

CUSTOMER RELATIONSHIP MANAGEMENT APPLICATION

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FOREWORD

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ÖZET

Bu çalışmada; gerçekleştirilen literatür araştırması sonucu elde edilen müşteri ilişkileri yönetimi temelleri doğrultusunda Türk Havayolları üzerinde Müşteri İlişkileri Modeli kurulmuştur. Uygulama adımları olarak öncelikle, firma stratejileri doğrultusunda, proje için hedef ve stratejiler belirlenmiştir. Proje hedefi olarak

1. Yabancı turistlerin seyahat imkanlarının arttırılması
2. Yerli müşterilerin bağımlılıklarının yükseltilmesi

belirlenmiştir. Ana hedeflerin belirlenmesinden sonra, bu hedeflere ulaşmak için kullanılacak stratejiler belirlenmiştir. Bunlar,

1. Turistik ve İş seyahat imkanlarının arttırılması
2. Destek hizmet performans ve kalitesinin arttırılması
3. Uçuş memnuniyetini Arttırılması
4. Başarılı Kampanyalar düzenlenmesi

Stratejilerin belirlenmesinden sonra gerekli sistemler gözlenmiş ve tasarlanmıştır. Son olarak ise sistemin performans testinin yapılması için kriterler oluşturulmuştur. Bu kriterler;

- ☐ Turist ve İş sınıfı uçuşlardaki artış
- ☐ Anket sistemleri sonucu gözlenen müşteri memnuniyet artışı
- ☐ Hizmet haberdarlık oranı
- ☐ Hizmet kullanım oranı
- ☐ Uçuş stoklarında düşüş
- ☐ Genel giderlerde düşüş
- ☐ Çağrı Merkezi Hizmet süresi azalması

olarak belirlenmiştir.

SUMMARY

In this study, after an enhanced literature research, the roots of customer relationship management are defined. In accordance with this comprehension a CRM Model is constituted for Turkish Airlines. In implementation steps, first the objectives and strategies for the CRM project is defined after corporate strategies are analyzed. The defined project strategies are;

1. Increasing touristic and business travel flights
2. Augmentation of domestic customer loyalty.

After defining the main objectives, strategies that will be used to accomplish this objectives are determined these are;

1. Promoting Touristic and Business Travels
2. Increasing support services quality and performance
3. Increasing flight satisfaction
4. Successful Campaigns

Defining the strategies, the systems for attaining these objectives are searched, determined and system design is accomplished. At last performance criteria are defined that can be used to monitor the model. These criteria are;

- ☐ Increase in Foreigner Tourist Travel
- ☐ Increase in Business Class passengers
- ☐ Increase in Customer satisfaction (survey system)
- ☐ Service Awareness Indices
- ☐ Service Usage Ratio
- ☐ Decrease in overall costs
- ☐ Decrease in aircraft stocks
- ☐ Decrease in Call Center service duration

1. INTRODUCTION

Customer Relationship Management (CRM) concept is indeed cannot be seen as a new concept or new technology. The core concept of, learning the customer and providing special benefits is something done by our grocer but this concept has evolutions in time and became one of the basic concepts in business arena.

In order to give an over all point of view we should emphasize Barton Goldenberg's (president of ISM Inc) opinion about CRM:

"Customer Relationship Management (CRM) currently means different things to different people. I'm convinced that there is no one correct definition of CRM. Moreover, the definition of CRM will evolve and change over time."

In this manner we define CRM as,

"All company wide efforts, activities and tools that is realized to increase profitability and performance by long term customer relations."

In our study we first analyzed marketing roots of CRM, starting from basic transaction and customer relations concepts. This analyze provides a conclusion of CRM and the context. After defining the roots we investigated CRM concepts' global definitions, facets and benefits.

Many CRM (and many there technology based projects) projects have difficulties in realization, in our study we defined this difficulties, sources and present a process flow for successful CRM projects.

In order to turn this theoretical knowledge into practice, we extended and continued our study on Turkish Airlines (THY). The result of the study a hypothetical CRM model including CRM objectives, system definitions and performance indicators, is constituted for THY.

2. NATURE OF A TRANSACTION

2.1 What is a Transaction

Transaction is defined as; a *trade of values between two or more parties* [1]. There are four ways in which a person can obtain a product. The person can self-produce the product or service, as when a person hunts, fishes or gathers fruit. The person can use force to get a product, as in holdup or burglary. The person can beg, as happens when a homeless person asks for food. Or the person can offer a product, a service, or money in exchange for something he or she desires.

Exchange, which is considered as the core concept of marketing, involves obtaining a desired product from someone by offering something in return. For exchange potential to exist, five conditions must be satisfied [1]:

1. There are at least two parties.
2. Each party has something that might be of value to the other party.
3. Each party is capable of communication and delivery.
4. Each party is free to accept or reject the exchange offer.
5. Each party believes it is appropriate or desirable to deal with the other party.

Whether exchange actually takes place depends upon whether the two parties can agree on terms that will leave them both better off, at least not worse off, than before. In this manner, it is a value creating process. Two parties are engaged in exchange if they are negotiating. When an agreement is reached, we say that a transaction takes place.

There are two types of transaction. Monetary transaction is the classic transaction that one party supplies a product/service of some value and the other party supplies a value of money. Other type of transaction is barter transaction, which is two parties supply product/service to each other.

A transaction involves several dimensions: at least two things of value; agreed upon conditions, time and place of agreement. Usually a legal system exists to support and enforce compliance on the part of transactors.

There is a nuance between a transaction and a transfer. In a transfer, one party gives a product/service to the other party, but gets nothing tangible in return. Gifts, subsidies and charitable contributions are all transfer activities. Transferer expects to receive something in exchange for his or her gift such as gratitude or change in behaviors of the recipient.

2.2 Transaction Marketing

Transaction Marketing is defined as the marketing approach, that sees the relations between customer and supplier as exchanges that are; discrete, short-term, and often mechanical with little commitment [2]. The purchase of a chocolate bar from a machine is an example for this.

The supplier side of the system can be defined as a one-way direction, starting from new customer acquisition and ending with the closing the sale, either the sale is realized or lost.

On the other side, customer realizes his/her needs and looks for product/service that mostly fulfills the need. Customer gets in connection with available suppliers. After evaluating the opportunities, makes a purchase decision.

Production-driven and sales-driven firms are the historical examples for transaction marketing approach. Since the short-term goals are prior, the customers are excluded just after the sales are done. Customer satisfaction, retention are the exterior concepts for this approach.

Besides other components, the basic causes for this approach can be defined as; lack of foreseeing and lack of competition. By the effect of increasing competition, new concepts as customer satisfaction, trust, loyalty has emerged and drew a new way for long-time success for firms. In Section 5 these concepts are examined in more detail.

2.3 Customer Side of a Transaction

Today's customer faces a vast array of products and brand choices, prices and suppliers. So, on the customer side of a transaction, basic point is making choices. Most used concept for defining customer behaviors is perceived value. That is;

customers estimate which offer will deliver the most value. Within the bounds of search costs and limited knowledge, mobility and income; customers tend to maximize the value they gather from transaction.

2.3.1 Definition of Value

Valarie Zeithaml and Mary Jo Bitner have identified through their research that consumers view value in many different ways. They observe that what constitutes value is highly personal and idiosyncratic [3].

This research has pointed out that consumers define value in four ways.

1. Low price
2. Whatever I want in a product or service
3. The quality I get for the price I pay
4. What I get for what I give

The last definition comes closest to holistic view of customer delivered value. If someone is asked to comment on the value that s/he receives in a certain situation, the answer is usually in monetary terms. But if probed, it can be seen that one s/he places considerable value on things that are removed from the price [2].

Besides, value is a relativistic (comparative, personal, situational) preference characterizing a subject's experience of interacting with some object.[2] Value involves a preference – a favorable disposition, a liking, positive affect, or a judgment as being good. It also involves an interaction between subject and object, the subject here being the customer and the object a product/service or firm. Value is relativistic in three respects. It is comparative; involves rating one option against another, it is personal; differs across individual consumers, and situational; varies widely from situation to situation.

In his study Morris Holbrook defines two key dimensions of customer value [4].

1. Extrinsic versus Intrinsic value: A product/service has an extrinsic value if it can be used to accomplish some goal that is outside the consumption of the product itself. In contrast a product/service has an intrinsic value if the consumption experience is valued for its own sake. For example, consumer values hammer mainly for driving a nail. On the other hand music has an intrinsic value because listening to music is of value by itself.

2. Active versus Reactive value: A product/service with an active value component requires that the consumer do something with the product. A product has a reactive value if the product itself accomplishes something to or with a consumer as a result of a consumption experience, such as listening to music.

There are different forms or components of values a consumer gains from a transaction [2]. These are:

1. Product-for-Price Value: This is the basic source of value. Customers who will switch to the competition for a lower price characterize it. Customers who equate value with price are classic price switchers. The implication is that they perceive value in nothing else that the company offers.
2. Access or Convenience Value: This form of value is created when firms make it easy for customers to access their products and services and to deal with them. Access and convenience value is created by being open for business when the customer is available, providing convenient locations, and offering a variety of means to access services.
3. Choice-Based Value: Giving customers a variety of options in the selection available to them or in how they access those options that create value for them. The customer is allowed to stay with that company while being able to choose from a varied selection. This creates value in that it provides the customer with lower time, energy, and psychological costs.
4. Employee-Based Value: This form of value relates to the level and type of service a customer receives from the employees of a firm. Quality service will often bring customers back to the firm, and this quality is often attributable to the actions and attitudes of employees. The general definition of service includes various aspects of the service encounter, such as response times, length of waiting lines, speed of service delivery, and friendliness and courtesy.
5. Information Value: Providing customers with more information can increase value for them. Often customers are not aware of the choices and options available to them. When customers are informed, they can make choices based on knowledge, which increases their level of comfort in their decision making. The provision of information is especially important in companies whose services are closely related to technology.
6. Association Value: Customers sometimes derive pleasure and a certain amount of comfort from being associated with a certain service provider with whom they

associate positive attributes or values. This is especially true when companies are perceived as being good corporate citizens or convey a positive image within the community.

7. **Enabling Value:** Many service providers deliver values not so much for the core product or service as for what is made possible because of it. For example, customers value an airline not only because it gets them from one point to another, but also because it allows them to reunite with their families or get away for a relaxing weekend.
8. **Relationship Value:** The value created when a firm makes its customers feel better about dealing with the company. This type of value is not directly related to the products of the company or to its prices, but rather to the more subtle aspects of the interaction with customers. It really relates to the many ways that a company can increase feelings of closeness and ownership.
9. **Customer-Unique Value:** This form of value is created for customers when firms treat them as individuals. By tailoring the service offering to the individual customer, a company sends all sorts of messages that the customer is noticed, that he or she is known and valued, and that his or her business means something to the company.
10. **Surprise Value:** This refers to the benefit that comes from surprising the customer with good news or with special treatment. It requires that a service provider look for opportunities to impress the customer with actions and programs that are unexpected and that send the message that the company has noticed and genuinely cares about meeting customer needs.
11. **Community Value:** This refers to the contribution that a company makes to the local economy and the communities in which it operates. It is the benefit created indirectly through donations and sponsorships and through the fact that the company employs large numbers of people. This represents value created not through direct contact with customers or carrying on the company's core business, but through altruistic and donations to the local college building fund, a company gains a deserved reputation that carries over indirectly to its image among customers.
12. **Memory Value:** This is the value created when the customers involved in an event or experience, which remains in his or her memory for many years. For example it is observed that families don't take their children to Disney World for the event itself but for the shared experience that will remain a part of family conversations for years.

13. Experience Value: Very much related to the concept of memory value is the creation of an experience for the customer. The creation of experience value to the staging of an event or to the entertainment that is associated with plays, concerts, theme parks, and stage shows. Entertainment is only one part of an experience; experience value is created whenever the customer is engaged. Firms can create experience value for their customers by adding some form of entertainment to the service offering or value proposition, as is common in theme restaurants, boat tours, and whale-watching expeditions.[2]

2.3.2 Customer Delivered Value

Customer delivered value concept is a proxy for defining and modeling the customer decisions.

Customer delivered value is defined as the difference between total customer value and total customer cost. Total customer value is the bundle of benefits customers expect from a given product or service. Total customer cost is the bundle of costs customers expect to incur in evaluating, obtaining, using and disposing of the product or service. [1]

There are different units in a transaction that creates value and cost for customers. Depending on the customer characteristics and conditions, the perceived value and cost of the same unit can widely differ. In this manner, customer delivered value concept defines customer decision within the conditions and characteristics of customer.

2.3.2.1 Total Customer Value

As defined above, total customer value is the total perceived value a customer gains from different sources within a transaction.

Basically Kotler compiles all value creating sources in four groups [1].

1. Product / Service: Depending on the nature of service or product there are different value formatting concepts. Quality of the product/service can be used as a simplifier definition. Reliability, durability, performance are the general quantifiers of product value.
2. Accompanying Services: are the services that enforce the value of product, such as training, delivery, on-time service.

3. Personnel: In all interactions with a customer, there are intermediaries that represent the supplier to the customer. Sales representatives, call-center agents, service personnel are the basic examples of these intermediaries.
4. Image: Customers also gain an image value, just by owning the product/service in a transaction. Brand, product images and public relations activities are the basic source of this image value.

2.3.2.2 Total Customer Cost

The efforts of the customers within a transaction create a cost for customer. For example, for buying a book from a bookstore one must first look for bookstores, may ask friends for a recommendation. After this, the customer goes into the bookstore, finds the book and pays for it. Within this action series customer bears other costs that are different from monetary costs.

There are four basic cost sources in a transaction [1]:

1. Monetary Cost: is the cost that a customers pay, for owning the product or service. These costs comprise, the initial payment for purchase besides the service costs and all other monetary cost that arise within the lifetime of the product.
2. Time Cost: Customer spends an amount of time for the realization of the transaction. This time may be spent for looking for alternatives, investigating product benefits, meeting the supplier. All these activities cause a time cost for customer
3. Energy Cost: Again all activities that take place related to the transaction, causes customer to use energy.
4. Psychic Cost: Besides other costs, customers also bear psychical cost, which have psychical value. For example e-commerce has added a great value by decreasing the psychical costs. Instead of going into a bookstore one just clicks amazon.com for buying a book. But still there is an energy cost for investigating and selecting the book.

2.3.2.3 Decision Process

All defined value and cost sources create different amounts of perceived value and cost depending on both characteristics and conditions of the customer.

Customers' decision process is a subconscious process. For modeling the process, first Customers summarize the "total customer value"(what they get from the transaction) and "total customer cost" (what is the overall cost). And accomplish the customer delivered value- the difference between give and get.

After this calculations if the product option fulfills the need (that total customer value is greater or equal to the least customer need), the option is perceived as an alternative.

As the alternative products set is generated, customer compares the alternatives. Customer may make the comparison as a difference or ratio. For example, a customer is ready to pay 100 TL for a product, but the offer is 80 TL. In the difference approach the customer delivered value is 20 TL. But in the ratio comparison, customer delivered value is 1,25 (100/80). According to the comparison method customer chooses the most appropriate product.

2.4 Supplier Side of a Transaction

Supplier side of a transaction is composed of two basic components. First, the sales force, that represents the firm, and the service/product.

2.4.1 Sales Force

Members of the sales force are the main active representatives of a supplier in a transaction. As being a broad concept, and outside the scope of this thesis the selling techniques won't be discussed here.

Definition of sales force is, guiding the customer to give the right decision [5]. By means of being a guide, sales force presents the benefits of the product/service and handles the misunderstandings and deviations from value maximizing process.

Customer can be affected by another sales force as focusing on the initial purchase payment. The sales force should show the customer the total cost of ownership. For example Supplier-A sells the product with a bundle of lifetime service guarantee at a cost of 100 TL. On the other hand Supplier-B sells the product at a cost of 80 TL but with no guarantee. The customer may not understand or even notice that Supplier-A

delivers a higher level of value at long-term. In this point Supplier-A's sales force should explain the matter to the customer. [6]

Another basic example takes place in business-to-business markets. An employee of the firm represents the customer side. In this case, those employees' personal value acquisitions may be in contradiction with the main-firms values. An executive can be in a position that s/he will retire in short-time period. It is normal for that person to focus on short-time value definitions. But this is opposite to firms perceived value. In this position sales force should explain and clarify the situation [1].

Sales forces' other main objective should be, obtaining feedback from customers about the product/service. This causes the supplier to improve product or service value addition.

2.4.2 Product/Service

As a value creator, product/service is the main object of the transaction. Product/service design is an expertise. So the focus will be on the value chain of a firm.

Value chain is defined as a tool for identifying ways to create more customer value. Every firm is a collection of activities that are performed to design, produce, market, deliver and support its product [7]. Value chain identifies nine strategically relevant activities that create value and cost in a specific business. These nine value-creating activities consist of five primary activities and four support activities.

The primary activities represent the sequence of bringing materials into the business (inbound logistics), converting them into final products (operations), shipping out final products (outbound logistics), marketing them (marketing and sales), and servicing them (service). The support activities – procurement, technology development, human resource management, and firm infrastructure – are handled in certain specialized departments, but not only there. The firm's infrastructure covers the costs of general management, planning, finance, accounting, legal, and government affairs that are born by all the primary and support activities.

The firm's task is to examine its costs and performance in each value-creating activity and to look for ways to improve it. The firm should estimate its competitors' costs and performances as benchmarks against which to compare its own costs and performances. To the extent that it can perform certain activities better than its competitors, it can achieve a competitive advantage.

The core business processes defined in value chain are:

1. New-product realization: All the activities involved in researching, developing, and launching new high-quality products quickly and within budget.
2. Inventory Management: All the activities involved in developing and managing the inventory levels of raw materials, semi finished goods so that adequate supplies are available and the costs of overstocks are low.
3. Customer Acquisition and Retention: All the activities involved in funding and retaining customers and growing their business.
4. Order-to-Remittance: All the activities involved in receiving and approving orders, shipping the goods on time, and collecting payment.
5. Customer Service: All the activities involved in making it easy for customers to reach the right parties within the company and receive quick and satisfactory service, answers, and resolutions of problems.

2.5 Summary and Conclusion

The roots of CRM depend basically on transaction concept. Transaction can be thought as the core of relation between customer and supplier. In a transaction, suppliers provide value to customer in terms of product or service. In the other side customer bears some effort and gains value within the transaction. The point in analysis of transaction is the customers' decision process, in a basic first time transaction.

Customers can be thought as value maximizers, they maximize the overall value – total delivered value - they gain from a transaction so they choose the alternative that provides most delivered value.

Total delivered value concept is result of customers' calculation of what he/she gets and what he/she gives. Total customer value – what customers get – has many sources the most evident ones are: Product/service, accompanying services, personnel and image. At the other hand, total customer cost – what customers give – can be told as monetary, time, energy and psychical costs.

As a conclusion of this section, it can be told that for gaining customers firms should aim to increase total customer value and to decrease total customer costs. It must be clarified that, this scope of this conclusion is new customers, which had no experiences with the firm before.

The case that covers the beforehand customers will be analyzed in the next chapter – Repeated Transactions. In that chapter, customer satisfaction concept will be analyzed in details and drives of customer satisfaction will be stated.

