers for profit. It seems like sellers on a lower level recognize the importance of this dimension though and take matters into their own hands, bypassing management. This coheres with Chevartons (2004) model which shows how you can interpret
profitability in different ways and could be a sign that relevant information is not transferred properly across the organization because of different views on profitability. It brings the problem of channel inconsistency if some people treat and prioritize customers in one way and others in another. Such information as relationships between actors and expectations on relationship needs to be transferred to management and other functions. Cheverton (2004) underlines the importance that a company has the same view of what a key customer is and who those customers are to be able to have a thorough aim towards the most profitable ones. An interviewee explains what the criteria are within Volvo Penta:

“The key accounts are chosen based on their profitability and return on investment, the gross profit. However, they can also be chosen upon their qualitative benefits of identifying improvements of the relationship and customer value.”

These measure current profitability, level of target fulfilment and development over time. A manager claims that Volvo Penta needs to identify the centres that have developed technically and economically and have a will to develop further. She, along with several interviewees mention how she thinks that the personal chemistry between interacting people is important which is in line with theory on actors and individuals in the ARA-model and IMP model presented by Håkansson etc. Lambert (2009) also claims that relationships between actors are necessary for accessing such information that can be used to discover needs and co-create value. Further, a centre should be available around the clock and be able to handle all segments. Many interviewees mention that ABC-analysis has been used a lot previously but not so much anymore due to a certain employee leaving the company. This indicates that procedures are tied to specific actors rather than formulated strategies on how processes should be designed. Further according to another interviewee:

“The ABC-analysis is not frequently used nowadays since the recession in the economy does not provide accurate numbers.”

To sum up, the criteria selection process does not seem to be very cross-functional in its nature. Management have decided on the criteria which seem to be realized by everyone but not used consistently, either because they are interpreted in different ways or regarded as incomplete. The criteria are
consistent with those mentioned by Lambert (2009). However, there are many ways of measuring for instance potential profitability. Examples are such as actor bonds, expectations on relationship, level of current relationship and compatibility between supplier resources and activities that the customer want them to perform. These are all mentioned in theory to be value creating. However, they were not mentioned by the interviewees to be used when selecting key customers. In other words, the process could be more cross-functional and thereby get more value-based.

**Segmenting**

All respondents in the quantitative survey answered that they contribute to choosing who the key accounts should be either by supplying the deciding functions with information that the selection is based on or by deciding themselves based on the criteria. Such information is distributed by meetings, phone, face to face, email or in one case the software “Team place”. This is a sign that different functions are involved in identifying key accounts which according to Lambert (2009) and Payne and Frow (2004) is vital for CRM-strategy processes. However, there was some indication that the selection should be made more independent of management and be based more on front office evaluation.

One interviewee for example thinks that management chooses key accounts based on size and the amount of business they do with Volvo Penta. However, he doubts that these big customers always are the most profitable. He claims that their competences usually vary a lot and they often require much of his time compared to customers that have been around for a long time. A study conducted by Wilson (1997) gives the interviewee reason to question the profitability of big customers. It shows that it is often the biggest two or three customers who the company loses money on since these negotiate contracts based on cost of goods sold but actually cost considerably more due to the additional free of charge services they make use of. A way of solving this problem is to unbundle services (Lovelock & Wirtz 2007) and let customers pay for what they really want and need. An interviewee claims that it is easy to know which customers require a deepened relationship and should be made key accounts. A rule of thumb is customers that produce boats that are over 55 feet. These are so complex that the customers need Volvo Penta to be highly involved to minimize the risks. Mcdonald (2000) warns that customers who may qualify as a key account actually prefer a strictly transactional relationship.
and that if relationship forming activities from the suppliers’ side are seen as an investment there is a risk of over serving the customer in question. Therefore, such a simple approach may be seen as risky.

It is important that the selection of key account customers is based partly on customer facing employees who can make their own evaluation of non-numerical values such as actor bonds, relationship expectations, what stage the relationship is within, signals of future needing and if such fit with the value the supplier can offer. However, key account customers are also chosen on the value they produce. According to a manager some centres in the aftermarket can be unprofitable but due to the reason that Volvo Penta should have services in all areas, some centres need to be kept. One manager further adds that the closeness to the customers oftentimes decides a key customer in the dealer department.

According to a respondent, it is important to root customer care more deeply within the company and he explains this in the following way:

“All people of Volvo Penta need to know what customer care is and why specific customers are important.”

Chevarton (2004) emphasizes the importance of choosing key accounts based on future profitability. Many of the interviewees mention that this is actually done when selecting key accounts. However, it seems like the estimation is then based on the future growth of the customer and not so much on the possibility of increased share of wallet that could be reached through strengthening the relationship.