3. REPEATED TRANSACTION

3.1 What Is Repeated Transaction?

Repeated Transaction is the second (or more) transactions between the same supplier and customer. For a repeat transaction to take place, at least one, preceding transaction should be accomplished. Besides, customer should be in a condition to buy the product/service again. The means of repeating a transaction vary deeply depending on the sector. For example, for a tyre supplier, the customer should need a new tyre for his/her car. But for a bookseller, this means the customer have read the book and want to read a new book.[2]

Customer point of view may help to clarify the point. Customer gets in a transaction to maximize the Customer Delivered Value. If customer gets in a transaction (with a beforehand transacted supplier) to fulfill the same core value (with the related before hand transaction) this is called repeated transaction.[6]

Assume a supermarket that sells two category of products, A and B and six different brands (three products for each category) A1, A2, A3, B1, B2, B3. Customer, Mr. X buys; A1 in day1, B2 in day 2, B1 in day3.

We can say in this criterion that is a repeat transaction between supermarket and Mr.X. The core value (simply defined) Mr X gains from supermarket is “finding needed products”. From this point of view supermarket fulfills this value in this occasion. But looking deeply there are no repeated transaction between MrX and brands (1,2,3). Although A1 and B1 are bought since category A and category B fulfills different core values, this occasion is not analyzed as repeated transaction. Rather this occasion can be called “Cross Sell” .

To summarize, a transaction is named as Repeated Transaction when these three sub conditions are satisfied.

1. Customer needs for a transaction.
2. A beforehand transaction between supplier and customer.
3. The product/service fulfilling the same core value.

3.2 Evaluation of a Transaction

Within a transaction, supplier informs the customer about the product/service that causes customer to expect some specifications from the product/service. Depending on this information, customer makes a purchase decision between alternatives. As customer begins to consume, s/he consciously or subconsciously evaluates the product/service. As a result customer gets a level of satisfaction.

When customers are satisfied with how they have been handled during the purchase and how the product or service has been performed, they are much more likely to come back to make additional purchases and say good things to their friends and family members about the firm. [2]

Frederick F. Reichheld, notes that, on the average, U.S. corporations lose half their customers in five years.[8] Changing suppliers because they are not satisfied is a daily occurrence in consumers' lives. Whether dealing with the company that cleans their offices or the garage where they get their car serviced, customers want to be satisfied. When not satisfied, customers will take their business to someone who they think will do a better job.

3.3 Customer Satisfaction

3.3.1 What is Customer Satisfaction?

In marketing literature there are different definitions for "satisfaction". Richard Oliver has proposed a formal definition:

"Satisfaction is the customer's fulfillment response. It is a judgment that a product or service feature, or the product or service itself, provided (or is providing) a pleasurable level of consumption-related fulfillment, including levels of under- or over-fulfillment".[9]

This definition suggests that fulfillment creates pleasure and that pleasure is satisfaction. Besides this, Philip Kotler's definition adds customer expectations to customer satisfaction:

Satisfaction is a person's feelings of pleasure or disappointment resulting from comparing a product's perceived performance (or outcome) in relation to his or her expectations.[1]

As this definition makes clear, satisfaction is a function of perceived performance and expectations. If the performance falls short of expectations, the customer is dissatisfied. If the performance matches the expectations, the customer is highly satisfied or delighted.

How do the buyers form the expectations is a critical point in this definition. From past buying experience, friends' and associates' advice, and marketer' and competitors' information and promises shape the expectations. If marketers raise expectations too high, the buyer is likely to be disappointed. However, if the company sets expectations too low, it won't attract enough buyers.

In their research, Claes Fornett and others, model customer satisfaction that broadens these definitions. [10]. In this model, authors define three factors that determine customer satisfaction: perceived quality, perceived value, and customer expectations.

Perceived quality is the customer's evaluation of product/service performance. Perceived quality has two components, customization; the degree to which the firm's offering is customized to meet heterogeneous customer needs, and reliability; that is the degree to which the firm's offering is reliable, standardized, and free from deficiencies. The second determinant, perceived value is defined as the perceived level of product quality relative to the price paid. The third determinant customer expectations represent both the customer's prior consumption experiences, firms' offerings (including nonexperiential information available through sources such as advertising and word- of- mouth).

As a conclusion of the analysis of these definitions, we assume "Customer Satisfaction" as the customers' evaluated outcome of a transaction that has a deep impact on repeated transaction. Product/service performance, payment equity and customer expectations are the basic factors that determine customer satisfaction.

3.3.2 Humanity Factor on Customer Satisfaction

Besides the customer satisfaction determinants that have been explained, recent researches have shown the humanity dynamics of customer satisfaction.

In their research on customer satisfaction cases, Susan Fournier and David Glen Mick [11] define five main conclusions about the subject:

1. Consumer product satisfaction is an active, dynamic process
2. The satisfaction process often has a strong social dimension

3. Meaning and emotion are integral components of satisfaction.
4. The satisfaction process is context-dependent and contingent, encompassing multiple paradigms, models and modes.
5. Product satisfaction is invariably intertwined with life satisfaction and the quality of life itself.

These observations challenge long-running assumptions in the study of satisfaction within marketing, providing insights that clarify not only the character of consumer product satisfaction but its motivations and causes as well.

Satisfaction is an active, dynamic process: In contradiction to, steady evaluative state arising from a lockstep sequence of stages that resembles something akin to the operation of a well structured computer program, authors find out the customer satisfaction as a process which is active and dynamic. In cases in which preconsumption standards existed, their roles in determining satisfaction changes within the lifetime of the product. Rarely do the comparison standards and satisfaction models relevant in the early days of product ownership remain constant as the usage experiences evolve. In cases in which comparison standards were weak or nonexistent at the purchase time satisfaction unfolds as a continuing interactive negotiation between consumer and product that actually precipitated the instantiation of expectations and norms, the realization or creation of desires, and the discovery of product features and benefits. [11]

In the social dimension of satisfaction, author's findings suggest that the satisfactions of other relevant household members often contribute to the individual consumer's satisfaction. Moreover, they reveal higher-order social effects that accrue after the product is incorporated into the household, demonstrating how these repercussions and negotiations themselves influence, and are influenced by, the (dis) satisfactions that the consumers feel.

In the integral roles of "meaning and emotion" in the consumers' satisfaction, authors findings suggest a view that performance comparisons are not the most dominant on satisfaction in contrast they suggest that, meanings and emotions carry more weight.

As another finding, authors define satisfaction as a context-dependent process consisting of a multi-model, blend of motivations, cognitions, emotions, and meanings, embedded in sociocultural settings, which transforms during progressive and regressive consumer-product interactions.

In several of the cases, authors have observed that satisfaction is accompanied by the fulfillment of motivations central to life satisfaction, notably self-esteem, self-efficacy and self-actualization. In contrast, dissatisfaction occasionally was accompanied by heightened tensions in human relations, frustrations and fears in the product ownership experience.

3.3.3 Model of Met Expectations

Conventional models of customer satisfaction are implicit or explicit variations of met expectations model. This framework assumes that customers have specific expectations about their interactions with a firm and, by meeting those expectations; the firm can satisfy the customer.

Zone of tolerance is one of the basic variables of met expectations model [12]. It proposes that customers bring a set of expectations to a service encounter, that are related to *desired service* – the level of service that the customer hopes to receive- and *adequate service* – the level of service that customer is prepared to accept. In between these two levels of service lies the zone of tolerance (Figure 3.1).

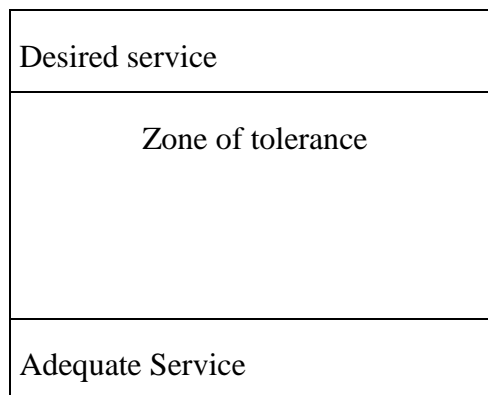


Figure 3.1 : Zone Of Tolerance [12]

If the experienced or perceived service lies within this zone, the customer will presumably be satisfied or the service will be deemed to be acceptable. If the service falls below the adequate service level, it will be deemed to be unacceptable and dissatisfaction will result. If the experienced service level exceeds the desired service level, the customer is likely to be quite satisfied or even delighted.

Robert Johnston [13] proposes that customers enter a service encounter with a consciously or subconsciously held view of what constitutes an acceptable or unacceptable level of service. As the customer proceeds through the service experience, those expectations are modified as a result of the customer's experience with individual components of the interaction. The end result of satisfaction or dissatisfaction is an aggregation process, which results in the customer making an overall judgment, weighing the outcome of the individual components of the service.

It is also shown that the higher the emotional involvement and perceived risk on the part of the customer, the greater his or her sensitivity to satisfaction and dissatisfaction. These findings maintain that the boundaries of a customer's zone of tolerance are dynamic and may be adjusted during the service delivery.

3.3.4 Needs-Based Model

In their study, Benjamin Schneider and David E. Bowen [14] put a different view on customer satisfaction. According to these authors, though useful for understanding customer satisfaction and dissatisfaction, the met-expectations model is less helpful in offering insights about customer reactions that are more emotionally charged than satisfaction or dissatisfaction.

Authors explain customer satisfaction on service business with the handling of the three basic customer needs – security, justice, and self-esteem.

Security: the need to feel unthreatened by physical or economic harm

Justice: the need to be fairly treated.

Self-esteem: the need to maintain and enhance one's self-image

3.3.4.1 Security

Most people do not know when their security needs have been gratified because they are generally unaware of them in the first place. At some subconscious level, most adults are gratified with regard to security; it is when someone or something violates their security that their needs typically come into play, which usually results in outrage. For example, customers may be unaware of the security need in an hotel until a fire breaks out. As a result customers seek consistency, equilibrium, and stability in their lives and that deviation from this stable state can create outrage. But if the deviation from steady state is a positive deviation, that will produce delight (over-satisfaction).

3.3.4.2 Justice

Lerner, a social philosopher and psychologist, proposed that people have a justice motive that derives from an implicit contract with others and with society, in general, to be treated fairly. This implicit contract has also been called a “psychological contract” an implicit agreement that people have with others (friends, relatives), with institutions (the organization for which one works), and with society at large (the courts).[14]

The psychological contracts implicit in relations between service businesses are helpful constructs for understanding the nature of the interactions between a service business and its customers.

Studies in the service marketing and the organizational behavior literature indicate that the customer’s need for justice requires the delivery of three type of justice [14].

1. Distributive Justice: involves the customer’s evaluation of the outcome.
2. Procedural Justice: in which customers judge the fairness of the rules and procedures used to determine outcomes.
3. Interactional Justice: involves how a firm’s employees relate, on a personal level, with the firm’s customers; interactional justice concerns how employees relate personally to the firm’s clients rather than what the specific noninterpersonal procedures might be. Interactional justice might be thought of as “bedside manner” compared to the specific procedures or medications prescribed.

Distributive justice is difficult to manage because customers use some combination of three often internally inconsistent rules (equity, equality, and need) in determining if a firm fairly distributes outcomes. The equity rule implies that if individuals invest a certain amount of effort, time, or money a firm should reciprocate proportionately. For example, people who have paid on insurance policies for a year without filing a claim may feel that they should not experience rate hikes the first time they have an accident. The equality rule implies that everyone is treated the same way (e.g., charged the same rates) regardless of investment. The needs rule implies that, on the basis of unique, individual requirements, firms may treat people differently. In effect, a customer may define justice as being treated the same as some other customers (equity), the same as all other customers (equality), or like no other customer (need).

A company may use the combination of the three justice rules but the success is that everyone knows the ground rules. The key to success, when need is a basis for action, is the publicly known reason for different types of treatment. When

differential treatment occurs, as in cases of need or equity, the reason for that treatment must be public; otherwise people will expect equality.

The importance of procedural and interactional justice is evident in recent research on the customers of several service firms, which reveals the many facets of the service experience that have an impact on feelings of justice: [14].

1. Keeping promises and commitments. Companies need to keep promises, especially when time is the issue.
2. Flexibility in dealing with unusual requests. companies honor reasonable yet out of the ordinary requests.
3. Help when needed. Companies are unjust if they don't help someone who needs help.
4. Friendliness. Companies should treat people with openness and warmth.
5. Honesty. Companies shouldn't lie to customers
6. Politeness. Companies should treat people courteously and respectfully.

3.3.4.3 Self- Esteem

By maintaining or increasing a person's feelings of self-esteem, a firm can produce delight. The key is to enhance feelings of self-worth by acknowledging the customer's perspective, importance, and rights. Also, the more competent a customer feels, the more delighted he or she will be. In general, customers like to control a situation, in the sense that the situation centers around them, when that is appropriate.

Maintaining and enhancing esteem take many forms. In preserving a customer's self-esteem, the company may need to enhance his or her sense of self-worth.

Top service firms are observed to treat customer as an important individual, not just as a member of a certain class of consumers. When service providers at least appear to view customers as unique people with particular problems and personal histories, the customers are delighted.

A second effective way to reaffirm a customer's feeling of confidence and competency is to arrange environments in ways that permit them to feel in control.

Sharing information also reaffirms customer feelings of competency, whereas being condescending to customers clearly challenges their self-perceived level of intelligence.

In services, choice is a secret weapon in efforts to enhance esteem. Psychologically, choice offers control over the environment [14].

3.3.5 Drivers of Customer Satisfaction

The studies have shown that – as we mentioned above, satisfaction is not a simple, product/service or price depending process, in contrast there are many factors that effect customer satisfaction.

James G. Barnes has viewed these factors that contribute to customer's level of satisfaction with an organization at five levels [2]. Each level generally involves progressively more interpersonal contact with employees of the service provider and consequently more of an affective to the interaction with the supplying firm. Thus, the factors that influence customer satisfaction at each level are different.

The model depicts five levels of what is provision of the offer to customers by an organization. Each level or component of the offer also addresses progressively higher levels of customer needs. These levels are:

1. Core Product or Service: The core value that customer gets from a transaction.
2. Support Service and Systems: Supporting systems such as delivery, billing.
3. Technical Performance: Robustness of the value system, customer gets nothing if the core product/system or supporting systems fail.
4. Elements of Customer Interaction: All the elements during the contact with the customer effects the customer satisfaction
5. Emotional Elements: Symbols and messages cause customer to form emotional attitudes towards the firm that effects customer satisfaction.

3.3.5.1 Level 1: Core Product or Service

This is the essence of the offer. It represents the basic product or service that is being provided by the company, whether it is the flight in the case of the airline, the book sold by the bookstore or publisher, the meal served by the restaurant etc. This is the most basic of the things being offered to the customer and the one that affords the service provider to least opportunity to differentiate or add value. In a competitive marketplace, the firm must get the core right; if not, the customer relationship will never get started.

Increasingly, it is found out that, the core product or service is not an issue. For many reasons, the customer often pays little or no attention to the core product. It is either so similar to the products and services of competitors that it offers nothing of value, or it is of such excellent quality that it rarely fails. In some industries, technology and other developments have created a situation where the core products and services offered by competing firms are virtually identical – a situation often referred to as commoditization.

In situations such as these, where there are few differences in the core and where quality has been improved dramatically, customer needs are satisfied by the core product or service to the point where customers look to other components of the offer to add value or to give them a reason to deal with a specific firm. It is difficult in many industries today to demonstrate to the customer that value is being added at the level of the core or that one company's core product or service is particularly better than another's. A good core product/service is absolutely essential to success.

3.3.5.2 Level 2: Support Service and Systems

This includes the peripheral and support services that enhance the provision of the core product or service: delivery and billing systems, availability and access, service, levels of staff, communication of information, inventory systems, repair and technical support, help lines, and the other programs that support the core. The main message here is that a customer may be dissatisfied with a service provider even though he or she receives an excellent core product. A customer may forgo purchasing precisely the car he or she wants if delivery will take eight weeks, or a customer may change Internet service providers because of inadequate help with access problems.

It may be argued that the three non product components of the conventional marketing mix may be subsumed under this second level. If the core level represents the product, the pricing, communications, and distribution may be largely included under support systems. This is where decisions must be made concerning the marketing offer that is to be made to the customer: what price is to be charged, what discount structure is to be employed, what messages are to be communicated, how conveniently and through which channels we are to make products and services available, what media to use to reach target customers, and so on.

Some companies operate in industries where gaining a competitive advantage on the basis of a better core product or service is difficult, if not impossible. Such firms can begin to differentiate themselves and add value through the provision of support and

ancillary services relating to distribution and information. They can make it easier for customers to deal with them. They can introduce no-hassle returns policies. They can provide customers with detailed information on the product. By taking steps to put such systems and policies in place, the company can begin to add value for the customer and to set itself apart from the competition.

3.3.5.3 Level 3: Technical Performance

This third level deals essentially with whether the service provider gets the core product and the support services right. The emphasis is on performing in the manner that was promised to the customer.

There may be nothing wrong with the core product. The company may even have the procedures and systems in place to deliver the core product, but they don't get it right; the processes and systems fail. Customer dissatisfaction and frustration will result from a failure to deliver on customer expectations that things will go smoothly and as promised.

Companies that do achieve high standards for meeting and exceeding customer expectations for service delivery achieve enviable competitive advantage. Customers know that they will be able to count on them.

3.3.5.4 Level 4: Elements of Customer Interaction

This is where the company meets the customer in person. At this level, it is addressed the way the service provider interacts with customers, through either a face-to-face service encounter or technology-based contact.

Understanding this level of customer satisfaction indicates that a firm has thought beyond the provision of core product and service and is focused on the delivery of service at the point where the company meets the customer. This level focuses on the interpersonal interaction between customers and employees of the firm, either face to face or over the telephone. But companies are increasingly interacting with their customers and others via technology: through ATMs, interactive voice response (IVR) systems, e-mail and the Internet. While it is easy to appreciate the importance of meeting and greeting customers positively in a face-to-face environment, it appears to be less easy for some firms to appreciate how badly they treat their customers when they deal with them through technology. In her research, Deborah K Unzicker [2] have showed that so-called little things such as being put on hold can have a considerable impact on customer satisfaction.

In situations that, employees are rude, or pay little attention to customers or even ignore them, customers walk out and never go back. This happens even though there was probably nothing wrong with the core products or services offered by the company or even with the support systems and procedures that it had in place to deliver technical service quality. One unfortunate outcome of such an encounter is that the customer feels extremely frustrated.

3.3.5.5 Level 5: Emotional Elements – the Affective Dimensions of Service

Beyond the basic elements of the interaction between customers and suppliers, subtle messages that firms send to customers, make the customers leave with either positive or negative feelings toward the company. How the supplier makes the customer feel; is the focus of this level. Much evidence exists from research with customers that a considerable amount of customer dissatisfaction has nothing to do with the quality of the core product or service or with how that core is delivered or provided to the customer. Indeed, the customer may even be satisfied with most aspects of his or her interaction with the service provider and its employees. But the customer's business may be lost because of some comment from a staff member or because of some other little thing that goes wrong that may not even be noticed by staff members.

3.4 Benefits Of Repeated Transaction

As discussed in the below section, customer satisfaction is the core reason for a repeated transaction to exist. With a repeated transaction both sides gain additional value differentiated from transaction.

On the customer side, the total customer costs decreases. Customers' time, energy and psychic cost decrease because there are no other supplier options, and the customer does not spend effort to investigate options.

On the other side, suppliers get rid of the marginal marketing, advertising etc costs to gain a customer. Researches have shown that acquiring a new customer can cost five times more than the costs involved in satisfying and retaining current customers [1]. These findings show that repeated transaction has a direct effect on supplier's bottom line.

3.5 Summary and Conclusion

Repeated Transaction concept basically focuses on the beforehand customers decision process in making re-transaction with the firm.

It should be stated that customers are still value maximizers and the concepts deduced in preceding section is still valid. But there is a difference between the situations that is the evaluation of the first transaction – Customer Satisfaction.

After every transaction consciously or sub-consciously customers evaluate the transaction and reach a perceived satisfaction level. This satisfaction level is the dominant factor for customers to prefer the product/service next time.

There are five levels that determine customer satisfaction:

1. Core Product /Service
2. Support Service and Systems
3. Technical Performance
4. Elements of customer Interaction
5. Emotional elements.

The firms should focus on these performance levels in order to catch a better customer satisfaction and consequently customer retention. As customer retention increases the overall firm performance and profitability will increase.

4. CUSTOMER RELATIONSHIP

4.1 What is Relationship?

In the first section, we analyzed “transaction” and stated that it is about new customers that have never been in interaction with the firm. Next we analyzed “repeated transaction” as the way to keep customers to prefer the firm again. As a continuum in this section we will examine the enhanced relationships between customer and the firm and determine benefits and sources of customer relationship.

When we look up to the dictionaries for “relationship” there are many different definitions. Two of them are most appropriate within our contexts

1. The condition or fact of being related; connection or association.
2. A particular type of connection existing between people related to or dealing with each other.[15]

Unfortunately, social psychological literature does not provide a definitive statement for relationship, since most authors in that field begin by discussing the complexity and diversity of relationships and the resultant difficulties that occur in defining or classifying them. [16]

In marketing literature, there are four relevant disciplines dealing with client relations. These are Interorganizational Relationships [17], Business Relationships between product manufacturers and dealers, approaches to organizational Interaction [18] as well as buyer – supplier Relationships [19].

These approaches fall back upon five basic constructs of ideas to explain the object of cognition, i.e. relationship management [20]. These are:

1. Transactions cost theory [21,22]
2. Resource dependency perspective [23]
3. Political economy [24]
4. Theory of relational forms of agreement [25]
5. Approaches to explaining interpersonal behavior used in social psychology.

In this study, we focus on customer relationship. Indeed customer relationship concept represents a continuum of relationship levels, between customers and suppliers. On one end of the continuum there are transactional exchanges. Transactional exchanges are discrete buyer-seller exchanges of a commodity or performance for money with minimal personal relationships and no anticipation or obligation of future exchanges. At the other end of the continuum are relational exchanges, which are characterized by cooperative actions and mutual adjustment of both parties, a sharing of the benefits and burdens of exchange, and planning for future exchanges [26].

Although as defined above, customer relationship describes or covers a wide array, we use this concept to define the second end of the continuum, in other words, relational exchanges.

4.2 Characteristics of Relationships

Relationships are “extremely complex entities that need careful management and skills from their participants at all times”. [27] Relationshiping, as Steve Duck terms it, is “a very complicated and prolonged process with many pitfalls and challenges. Relationships do not just happen; they have to be made-made to start, make to work, make to develop, kept in good working order and preserved from going sour”

One of the most interesting features of a relationship is that it is a continuous process. Every interaction has the potential to change it. Relationships are at least not permanent stations or states so much as temporary transitions. [28] Accordingly, once a relationship is formed, a great deal of effort must be expended on maintaining it as a healthy, viable alliance.

Throughout most of the social psychological literature, two key factors emerge as vital to the maintenance of relationships: commitment and trust. [2]. There are many other dimensions of relationship that is linked to the establishment and maintenance of close relationships. In his book, according to social psychology literature James G. Barnes determines these dimensions as:

1. Trust, ethics
2. Commitment
3. Reliability

4. Attachment
5. Understanding , empathy
6. Mutual Goals
7. Shared Values
8. Reciprocity
9. Respect, Sincerity
- 10.Caring, Affection, liking
- 11.Dependability
- 12.Awareness of history
- 13.Two way communications
- 14.Warmth, intimacy
- 15.Interest in needs
- 16.Knowledge
- 17.Responsiveness
- 18.Keeping of promises
- 19.Social support, community
- 20.Competency

These characteristics or dimensions of relationships all point to the existence of feeling as the basis for genuine relationships and are present in different proportions in different relationships. This supports the contention that relationships are exceedingly complex concepts, which differ across individuals and in different settings. Barnes claims that the following dimensions are generally considered to be the more important elements of interpersonal relationships.

4.2.1 Trust

Trust is the factor that takes most attention in the literature on interpersonal and customer relationships. There are several definitions for trust including “confidence that one will find what is desired from another, rather than what is feared”; the idea that trust involves a willingness to act in a certain manner because of confidence that the partner will provide the expected gratifications; and “a generalized expectancy

held by an individual that the word, promise, or statement of another individual can be relied on” [29]

Trust is often mentioned in conjunction with love and commitment as a cornerstone of the ideal relationship. Several critical elements of trust are:

1. Trust evolves out of past experience and prior action.
2. Dispositional characteristics are attributed to the partner, such as reliability and dependability.
3. Trust involves a willingness to put oneself at risk.
4. Trust involves feelings of confidence and security in the partner.

4.2.2 Commitment

One of the key factors that determines the success of a relationship is each individual's commitment to it. Robert Morgan and Shelby Hunt observe that “commitment and trust are ‘key’ because they encourage marketers to (1) work at preserving relationship investments by co-operating with exchange partners, (2) resist attractive short-term alternatives in favor of the expected long-term benefits of staying with existing partners, and (3) view potentially high-risk action as being prudent because of the belief that their partners will not act opportunistically”[30].

Commitment is defined as “a psychological state that globally represents the experience of dependence on a relationship; commitment summarizes prior experiences of dependence and directs reactions to new situations” [31]. It represents a long-term orientation to the relationship, including a desire to maintain the relationship, both in good times and bad.

Two key attributes have been identified that determine the magnitude of a person's commitment to a relationship: satisfaction level and level of investment. Two main components of satisfaction exist: (1) the degree to which a relationship provides valued outcomes by fulfilling important needs, and (2) the comparison level of alternatives, which is based on qualitative expectation of what a relationship's outcomes ought to be in an ideal involvement, as well as a comparison of one's own outcomes to partner's inputs and outcomes.

4.2.3 Investment

The size of an individual's investment in a relationship also influences his or her commitment to it. Investment resources include time, emotional energy, personal sacrifice, and other indirect investments, such as shared memories, mutual friends, and activities or possessions that are uniquely linked to a relationship. A sense of having invested a great deal in a relationship inspires a commitment in the individual to making it work; abandoning it would mean wasting the investment.

4.2.4 Dependence

Relationships are characterized by a certain degree of dependence. Without it, there would be no relationship. As the relationship is formed in the first place to satisfy certain needs for both parties, each party relies on the other to satisfy certain of those needs. It may be correct to observe that the nature of the dependence in a customer relationship is different than it is in an interpersonal relationship. While the customer relies on the company for the satisfaction of a series of needs, both functional and emotional, the needs that are being satisfied for the company tend for the most part to be related to revenues and profits.

4.2.5 Two-Way Communications

One of the most fundamental characteristics of relationship that is working is two-way communications [2]. When communications is not ongoing, the state of a relationship is likely to deteriorate. The same is true of a relationship between a company and its customers. The strongest relationships are those where there is frequent contact and relaxed dialogue.

When a customer complains that "I never hear from them" or "they don't return my calls" s/he is really saying that there is no regular flow of communications between the company and the customer. The same is true of those "relationships" that are built on a direct mail program, where communication with the customer is almost completely one-way.

4.2.6 Attachment

While communications is a behavioral or action dimension of a relationship, a sense of attachment is much more emotive. It has been observed that, a close relationship is characterized by genuine feelings toward the other party: feelings of attachment,

liking of affection. Customers deal with a company because they like the company or the person who work there; they feel a certain attachment toward them or share certain values or goals. This attachment contributes to the sense of closeness, which is fundamental to a relationship.

4.2.7 Reciprocity

Within solid interpersonal relationships, reciprocity is the norm, and it serves an important function. Steve Duck point out that “the relationship between two people is most often defined by what the people in it provide for one another, the resources that they distribute and the exchange that takes place” [27]. In customer relationships, this implies that the nature of the firm’s relationship with the customer is determined by what the customer receives in return.

4.3 Key Constructs Of Customer Relationship

Throughout the social psychology and marketing literature key constructs of customer relations are trust, overall satisfaction and commitment [20]. For it is a key prerequisite for the success of relationship management that these variables are present in positive manifestations [32,33].

Commitment is defined and conceptualized in various ways in relevant publications. Anderson/Weitz describe commitment with regard to a business relationship as “a desire to develop a stable relationship, a willingness to make short-term sacrifices to maintain the relationship and a confidence in the stability of the relationship” [34]. An other definition is “an enduring desire to maintain a valued relationship” [35].

If there is commitment, the partners are willing to actively build up a stable business relationship, which diminishes the probability that the relationship is dissolved. This also has positive effects on the way, which a person acts in relation to his or her partner in a business relationship. There also is a positive dependence between the willingness to exchange information and commitment. In addition, opportunist behavior decreases with increasing commitment, and there is a growing interest to make joint decisions [36].

Jap/Weitz define trust as “the ability to reliably predict the actions of the other party in the relationship and the belief that the other partner will not act opportunistically if given the chance to do so” [37]. According to Morgan/Hunt we find trust when “one party has confidence in an exchange partner’s reliability and integrity” [38] whereas Crosby/Evans/Cowles say that trust is achieved only when there is “a confident

belief that the other party can be relied upon to behave in such a manner that the long-term interest of the party will be served”.

These definitions illustrate two key features of this correcting variable: on the one hand, the construct is considered to be a partner's being convinced or expecting another partner's trustworthiness based on his or her knowledge, reliability and intention to act. On the other hand, the concept includes an intention to act or a behavior on the part of the first partner that reflects the reliability of the other partner, which renders the trusting party vulnerable. Therefore trust produces harmony and stability in relationships as it itself generates trust (echo effect). If the latter is basically given to a certain extent to a business relationship, the willingness of both parties to cooperate increases. In addition, more information is exchanged, and unusual problems are discussed. This again enhances creativity and readiness to take risks in decision-making.

Trust also entails constructive handling of conflicts, reduction of opportunist behavior, and a reduction of transaction costs. Although trust is based on past experience, its effects are noticed in the future only, and thus environmental complexity is reduced. And finally trust enhances the belief that short-term injustices will be compensated in the long run [39]

Overall satisfaction or cumulative satisfaction is “an overall evaluation based on the total purchase and consumption experience with a good or service” [40]. Cumulative satisfaction can be distinguished from transaction-specific customer satisfaction, which is an immediate postpurchase evaluative judgement or an affective reaction to the most recent transactional experience with the firm. [41]. Rather than capturing the transient and encounter-specific evaluations and emotions, applied market research tends to measure customer satisfaction based on all experiences with the firm. This overall satisfaction is a cumulative construct, summing satisfaction with specific products and services of the organization and satisfaction with various facets of the firm, such as the physical facilities.

In their study Garbarino and Johnson found that these three concepts have different effects on relationships with different customers. Authors basically model two customer types, relational customer and low relational customers. Findings in their research shows that, unlike low relational customers, whose future intentions are driven by overall satisfaction, high relational consistent subscribers are driven by trust and commitment. For high relational customers, overall satisfaction has no significant influence on future intentions.

4.4 Effects Of Customer Relationship

As continuous way from transaction to relationship, both suppliers and consumers are positively affected. The major effects of customer relationships can be summarized in three titles.

1. Loyalty
2. Satisfaction
3. Bottom line

4.4.1 Customer Loyalty

Customer loyalty describes the tendency of a customer to choose one business or product over another for a particular need. [42] At a general level, loyalty is shown by different propensities toward the brand, store or service. These propensities may be expressed in behavior and attitude.

In service marketing, work has focused on continuity of purchase, i.e. retention, and advocacy of the brand [8]. In many service and utility markets, retention can be measured by *duration of time* as a customer. In many market researches, where consumers use multiple suppliers, one behavioral criterion of loyalty has been found to be the *share of category expenditure* devoted to a brand or store [43,44].

Another measure is the number of stores or brands used in a period (the larger the number, the lower the loyalty). Also modelers have used probability of purchase and repeat purchase [45] in an appropriate time period.

Turning to attitude measures, service researchers have employed *satisfaction* and also *commitment* and *trust* [46,47]. In many markets, *attitude to the brand or store* has been used.

Dick and Basu state that "customer loyalty is viewed as the strength of the relationship between an individual's relative attitude and their repeat patronage".[48] Also they have improved a model for loyalty, in this model they have offered an attitude-behavior typology of loyalty that is shown as Figure 4.1. This divides consumers into four segments using two levels of behavioral loyalty and two levels of attitude toward the brand

		Repeat Purchase	
		HIGH	LOW
Relative Attitude	HIGH	True Loyalty	Latent Loyalty
	LOW	Spurious Loyalty	No Loyalty

Figure 4.1 Model of Loyalty – Dick and Basu [48]

Jones and Sasser have defined the fake loyalty (or spurious loyalty) in their research.[49] By barriers to change supplier or in monopoly conditions customers shows loyalty behaviors. Authors name this as “fake loyalty” because this kind of customers investigates for a chance to change the supplier and immediately change purchase decisions as they find one.

Customer relationship has positive effect on loyalty. Indeed relationship concept can be thought as an enabler and enhancer to loyalty. Customer relationship enhances loyalty by empowering the factors that generate loyalty, such as satisfaction and trust. Actually it is natural because when investigating the roots of loyalty and relationship a parallelism is clear.

4.4.2 Customer Satisfaction

Satisfaction concept was discussed before in this study (Section 4.3). Relationship empowers customer satisfaction at every level of customer satisfaction drivers. It is clear that relationship has a direct effect on emotional element (level 5) and elements of customer interactions (level 4) because of the definition of these levels. These levels mostly cover the human side of the interactions.

As the relationship grows, supplier learns about the specific expectations of customers. This enables the supplier to fulfill these expectations more easily. Similarly with customer knowledge, supplier may make customizations in core product/service and support services levels.

4.4.3 Supplier Bottom Line

Relationships effect on customer satisfaction shows that as the relationship is formed the customer gets more satisfaction from the interaction and his or her loyalty to the supplier increases. But what does the supplier acquire from this occasion?

The answer of the question may be the strongest reason for most of the concepts in this study to exist. We use three concepts to explain the effect of relationship on the bottom line of the supplier. These are;

1. Life Time Value
2. Customer Referrals
3. Share of Wallet

4.4.3.1 Lifetime Value

Customer lifetime value (LTV) concept stands for defining the value supplier gains for having the customer for a lifetime. Usually this concept is measured by monetary terms.

Lifetime value is the basic concept used to calculate return on investment calculations for investment that are made on customers.

Kotler gives a simple example for defining lifetime value [1].

Annual Customer Revenue	\$ 5,000
Average number of loyal years	* 2
Company profit margin	<u>* 0,10</u>
Customer lifetime value	\$ 1000

As the example shows, there are three factors in LTV revenue from the specific customer in a time period, the amount of time period that customer share with the supplier and the profit margin of the company. This example can be improved and detailed for specific industries and suppliers, but the main mean of the concept does not change.

4.4.3.2 Customer Referrals

As the customers satisfaction and loyalty level increases customers talks favorably about the company and its products [1]. These referrals may be more effective than firms' advertisements and marketing efforts because customers mostly talk to close friends and relatives who are more apt to believe him/her.

Ebay one of the e-commerce leader is one of the best examples for referrals. More than half of its customers are referrals. Ebay spends \$10 to acquire a new customer. The reason, for this low cost is that they are being driven by word of mouth [50].

Besides increasing the customer acquisitions, Ebay have observed that customer referrals have a "help desk" effect for the firm. This is, the referring customer helps the new customer to use and/or solve problems of the product or service.

4.4.3.3 Share of Wallet

"Share of wallet" concept defines the portion the supplier gains from the specific customers spending [2]. "Share of wallet" can be analyzed in two dimensions: the ration of suppliers portion from customers current businesses with the supplier. The second approach is the portion of customer's spendings on suppliers overall business with the supplier.

Indeed the first approach is an indicator of customers' loyalty. That is how much the customer spends on the supplier proportion to spendings on the rivals. This indicates how much the supplier gets the customers' businesses. In another perspective, this is the current potential of the supplier.

The second approach shows the customers overall potential to the firm. This indicator can be used both to evaluate the customer and to improve cross-sell opportunities. That is satisfying the customers unrelated to current business. This is a visionary concept, and actually means, new product improvements for suppliers. As a consequence of relationship both sides learn about each other and the point is that supplier can use these knowledge to maximizing profits with new products.

4.5 Summary and Conclusion

In this section we have analyzed “customer relationships” concept that represents a continuum of relationship levels between customers and suppliers. On one side lie the transactional exchanges, which are discrete buyer-seller exchanges, at the other end of the continuum are the relational exchanges that can be characterized by cooperative actions and mutual adjustment of both parties.

The focus point of the customer relationship is indeed the relational exchanges, in this manner we analyzed the characteristics, key constructs and effects of customer relations.

As a conclusion, it can be stated that customer relationships and relational exchanges have effects on both sides. First of all, customer satisfaction is empowered because customer relations affect at least the last two satisfaction driver levels (Interaction and emotional elements) described in Section 4. As a consequence increased customer satisfaction, results an increased customer retention and customer loyalty, and supplier financial performance.

Suppliers’ bottom line is positively affected because; as customer loyalty increases customers’ interactions with the firm increase this is a direct affect of customer relations and can be calculated in terms of “Life time value”.

Besides, as customers become more loyal they become more price-sensitive. Also as loyalty increase customers gets in a trend to buy other products/services from the supplier (so called cross-sell). This is another direct affect of customer relationship on suppliers’ bottom-line. Another effect of customer relations is customer referrals. With referrals suppliers gain new customers.

5. CUSTOMER RELATIONSHIP MANAGEMENT

5.1 Basics

5.1.1 Birth Of Customer Relationship Management

“Customers, whether consumers or businesses, do not want more choices. They want exactly what they want – when where and how they want it – and technology now makes it possible for companies to give it to them”[51], says Don Peppers, one of the frontiers and father of Customer Relationship Management (CRM) concept.

These sentences are probably the most appropriate definition for CRM, also called one-to-one marketing. According to Don Peppers, a company that aspires to give customers exactly what they want must look at the world through new lenses. It must use technology to become two things: a *mass customizer* that efficiently provides individually customized goods and services, and a *one-to-one marketer* that elicits information from each customer about his or her specific needs and preferences. The twin logic of mass customization and one-to-one marketing binds producer and consumer together in a *learning relationship*.

In learning relationships, individual customers teach the company more and more about their preferences and needs, giving the company an immense competitive advantage.

“Mass customization means manufacturing a product or delivering a service in response to a particular customer’s needs, and mass customization means doing it in a cost-effective way” [51]. By collaborating learning relationship with mass customization, the supplier is able to fulfill all expectations of the customer. That is complete value added service and superior customer satisfaction, at every level of satisfaction drivers – starting from the core, the product (or service).