To sum up, it should first be said that the success of the process of segmenting obviously depends on choosing the right segmentation criteria. Since that sub-process is not perfect this one will not be either. The information that is wanted to be able to segment is transferred properly within Volvo Penta and involves many functions. However, the people who are supposed to identify and spread such information seem to have different views of what the criteria mean. It should be made clear that these should, additionally to other criteria, be based on such things as actor bonds, relationship expectations, what stage the relationship is within, signals of future needing and if such fit with the value that the supplier can offer. If these criteria are used along with more active use
of ABC-costing analysis and unbundling of services this process could more easily detect the customers that are most valuable and deserve to get a customized product and service agreement.

4.1.2 Value Creation Process

This process is about finding out the customer needings and how to fulfil these. When asked about how customer value is identified and delivered most interviewees referred to the negotiation process where a technical specification along with price, terms for warranty and so on are agreed upon. They answered that the value that the customer desires is expressed there and then a compromise is made based on Volvo Penta’s resources and what the customer is prepared to pay. This is concurrent with a goods dominant logic as described by Vargo and Lusch (2004). Strandvik et al (2008) explain how customer needings are typically not talked about in the customer organization and sometimes not even realized. Therefore the value creation process needs to go beyond the negotiation process and include information from all customer facing functions as well as back office.

Provide guidelines for the degree of differentiation

To be able to offer value, there needs to be flexibility built into the processes of the company which allows it to customize offers (Peppers et al. 1999). This can be in the form of empowerment of employees or simply by offering platforms of core services that can be built on (Grant 2007). When asked about the possibilities to customize offerings, most of the interviewees talked about customization of the physical product which according to the interviewees is rather limited. An interviewee says that the physical products are global products designed to suit all of the customers and have to be standardized. He further claims that the customers are not always right. They are right from their own perspective but as he says:

“We listen, but wouldn’t change the design. What he wants is not always suitable for his customers.”

Another employee thinks that Volvo Penta can benefit from having customized offers since the customers have varied levels of maturity. He further says that many of the customers are sincere entrepreneurs and not business leaders and therefore not always knows their own needs. Strandvik et al. (2008) argue that unless a customer can be convinced that his needing is actually not what he
thinks it is, it is his view that matters when forming a value proposition. An interviewee says that customers can choose from products in a catalogue and another interviewee explains that there is not high possibility to customize the warranty terms or other aftermarket services. He says, however, that they can change components in the aftermarket.

An interviewee on one hand thinks that the customers usually know better than Volvo Penta what they need in terms of products and his opinion should count for much since he is in application. On the other he thinks that the catalogue of products that Volvo Penta can offer is too standardized and that the customer usually will have to do with what is closest to their actual need. He further explains how he feels more limited all the time to actually satisfy the customers’ needs. The customer is requesting a complete system concept unit from their suppliers which Volvo Penta in his opinion cannot offer due to the company’s limiting processes. This he means, leads to that Volvo Penta get more and more faced away from the customers and he picks up signals that customers are dissatisfied and talk about how the competitors can deliver more complete solutions and are more flexible. When asked why the customers stay with Volvo Penta anyway he says that it is because of the interpersonal relationships and that they know that the people at Volvo Penta do everything they can despite complex systems to solve their problems. This is something that, according to the ARA-model by Håkansson and Snehota (1995), is an important factor for a successful relationship. Though, if the customers are not given the right resources and activities the actor bonds may not be enough to sustain the relationship. The interviewee further mentions how he formerly, when working at central applications, could customize an offer based on customer value. He claims that they are feeding the third floor with information of how bad it is and the growing customer dissatisfaction but that there probably is no money to do anything about it.

Another interviewee thinks that customers are satisfied with the face to face discussion and that they feel that Volvo Penta listen and attend to their expressed needs. However, he admits that there are few good tools to manage such a process. He speculates that Volvo Penta’s presales product configurator which is used to find the right solution internally could be made accessible to more customers so that they can get a bit in the decision process by themselves whenever they want to.
To sum up, the degree of differentiation is too low. A product oriented mindset seems to dominate the company which prevents the possibility to identify opportunities to co-create value. The ability to customize offerings is vital for value creation since if the degree of differentiation is low, then nothing or not enough can be done to meet discovered needings.

**Internally reviewing the accounts and identifying opportunities to co-create value**

As mentioned earlier, all interviewees seem to be of the opinion that the customer’s needs are expressed by these and that the sellers have a pretty good view of what these are. They do not see big advantages if any with finding similar patterns between customers to be able to cross-sell and up-sell. An employee says that this industry is not like a book store where you can recommend customers certain books based on what previous customers bought. A manager explains how such analysis is maybe not relevant since it is not a business-to-consumer market. However, even if the low number of customers makes it difficult to get the statistical data needed it might still be relevant to analyze past behaviour to foresee reactions to changes and future demand. Strandvik et al. (2008) call this needing dynamics and underline the importance of being proactive to create customer satisfaction.