As the customer tells of some need and the firm customizes the product or service to meet it, the learning relationship gets smarter. Every interaction and modification improves, firm’s ability to fit the product/service to the particular customer. [52]. Eventually, even if a competitor offers the same type of customization and interaction, the customer won’t be able to enjoy the same level of convenience without taking the time to teach the competitor the experiences the first company has already. This is why, most known management guru C.K. Prahalad and Venkatram Ramaswamy calls this “customer competence”. [53]

After a company becomes adept at cultivating learning relationships with its customers how might it expand? Two choices are obvious: acquire new customers in the company's current markets or expand into new locations. But Peppers, Pine and Rogers define a third option: deliver other products to current customers and become a *learning broker*.

The most appropriate example about this can be, world most known book seller Amazon.com, because Amazon's customers know how to interact with its on-line ordering system, the company could easily broker new product categories. For example, if Amazon could gain entry into a new product line, its knowledge about it would immediately transfer to the new line. And once again, it would be Amazon – not the manufacturers – that would control the relationship with the customers. This is the framework of Amazon's real enlarging, starting from book salary, now Amazon sells 23 different products that include health & beauty , kitchen and electronics.

5.1.2 Definitions Of Customer Relationship Management

As described in the section above, CRM is a composite concept that has many facets. The main facets are customer satisfaction, learning relationship, data gathering, data analysis, and customization. The critical point is that in this structure CRM is not clearly defined.

In this section we will try to give examples of CRM definitions in the literature.

1. "A combination of business process and technology that seeks to understand a company's customers from the perspective of who they are, what they do, and what they're like" (Cloudwell) [54].
2. "Customer Relationship Management is the establishment, development, maintenance and optimization of long term mutually valuable relationships between consumers and organizations"(CRMUK Official definition) [55]
3. "A systematic approach to customer life-cycle management A 3 domain business system aligning business processes, technologies, and the customer life-cycle" (Meta Group)[56]
4. "...an enterprise wide business strategy designed to optimize profitability, revenue and customer satisfaction by organizing the enterprise around customer segments, fostering customer-satisfying behaviors and linking processes from customers through suppliers." (Gartner Group)[56].

5. "Customer relationship management (CRM) is a business strategy to select and manage the most valuable customer relationships. CRM requires a customer-centric business philosophy and culture to support effective marketing, sales, and service processes. CRM applications can enable effective customer relationship management, provided that an enterprise has the right leadership, strategy, and culture." (CrmGuru.com Official Definition) [57]
6. "Customer relationship management is the superset of business models, process methodologies and interactive technologies for achieving and sustaining high levels of retention and referrals within identified categories of valuable and growable customers." (Mei Lin Fung CRM Consultant) [56]
7. "CRM is a management approach or model that puts the customer at the core of a company's processes and practices. CRM leverages cutting-edge technology, integrated strategic planning, up close and personal marketing techniques and organizational development tools to build internal and external relationships that increase profit margins and productivity within a company." (Jennifer Pratt CRM Counsoltant)[56]
8. "At its core, CRM has everything to do with customer satisfaction and nothing to do with technology, except insofar as technology furthers that end. Start with the premise of giving customers what they expected from you and more, and then figure out how technology helps do that. Technology is a means not an end." (Bob Thompson, Chief Guru Officer) [55]
9. CRM (customer relationship management) is an information industry term for methodologies, software, and usually Internet capabilities that help an enterprise manage customer relationships in an organized way. For example, an enterprise might build a database about its customers that described relationships in sufficient detail so that management, salespeople, people providing service, and perhaps the customer directly could access information, match customer needs with product plans and offerings, remind customers of service requirements, know what other products a customer had purchased, and so forth. (58)

After these definitions, those are selected from a huge definition set this statement fits the situation:

"Customer Relationship Management (CRM) currently means different things to different people. I'm convinced that there is no one correct definition of CRM.

Moreover, the definition of CRM will evolve and change over time."- Barton Goldenberg, president of ISM Inc. [55]

Besides these definitions, in many resources CRM concept has not been defined in one statement. Instead properties of CRM, what is it about is defined. This it self is an indicator of the difficulty to define CRM.

In our study, we define CRM as;

“All company wide efforts, activities and tools that is realized to increase profitability and performance by long term customer relations.”

5.1.3 Benefits Of Relationship Management

As understood from sections above the roots of CRM are based on “Customer Relationships”. In Section 4.4.3 we have discussed the benefits of customer relationships.

As a review, researches show that [54]:

1. Customer acquisition costs may be high, so customers may not become profitable unless they are retained for one or more years.
2. There will be a stream of profits from the customer in each year after acquisition costs are covered.
3. Customers buy more over time, so revenue go up; companies become more efficient at serving them (because of the learning relationship), so costs go down.
4. Retained and satisfied customers may refer other potential customers.
5. The relationship has a value to the customer too, as a consequence of learning relation and product customization; retained customers gain more value and tend to become less price-sensitive.
6. Using customer relationship knowledge, company may enlarge its business lines to increase profitability.

Besides the main theme of “building relationships”, technological advances moved CRM from a concept to an enabler technology. As Don Peppers has mentioned [52] technology has a great effect on CRM. For the simplest example 20 years ago both hard disk and database systems were incapable of storing customer data.

This role of technology caused a new sector especially for technology firms. Both the nature of technology and the competition in the sector CRM products enabled some additional benefits. Some of these are: [57]

1. Increased sales revenues. An increase of 10% per annum per rep during the first three years of the project is reasonable. Increased sales results from spending more time with customers, which results from spending less time running around chasing, needed information.
2. Increased win rates. An increase of 5% per annum during the first three years of the project is reasonable. Win rates improve since sales representatives withdraw from unlikely or bad deals earlier on in the sales process.
3. Increased margins. An increase of 1% per deal during the first three years of the project is reasonable. Increased margins result from knowing the customers better, providing a value-sell, and discounting price less.
4. Improved customer satisfaction ratings. An increase of 3% per year during the first three years of the project is reasonable. This increase occurs since customers find the company to be more responsive and better in touch with their specific needs.
5. Decreased general sales and marketing administrative costs. A decrease of 10% per year during the first three years of the project is reasonable. This decrease occurs since you have specified your target segment customers, you know their needs better, and thus you are not wasting money and time, for example, on mailing information to all customers in all existing and potential target segments

5.2 Facets of CRM

Keeping the roots on relationships, CRM has moved to a more tangible (or less intangible) existence. As mentioned before technological advances have a huge effect on improvement of CRM.

Being a big market for technology firms is another effect that provokes CRM. The enabler role of technology on CRM caused confusion in the CRM world. The main point was technology was put in the place of whole CRM concept.

In this confusion, there appeared a huge chunk of CRM technologies (especially software), CRM features and activities. In this section we will try to summarize this CRM facet in 5 groups.

1. Marketing Automation: market segmentation, designing customized campaigns, opportunity management, lead generations, enhancement and tracking are the basic marketing automation efforts (for details: Section 5.2.1)
2. Sales Force Automation: contact management profiles and history, account management including activities, order entry, proposal generation, pipeline analysis -forecasting, sales cycle analysis, territory alignment (for details: Section 5.2.2)
3. Customer Service: incident assignment/escalation/tracking/reporting, problem management/resolution, order management, warranty/contract management, real time information transfer to field personnel via mobile technologies (for details: Section 5.2.3)
4. Analytical CRM: Databases, Data Mart, Data Warehouses, Query, Reporting, Online Analytical Processing , Data Mining (for details: Section 5.2.4)
5. CRM Extends and Supporting Systems: E-CRM, Legacy Systems, Work-Flow-Management, Time –Management, Personalization Systems.

5.2.1 CRM and Marketing Automation

Marketing Automation (other called Technology Enabled Marketing) is the CRM integrated systems that is configured to realize marketing efforts on customer basis. Before giving details about these systems it is critical to announce that these systems are enabling systems and the output of these systems are in direct correlation with the users.

Customer information repository lies in the heart of the system, that includes customer data, in the next level is the content management tools, that contains back office and legacy systems integrated information and enables company based reach to the information.

Depending on these two components, in the third level lies the marketing automation activities that are ; segmentation, opportunity management, campaign management forecasting and planning, leads management and event based marketing.

5.2.1.1 Customer Information Repository:

At the heart of any marketing automation, is a database that holds the customer information and which serves as the central collective memory of the organization. Building the database is a continual process, and involves collecting meaningful information about every customer contact. The type of repository, whether it is a warehouse or a series of data marts, is not as important as its existence. As long as the information is identified and available, it will provide an adequate marketing automation foundation.

5.2.1.2 Marketing Content Management (other called marketing encyclopedia):

These systems enable authorization based reach to all marketing related information. These information set should be described depending on the business needs including, available products, delivery time schedule etc.

5.2.1.3 Campaign management:

Once the repository and content management is in place, the next critical component is the campaign management. The campaign management allows the firm to segment the customer, evaluate opportunities and develop marketing campaigns and match the two together. More importantly, campaign management enables a firm to evaluate the success and flexibility of these marketing campaigns, providing the vital link between analysis and execution. [57]

5.2.1.4 Market Segmentation:

Market segmentation is the most critical point for customization in the route to mass customization. Customer information is the most critical data for these systems. The other critical component is the segmentation criteria because in the system, users decide rules based on the criteria and software gives the output. [59]

5.2.1.5 Opportunity Management:

Basing on customer information and user defined rules systems alerts if the defined opportunity determination rule exist.

5.2.1.6 Forecasting and planning:

Forecasting and planning functionality is the link between a company's front and back offices. Allowing the firm to forecast properly and to deliver on promises the

marketing and sales areas made to customers. Again at the heart of forecasting lies the customer information.[60]

5.2.1.7 Lead Management:

Another function of CRM technologies is lead generation, enhancement and tracking. As the data from lost customers, leads, and especially web site visitors combine, marketing efforts encompasses as set of leads. Indeed combination of these data - especially it is critical to clarify that this data does not only covers the sales information, but also lost-sales data, info gathering efforts data and other data that is gathered except the sales information.

5.2.1.8 Event Based Marketing:

Event based marketing initiatives are another vital part of CRM. Event triggers and business logic activate the marketing automating function. Event triggers are an important aspect of current direct mail oriented database marketing as well as the emerging use of Internet marketing. [59]

5.2.2 CRM and Sales Force Automation

Indeed sales force automation (SFA) has appeared as a business initiative before CRM, but with CRM, SFA became more popular and effective. SFA is the general name of systems that empowers firms' sales forces at every point of sales.[61] For this purpose an integration of back office with sales is needed.

Sales Force Automation is composed of these sub-systems:

1. Customer Information Repository
2. Sales Management
3. Proposal Generation Systems
4. Order Management System
5. Sales Analysis
6. Field Sales Automation
7. Tele-sales Automation
8. Collaborative Web Sales

5.2.2.1 Customer Information Repository

Similar to Marketing Automation Customer Information Repository is in the heart of Sales force automation.

5.2.2.2 Sales Management

Sales management systems are the systems that sales manager and sales representatives use to define sales strategy and sales force management. The system enables sales representatives program and time schedule.

5.2.2.3 Product/Service Configuration Systems

In multi-alternative product/service supply, sales representatives use configuration systems to configure the product/service according to interactive customer needs. Besides sales representatives, customers can use the web-enables versions of the systems.

5.2.2.4 Proposal Generation Systems

Automated proposal generation is the most time saving sub-system. The system enables sales representatives to generate customer specific proposal. Proposal generation systems may be full automated or semi-automated. Full-automated systems generate proposals based on general proposal-generation rules. These rules are user defined and integrates customer data and legacy systems. Besides this, semi-automated systems facilitate proposal generation by generating alternative proposals.

5.2.2.5 Order Management Systems

Order management systems enables sales representatives to report, prioritize and control the delivery customer orders. Customers can use the order reporting systems and control the delivery system on the web environment.

5.2.2.6 Sales Analysis

Sales Analysis systems enable sales representatives and managers to analyze sales quickly. It empowers quick customer-history lookup in or before interactive sales interaction. Event alerting systems enhances the efficiency of the system.

5.2.2.7 Field Sales Force Automation

Perhaps face-to-face sales interaction with customer is the mostly used sales strategy for sales management. To increase both customer satisfaction and sales effectiveness, sales representatives may need information. Field sales force automation is the system that fulfills this need.

With the emerging new technologies such as Wap, Gprs and PDAs, sales forces reach the main sales force system and get what s/he needs. These needs include customer and product information, product configurations, proposal generation and order generation.

5.2.2.8 Tele-Sales Automation

With the popularization of CRM, especially in Turkiye, contact centers (or call centers) applications increased. Starting from customer service center, contact centers begin to sell through telephone (Tele-Sales).

Tele-sales automation, similar to field force automation, is the automation of sales representative on the phone to get what one needs before or during the call.

Besides this, tele-sales automation includes, dialing systems (DS), which is the system that aims to minimize the contact center representatives' loss time. There are different types of DS. In preview dialing systems sales representatives reach to the customer information from the to-call-list then with representatives mark system calls the customer.

More automatic version of DS is the power dialing systems. In this systems, system starts to call customers from the to-call-list if there is any response system that transfers the call to the available representative. Predictive dialing is another kind of DS. In predictive dialing, similar to power dialing the system dials customers from to-call-list but the difference is that the system dials the next customer in a statically defined time period. The time period may be defined according to transaction time, warp-up time or available representatives.

5.2.2.9 Collaborative Web Sales Automation

Web sales automation systems are the systems that capture the web site visitors information (such as the pages that s/he visited, how long the visit engage etc.) and enables representative to help the visitor on the web.

5.2.3 CRM and Customer Service

Customer Service is the pre-sell and post-sell services that the companies present to customers and leads. Customer services include three domains. The most popular is contact center then comes the web based customer service and field service personnel. The related technologies related to these domains are:

1. Problem Recovery Systems
2. Contact Center
 - ☐ Computer – Telephony Integration (CTI)
 - ☐ Automatic Call Distribution (ACD)
 - ☐ Interactive Voice Response (IVR)
 - ☐ Contact Center Application System
3. Web-Based Customer Service
 - ☐ Web Self-service
 - ☐ E-mail automation
 - ☐ Web-chat
4. Field Customer Service Automation
 - ☐ Wap, Gprs, PDAs

5.2.3.1 Problem Recovery System

Problem recovery is the basic point of customer services. These systems include product and solution knowledge. Sales representatives use this knowledge base to solve customers' problems and answer the questions.

There are two key points in problem recovery system. First one is the navigation system that enables the user to find what s/he looks for. The second key point is the expendability of the system. Expendability is the feedback system that if user cannot find what s/he looks for, the concerned personnel find the solution or solve the problem and save the new structure.

5.2.3.2 Computer –Telephony Integration (CTI)

Computer – Telephony integration (CTI) is the technology that integrates telephone central in the contact center with the computer network and the software. This integration enables:

1. Notify the coming call to the contact center server
2. Put the coming call to the queue
3. Transfer the call from queue to the representative
4. In accordance with the command from the representatives, call the determined number, and displays the respond to the call (ringing, busy etc.)

5.2.3.3 Automatic Call Distribution (ACD)

Advanced contact center centrals most important feature. ACD enables to transfer the coming calls to the representative according to different algorithms. The purpose of these algorithms is the balance of the work-load distribution. These algorithms are:

1. Transfer to most vacant representative
2. Transfer to representative that has the lowest time of call
3. Transfer to representative that has the lowest number of call-handling

5.2.3.4 Interactive Voice Response (IVR)

IVR is the computer integrated central system that enables customer to get to the branch and get to the requested point.

IVR has two key points:

1. Enable caller to select between options and enter requested data (credit number, customer id etc) to the system
2. Automatically inform the caller about the requested subject.

5.2.3.5 Contact Center Application System (CCAS)

Contact center application system is the system used to fulfill every need in the contact center. The hearth of CCAS is the problem recovery system (defined in section 5.2.3.1) other components of the system is customer information, that includes sales data, call data and personal data.

5.2.3.6 Web Self-service

Web self-service concept is one of the newest technologies. The concept is basically web version of problem recovery system. This system enables customers to search the service knowledge based on web and solves the problems themselves.

5.2.3.7 E-mail Automation

E-mail automation systems are the systems that customers notify their problems and get the results by e-mail. These systems differentiate according to atomization levels. At the highest level of automation is an auto-answer system that understands the coming request from coming mail and auto answer.

Another version is, system understands the request and prepares alternative reply mail. As the representative selects the most appropriate option the mail is sent to the customer.

The most general version works as, mail comes from the customer, representative reads the mail, search the problem recovery system and sends the answer by mail.

5.2.3.8 Web-Chat

Web-chat systems are the communication enabling system between customer and the representative via Internet. Two parts may use keyboards to communicate or Voice-Over-IP technology and gets into sound communication.

5.2.3.9 Field Customer Service Automation

Similar to field sales force automation, field customer service automation systems are the systems that integrate emerging telecommunication technologies with sales recovery systems and customer information

5.2.4 Analytical CRM

Analytical CRM is based on the technologies used for data storage and analyze. As notified in sections below indeed analytical side of CRM is the “core” that enables the customer relations to form.

“Data storage” is the first foot of the analytical CRM, which is where all customer and product related information, is stored. And the second foot “analyze” that is getting the data in needed format at any time one needs.

In this section we will basically introduce the key concepts of data storage and analyze. These are:

1. Data Storage

- ☐ Database
- ☐ Data Mart
- ☐ Data Warehouse

2. Analyze

- ☐ Query
- ☐ Reporting
- ☐ Online Analytical Processing (OLAP)
- ☐ Data Mining

5.2.4.1 Database

A database is a collection of data that is organized so that its contents can easily be accessed, managed, and updated. The most prevalent type of database is the relational database, a tabular database in which data is defined so that it can be reorganized and accessed in a number of different ways. A distributed database is one that can be dispersed or replicated among different points in a network. An object-oriented programming database is one that is congruent with the data defined in object classes and subclasses. [58]

5.2.4.2 Data Mart

A data mart is a repository of data gathered from operational data and other sources that is designed to serve a particular community of knowledge workers. In scope, the data may derive from an enterprise-wide database or data warehouse or be more specialized. The emphasis of a data mart is on meeting the specific demands of a particular group of knowledge users in terms of analysis, content, presentation, and ease-of-use. Users of a data mart can expect to have data presented in terms that are familiar. [58]

5.2.4.3 Data Warehouse

A data warehouse is a central repository for all or significant parts of the data that an enterprise's various business systems collect. The term was coined by W. H. Inmon. IBM sometimes uses the term "information warehouse." [58]

Typically, a data warehouse is housed on an enterprise mainframe server. Data from various applications and other sources is selectively extracted and organized on the data warehouse database for use by analytical applications and user queries. Data warehousing emphasizes the capture of data from diverse sources for useful analysis and access, but does not generally start from the point-of-view of the end user or knowledge worker who may need access to specialized, sometimes local databases. The latter idea is known as the data mart.

In practice, the terms data mart and data warehouse each tend to imply the presence of the other in some form. However, most writers using the term seem to agree that the design of a data mart tends to start from an analysis of user needs and that a data warehouse tends to start from an analysis of what data already exists and how it can be collected in such a way that the data can later be used

5.2.4.4 Query

In general, a query (noun) is a question, often required to be expressed in a formal way. The word derives from the Latin *quaere* (the imperative form of *quaerere*, meaning to ask or seek). In computers, query is the system, which a user asks for and gets answer. [58]

5.2.4.5 Reporting and Reporting Systems

Reporting is the query and delivery of data in pre-defined or run-time-defined format. This is the most used information delivery system. “Last years sales”, “Yesterdays’ Handled Calls”, “Sales to Mr. X ” are basic examples of CRM reports. [58]

Reporting systems are the systems that enable users to customize the reports and get exactly what is needed.

5.2.4.6 Online Analytical Processing (OLAP)

Online Analytical Processing (OLAP) is computer processing that enables a user to easily and selectively extract and view data from different points-of-view. For example, a user can request that data be analyzed to display a spreadsheet showing all of a company's beach ball products sold in İzmir in the month of July, compare revenue figures with those for the same products in September, and then see a comparison of other product sales in İzmir in the same time period. To facilitate this kind of analysis, OLAP data is stored in a multidimensional database. Whereas a relational database can be thought of as two-dimensional, a multidimensional

database considers each data attribute (such as product, geographic sales region, and time period) as a separate "dimension." OLAP software can locate the intersection of dimensions (all products sold in the Ege region above a certain price during a certain time period) and display them. Attributes such as time periods can be broken down into sub-attributes.

5.2.4.7 Data Mining

Data mining is sorting through data to identify patterns and establish relationships. Data mining parameters include:

1. Association - looking for patterns where one event is connected to another event
2. Sequence or path analysis - looking for patterns where one event leads to another later event
3. Classification - looking for new patterns (May result in a change in the way the data is organized but that's ok)
4. Clustering - finding and visually documenting groups of facts not previously known
5. Forecasting - discovering patterns in data that can lead to reasonable predictions about the future

5.2.5 CRM Extends and Supporting Systems

CRM concepts evolve in time with the emerging technologies. After describing the basic concepts, now we will notify the extends and supporting systems of CRM that are:

1. Electronic Customer Relationship Management (eCRM)
2. Legacy Systems
3. Work-Flow-Management
4. Time Management
5. Personalization Systems

5.2.5.1 Electronic Customer Relationship Management (eCRM)

Electronic Customer Relationship Management is the unifying of CRM and e-business (web-technologies). In other words eCRM is the system that companies use CRM technologies both on traditional business and electronic business.

Indeed we have discussed many aspects of eCRM in below sections, such as web-self-service, web-chat, e-mail automation. The absent point that must be completed is clickstream analysis.

On a Web site, clickstream analysis (sometimes called clickstream analytics) is the process of collecting, analyzing, and reporting aggregate data about which pages visitors visit in what order - which are the result of the succession of mouse clicks each visitor makes (that is, the clickstream). There are two levels of clickstream analysis, traffic analysis and e-commerce analysis.

Traffic analysis operates at the server level by collecting clickstream data related to the path the user takes when navigating through the site. Traffic analysis tracks how many pages are served to the user, how long it takes pages to load, how often the user hits the browser's back or stop button, and how much data is transmitted before a user moves on. E-commerce-based analysis uses clickstream data to determine the effectiveness of the site as a channel-to-market by quantifying the user's behavior while on the Web site. It is used to keep track of what pages the user lingers on, what the user puts in or takes out of their shopping cart, and what items the user purchases.

Integrated with the other customer data, clickstream analysis empowers the data integrity and deepens the customer information.

5.2.5.2 Legacy System Integration

Legacy Systems term is used for other software programs that are used in the company, such as Enterprise Resource Management software (ERP) and Supply Chain Management (SCM) systems.

In order to realize mass customization and empower CRM applications. Integration of legacy systems is vital. Generally defining ERP systems includes, human resources, financials and resources management. In this respect ERP can be seen as the back-office of a firm. Besides, SCM is the system that balances and optimizes the relation of supply chain of the firm, which can be seen as before-hand of back office.

Integration of ERP, SCM and CRM, which can be seen as front-office application, creates a more unified enterprise structure.

5.2.5.3 Work-Flow Management

Work-flow management systems, as understood from its name is the general name of systems that unifies and standardizes the way of doing jobs across the company. These systems enable efficiency increase for the firm.

5.2.5.4 Time Management

Time management systems, similar to work-flow management, aim efficiency increase in the company. Time management systems are company wide unified systems that users can notify their time-schedule and share with other users.

5.2.5.5 Personalization Systems

As an integrated system, CRM has many features serving different goals for different users. Company personnel can arrange the whole system depending on needs, this means quick and easy reach to mostly used features.

Another facet of personalization systems is the customer side. Mostly used in e-business, customers can select what s/he wants to see and customizes the web site. The frontier of this application is www.my.yahoo.com. This site is a personal web portal that delivers information in a wide array from stock prices to pregnancy calendar. In the site, users select and position the information batches according to one's wants. Every time user enters the site, it demonstrates these arrangements.

6. REALIZATION OF CRM

Up to this point our study is focused on mostly theatrical and definitive parts of CRM. However, as other technology included systems realization (such as ERP, SCM etc.) CRM projects are in high failure risk. In other words, implementing CRM is not as easy as to describe it. In this section we will try to notify key points on CRM implementations.

6.1 Key Components of CRM Implementation

There are four basic components of CRM that are:

1. People
2. Processes
3. Technology
4. Existing Environment

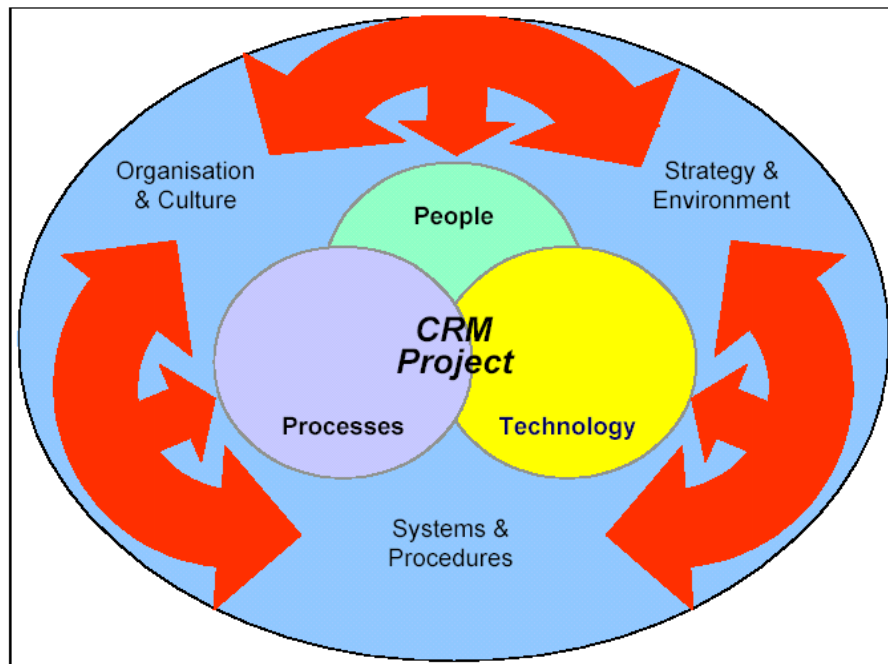


Figure 6.1 : CRM Project Components [65]

6.1.1 People

People inside the company have direct effect on CRM projects and effectiveness. Two major roles make this effect. First role of people is, technology user role. Usage enables technology to give outputs. If the technology can't be used than all CRM goals fail.

The other major role of people in CRM is the "communication role". We have discussed the role of every interaction between customer and company. So company personnel are the key that sets and improves the relationship. All the CRM efforts may reverse if personnel treat a customer impolitely.

6.1.2 Processes

Process, is a term used to describe the tasks, procedural steps, that people apply to accomplish one's duty.

In a CRM system if processes are wrongly defined than the general output of the system will be erroneous. For example if the delivery system of a company is unutilized then it is normal that the main intention, "building relation" will fail because customers may not prefer the company.

6.1.3 Technology

As we notified before, technology is the core enabler of CRM. Without all defined technologies (both software, data storage, analysis, call center technologies etc.) CRM concept will remain intangible.

6.1.4 Existing Environment

The success of a CRM project is a product of its three major elements: people, processes and technology as well as the existing environment within the organization. This includes:

1. The way it is organized and its culture – organizations with a functional silo approach and ongoing turf wars between sales, marketing and customer service will have more difficulty adapting to a customer relationship orientation and a 'one-customer-view' focus than one with strong cross functional working.

2. The business strategy and external environment – for instance a product-oriented strategy will be difficult to change. The organization will be set up to measure success by product metrics such as product profitability rather than customer profitability. Data required implementing relationship management strategies will be lacking. Dynamic environments require systems that can keep up with the pace of change.
3. Existing systems and procedures – existing technologies in use, communications networks, legacy systems and so on may constrain the technical choices available. The type, quantity and quality of data (especially customer data) available influences the work needed to source the data that fuels a CRM system (see quote below). Similarly, existing ways of working provide constraints.

6.2 Implementation Problems

All too often, organizations believe the solution to their problem is new or better technology. Software and hardware vendors claim that their product is the most versatile and flexible CRM solution, one will meet the current and future needs. Research, have shown that [62], “to achieve a CRM strategy, an organization cannot rely exclusively on a system solution – software products that allow the organization to track and retrieve information on the customer, that track and prompt sales activity and allow the customer service representative to be informed while servicing and selling the customer – by phone or Web”.

And if they have taken the time to think through their customer strategy and channel and product strategy, without a properly implemented infrastructure, strategy success will not be achievable. There are many pitfalls in implementing CRM. Often, the benefits promised by systems suppliers are not realized in practice, even though one has chosen the “right” system.

Why do things sometimes go wrong, and why are many companies not able to achieve the performance breakthrough that lives up to their investment in technology. Henerik. Andersen and Per Jacobsen defines the most observed ones:

1. Anchoring
2. Resources Needs
3. Unrealistic Expectations
4. Lack of sufficient training

6.2.1 Anchoring

Ensuring that the initiative has a solid foundation and support system is extremely important. Too often, the implementation of Information Technologies (IT) systems is seen as an isolated process confined to the boundaries of the IT department alone. In practice the implementation projects are change projects that transform the affected part of the company into a new enterprise, one that is more focused on the customer and on improvement of the company's relationship with them. Therefore, it is of utmost importance that the implementation project is anchored within a high level of the organization and outside the IT department.

6.2.2 Resource Needs

The internal and external resources required to customize and implement the software solution for a CRM implementation are usually underestimated. This applies to both the number and type of resources needed. Acceptance of the status quo, lack of will to change and an over-focus on the present situation rather than the desired future outcome result in huge extra costs, or in the worst case scenario failure to achieve the planned business improvement.

6.2.3 Unrealistic Expectations

Normally the purchase of a CRM system creates unrealistic expectation with regard to both the implementation project and resulting business improvements. As a starting point, a new system does not deliver any improvement advantages, if the business process and installation are redesigned simultaneously.

6.2.4 Lack of Sufficient Training

The importance of a thorough and detailed training program to the end users is often overlooked. It is observed that, in many cases, staffs have not been sufficiently trained in the new CRM system and typically use less than 50 percent of the application's functionality. The cause of this is that, organizations are so rushed to put in a new system that proper training is short cut. There is no time to train, the organization is behind schedule and typically over budget and starts to cut back.

6.3 Phases Of CRM Realization

In CRM literature there are many resources describing the road map to a successful CRM implementation [63,56,65]. In this section we will basically represent the methodology “The Catalyst CRM Methodology” (by the European CRM Portal and Catalyst Foundation) [65], which is the most integrated and covering methodology.

There are 5 main phases in realization of CRM these are;

1. Discovery – establishing the business goals for CRM
2. Orientation – defining necessary system and organizational changes
3. Navigation – managing system and vendor selection.
4. Implementation – planning and managing the CRM project.
5. Post Implementation – monitoring performance and continuous improvement

There are two other components, organizational change and program management actions are required throughout the project. From Table 6.1 can be followed for detailed breakdown of the major stages.

Table 6.1 : Phases and Sub Phases [65]

Phase	Sub-Phase/Step
Discovery	Business Scope
Orientation	Process Model
Navigation	Requirements
	Contracting
Implementation	Project Management
	Communications Plan
	Process Model
	Configuration
	Testing / Training
Post Implementation	Risk Management
	System Evolution and Management

6.3.1 Phase 1: Discovery

Once an organization has recognized the need for CRM (or improving their existing CRM systems) the first phase covers the definition of the business environment and key factors inside and outside the organization affecting the need for CRM.

It is an audit of the internal and external environment of the organization to identify the key issues that will impact a CRM program. Its findings are the basis for determining the appropriate CRM vision and strategy for the organization.

This phase is about visioning and strategy based on real insights and learning. It requires the business to make difficult choices and to decide on preferred courses of action. Whilst it need not take long it has to be undertaken by the right people in the business, and be carried out with commitment and dedication. Who are the right people? Done this way the benefits include:

1. Understanding and agreement of the business context and benefits sought from adopting a CRM system.
2. Understanding what specific issues the CRM system will resolve.
3. Understanding what else is needed to ensure that the CRM system delivers the required CRM capability.
4. Identification of what the potential obstacles might be.
5. Confirmation of the actual scope of the implementation.
6. Understanding who and what in the business will be affected and what is the confirmation of the value to the business.
7. Confirmation of the commitment required for the project to be successful.
8. Identification of sponsors and allocation of resources.
9. Confirmation of goals, milestones and broad timescales.
10. Development of a clear mandate to proceed.

6.3.2 Phase 2: Orientation

Having decided the direction, goals and overall requirements of the CRM business project, the business has to survey and document in some detail the way it intends to carry out its CRM activities, noting any key changes that have to be taken into account. Typically these changes will reflect things that keep going wrong today - malfunctions - and new things that would radically change or incrementally improve

the existing CRM capability - opportunities. This survey and documentation has to be presented in a way that allows detailed CRM business requirements to be detailed and specified.[64]

This phase is about radical design and change as well as incremental improvement. It requires the business to approach the way it works with critical pragmatism and willingness to challenge existing practice. This means it benefits from balanced and intensive input from people across the business who understand the need for CRM, understand existing practice, warts and all, and are open to reasonable challenge. Done this way the benefits include:

1. Understanding the nature of existing processes key issues, malfunctions and opportunities
2. Understanding what has to be changed and the impact this will have locally and on related processes
3. Identify a comprehensive change agenda including a detailed description by geography, markets, channels products and so on
4. Understanding the roles involved within processes, the nature of their interactions and the way they will change in the future
5. Describing specific key scenarios driven by the processes – highlighting the required outcomes and success criteria.
6. Deciding key elements of the project in more detail, identifying and assigning key milestone responsibilities and agreeing the sponsorship and project management approach and resources required.

6.3.3 Phase 3: Navigation

The starting point & destination are known. The route map is prepared and organizational impact assessed. The business now needs to find suitable partners to deliver the appropriate technology.

The Navigation Phase is about properly expressing the business context and imperatives, the required process, functional, and technical requirements and resources to identify a suitable partner. All too often the task of defining requirements and partnering with a system vendor is carried out unscientifically leaving a gap between the objectives of the business and the deliverables from the vendor. Apocryphal stories of implementation failures and “the difficulty of CRM”

often have their origins in the failure of businesses to properly express what they want adequately. [65]

The CRM system vendor community is skilled in the business of developing CRM systems. They are not skilled in your business, your market or your organization and the Navigation phase aims to provide clear and concise expression of the Discovery & Orientation phases. It also requires appropriate selection criteria to be defined to drive the contracting process.[66]

In a market where some 200 vendors worldwide claim to provide CRM systems and where technology developments happen all too quickly it is essential to clearly communicate needs, understand options and carefully craft partnerships.

This phase prepares the ground for an ongoing relationship with a technology provider. It determines how the system vendors will interpret your needs and how you will select a suitable partner for your CRM project. There must be sufficient information for potential partners to properly understand your business and technical requirements to demonstrate effective solutions. The output from this phase must be clear and comprehensive to ensure there is a proper basis for evaluating and contracting with partners.

The benefits of this phase include:

1. A blueprint for system requirements and a comprehensive starting point for the development of a system specification.
2. Creation of a reference point for all future change requests and project developments.
3. Development of criteria for system research, short listing & selection
4. Confirmation of business, organizational and system relationships and objectives.
5. System selection and pragmatic contracting process.

6.3.4 Phase 4: Implementation

There are many articles, papers and studies on the do's and don'ts of implementing CRM systems. However, unless the project management and plan are scrupulously prepared and executed, the do's and don'ts will be worthless. It is one thing to know in theory what to do but quite a different skill to make it actually happen. [64]

It is important to understand that successful CRM project tasks contain no special magic– the components are just like those from many other IT projects. The magic is

in how the plan is applied practically to take into account the unique aspects of a CRM project. The project plan is used to highlight potential pitfalls along the way.

If we regard projects as being made up of people, processes (including data) and technology, it is the people and the processes that cause the project to have unique twists. These factors can increase the failure risk for any otherwise good plan if the project manager is not aware of where, when and how to deal with these tricky issues. [65]

This phase represents the project cycle as undertaken from the point of selecting and contracting with a technology vendor to the moment of delivering a first phase configuration to a designated group of system users (including customers, partners or internal user groups). It includes project management, process and system definition, data imports, integration, testing and training

This phase is about translating radical business designs into systems specifications and implementation. It requires highly competent project management, strong sponsorship, a well-represented cross-functional project team prepared to invest time and effort. It also requires patience and clear communication of goals to the user community at large.

If the strategic and process foundations have been properly laid, the project has a solid foundation for delivering high business benefit. However, CRM projects in particular are fraught with cultural and user confidence issues. Of the three ingredients, people, process and technology, the people element is the most difficult to control and the most likely to jeopardize the project plan.

The key considerations within Navigation are to ensure that a system represents best customer management and process practice, to ensure that the corresponding cultural change is well managed and that the senior and project steering committees support the process and system implementations.

The answer to these challenges is to use the process work as a springboard for the major project elements: system specification, system testing and system training. The benefits from adopting this approach are that the organization:

1. Delivers a system that underpins best practice processes.
2. Delivers a system that improves the customer's experience.
3. Delivers system and information benefits to users.
4. Manages expectations for phase I delivery.

5. Communicates process and organizational change messages throughout
6. Leaves the communication to a Steering committee with management and user representation.
7. Reduces the level of risk in early phases.

6.3.5 Phase 5: Post Implementation

To ensure that technology continues to deliver business benefit, a CRM project team needs to monitor system needs against design on a continuing basis. Once a phase of a CRM project is complete, the risk is that system usage decreases to the lowest level of user understanding, while the business needs grow as a result of market change and increased customer demand. It is also typical that the CRM project phases are limited to early wins and a level of pragmatic “what can we achieve”, leaving other functions, data or integration needs outstanding.[56]

In addition, risk management in CRM projects is important to make sure the system is aligned to business needs and adheres to the most efficient and practical technology standards within a wider realm of other e-business systems.

The Post Implementation phase is primarily designed to limit the risk factors around the four critical success factors in CRM: processes, change, people and technology.

To manage these factors, this phase defines guidelines for an ongoing CRM system management team and their key roles to deal with ongoing process and technology change and scope for future projects.

The benefits of the phase are:

1. Reduces risk of system falling into disuse.
2. Reduces the growing gap between current and future process needs.
3. Keeps pace with the growth of system demands.
4. Keeps launching incremental projects to adapt technology to new business drivers.
5. Addresses cultural and communication issues with ongoing CRM communications plan and team.
6. Monitors system use and matches to process and business need. Develops user training and communication program to meet cultural, skills and political needs.

7. Monitors technology standards, development and trends. Assesses the CRM project against other I.T. project criteria and integration standards. Uses a wider I.T. integration framework as a benchmark for CRM technology platforms and developments.
8. Delivers highest, longest serving ROI on technology investment.
9. Delivers highest level of e-business integration and user functionality because of the long-term nature of the project's life.