Further, even if the seller really does know enough of the customer to act pro-actively, that information needs to be shared with other functions as well and the seller needs to be supplied with information from these functions.

One interviewee explains how key accounts are followed by a team of a salesman and an application engineer who is 100% engaged in that specific customer. They constantly try to find ways of developing the relationship and opportunities for increasing value. These two report to him about their ideas for how to create value for the customers. He then decides on what should be done and sends a spreadsheet report to top management. Monthly meetings are held with HQ to let them know about the mood of the market, relationship status and so on. A segment meeting takes place twice a year to solve segment specific problems together. However, Lambert (2009) claims that all functions need to be involved both in identifying needings and finding ways of fulfilling them. This is the case since all functions have different areas of expertise and different views of the possibilities. Therefore, it would be even better for the value creation process if the key account teams consisted of people from other functions than sales and application.
An interviewee explains how the research and development people are very innovative but sometimes do not consider former complaints and quality and function issues when developing new products. He says that this is not due to the lack of such information, however. Further, he tells how he and his boss have recently managed to convince other people of the serious quality issues that the company actually has. This shows that there is something wrong with the information sharing process if such important information as quality issues is transferred but not used. It would probably mean that less tangible information would be taken even less seriously. However, in this case the products themselves only offer little source of customization. There is greater potential and easier to customize the service experience quality and add-on services.

One manager mentions specifically for Norden region how it would be good to have people from other countries than Sweden in the management group. Leadership was centralized some two years ago and she perceives the risk of getting too far away from the market when making decisions. She has a point in this since such information that only a customer facing employee can pick up is vital when making decisions about customers especially since Strandvik et al. (2008) claim that customer needing are not always expressed or even realized within companies. The doing function of finding out what activities a customer should be relieved of and enabled to do, experiencing function of minimizing risks or co-create value, the dynamics of these as well as relationship length expectancy all are not easy to estimate and usually requires listening skills and sharing of information to form a complete picture. When you have that picture you can act pro-actively. The practical implications of this is that these clues should be dug for and when found out documented and spread through the supplier's organization to form a clear picture of the needing. Further, since needings are dynamic and constantly need to be updated in the supplier organization and kept in pace with, the supplier can even foresee needings and act proactively. The fact that they are dynamic even means that the supplier can affect them by giving suggestions or enlighten the customer of the true nature of what would maximize co-creation. The information that needs to be found out concerns the three dimensions of doing, experiencing and scheduling.

The doing dimension concerns how to link activities in order to maximize value co-creation. The manner of linking all depends on the relative resources the
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parties have or rather the customers view of these relative resources. It needs to be distinguished how all the activities that need to be performed towards the next step in the value chain should be distributed. Further, it needs to be found out which activities the customer wants to be relieved of respectively be enabled to perform themselves. A customer profile for each customer should be created where resources are evaluated, historical preferences for relieving or enabling of activities, things they wanted in the contract that was disnegotiated (maybe this could be done cheaper in future with different solution) fragments of conversations that give hints of activities needed to be relieved of or enabled to do in the future etc. This information can also contribute to the research and development process if shared properly. It can be used to identify patterns between segments, cross sell, up-sell, change service experience etc. In the survey it was found that all respondents used such information as resources and competences of customers when interacting with and making offers towards them. They further replied that they share such information with others. However, it is not used to analyze between customers as suggested by Shanks et al. (2009). The information that is shared is also very basic and what should be shared is decided by the discoverer and generally spread through phone, mail, meetings or regular conversations. This means that analysis is limited to the discoverer, no possibility to keep a detailed profile is presented and that the cross-functionality of this process becomes low.

When it comes to the experiencing dimension, theory selected for this thesis suggest the use of identifying expectations on the relationship i.e. if a sheltering or energizing relationship is sought. Further, relationship stages reached with different customers as explained by Shanks et al. (2009), Hollyoake (2009) and Mcdonald (2000) should be stated and known by everyone. The implications are that Volvo Penta can use models like these to diagnose the current relationship, if it can be deepened and in that case how. This needs to be done continuously and everyone needs to be aware of the relationship stage of each customer and the relationship forming strategy towards that customer in order to deliver a consistent experience, an appropriate service level and to avoid the risk of over serving customers. An interviewee depicts a scenario that could be avoided by doing this:

"Let’s say a key customer calls here, asks for payment because something broke. Warranty terms can sometimes be a bit unclear and interpretive and in our official view the damage is caused by them. The person who
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takes the call denies the warranty claim. The customer gets upset but keeps calling. He reaches me and since I know that I can trust the person who calls not to be opportunistic and that this should go on goodness because of the importance of the relationship I accept the claim. However, the damage is already done and the customer has been angry for several days.”

This could have been avoided if everyone knew of the relationship level held with the customer and the current strategy to improve the relationship.

Finally, actor bonds should be evaluated and shared to identify opportunities to strengthen the relationship and get more and better information to base value creation on.

Information regarding all three of these matters should be actively dug for by everyone who interacts with customers.

Some interviewees do consider and spread such information as relationship expectations, current relationship levels, opportunities to strengthen it and actor bonds. However, it varies a lot. Some use all criteria to create value themselves but do not share the information and some do the opposite. A stated procedure, used by everyone and a customer profile that everyone contributes to updating, is needed.

4.1.3 Multi-channel Integration Process

This process is about delivering a consistent customer experience within interaction points, across interaction points and across regions but also having an internal similar view of each customer across different functions. Consistency, according to Lovelock and Wirtz (2007) is a major element in creating value. Therefore, it is a sub process of the value creation process. However, the authors chose to have it as a separate process since it will give a clearer view of how it works. It seems it is within this process that most interviewees saw the potential benefit of CRM. An interviewee expresses this in the following way:

“We have so many interaction points with customers, in particular those of different functions. Today some probably experience that we sometimes work like four different companies toward a customer.”
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All of the interviewees emphasize the importance of showing one face to the customers and most mention that this is something that Volvo Penta need to become better at. According to an employee, the customer can get different answers from different people within the same organization and he says that this is Volvo Penta’s Achilles heel. Another employee even thinks that it is vital to link different departments better to even get any real benefit from a CRM system. An interviewee describes the main obstacle of being consistent in the following way:

“If I ask you to do something, then I count on you doing it. If you have problems you ask for help. However, the internal communication does not always work. I think this is because of the attitude and somewhat unclear roles; is this my problem or not and if they think it is someone else’s problem they do not put the problem through the organization but rather just leaves it as it is.”

It seems like the view is that the main benefit of sharing information is the practical use of knowing what happened before. Many talk about the access to certain customer information even if someone leaves the company or is sick. An interviewee mentions a scenario where a customer has many payments due and an application engineer goes there without the finance department notifying him of this:

“When he comes back he thinks that the visit went well and he was very service minded towards the customer the finance department guys ask him if he reminded them of their due payments. The customer is probably laughing about our lack of communication then.”

In the previous section it was described how Volvo Penta could be more consistent by identifying different relationship stages with specific customers and then make everyone act according to this. Since this is very concurrent with the experiencing function of the customer needings model it was seen as a part of the value creation process. However, there is also a need of knowing what happened before regardless of the level of relationship. This enters into the domain of service experience quality and the moment of truth when facing the customers and is about showing empathy, keeping promises, avoiding repeating something that someone else said or did (wasting time) or making the customer
do this. These are all factors that create satisfaction and loyalty and should be performed towards all customers despite their ambitions for co-creation of value according to Hollyoake (2009). An employee sees this as Volvo Penta’s main way of keeping customers loyal. He explains:

“If you do something wrong you have to be honest and admit this, and then correct it. You also have to answer the phone and show that you are aware of and care about the customers’ problems. That is what it is all about.”

Others agree with the employee that it would be very good if they before each customer visit or call could gain access to information that enables them to act in this way. In other words, they see greater potential for a CRM-system in providing a seamless experience than in forming strategy and identifying and delivering value.

Another interviewee brings up an issue that is very evident for a global company as Volvo Penta. The customers are often big ship manufacturers who are also global. This brings the importance of being consistent also across different regions. He mentions as an example that many Italian customers have now established themselves in Brazil. Representatives for Volvo Penta in Brazil and Italy therefore have meetings to form a customer strategy for this customer in the new region and the Brazilians are provided with all that information which the Italians have of the customer’s preferences and what has been done towards the customer in the past. This helps much in providing a seamless experience and getting a high share of the customer’s business and is a sign of well-designed processes. However, it is unknown whether this process is the same for other regions than Italy. Nonetheless, the specific global nature of Volvo Penta and its customers brings the need for a global CRM system where information is shared across regions.

One manager mentions how in the Norden region they centralized the management to get consistent processes. The only danger of doing this is that the customization level suffers. The ultimate solution would be to empower people but within certain procedures. One of the benefits of CRM as mentioned by Shanks et al. (2009) is that it brings the possibility to empower employees. This is because the employee can himself get access to historical and cross-functional information and does not need to go through management
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as a collector of information. It can be expected that Volvo Penta who today have consistency problems would have even more so with the raised level of empowerment that CRM requires to be utilized to its full potential. Pre set ways of how information on who are key accounts, what relationship stage the companies are in, how to create value and what happened before, should be selected, distributed, interpreted and used, needs to be agreed on and clearly communicated throughout the whole organization.