6.4 Summary and Conclusion

For a successful CRM projects, first of all basic components should be stated, these are; people, processes, technology and environment. All these components should be well analyzed and managed because CRM implementations inside an organizational change within the firms.

CRM projects should be seen as an overall management project, rather than implementation of a software or program starting from objectives description to post implementation performance controls and improvements.

As a road map firms should follow these major steps

1. Establishing the business goals for CRM
2. Definition of necessary system and organizational changes
3. System details and vendor selection
4. Planning and managing the implementation
5. Monitoring performance and improvements.

to reach a stable CRM structure and get successful results.

7. CRM APPLICATION MODELS ON TURKISH AIRLINES

7.1 Introduction

As defined in Section 5 CRM projects have a generic logic and common applications. Besides this CRM projects indeed (must) have special models depending on sector and firm characteristics.

In this section we will represent a CRM model that has been generated in Turkish airlines (THY). The model has been formed in the direction of general CRM logic; that has been explained in the above sections, and the domain knowledge that we have gathered by interviews and interactions with in THY.

In order to describe the model precisely we will analyze these headings

1. THY General Introduction
2. Air Travel Process and Services Analysis
3. Present Marketing and Customer Relationship Status
4. CRM Study and Developed Model

In our CRM Model study we applied the first two of CRM realization phases that are, Discovery Phase; determining the CRM project strategies, targets and Orientation Phase; defining the necessary systems and organizational changes.

We will explain these studies in the sections.

1. Defining CRM Objectives: Discovery Phase
2. CRM Model – System Definitions

7.2 THY General Introduction

In order to constitute an appropriate CRM model; we first get information about THY. In this section these information will be represented in the headings:

1. Brief History
2. Service Definitions
3. Operations Overview

7.2.1 Brief History

Turkish Airlines was founded under law no. 2186 in Ankara under the name "State Airlines Administration" as a department of Ministry of Defense on 20.05.1933. The first fleet was King Bird (5 Seats), 2 Junkers F-13 (4 Seats) and 1 ATH-9 (10 Seats).

In 1935, the administration was turned over to Ministry of Public Works. The name was changed to "General Directorate of State Airlines" and was operated under Ministry of Transportation in 1938

In 1947, First international flight was realized between Ankara, Istanbul and Athens.

01.03.1956 was the year when THY was reorganized and operated under a special legislation and renamed Türk Hava Yolları A.O. with a capital of 60 Million TL.

After the reorganization many aircrafts joined to THY and on 1984 company was reclassified as a "State Economic Enterprise" and the capital was raised to 60 Billion TL.

From the year 1986, farthest flights started with the addition of the Singapore route to flight network.

The Company was included within the scope of the privatization by Council of Ministers Decree No 90/822 dated August 22,1990,published in Official Gazette No 20646 on September 25,1990.The new Articles of Association of the Company was approved by Decision No 90/18 of the Supreme Planning Council on October 30,1990 and ent into effect after registration ith Trade Register on November 5,1990.

Under Law No 4046 on Regulation of Privatization Procedures and Amendment of Certain Statutory Decrees published in Official Gazette No 22124 on November 27,1994, Turkish Airlines was redefined as a State Economic Enterprise and placed

under the jurisdiction of the Privatization Administration. Articles of Association, which are still in force, have been amended in compliance with Article 20/a of the aforementioned law upon approval by Privatization Administration on December 5, 1996.

THY now has a fleet of 70 aircrafts with a total seat capacity of 11,185 serving to a flight network of 61 countries.

7.2.2 Service Definitions

THY has four main service areas;

1. Air Travel
2. Cargo Transportation
3. Training
4. Technical Services

7.2.2.1 Air Travel

Air travel is the basic service area of THY. Basically defining, THY transports the passengers from one airport to the destination airport. Air travel is in the focus of our CRM application so the service will be examined in details.

In general, core service is transporting passengers between airports but there are additional services that the customer acquires with in a travel, these additional services differ according to the rout and customer classifications. These additional services include, catering services, duty free services, check-in, reservation, movie and music publications.

THY enables air travel across world within 61 countries. Besides this direct fly network there are indirect fly agreements. “Share Code” agreements are the general name of these agreements. The agreements obtain the sides to sell each other ticket as if it is their own. For example, THY sell a ticket Istanbul-New York with a transfer in Germany. This means that passenger will fly to Germany first and changes the plane and fly to New York with the second air craft. In this case, if there is an Share Code agreement with an other airline company, THY only transport the passenger to Germany, the second flight can be realized by the other side of the agreement.

With Share Code agreements airlines constitute a larger flight network. That enables a larger service area with a lower cost.

7.2.2.2 Cargo Transportation

Likewise air travel, Cargo Transportation is based on flight. But the subject that is transported is cargo. THY, supply logistic (ISO 9002 certified) service across the world with a wide-ranging network including America, Europe, Middle East and Africa.

Besides the core service THY enables additional services related to cargo services. The most favorites are, point to point cargo and cargo tracking. In point to point cargo service customer dials THY Cargo and gives the address of the cargo and the destination point. The employees gets the cargo from the determined point, loads to the air craft and reaches the cargo to the destination point. Cargo Tracing service is a free service that customers can track the physical position of their cargo from the internet.

7.2.2.3 Training

THY has a strategic position on both civilian and commercial aviation. From the date of forming this point has an important point on firm mission. Training activities are organized and realized by the "The Department of Flight Training and Standards" and "The Department of Training" departments.

There are two main training branches, flight training and ground training. At the center of flight training activities are the cockpit and cabin personnel trainings, that the personnel are provided with the required training by expert trainers in line with the standards of International Civil Aviation.

The Ground Training at Turkish Airlines provides training for its staff involved in commercial, cargo and handling activities as well as the technical team in the hangar. It also conducts special courses for managers, quality-control teams and the staff at the front desk.

7.2.2.4 Technical Services

Technical services, just like training services has a different position in THY. In-house technical services are alone very important for an airline, besides this THY supply outer services in the direction of its position in civilian and commercial aviation.

The technical services include:

- ☐ Aircraft Maintenance Services
- ☐ Material Services
- ☐ Component Repair & Overhaul Services
- ☐ Engine / APU Repair & Overhaul Services
- ☐ Base & Heavy Maintenance
- ☐ Line Maintenance
- ☐ Engineering Services

7.2.3 Operations Overview

In this section we'll give an overview of THY's operations basing on Annual Report 2000. All information is taken from the Annual Report 2000, that has been published on THY's official web site (http://www.thy.com.tr/en/tk/annual_rep/index.htm). and updated according to the other information from the interviews with THY managers

7.2.3.1 Flight Network

One of the parameter that demonstrates the size of an airline is the flight network- that is the global points that the airline has flights to. In other words flight network represents the flight services that customers can get from the airline.

THY flight network is in a growth trend nad with the addition of new routes in 2002,THY flight network includes a total of 122 destinations. These are,

Table 7.1 : THY Flight Network

Agri	Budapest	Hannover	Moscow	Skopje
Algiers	Cairo	Houston	Munich	Sofia
Almaty	Cape Town	Istanbul	Mus	St.Louis
Amman	Chicago	Izmir	New York	Stockholm
Amsterdam	Chisinau	Jeddah	Nice	Strasbourg
Ankara	Cleveland	Johannesburg	Nurnberg	Stuttgart
Antalya	Cologne	Karachi	Odessa	Tashkent
Ashkhabad	Copenhagen	Kars	Orlando	Tbilisi
Athens	Dalaman	Kayseri	Osaka	Tehran
Atlanta	Dallas	Kiev	Paris	Tel Aviv
Bahrain	Damascus	Konya	Pittsburgh	Tirana
Baku	Denizli	Kuala Lumpur	Prague	Tokyo
Baltimore	Denver	Kuwait	Pristina	Trabzon
Bangkok	Detroit	Las Vegas	Raleigh Durham	Tripoli
Barcelona	Diyarbakir	Lefkosa	Riyadh	Tunis
Basel	Dubai	London	Rome	Urfa
Batman	Dusseldorf	Los Angeles	Samsun	Van
Beijing	Edremit	Lyon	San Diego	Vienna
Beirut	Elazig	Madrid	San Francisco	Warsaw
Berlin	Erzincan	Malatya	Sarajevo	Washington DC
Bishkek	Erzurum	Manchester	Seattle	Zagreb
Bodrum	Frankfurt	Mardin	Seoul	Zurich
Boston	Gaziantep	Miami	Shanghai	
Brussels	Geneva	Milan	Simferopol	
Bucharest	Hamburg	Minneapolis	Singapore	

7.2.3.2 Mission Statement

Mission statements of a firm are the basic components of corporate strategy. In this manner we would like to inform about the mission statement of THY.

THY has defined 6 mission statements, these statements are:

1. Enhance the Company's identity as a global airline by expanding its long haul network,
2. Improve the Company's identity as the leading technical service provider within Turkey and the region; by enhancing the Company's maintenance base,
3. Improve the identity of the Company as a service provider of all kinds of strategic civil aviation services, including handling and flight training services,
4. Maintain the Company's leading position in domestic air transport,
5. Provide seamless air transportation through entering into a global alliance with a flight network complementing Turkish Airlines', aiming to improve the image of the Company abroad and to develop its marketing opportunities,
6. Develop Istanbul as an important hub.

In Section 7.4.1.2 these statements will be analyzed in detail in order to obtain CRM strategy.

7.2.3.3 Sales Offices

International Sales office is another indicator of an airline. THY has over 200 international sales office on 95 cities in 62 countries these cities are;

Table 7.2 : THY Sales Office Network

Abu Dhabi	Cenevre	Lefkoşa	Paris	Taipei
Almaata	Cezayir	Londra	Prag	Taşkent
Amman	Chissinau	Lyon	Priştina	Tel Aviv
Amsterdam	Cidde	Maastricht	Riyad	Tiflis
Aşkabat	Dahran	Madrid	Roma	Tiran
Atina	Dubai	Manchester	Saraybosna	Tokyo
Bahreyn	Düsseldorf	Medine	Selanik	Toronto
Bakü	Frankfurt	Mekke	Seul	Trablus
Bangkok	Hamburg	Mexico City	Sidney	Tunus
Barselona	Hannover	Miami	Simferopol	Üsküp
Basel	Hong Kong	Milan	Singapur	Vancouver
Beijing	Jakarta	Mississauga	Sofya	Varşova
Berlin	Johannesburg	Montreal	Stokholm	Viyana
Beyrut	Kahire	Moskova	Strasburg	Zagreb
Bişkek	Karaçi	Münih	Stuttgart	Zürih
Brüksel	Kiev	Newyork	Surabaya	
Budapeşte	Kopenhag	Nice	Şam	
Buenos Aires	Köln	Nürnberg	Şangay	
Bükreş	Kuala Lumpur	Odesa	Şikago	
Cape Town	Kuveyt	Osaka	Tahran	

7.2.3.4 Traffic and Financial Results

Traffic and Financial results represent, the overall performance of an airline firm. Figure 7.1 show the traffic developments of THY in the years 1996-2000. When analyzed THY 's performance growth can be easily realized. But to take attention, the permanent staff in year 2000 is almost the same with the year 1997 that shows the internal performance growth because all other activities have been increased nearly by 20 %

OVERVIEW OF TRAFFIC DEVELOPMENTS					
	1996	1997	1998	1999	2000
NUMBER OF LANDINGS	89,966	99,109	108,155	113,964	117,916
KILOMETERS FLOWN (000)	109,370	123,083	129,665	138,742	149,349
AVAILABLE SEAT-KMS (MILLIONS)	17,823	19,992	21,416	23,101	26,001
REVENUE PASSENGER-KMS (MILLIONS)	12,305	13,705	13,814	13,903	17,396
PASSENGER LOAD FACTOR (%)	69.0	68.6	64.5	60.2	66.9
AVAILABLE TON-KMS (MILLIONS)	2,409	2,813	2,974	3,117	3,502
REVENUE TON-KMS (MILLIONS)	1,346	1,514	1,481	1,578	1,976
OVERALL LOAD FACTOR (%)	55.9	53.8	49.8	50.6	56.4
REVENUE PASSENGERS (000)	9,281	10,266	10,504	10,410	12,031
CARGO (TONS)	86,940	103,211	95,010	110,598	125,742
MAIL (TONS)	3,449	3,831	4,065	4,249	4,595
EXCESS BAGGAGE (TONS)	1,299	1,540	1,705	1,881	2,624
PERMANENT STAFF (END OF YEAR)	8,668	8,958	9,712	9,527	9,001

Figure 7.1 : THY Traffic Developments

Besides traffic results Figure 7.2 represents the financial performance of the firm between the years 1996-2000. Since this information is taken from the official Annual Report the monetary unit is Turkish Liras. But at the bottom of the table the rate of exchange is stated.

FINANCIAL RESULTS (TL MILLIONS)							
	1996 (*)	1997 (*)	1998 (*)	1999 (*)	1999 (**)	2000 (*)	2000 (**)
OPERATING REVENUES	103,393,022	204,602,714	354,777,019	541,672,304	541,672,304	959,662,893	959,662,893
OPERATING EXPENSES	98,866,266	207,664,349	361,028,924	649,647,344	653,722,218	1,087,205,111	1,094,169,382
OPERATING PROFIT/LOSS	4,526,736	(2,861,635)	(6,251,905)	(107,975,040)	(112,049,914)	(127,542,218)	(134,506,489)
REVENUES AND PROFIT FROM							
OTHER OPERATIONS	4,877,286	11,899,629	14,286,372	38,408,599	38,319,322	35,728,573	34,724,275
EXPENSES AND LOSS FROM							
OTHER OPERATIONS	1,106,981	1,860,846	3,344,480	5,301,600	4,042,760	8,719,398	7,240,369
FINANCIAL EXPENSES	2,456,296	3,099,724	3,557,426	12,297,519	12,297,519	11,957,025	11,957,025
ORDINARY PROFIT/LOSS	5,840,745	4,077,424	1,132,561	(87,165,560)	(90,070,871)	(112,490,668)	(118,979,608)
EXTRAORDINARY REVENUES	3,562,305	3,290,463	9,323,263	40,032,779	40,122,056	61,312,556	62,316,854
EXTRAORDINARY EXPENSES	1,911,720	1,659,720	2,993,988	20,381,596	20,381,594	12,856,882	12,856,882
PROVISION FOR TAXES AND							
OTHER STATUTORY							
OBLIGATIONS	2,951,335	2,871,444	1,999,663	0	0	0	0
NET PROFIT (LOSS)	4,539,995	2,836,723	5,462,173	(67,514,377)	(70,330,409)	(64,034,394)	(69,519,636)
AVERAGE EXCHANGE							
RATE (US\$ 1)	81,078.01	151,234.66	259,825.92	417,094.79	417,094.79	623,354.82	623,354.82

* According to Uniform Accounting System

** According to Capital Markets Board Law Serial XI, Communiqué No. 1

Figure 7.2: THY's Financial Results (1996 - 2000)

7.2.3.5 Flight Operations

According to the Annual Report 2000 THY has 72 passenger aircrafts and one cargo aircraft. Figure 7.3 represents the distribution of the aircrafts by the model, and age. Since our study is independent from the aircraft models and features, we wont investigate these subjects in more detail.

Passenger Aircraft	Number of Aircraft	Age of Fleet (end of year)
A-340-300	7	4.5
A-310-200	6	15.2
A-310-300	7	11.6
B-737-400	16	8.1
B-737-500	2	8.6
B-737-800	22	1.5
RJ-100	9	6.8
RJ-70	3	4.6
Total	72	6.1
Cargo Aircraft		
B-727F	1	

Figure 7.3 THY Fleet Capacity

To give insights about the seat capacity of THY, we have added the Figure 7.4 . As shown from the table, this can be stated that THY is making investment on Air Travel service.

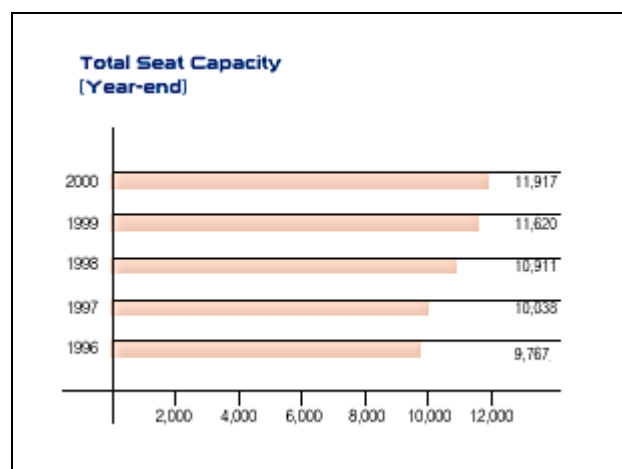


Figure 7.4 THY Seat Capacity

7.2.3.6 Passenger Distribution

Passenger distribution is the most important part for our CRM study. As shown in the Table Figure 7.5, most of THY customers are domestic passengers, but an other important point to see is that the international passengers are the 42% of over all customers.

THY carried a total of 12 million passengers in 2000. These included 6.4 million domestic, 5.1 million international, 116 thousand pilgrimage and 402 thousand charter passengers. While capacity offered increased (available seat-kms) by 12.6%, traffic (revenue passenger-kms) rose by 25.1%. This resulted in an increase in the passenger load factor by 6.7 points. The total number of tons of cargo and mail carried was 125,742 and 4,595, respectively.

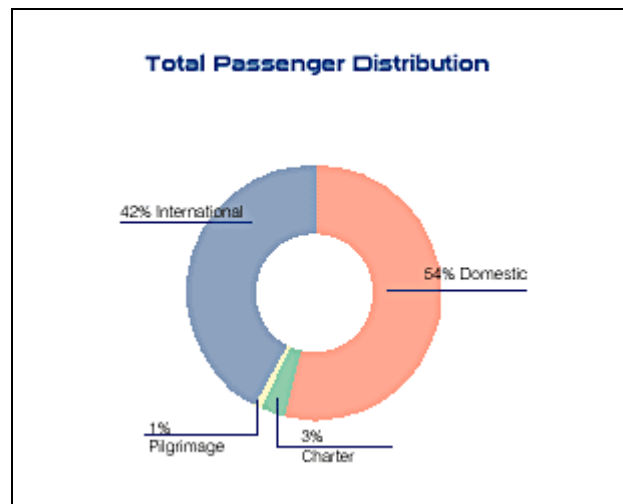


Figure 7.5 THY Distribution of Passengers

The distribution of the international passengers are shown in Figure 7.5 , 73% of the international customers is from Europe, after Europe comes the Middle East and Far East, but the total of the passengers from these areas are totally 17% .

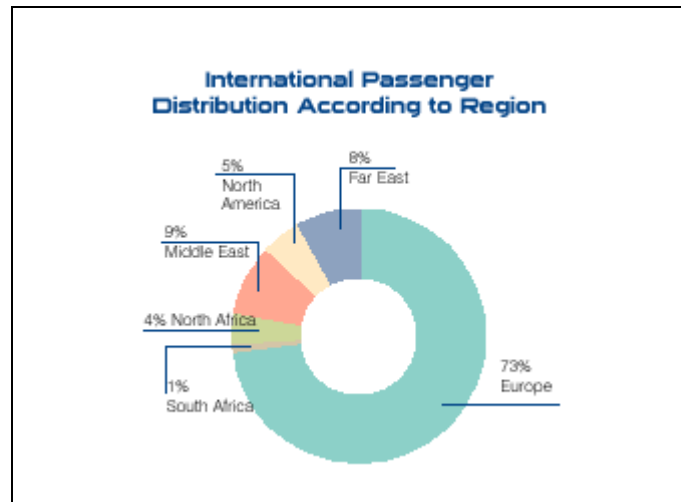


Figure 7.6 THY Distribution of International Passengers

The trend of domestic and international passenger carried can be followed from the Figure 7.6. It can be realized that there is a clear growth trend in both passenger categories.