4.1.4 Information Management Process

The information sharing process today seems to work mainly through monthly reports and meetings. A manager even thinks that it is more relevant to have meetings than to store data in a database. Another interviewee explains how the common way of getting information about status of customers or projects is to walk up to the person you think knows and ask. The information shared seems to be up to what the holder or miner of the information deems as relevant. Several of the interviewees admit that they keep information to themselves that could be useful to others and that they could use additional information from other people. One example is this, as mentioned by an interviewee:

“The information stays with me after a customer visit. You usually have a purpose for the visit and then you take notes during the conversations. This information is kept by me and I then distribute the information to the persons I think should be involved. This is all manually, practical data. If I were to be away for half a year there would be problems because then someone needs to contact me or search for the information in my office.”

Another interviewee mentions how often you bypass the central application and go directly to the person you need to see. You can do this because you know who to ask and create your own social network within the organization. He agrees that this is not good but it is quicker. This brings the problem that the coordinating and analyzing function of data is lost and decisions become based on incomplete statistics.

However, there are various information technology systems that are used, as it seems, mostly randomly and uncoordinatedly. Moreover, different functions use different systems which are further proof of departments working with little communication between them.
A short description of these systems, how they are used and by whom can be seen below.

**Team Place**

Team place is a simple information sharing system that is easy to use. It is used to share information with centres and to create customer profiles consisting only of basic inputs such as contact information. According to an interviewee there are ambitions to formalize the use of Team place, store more information and make parts of it accessible to customers. The people who mentioned it were within sales, business support and at management level in the industrial segment and can therefore be assumed to be the ones that use it.

**Argus**

Argus is a case handling system used for cause, correction and complaint issues. An interviewee explains that it is designed originally to be a CRM-application but later redesigned. Another interviewee claims that everyone can access the database, it contains all data on product specification and loose parameters, is user friendly, is used by both office and workshops and is used by 50-60% of Volvo. He further states that he personally saves all data in Argus, even telephone calls. One manager thinks that Argus is a rational tool to handle quality problems. Another interviewee explains that it is used to store safety issues, market quality reports, to get technical support among other things. He says that parts, helpdesk and application engineers will start using it but that it is mainly used by market support. It is also used by some centres to share solutions. However, he thinks that it is too complex to search in and not user friendly.

**OTD**

OTD (Order to Delivery) is a newly implemented system that is meant to standardize the order to delivery process. A manager claims that it is the biggest computer system Volvo Penta has ever invested in and forces everyone to work in the same way. An interviewee explains that it is used for such processes as purchases, production, delivery and billing and that it is to be used globally. In other words it is not an information distribution system but could be designed to support the CRM strategy by assuring that processes are creating value and possibly even be linked to other systems. An interviewee thinks that OTD will limit the possibilities to customize offerings and delivery. The optimal would be
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if the OTD-system leaves room for empowerment and customization without risking inconsistency and inefficiency.

Partner Network

Partner network is a tool to communicate and share data with customers. It is used as a marketing and sales channel to take a load off the sellers. It contains documentation, promotion, delivery plans and order status etc. It came in connection with OTD.

Data Warehouse

The data warehouse is filled with raw data according to one interviewee. However, it is very complex and difficult to search in and not very user friendly.

The main opinion among the interviewees is that Volvo Penta has to either decide on using one system or that they integrate the different systems into one large system. As it is now, some departments share information only among themselves, there are outdated records of customers and information is duplicated. Further, the interviewees all share the opinion that there needs to be a standard of what kind of information should be collected and stored.

4.1.5 Implementation

As far as the implementation is concerned the first step of readiness assessment has been if not thoroughly executed then at least started in this thesis. What needs to be done within each process (except for the evaluation) according to interviewees and theory has been explained previously in the analysis. The issue of greatest importance that we have found is a thorough internal belief that implementing a CRM system would go smoothly and could be carried out at an operational and strategic level simultaneously. An underestimation of the change management efforts needed in the form of organizational and cultural changes are recurrent in the interviews. Even if implementations of such initiatives as key account management and a new order-to-delivery system hint of customer centric thoughts much still needs to be done. The authors see no reason to not advocate the same advice as Payne and Frow (2004). Sponsorship from the highest level, a clear CRM vision and overcoming gaps and clashes between departments. The use of cross-functional teams both in the strategy and implementation phase as suggested by Payne and Frow (2004) and Lambert (2009) is recommended. Finally, employee motivation and training cannot be forgotten. In the interviews many fail to see the benefits of a CRM-system
especially when it comes to value creation and strategy formulation and some seem reluctant to share information or are not adequately instructed of how to do it.
Chapter 5 – Recommendation, Discussion and Further Studies

In the beginning of this chapter, the recommendations that divulges from the empirical study will be presented. Further, a discussion about the thesis will be presented along with a discussion of further studies.

5.1 Recommendation

The analytical purpose of this thesis is to link theory on how business processes should be designed to strengthen customer relationships, with empirical data on what these processes presently look like. The empirical purpose is to formulate a CRM strategy for Volvo Penta. This will be done by analyzing how the current processes of the company are designed and what limitations and possibilities the company and market characteristics offer.

The prerequisites, which were found in the frame of reference, are presented below:

<table>
<thead>
<tr>
<th>Prerequisites</th>
<th>Included theories</th>
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<tbody>
<tr>
<td>Strategy Development</td>
<td>Key account Management</td>
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<td>Service Dominant logic</td>
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<td>Customer Needings</td>
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<td></td>
<td>IMP Interaction Model</td>
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<td>ARA Model</td>
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<td>Value Creation</td>
<td>Channel Management</td>
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<td>CRM-system</td>
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<td>Knowledge Management</td>
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<td>Multi-Channel Integration</td>
<td>Implementation</td>
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<td>Information Management</td>
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<tr>
<td>Implementation</td>
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</table>

Figure 5.1 – The prerequisites

This section aims to give a clear picture of all those things that could be done by Volvo Penta to improve their CRM strategy. Once the processes are redesigned to accommodate the forming and strengthening of relationships as well as understood and agreed upon by everyone in the organization a CRM-system can be chosen to support these processes.
The recommendations are derived from two different sources. Some recommendations are based on opinions and suggestions expressed by interviewees. Others come from mismatches that the authors' have discovered between the design of Volvo Penta’s current CRM processes and how they should be designed according to the chosen theoretical framework.

Most of the recommendations state what needs to be done but not exactly in what manner. This task was not included in the purpose of this thesis and will be up to Volvo Penta to decide. The information process is included in the other processes since the recommendations within that process overlaps the other.

The core of the problems is of an attitude and habitual nature. What is of main importance is that top management sees the benefits of relationship marketing and dare to make changes in strategy to become more customers centric. Ideas of practical implications coming from employees at Volvo Penta, who are far more familiar with the company than the authors of this thesis will then surely follow. The recommendations provided below are only such that the authors could see with their limited perspective and most of them stem from that CRM strategy processes need to be more cross-functional, more consistent and based on customer needings in order to enable value creation.

**Strategy formulation process**

- It is not clear to everyone what the company’s business- and customer strategy is. This needs to be clearly communicated and understood by everyone. It is impossible to provide others with the right information if you do not know what strategy it should support.

- Volvo Penta needs to trust their centres enough to provide them with access, tools and training that can make them more independent. This will maximize the potential of the key account strategy and in the long term release resources that are spent on centres.

- The potential to increase the profitability and loyalty of customers is prevented by a lack of time to identify needs, attend to those and share the information with others. Therefore, Volvo Penta needs to focus more on retention, less on acquisition and reduce the number of key accounts.
5 Recommendation, Discussion and Further Studies

- Volvo Penta needs to communicate more clearly who are key accounts and how they should be targeted. Currently the employees are empowered to decide on these themselves within certain frames. It is important that these frames are understood in the same way by everyone to create a consistent experience.

- When selecting key accounts the compatibility between company’s resources and competences and customer needs, i.e. Volvo Penta’s potential to fulfil the customer’s needings should be considered. Therefore, information about customer needings needs to be transferred to management who choose the key accounts.

- The potential to develop the relationship with a customer also needs to be considered when selecting key accounts. This involves information about whether the company is looking for a transactional or a bonded relationship and what actor bonds exist between the companies. Information about these needs to be transferred to management who choose key accounts.

- One way of increasing the possibility to customize and to see more clearly which customers are profitable could be to unbundle standardized product and service packages.

Value creation process

- In general all relevant functions need to be included to a further degree in the key account selection as well as the value creation. Especially front office should be encouraged to contribute with more information.

- Volvo Penta should become more customers centric and further adopt the service dominant logic attitude.

- Employees should be empowered and supported by flexibility in processes to be able to customize offerings.

- The presales product configurator should be made available to customers.
Volvo Penta should analyze between and within customers to a further degree to be able to find patterns and be proactive.

R&D needs to be better linked to rest of company. New products need to be based on customer needings.

Everyone that has customer contact needs to actively dig for customer needings, try to affect them and communicate them throughout the company. Procedures for this should be decided upon.

A customer profile for each customer should be created that contains an evaluation of resources, historical preferences for relieving or enabling of activities, expressed needs, fragments of conversations that give hints of activities needed to be relieved of or enabled to do in the future and what the key persons are and the existing relationships to those.

Everyone within the organization need to agree on possible relationship stages that can be reached with different customers. A stage then should be set on each customer with the help of joint data collection, as well as if the relationship can be deepened and in that case how. This needs to be done continuously and everyone needs to be aware of the relationship stage of each customer and the relationship forming strategy towards that customer.

**Multichannel integration process**

Departments need to be linked closer to each other and procedures for how to share data, what data to share, what to look at before a customer interaction needs to be decided upon.