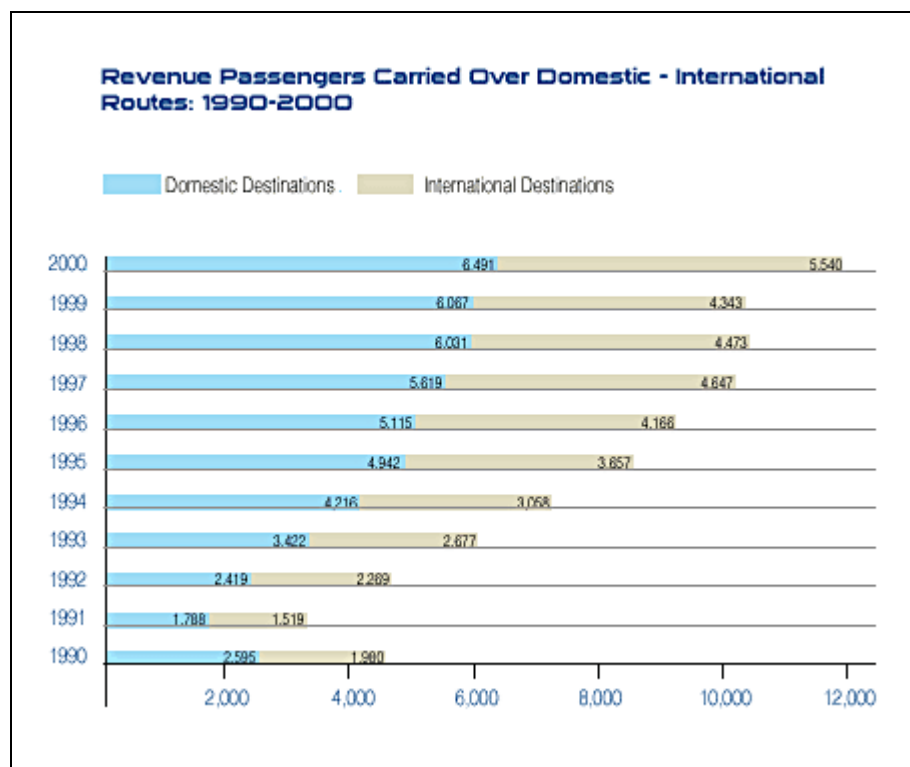


Figure 7.7 Revenue Passengers Carried

7.3 Air Travel Process and Services Analysis

In this section, THY 's Air Travel service, which is the focus of our CRM study, will be examined in general process flow and the additional services provided to the customers will be explained.

7.3.1 Air Travel Generic Process

In general, Air Travel provides a core service of transporting passengers between airports. There are three states in a Air Travel, before flight, flight and after flight.

Before flight state includes ticket gathering, check-in and arriving to Aircraft. Flight state, includes basically transportation and other additional services. After the flight comes the taking baggage and leaving the airport.

Air travel generic process from the eyes of customer:

7.3.1.1 Reservation:

Before procurement of the ticket customers can reserve tickets for some time. In general reservation process is an option that is given to the customer to buy the ticket in the stated time. No customers can buy the ticket until the end of the time period at the end of the time period if the customer does not buy the ticket; the ticket becomes an available ticket and can be sold to any customer.

Customers can reserve tickets from two channels; call center and sales office. In both cases the personnel check the determined flight and if available the ticket is reserved.

7.3.1.2 Buying Ticket

Customers can buy ticket from two channels:

1. Sales Offices: Customer arrives to the sales office, and determines the date and route for his/her travel. The representative checks the flight if available the ticket is enrolled. Customer takes the ticket and pays the price.
2. Online Web Site: customer enters THY 's official web site and states the route and time of the flight from the Online-Ticket part of the site. The system automatically checks the availability of the flight if available the customer enters the required information. At last customer enters the Credit Card number and the fee is automatically charged from his/her account. If the customer wants the ticket

to be sent to him/her, enter the address, else gets the unique ticket id. With this id number he/she gets the ticket from any sales office.

7.3.1.3 Before Flight Operations

Customers that will fly with a determined flight should be in the airport before the flight time and makes some operations. These operations are;

1. Check-In: All passengers should accomplish a Check-in process before the flight. In this process the representative checks the customer ticket and the baggage. If the baggage weights over a determined value customer pays for them. After the baggage control the passenger states the place that he/she wants to travel in the flight.
2. Passport Control: Before International flights customers should also accomplish the passport control. Passport control is done after the check-in, the representative takes the customers passport and checks if it is valid. After the passport control passengers pass to the waiting area.

7.3.1.4 Flight Waiting Area:

After Check-In and Passport control operations customers enters to the area in which they will wait for the announcement for the flight. In this area there are three sub areas for different customers. These are

1. VIP Lounge: The lounge that the people in the “Very Important Person” category can use.
2. CIP Lounge: CIP lounge is the waiting area that the Miles&Miles Elite Card owners and Business Class Passengers can use.
3. Café & Restaurants: At the rest of the waiting area there are cafés and restaurant that the customers can wait the flight

7.3.1.5 Arrival To Aircraft

When the aircraft is ready for the flight, an announcement is done in the waiting area. Hearing from door id, customers tend to the door, there are two probabilities for arriving to the aircraft.

- a. Tunnel: If the aircraft lends to the appropriate area the passengers can arrive to the aircraft from a tunnel

- b. Bus: If the aircraft is far from the tunnel the passengers get into a bus and the bus transfer them to the aircraft

These two options are, independent from the personal request. One of the alternatives takes place according to the airport capacity.

7.3.1.6 Settlement to Aircraft:

Arriving to the aircraft the customers are welcomed by the airhostesses. Airhostesses' makes a final check and guide the passengers to their seats. Besides this the baggage and the cargos are transferred to the aircraft. After these operations are finished aircraft is ready for the fly.

7.3.1.7 Flight:

During the flight, customers are served miscellaneous services. These services differ according to the passenger class and route, but in general these services include

1. Aperitif food and drink services
2. Launch and dinner Services (in long distances)
3. Movie and Music
4. Telephony services
5. Travel package (for business class passengers)
6. Duty Free Salary (in international flights)

7.3.1.8 Landing And Leaving Aircraft:

As the aircraft lands, passengers are guided to the airport. Depending on the landing position passengers can use tunnel or bus to reach the airport.

7.3.1.9 Baggage Taking:

In the airport passengers enters to the baggage distribution area, in which the take their baggage. After getting the baggage passengers leave the airport.

7.3.2 Special Services to the Business Class Passengers

THY has two segmented passenger classes. Passengers can fly with business class or economic class. The first class application has been removed after the profit/loss analysis.

Business class passengers receive some differentiated and additional services these services include;

1. **Special Check-In Desk:** Business class passengers realize their check-in process in a different check-in desk. This makes the passengers to spend less time in a short queue.
2. **Check-In Time:** Different from economic class, business class passengers can check-in till, 20 minutes to the flight.
3. **CIP Lounge:** In the flight waiting area business class passengers can use the CIP lounge. In this lounge passengers get free drink and food services, telephone and fax services.
4. **Arrival to the Aircraft:** business class passengers are guided to the aircraft after all the passengers are settled.
5. **Baggage Wrapping:** Business class passengers' baggages are packed with a more protective package.
6. **Over Weight:** Different from the economic class Business class passengers can transport 30 kilos free baggage.
7. **Easy Check-in:** If Business class passengers fulfills the easy-check in and transmit to THY, the check-in process is done in depending on the form and the process duration is decreased.
8. **Special Seats:** One of the most important different between the classes is the seats. Business Class seats are more comfortable and large. More over, every business class seat insides a telephone and a screen for movies. In economic class there are 4 common screens and two common telephones.
9. **Food and Drink Options:** Business class passengers are served a wide array of food and drink options.

7.3.3 Supporting Services

Besides the core services THY provides supporting services. We group these services in three categories;

1. Online Services
2. Call Center Services
3. Complaint / Suggestion / Thanks Follow-up Services

7.3.3.1 Online Services

Online services are the services that customers receive via Internet these services includes:

1. Online Ticket: Entering to the official THY web page customers can select and buy tickets online
2. Schedule: Passengers can look up for flight schedules via schedule follow up service
3. Easy Check-In: Passengers download the easy check-in form. After filling the form, customer sends the form to THY.
4. Takeoff – Landing Follow up: Customers and relatives follow-up the timing for the flights.
5. Services Information: Customers get information about the THY services from the web site.

7.3.3.2 Call Center Services:

THY provides two services from call centers these are:

1. Reservation Services: Customers can reserve tickets via telephone from the call centers.
2. Miles&Miles Support Services: This is the service that customers can get information about their membership and general program.

7.3.3.3 Complaint / Suggestion / Thanks Follow-up Services

Under the customer relation department THY provides complaint, suggestion and thanks follow up services. All the requests reach to the department and the department analyzes the cases. After the analysis the required operations are done and the customers are informed about the result.

The requests are gathered from four channels;

1. Sales Offices: Customers can fill the request form located on the sales office. After filling they admit the form to the office. Request forms are then sent to the center by the office.
2. During Flight: All passenger seats contain the request form. After the flight airhostess collects the filled forms and send to the center.
3. Call Center: Customers can submit a request via call center.
4. Fax: Customers can write a request and fax to the center.

7.3.4 Present Marketing and Customer Relationship Status

In current situation, the basic marketing and customer relation management activities are executed under the, frequent flyer program called Miles&Miles. Up to year 1999 THY was in a worldwide corporation of frequent flyer program called Qualifier Group. After leaving Qualifier Group, THY has generated a new program.

7.3.4.1 Introduction of Miles&Miles

As a generic frequent flyer program, Miles&Miles aim to reward the customers that mostly use THY and partners.

Under Miles&Miles program there are two basic membership types:

1. Miles&Miles Card: After filling the application form, THY sends the a Miles&Miles card. Using this card in Miles&Miles member firms, customers gain “Miles”. The companies that customers can gain Miles are:
 - ☐ THY: As the customers flies with THY, they gain bonus Club Miles
 - ☐ Co-Institutions: Besides THY, there are Co- Institutions, these institutions include other airline companies, hotels and car rental firms. As the customers makes spending on these institutions they gain “Miles”.

2. Shop&Miles: Shop&Miles is the Miles&Miles's co-branded credit card with Garanti Bankası. The concept is similar to Miles&Miles, but the Shop&Miles has different and widespread co-institutions. Using Shop&Miles credit card customers gain Miles for every spendings.

7.3.4.2 Mile Types and Rewards

In MilesMiles program, there are two categories for Miles. Miles and Club Miles. Miles are the representative units that are used to gain rewards. Besides there is another category called Club Miles, which is indeed, has the same unit value with Miles.

The difference between Miles and Club Miles is that Club miles can be gain only making spending only with THY. Besides Miles are gained from the every spending on co-institutions.

Customers can spend their Miles and get rewards in three ways these are:

1. Free of Charge Ticket: Every ticket has a Miles unit value depending on the route. If the customers have enough Miles, they can get the free ticket. In this case the amount of miles is decreased from the customer account.
2. Accompanied Ticket: If the customer account is available, customers gain a free ticket, if buys a ticket. Similar to free ticket every flight has a Miles value.
3. Class Upgrade: As mentioned before there are two flight class in THY. If customer has enough Miles in the account, customers can fly Business Class without paying extra fee.

All these rewards can be used in the co-institute airlines.

7.3.4.3 Miles&Miles Membership Types

There are two membership types in Miles&Miles program. The first one is the standard Miles&Miles membership and the second one is the "Elite Card" owners.

Standard members have the right to earn and use Miles, there are no other special treatment for standard members.

A standard member becomes an Elite Member, if there are enough Club Miles in his account. Since the club miles are the units that are earned from the spending form THY, Elite members gain special treatment from THY. These special services include:

1. Priority in International Flight Reservations
2. Check-In from the business class check-in desk
3. Right to use CIP lounge
4. 10 Kg free of charge baggage limit.
5. Call center service from special line
6. Last Minute class upgrade
7. Discounted car rental

7.4 CRM Study and Developed Model

After giving insights about THY, in this section we would like to introduce the CRM study and the model that has been developed.

Before going in more details, we would like to point out that, in aviation sector there are some constraints that are not within the consideration of our analysis, the most evident constraints are, aircraft interior design, airport locations and design. So these points are thought to be stable and unchanged.

In this section the study will be represented under two headings

1. Defining CRM Objectives: Discovery Phase
2. CRM Model – System Definitions

7.4.1 Defining CRM Objectives: Discovery Phase

For defining CRM objectives, there are two main parameters, situation of competition and corporate strategy. Information about these parameters are gathered from two sources, interviews with managers and the THY mission statement.

7.4.1.1 Competitive Situation

For demonstrating the current situation it is appropriate to start from the competition. From the time of foundation, it can be declared that THY has a monopolistic role in the sector. Indeed up to a few years before, THY had domestic competitors but now there are no competitors for air travel. This is a great advantage for domestic flights. But the same is not valid for international flights.

THY has a competitive strategy basing on the service quality, this is why THY fleet has been in the first three fleet across the world. Besides before removal of First Class, THY has been providing the worldwide best First Class services.

Probably, because of the competition insufficiency in domestic domain, THY haven't optimized the costs. That's why in international arena THY has a price disadvantage. This is a competitive disadvantage for THY because, the international competitors have nearly same service quality but the less prices.

7.4.1.2 Analysis of Mission Statements

THY's official mission are used to demonstrate the corporate strategy. These statements are:

1. Enhance the Company's identity as a global airline by expanding its long haul network,
2. Improve the Company's identity as the leading technical service provider within Turkey and the region; by enhancing the Company's maintenance base,
3. Improve the identity of the Company as a service provider of all kinds of strategic civil aviation services, including handling and flight training services,
4. Maintain the Company's leading position in domestic air transport,
5. Provide seamless air transportation through entering into a global alliance with a flight network complementing Turkish Airlines', aiming to improve the image of the Company abroad and to develop its marketing opportunities,
6. Develop Istanbul as an important hub.

In order to maintain CRM objectives, these statements will be grouped and analyzed in details. As seen from the competitive situation, there are two different worlds for THY: International and Domestic. So we will examine the mission statements in the same manner.

International Missions

THY has developed two main missions that is about international arena (1 and 5). At the first look they can be seen the same but when analyzed in details it can be seen that these statements have different meanings. The first statement emphasizes the increases on the flight routes which THY realizes. Beside, the second statement means that THY prefers providing a worldwide flight service with partners instead of flying all over world.

It must be pointed out that both statements include improving THY's place on international arena.

Another international mission is defined in statement 6. Improving Istanbul as a flight hub mission includes the insight of using Turkey's strategic geographical location. In other words this statement emphasizes the air travels between east and west should pass from Istanbul.

Domestic Missions

In domestic mission statements the most interested statement is 4th statement. That is about protection of current competitive leadership. The other statement about aviation sector is ignored because it has no relation with our focus point.

7.4.1.3 CRM Objectives

Basing on the analysis, two strategies are determined for CRM studies.

1. Increasing the International Tourists:
2. Improving Native Passengers' Loyalty

7.4.1.4 Increasing the International Tourists

As the most mission statements declare THY has to increase it's position in international arena. Increasing the points of flight and points of service (via partnership) depends on "demand". The same is valid for the statement about improving Istanbul as hub.

When the demand structure is analyzed three main factors can be distinguished,

1. Business Flight
2. Touristic Flight
3. Visiting Flight

The first and last type of flight indeed cannot be affected. In other words no one will come to Turkey (for example) for business if he/she has no business connection, or no one will make a visiting flight if he/she has no one to visit in Turkey.

So, to create demand for international flights tourists should be the focus point, because first of all Turkey has a great potential in the area, and the only factor to effect international point.

7.4.1.5 Improving native Passengers' Loyalty

As stated before, there are no competitors today in the domestic market. But this does not mean that there won't be in the future. In order to maintain the leadership, THY should focus on loyalty for native passengers.

For future performance especially families and young customers should be focused because young passengers are the future's potential customer, and increasing their satisfaction and loyalty from today will obtain a competitive advantage for future.

The second customer group should be the business class passengers who are the most profitable customers. In a case of competition lose of business class passengers will have more financial effects.

7.4.2 CRM Model – System Definitions

After defining the main objectives, strategies has been defined that will be used to accomplish these objectives. These strategies are;

1. Promoting Touristic and Business Travels
2. Increasing support services quality and performance
3. Increasing flight satisfaction
4. Successful Campaigns

Determining these strategies, current systems related with the objectives are analyzed and new systems are generated for the model. So our model presentation will be in the direction of the strategies including new system definitions, requirements and benefits.

7.4.2.1 Systems For Promoting Touristic and Business Travels

In order to promote touristic and business travels three sub systems are generated these systems are;

1. Journey Planner

General Description

Destination management is a fully integrated web service that customers can plan a journey and make purchase for all the sub-elements (including hotels, holiday village, car-rental and vacation packages) from one center. The basic aim of the system is to create international touristic demand by using THY 's current co-institutions and domestic power.

System Features

1. Travel Domain Selection: Customers starts to plan their journey with the selection of the domain.
2. Introduction of the domain: selecting the domain, the introductory pages runs to show and inform customer about the domain.
3. Service alternatives comparison: After getting information customer can look for services provided by co-intuitions in that domain. These services include, hotels, restaurants, car-rentals, holiday-villages, guides and vacation tours in that domain. Customer can save and compare all the alternatives if prefers.
4. Service selection and planning: After services information customers organize their journey, by adding the services he/she wants to the planner.
5. Total purchase: As customer organizes the journey he/she can investigate the over all costs of the journey and can buy all the journey package by entering the credit card number.
6. Network integration: As a purchase is done all the related parties are informed and automatically paid.

System Benefits

1. Information Gathering and Introduction: Using the system customers can get detailed information about domains and services.

2. Comparison: Customers can compare the journey alternatives according to service levels
3. Fully planned journey: Using the system, customers will have no other needs to satisfy within journey instead, they will know what they will get.
4. Automatic purchase from one center: Customers will pay for all services from one point in one time.

2. Point-to-Point Travel

General Description

Traditional air travel business starts from one airport and ends in the other one. In this definition arrival to the airport and from airport can cause extra costs for customer. Point-to-Point travel system designed to facilitate customers' arrivals by informing and planning customers' alternatives transportation vehicles.

System Features

1. Arrival alternatives: Customers can get information about arrival alternatives that is available in the selected domain.
2. Mass Transit Systems: If there are any available mass transit systems in the domain the system automatically presents the appropriate route and timing depending on requisite.
3. Car Rental: Customers can rent a car, and finds it ready just after the flight.
4. Taxi Calling: Using the system, customers can arrange taxi on time, both for arriving to airport or to his destination after the flight.

System Benefits

1. Time: Learning all arrival alternatives customers spend less time to arrive where he/she wants. They won't look for a taxi or a car-rental company; they will find them just after/before the flight.
2. Getting Lost: Customers won't get lost because they will know routes, and will be able to reach their destination using the vehicles they select.
3. Less Excitement: Knowing the alternatives and arranging vehicles, customers will feel less excitement, reaching to the flight or the last destination.

4. Appropriate Vehicle: Knowing all the alternatives customers will be using the appropriate vehicle.

3. Valet Parking

General Description

Valet parking is a common parking system usually used in first-class restaurants, hotels and bars. In general system, as the customer reaches the entrance, a parking guide welcomes the customer and takes his car to the parking lot. Again as the customers' leaves, the guide goes to the park and gets his car back. This general process is differentiated and customized for THY system. The main goal of valet parking system is facilitating the parking process of private car owners and so promotes usage of private cars for arriving to airports.

System Features

1. Reserve and Inform: as the main difference from the general process, customers should reserve a parking lot and inform about his car.
2. Welcome: as customer reaches the airport valet parking guides welcomes and helps him carrying the baggage inside the airport. Besides another guide gets the car to the parking lot.
3. Leaving the airport: As the customer is in his way of return, valet parking system alerts the guides to getting the car from parking lot, in order customer to find his car ready as he reaches the airport.

System Benefits

1. Effort: since the parking lots of airports are generally quite far away from the airport entrance, carrying baggage to the airport after parking the car has been a problem. Using this service customers does not have this burden
2. Time: Besides baggage carriage, the way from parking lot to the entrance costs means loss of time. The point is more important for business class passengers.

7.4.2.2 Systems for Support Services

As determined before, THY provides support services in three channels, call center, sales office and web site. In general support services show a general construction but

with customized features for each channel. Systems for enhanced customer support effectiveness are;

1. IVR System Integration

General Definition

IVR as stated in Section 6 is a call center system that customer directs the system and gets interactive voice response in sequence. The basic aim of the IVR integration is to atomize answering system to most frequent responses. In this manner call center performance and service quality will be enhanced.

System Features

1. Entry system: Customers calling the call-center first enters his Miles&Miles Card Id.
2. Atomized Miles Information: As the customer is identified by IVR system, total amount of “Miles” is pronounced by IVR.
3. Guided Reward Selection: Via phone keys, customer learns the rewards that he can get with the current Miles level.
4. Frequently Asked Questions: If the customer requests, customer get information from the Frequently asked questions part of the system
5. Orientation of Requests: as the customer states his request type, the representative answers him ready to response his request.

System Benefits

1. Quick Information gathering: Miles and reward information are the dominant component of customer responses. With the atomized system, the duration of data gathering process is increased to minimum levels.
2. Increased Call Center Performance: As the automated system meets most of the customer requests, the left customers can be handled by a less amount of representatives.
3. Increased Quality: Since IVR systems are computer integrated; there will be no chance of human oriented failures. Besides as the request load for each representative will decrease.

2. Customer Information Interface

General Description

Customer Information interface is an integrated system for sales and call center representatives to browse easily on customer information and preferences in order to decrease service duration and increase service quality.

System Feature

1. **Personal Information:** Representative reaches customer information easily and uses this information for ticket reservation and registration. In accordance with IVR system, call center representative is informed about the customer.
2. **Preceding Flight Information:** Customers preceding flight and reservation information can be browsed and can be used for facilitating the next flight registration.
3. **Request Logs:** Registering customers all requests, representative can browse and easily reach and use customers preceding requests in his responds if available. Besides representative can update the same request and gets the updated response online.
4. **Complaint Handling:** Representatives can easily submit customers' complaint. The complaint is conducted to the center automatically. After the follow-up is completed in the complaints center the result can be updated to the complaint handling system.
5. **Recording System:** All customer interactions are logged automatically to the system, besides representatives can add personalized notes and record to the system.

System Benefits

1. **Increased Service Quality:** All these features results a decrease in service duration. Besides with computer integrated system personal error sources are decreased
2. **Decreased Complaint Follow-up Time:** The time passed from a customer's submitting a request and getting the result is decreased by decreasing the conduction time between system and the complaints center.

3. Decreased Request Renewal: Using request logs and request updating system representatives can start a renewed customer request and responds in an ultimate speed.
4. Time: Since all customer information can be reached from the system, there will be no need for representatives to ask again and again the same information to customer.

3. Rewards Automation

General Description

Rewards automation the service that users can list the rewards alternatives in the quickest way. The users of the system can be sales office representative. Besides customers can use the system via IVR system or from web.

System Features

1. Flight Rewards: For flight rewards, customers first selects whether the direction of their flight is international or domestic. After this system lists the domain that the customer can use any rewards. As the customer selects a domain, he can be informed about the terms of rewards in that domain.
2. External Rewards: In contrast the current rewards system, customers can be rewarded by external rewards, such as hotel discounts, extra baggage limit etc. Using the system customers are informed about these rewards
3. Listing and Registering: After browsing the rewards options, customers can register for rewards.

System Benefits

1. Enhanced Information: Customers, gain detailed information about rewards and alternatives.
2. Quick Registration: Customers can easily register for rewards using the system
3. Service Quality and Performance: With atomized system, service quality and performance will increase.

4. Reservation Automation

General Description

Reservation automation is the system for call-center, sales office and customer themselves to easily search for flight reservations and generating automated reservation time.

System Features

1. Flight Route and Timing Browse: the first part of a reservation process is selecting route and timing of the flight.
2. Automatic Reservation Limit: Selecting the flight, system analysis customers' preceding reservations and produces a time limit in accordance with the analysis.
3. Reservation Register: As the customer checks, the reservation is registered to the system

System Benefits

1. Enhanced Reservation Channels: The system enables customers to make reservations from both of the support service centers.
2. Increased Quality and differentiated service: As the system produces the reservation limit different customers groups will gain different reservation time. This will increase reservation quality delivered to customers.
3. Increased Performance: since customers can use the system from web, the total representative requirement for covering reservation requests will decrease. Besides, with user friendliness of the system, representatives' service time will decrease. Another performance-enhancing component is auto-produced reservation limit because in traditional system there is a persuasion time for both sides to put the time limit.

5. Frequently Asked Questions

General Description

FAQ automation is a back office system that analysis both over all and customer based FAQ's. In accordance with this analysis, the FAQ list is published to user to shorten the overall information time.

System Features

1. FAQ Analysis: Integration with request logs system, the requests are grouped and analyzed in two manners, overall and customer based.

2. Call Center Interface: as a customer reaches a call-center representative, the system lists the FAQ's. If the customer asks one of the questions in the list representative responds by clicking on the question.
3. Sales Office Interface: Similar to the call center integration, representatives can quickly select and answer to the customers questions from FAQ list
4. Web Integration: web integration of FAQ system is a self-served oriented service. Customer entering the FAQ system selects the question and reads the answer.

System Benefits

1. Decreased Requests: With web integration systems enables customers easily and quickly get the information from web. This will cause decreased request for other channels.
2. Shortened Service Time: For sales office and call-centers the system will cause shortening the time for information-based requests.
3. Increased Performance: Decreased requests and short service time will cause an increase in overall performance.
4. Increased satisfaction: Since the customers get the required information quickly and easily; customer satisfaction will be affected.

7.4.2.3 Systems for Increasing Flight Satisfaction

In the direction of building customer loyalty, systems for increased flight satisfaction are generated. These systems includes, basic data gathering systems and direct services systems. The first two systems can be seen mostly data gathering systems and the others can be seen as value delivering systems.

1. On air tracking system

General Information

On Air Tracking System is the basic data gathering system for customer satisfaction. Using the system all the activities and preferences of customers can be tracked and depending on preceding preferences, aircraft stocks are optimized and surprises are done to the customer.

System Features:

1. **Passenger Information Integration:** Just before the flight, hostess uses the PDA (palm or handheld) to get aircraft passenger information from the check-in desk. The information package includes names, seats and preceding preferences.
2. **Stock List:** With the integration system produces a stock list for the flight, the aircraft stocks are checked in accordance with the list.
3. **Orders Taking:** On flight, airhostesses take customers orders and preferences using the PDA. In accordance with analysis if a customer has an evident service preference, the airhostess asks if the customer would take the preference.
4. **Service Delivery:** Registering the orders to PDA, airhostesses prepare the service desk and make the services in accordance of the orders and preferences.
5. **Extra Services:** Besides routine service, If customer asks for an extra service, (such as newspaper, magazine or flight equipment) the order I

System Benefits

1. **Stock Optimization:** Aircraft stocks are one of the sources of waste. Using the system the stocks are optimized and costs will be decreased while the same or better customer satisfaction is maintained.
2. **Customer Self-Esteem:** Knowing customer service preferences, customer self-esteem will be enhanced; this will cause a great motivation for customer loyalty.
3. **Customer Satisfaction:** Whether on demand or automatic customers will get the services he likes ready during causing an increase in satisfaction.

2. Survey Systems

General Information

Two major survey systems are generated for finding out customer satisfaction, and gathering feedback from the customer.

System Features

1. **Flight Surveys:** Customers find out a survey in their seats, or the surveys are delivered later during the flight. These surveys include brief questions about flight satisfaction, complaints and suggestions.

2. After Flight Surveys: After the flight, system automatically creates and sends survey e-mail to the customer. After flight surveys contains more detailed questions about the flight.

System Benefits

1. Feeling of Care: Customers experiencing the surveys understands that THY take care of them and try to increase their satisfaction
2. Information Gathering: The answers to questions enables information about customer satisfaction level, satisfaction perceiving parameters and commitment.

3. Air Personnel Preference System

General Information

In order to maintain customer loyalty, we have generated a system that evaluates and arranges the air personnel schedule according to customer preferences.

System Features

1. Determination of Flight Passengers: In a few days to flight, the system creates a set of information of stated customers for the flight.
2. Calculation of Overall Preference Index: Analyzing preceding surveys, every customer's air personnel preferences are calculated and personal preference index is generated. After applying this to all customers, overall index of preference is calculated.
3. Assigning Air Personnel to flights: The flight personnel that are most appropriate to the preferences are assigned to flight.

System Benefits

1. Customer Loyalty: Traveling with a constant airhostess and captain will cause customers to feel safer and this will cause direct customer loyalty.
2. Early Ticket Salary: Since the system makes the calculation a time before the flight, the customers who want the get benefits will buy the tickets earlier.
3. Quality Increase: This preference index is somewhat an index of air personnel evaluation. This will cause a competition between the personnel and the service quality will be empowered.

4. Order to Air System

General Information

Order to air is the system to fulfill customers service needs if they inform THY about them.

System Features

1. Preference Information: During ticket purchase the customer is asked about the preferences of services including;
 - ☐ Food
 - ☐ Drink
 - ☐ Equipment
 - ☐ Film & Music
2. Special Orders: Besides the preferences, customers can order accompanying products to be available on the airport. These products include, newspapers, magazine, book etc.
3. Stock Allocation: Taking the orders the system add them to orders list. Using this list the aircraft stocks are prepared.

System Benefits

1. Stock Optimization: Since the system promotes early definition of customer needs the aircraft stock optimization will be maintained.
2. Time: Especially in long distance routes, newspapers and magazines play a considerable role in customer satisfaction. So most of the customers buy them before the flight. But using this flight they should not spend time for buying them.
3. Satisfaction: Getting everything ready and planned before the flight, customer will perceive a high level of satisfaction.

5. Early Duty Free

General Information

In current situation, customers can buy duty free products during the flight. Early duty free system extends this system to an early order and payment system. The

system is designed as a web service. In this appearance the system is similar to a e-commerce site.

System Features

1. Product Listing: Products and prices are listed on web for the flight.
2. Add to Basket: Customers select and add products to shopping basket
3. Payment: With the approval of the purchase, customer pays for the products.
4. Stocks Allocation: as the order is approved, the order list added to the aircrafts stock list.

System Benefits

1. Stock Optimization: Since the sold products are listed before the flight. The stocks are optimized for the flight.
2. Customer Satisfaction: since the stock optimization is done customers can get their orders. Besides there will be a floating stock for free purchases. The system will increase total covered buying requests so the customer satisfaction will increase.
3. Performance Increase: Since the system provides an early and easy payment system total sold goods will increase which will effect the bottom line.

6. Delay Information System

General Information

Delay information system is a automated SMS (short message service) system that delivers delay information to customers and relatives.

System Features

1. Selection of Relatives: Customer is ask if he wants to use the system, if prefers the relatives that he wants to be informed about the flight are registered to system.
2. Delay Control: The system is checked for any delay for a determined flight if there is a delay SMS services are triggered.
3. Before Flight SMS: If taking off of a flight is delayed for any reasons every customer is informed about the subject the time of delay.

4. Flight delay SMS: If there is a time lag for landing, every customer relative registered to system is informed about the subject.

System Benefits

1. Time and Stress: It is a traditional scenario that a customer feels late for the flight. Gets in a taxi and forces the driver to faster. Arriving to airport he realizes that the flight is delay for an hour. With delay information system customers wont feel unnecessary stress because he'll be informed in the time of delay.
2. Feeling of confidence: An other party getting stressed in a delay situation is customer relatives, they cannot reach their relatives and at last calls the airport and learns the delay. Instead they will feel confident knowing the time and reason of delay.
3. Customer Loyalty: All these factors will empower customer loyalty,
4. Data Enhancement: Another benefit of the system is data enhancement. The service will enable THY to get new persons (relatives) knowledge. Which means potential customers.

7. Destination Information System

General Information

Destination information system is an information system for, first time passengers to a determined destination to prevent customers getting lost and get informed about the destination domain.

System Features

1. First Time Flyer Designation: First step of the system is to determine the first time flyers using flight logs
2. Urgency Paper: Customers entering to the aircraft finds a urgency paper on their seats. The paper includes, police center, hospitals and other required information on an urgency situation.
3. Guiding Mail: Before the flight the customers receive an information mail from the system. Mail includes domain information and urgency situations information.

System Benefits

1. Promoted First Time Travelers: Informing about the domain first time travelers are guided to reach their destination.
2. Feeling of Confidence and Care: The system cause customers to feel confidence and that THY is taking care of them. Which are the basic components of emotional elements.
3. Customer Loyalty: Depending on these emotional elements customer loyalty is the ultimate benefit of the system.

8. Psychological Readiness System

General Information

Most of the customers and non-customers are unaware of the security of air transportation. This system is designed in order to enhance the awareness about aviation security.

System Features.

1. Air Craft Flights analysis: The main cause of insecurity feeling is awareness of aircraft technologies. Besides technical properties, air crafts preceding flights is listed in order to conduct to customers
2. Air Personnel Flights Analysis: The professionalism of the air personnel will have a good impact on customers so information about personnel is analyzed too.
3. Automated e-mail: Before the flight customers receive an automated email including the technical and flight information about the aircraft and professionalism of air personnel.

System Benefits

1. Security Information: As the customers are informed about the security they will inform their relatives about the subject, which will cause a mass awareness.
2. Feeling of Confidence and Care: The system causes customers to feel confident during the flight.
3. Customer Loyalty and Performance: These activities will have effect on both customer loyalty and performance because unaware non-customers will be more related to the air travel.

7.4.2.4 Systems Successful Campaigns

After constitution of general CRM system in this section we will explain campaign management systems and campaign suggestions that we generated in accordance of the CRM objectives.

Campaigns Management System

General Description

For successful campaigns, the first requirement is a campaigns management system. Campaign management systems are the systems that user can start new campaigns and analyze the customer responses to the campaigns.

System Features and Benefits

1. Customer Information Browsing: Campaign manager can browse and get customer information before starting a campaign.
2. Customer Behaviors Determination: Depending on customer activities logs, general behavior forms can be seized.
3. Data Mining and Customer Clustering: Customer clusters can be formed in accordance to user defined rules.
4. Starting New Campaign: Whether depending on user-defined rules or customer lists, managers can start new campaigns.
5. Distribution System: If the campaign has SMS or mail automation, the distribution is accomplished automatically.
6. Result Gathering Systems: Depending on the nature of the campaign, data gathering systems are integrated. After selecting the performance criteria user can analyze the results of a campaign.
7. Analysis of Preceding Campaigns: Campaign management systems can be thought as customer response learning centers. So preceding campaign analysis is very important for success of the new campaign.

Campaign Suggestions

As a starting point we have defined example campaigns. In order to give idea, about the subject :

1. Priority on Loyal Routes: Depending on customer flight analysis prior customers are determined for every route and the customers gain priority on check-in, reservation.
2. Surprise Upgrade: Customers that presents volatility in their flight class are determined and their class are upgraded on the flight day (depending on flight capacity)
3. Before Hand Seat Selection: Most loyal and profitable customers have the privilege to select their seats before the check-in.
4. Private Option: In the special days, (date of birth, marriage) customers will have a discount rate.
5. Return Discount: Customers that travel in one route periodically, will earn a discounted return ticket in the determined date (depending on capacity).
6. Guiding Books: Turkey guiding books will be given, to first time tourists as a gift.
7. Foreigner Business Travelers: Foreigner business class passengers that shows stability is given a Countered GSM Line.
8. Presenter Movie: In the flight that foreigners are in majority movies that inform Turkey's touristic domains will be published.
9. THY Toys and Gifts: Children and tourists are served THY toys and Gifts.

7.4.2.5 CRM Model Performance Indicators

As a complete model, we have defined over all performance indicators for the system these indicators are:

- ☐ Increase in Foreigner Tourist Travel
- ☐ Increase in Business Class passengers
- ☐ Increase in Customer satisfaction (survey system)
- ☐ Service Awareness Indices
- ☐ Service Usage Ratio

- ☐ Decrease in overall costs
- ☐ Decrease in aircraft stocks
- ☐ Decrease in Call Center service duration

After the settlement of the model THY should periodically monitor the performance of the system using these criteria and make continuous improvements.

8. CONCLUSION

CRM projects in general has four main components,

1. People
2. Processes
3. Technology
4. Existing Environment

All these components have different roles in a CRM model. People inside the company have direct effect on CRM projects and effectiveness. Two major roles make this effect. First role of people is, technology user role. Usage enables technology to give outputs. The other major role is the “communication role” that within sales and support processes. Process, is a term used to describe the tasks, procedural steps, that people apply to accomplish one’s duty. In a CRM system if processes are wrongly defined than the general output of the system will be erroneous. Technology is the core enabler of CRM. Especially in data management and analysis process technology enables firms reach a considerable performance level. The other component existing environment has direct effects on CRM, organization structure, culture, business strategy, existing systems and procedures.

For building a sustainable CRM structure all these elements should be defined and reorganized. But before this reorganization, project team should have a deep comprehension of CRM concept and components. This comprehension is the basic as pre-requisite for successful CRM results.

Accomplishing this pre-requisite the first millstone is business analysis and formation of CRM objectives, strategy and vision. With this step project team defines the end point for the project.

The second milestone is determination of required systems in order to reach CRM objectives. The systems can be technology based back office systems, process definitions, or pure technologic customer services (f.e. web services).

As a consequence, comes the system analysis that is definition of system requirements and processes in details. As the system analysis is accomplished, ways

of realizing the systems are planned and the vendors are evaluated. Then comes the implementation that technological systems are implemented, employees get the required trainings and the CRM system becomes to run. After implementation firms should monitor the performance in accordance with the project objectives and the systems should be improved.

In our application in THY, we have accomplished the first two phases of the project. Those are definition of objectives and the required system determination. In the study, we also entered the third phase by defining inner system analysis. As a closure we defined performance criteria for monitoring.

From this point, THY should improve our system definitions. After this, the options for realization of the system should be well evaluated. Mean while a synchronous process should start, that is new procedures definition. The CRM model we construct includes some major process definitions, for success organizational change should be planned starting from procedures and roles of personnel. After implementation, project team should monitor the overall system performance using success criteria.

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