Pre set ways of how information should be selected, distributed, interpreted and used, needs to be agreed on and clearly communicated through the whole organization.

Cross functional teams involving more functions than currently should be formed.
5 Recommendation, Discussion and Further Studies

- A global CRM-system that involves all regions is needed. At least when it comes to information on global customers.

- All of the legacy systems need to be integrated in a CRM-system. The OTD system should be configured to support a CRM strategy.

Implementation

- When implementing the CRM-strategy, Volvo Penta needs to conduct a readiness assessment, have a change management plan, a project management plan and a strategy for engaging the employees.

5.2 Discussion

The authors feel the need to discuss the importance of being well prepared before implementing the CRM-system. Some resistance has been met to the identifications of processes that may have to be adjusted. Volvo Penta has, as has been said previously, several information systems, which have been implemented due to upcoming needs without regarding other departments or processes. Many of the systems are in several areas overlapping and thus generate in double work. Since the interviewees have an expressed need of a complete CRM-system, the implementation of the other programmes may thereby seem impulsive and not completely thought through.

The research has not covered the implementation of a CRM-system but only looked at the CRM-strategy needed. However, the empirical study and the not very successful previous implementations express the importance to follow the steps of the CRM-strategy and identify the changes that needs to be done in the different processes.

The consistent theme found in every process is that the degree of cross-functionality could be higher. The underlying foundation for becoming a customer based company is there and evident in implementations made by the company in recent years as well as interviewee answers. However, several process improvements that need to be made before implementing a CRM-system and that can be aided by the implementation of such have been discovered and can be seen in the recommendation.
In a way, this thesis is a natural continuation of a previous thesis written by the authors (Fredriksson and Johansson 2009). The purpose of that thesis was to find gaps between what was offered by a supplier similar to Volvo Penta (Rolls Royce in Kristinehamn) and the needings of their customers. This thesis takes it a step further, or back if one likes, and looks at how such gaps and needings are discovered, spread through the organization and how that information is used to create value. The insight brought by this thesis explains the many gaps found in the previous one. Since Volvo Penta and Rolls Royce are similar in many ways it can be assumed that the findings in this thesis can explain why such gaps occurred and do occur in companies similar to those of Rolls Royce and Volvo Penta. In Volvo Penta’s case it was found that they are unable to discover and meet customer needings at least partly due to their process design on a strategic level. Because of what has been explained here it can be proposed that the previous customer focused thesis and this completely internally focused thesis complement each other.

The unique touch with this thesis was meant to be to:

- For a global, industrial supplier of complex products and services, see if processes for forming a CRM strategy, stated in frameworks suggested by two different scholars, are consistent with theories that explain value creation and relationship strength.

The authors sometimes experienced that it was difficult to translate value creation into the language of everyday business for a specific company and therefore found that it was difficult to explain and ask questions about it. Nonetheless, theories on how to create value and managing relationships were found suitable to combine with the processes in the frameworks on CRM strategy. This approach is advocated for future students, researchers or managers who are trying to restructure processes to be more customer centric.

If this thesis was to be rewritten, an attempt to map the organization and its current processes would have been made at an earlier stage to bring clarity in the specific characteristics of Volvo Penta and to be able to more accurately formulate questions for the qualitative interviews. Further, a limitation to one of the segments within Volvo Penta would have been made. Then, interviewees could have been chosen from additional departments and of different functions within that segment to get a wider view of the cross-functionality and avoid
Recommendation, Discussion and Further Studies

confusion concerning segment differences. Finally, the activities concerning selling through intermediaries such as centres would have been left out and a focus would have been on industrial customers buying directly. This choice is due to the complexity and differences between the two channels.

5.3 Further Studies

The result of this thesis has been heavily based on qualitative data gathered from in-depth interviews. It would be interesting to use a more quantitative approach to map exactly how information is gathered, exchanged, interpreted and used to support the CRM-processes and what role different functions and individuals play in this.

Further studies could also focus on how actor bonds between companies ease the process of identifying needings. Finally, it would be interesting to find suitable empowerment- and customization levels for companies similar to Volvo Penta who wants to improve their CRM, as well as procedures and determinants for setting those.

An obvious further dimension to this thesis would be to follow the implementation of a CRM-system and compare the end result of a company which first designs processes to be customer centric with a company that does not.
References


References


References


References


Appendix

Appendix 1 – Interview guide

- Mention how you make a customer loyal
- What decides a profitable customer?
- What happens with the non-profitable ones?
- Are the relationships important?
  - Why?
- Who is interacting with the customers? More than one?
- How are they working with the information?
- Which of the customers get most attention?
- How is the customer data gathered internally and how is it distributed?
- Who has access to the customer data?
  - How is it used and for what?
  - What information is documented?
- Through which channels do you interact with the customers?
- Do you think a CRM-system would be useful?
  - Why?
- What would you like a CRM-system to do for you?
- Is it different people in different stages?
- Connection between sales and service centres

Mark three of the following advantages that a CRM-system would bring:
- Improved customer data management
- Improved process management
- Improved customer service
- Empowerment of staff
- Empowerment of customers
- Improved productivity
- Enables real-time responsiveness to trends
- Facilitates market segmentation
- Facilitates key account management
- Improved channel management
- Improved analysis, reporting and forecasting
- Improved customer satisfaction
- Improved business performance
- Improved value-added partnerships
Appendix

- Improved innovative use of CRM systems
- Improved marketing
- Improved internal communication
- Cost reduction
- Saving time
Appendix 2 – Qualitative Survey

1. What criteria is used to decide which customers should qualify to be key accounts?
If you don't know, what do you think?

2. Do you contribute/Have you contributed to deciding which criteria these should be?
Yes/No

If you don't contribute to spreading information about criteria or who are key accounts go to question 5!

3. How do you inform others within the company of which the criteria are?
Meetings, face-to-face, argus, team place, other software, mail/phone, other:

3.1 Who do you inform?
Application, after market, business support, dealer business management, centers, management within own department, top management, sales, marketing, IT, finance, research and development, manufacturing, purchasing, logistics, other:

4. How do you inform others of who the key accounts are?
Meetings, face-to-face, argus, team place, other software, mail/phone, other:

4.1 Who do you inform?
Application, after market, business support, dealer business management, centers, management within own department, top management, sales, marketing, IT, finance, research and development, manufacturing, purchasing, logistics, other:

5. Do you get to choose by yourself who you should treat as a key account?
Yes/No

5.1 If yes, from whom do you get criteria to base the choice on?
Application, after market, business support, dealer business management, centers, management within own department, top management, sales, marketing, IT, finance, research and development, manufacturing, purchasing, logistics, other:

5.2 If no, who informs you of which customers are key accounts?
Application, after market, business support, dealer business management, centers, management within own department, top management, sales,
marketing, IT, finance, research and development, manufacturing, purchasing, logistics, other:

6. Do you spread such information that the selection of key accounts is based on?
Yes/no
6.1 If yes, how?
Meetings, face-to-face, argus, team place, other software, mail/phone, other:
6.2 To whom?
Application, after market, business support, dealer business management, centers, management within own department, top management, sales, marketing, IT, finance, research and development, manufacturing, purchasing, logistics, other:
6.3 Do you decide who should be made key accounts?
Yes/No
6.4 If yes, from whom do you get information that you base the choice on?
Application, after market, business support, dealer business management, centers, management within own department, top management, sales, marketing, IT, finance, research and development, manufacturing, purchasing, logistics, other:

7. What benefits can a key account expect that regular customers don't get?

8. Do you contribute in deciding which benefits those should be?
Yes/no
8.1 If yes, how do spread that information?
Meetings, face-to-face, argus, team place, other software, mail/phone, other:
8.2 To whom?
Application, after market, business support, dealer business management, centers, management within own department, top management, sales, marketing, IT, finance, research and development, manufacturing, purchasing, logistics, other:
8.3 If no, from whom do get information about what the benefits should be?
Application, after market, business support, dealer business management, centers, management within own department, top management, sales, marketing, IT, finance, research and development, manufacturing, purchasing, logistics, other:

9. Please answer the following three questions for each category!
1. Do you use the following information to differentiate in how you interact with and make offering towards customers?
2. Do you share any of the following information with anyone within Volvo Penta?

3. If you do, then with whom? (Enter a number from the list further down!)

<table>
<thead>
<tr>
<th>Question 1</th>
<th>Question 2</th>
<th>Question 3</th>
<th>Yes/No</th>
<th>Number</th>
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<tr>
<td>Yes/No</td>
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<td>Customer resources and competences</td>
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<td>Customers will to strengthen relationship</td>
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<tr>
<td>How to go about to strengthen relationship</td>
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<tr>
<td>Signs of the current strength of the relationship</td>
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<tr>
<td>Customers unmet needs that you notice</td>
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<tr>
<td>Expressed wishes from customers</td>
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<td>Personal contacts you have within customers</td>
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<tr>
<td>Customers potential to grow</td>
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<tr>
<td>Promises you made to customers</td>
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<tr>
<td>Others:</td>
<td></td>
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</tbody>
</table>

1. Applications
2. After market
3. Business support
4. Dealer business management
5. Centers
6. Management within own department
7. Top management
8. Sales
9. Marketing
10. IT
11. Finance
12. Research and development
13. Manufacturing
14. Purchasing
15. Logistics
16. Other:

10. To what degree can you decide by yourself how you should interact with and make offerings towards customers?

<table>
<thead>
<tr>
<th>Very high</th>
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<th>Medium</th>
<th>Low</th>
<th>Very low</th>
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