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**Influence of Customer Relationship Management (CRM)
on consumer loyalty**

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Executive Summary

Customer Relationship Management (abbreviated CRM) is a business approach that helps to manage relationships with customers by focusing on customer retention and relationship strengthening. CRM proclaims the importance of enhancing customer loyalty and commitment. The CRM system is based on mapping the purchasing behavior of customers as well as their perception of the company, using databases to store this information and task-specific software to analyse it and produce meaningful information.

This study attempts to understand the impact of CRM on customer loyalty. The research explores the company's positional advantage and its sources, which has an influence on customer loyalty. In the practical sense this thesis is aimed at finding feasible ways of strengthening customer loyalty and producing recommendations for the companies on improving their CRM system.

For this purpose two Ukrainian agricultural companies in the seed selling industry were chosen for investigation. The phone questionnaire survey was conducted with a sample of 50 randomly chosen customers and 10 managers from each company in order to identify the company's positional advantage, the extent of CRM application within the company and CRM sources.

The data was evaluated by Principal Component Analysis and Reliability Analysis for consistency. After defining variables subject to eliminaton and reducing the data to appropriate level, the independent two-sample t-test was performed separately for averaged scores for customers and for managers. Finally, regression analysis was conducted in order to estimate the relationship between the perception of a company's positional advantage and customer satisfaction and loyalty.

According to the research findings, customer loyalty depends on satisfaction and commitment level, although the direct influence of satisfaction on loyalty level was not revealed. Positional advantage, in turn, directly influences customer satisfaction and loyalty: the stronger the company's positional advantage is the more satisfied and loyal the customers are and vise versa. The following tendencies were mapped: Customer Service and Competitors Perception influence customer satisfaction, while Customisation, Community Building and Competitors Perception have an impact on customer loyalty creation. The sources of positional advantage can be covered by three main CRM areas, including various components: information about customers, relationship orientation and organisational configuration. Based on these findings, the following ways for building customer loyalty are proposed: development of customization and personalization strategy, building community around the brand, creating a positive and beneficial image in the market compared to competitors, and increasing customer satisfaction by improving customer service.

The research findings can be drawn on by the companies in the process of moving away from transactional relationships towards long-term relationships centered on the customer.

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1. Introduction

In 2008 Alan E. Webber, Senior Government Analyst of Forrester Research Inc., presented the following statistics: acquiring new customers can cost five to eight times more than satisfying and retaining current customers. Indeed, retaining customers and strengthening their loyalty is a very effective but complicated method to increase a company's success.

On their way to profitability companies seek for the best marketing strategy. There are a lot of marketing strategies. Some companies have transactional relationships with consumers: they focus on one-time purchases, do not maintain connections with their customers and try to achieve a large stream of consumers. Other companies claim that the quality of relationships between buyers and sellers is much more important in comparison to pure quantity of contacts. This strategic direction refers to the concept of Customer Relationship Management (CRM).

Basically CRM is "an integrated approach to managing relationships by focusing on customer retention and relationship development" (Chen & Popovich 2003, p.672). As a business strategy it started to appear in 1999. CRM stresses the importance of long-lasting relationships with customers and enhancing their loyalty and commitment to a company. It proposes various retention strategies and recommendations for creating customer loyalty.

This thesis focuses on the CRM concept and the ways to build customer loyalty.

The existing literature describes general advantages of switching to CRM and its importance in strengthening the client base. However, further research in this sphere is needed, mainly because this is a relatively new approach and it still has some shortcomings with regard to the implementation process (Ryals 2005; Chalmeta 2006).

Such research will be helpful for the companies which try to change from transactional relationships to stronger long-term relationships with their customers. This research can be based on the experience of the companies which already use CRM.

In this thesis two Ukrainian companies were chosen for the investigation.

One company, which uses CRM, is Rise. It is a leading Ukrainian distributor of agricultural machinery, spare parts, fertilizers, crop protection products and seeds. The company also provides technological and consulting services to the farmers, product storage and trade possibilities. Rise establishes long-term relationships with customers and maintains interactive communication with them.

Another company, which focuses on single transactions, is a domestic Ukrainian company, called LLC "Agrofirm – Elitsortnasinnja" (further called Elitsortnasinnja: that can be translated as *stock seeds*). It is a leading company on the Ukrainian market in the niche of storing and selling seeds for agricultural means (Elitsort 2010). It is a company with a lot of foreign partners in various markets, wide product assortment and distribution network. In other words, it has the same potential for gaining commercial success as Rise. However, during the past few years, Elitsortnasinnja tries to establish good relationships with customers and gain customers commitment. But in contrast to Rise, it experiences difficulties in strengthening customer loyalty and retaining a permanent client base.

Companies, especially in transition and developing countries, still focus on transactional relationships with consumers. They increase and strengthen production capacities and tangible assets, intensify the stream of customers. However with development of marketing activities companies begin to

understand that the quality and longevity of relations with their clients can be much more profitable than attracting new customers. But they do not have the experience of implementing retention strategies.

The problem statement of this thesis proclaims that companies lack knowledge about the ways to retain customer loyalty and facilities to do that.

The purpose of this thesis is to understand the impact of Customer Relationship Management on the customer loyalty. The research is focused on finding possible ways of retaining consumers and strengthening the loyalty of the company's client base.

In the practical sense this thesis is aimed at proposing guidelines and recommendations for introducing or strengthening CRM in the company.

Since loyal consumers are a key element of CRM, the ways and approaches to retain customer loyalty are under great interest of marketing experts. That's why a general research question to be investigated in the present thesis is formulated below as follows:

GRQ: What are the ways to build customer loyalty?

Within stated general research question the following specific research questions are going to be answered:

SQ1: What determines customer loyalty?
SQ2: How does positional advantage in the market influence customer loyalty?
SQ3: Which sources of advantage influence customer loyalty?

The outline of thesis starts with the introduction chapter followed by four main chapters. The content of these chapters is briefly described below.

- Literature review

The overview of scientific papers concerning satisfaction and loyalty concepts is performed. Also the elements of positional advantage are determined and described. CRM concept and its main sources are identified. The interrelation of all these concepts is explained on the basis of existing literature.

- Methodology

Two case studies were drawn on for the research of this thesis. Two companies were chosen as cases because they show certain differences in terms of their success in implementing CRM. The first case presents Rise's strategy of retaining customers and strengthening their loyalty. Second case describes LLC "Agrofirm – Elitsortnasinnja" strategy towards consumers commitment.

Then the research is conducted in order to clarify differences in loyalty and satisfaction between customers of the two companies, in the positional advantage and CRM activities for both firms.

A sample of customers from both companies was randomly chosen. The size of the sample was 50 customers from each company. Then the interviews with samples representatives were conducted in the form of phone questionnaires. In Rise the client database was used for gathering contact details, in Elitsortnasinnja - the contact list of wholesalers. These interviews identify how consumers perceive the company, i.e. the company's positional advantage. Also the interviews were conducted among

managers of the company to learn about the extent to which CRM is applied within the company and to define the sources of CRM. The sample accounts for 10 managers from each company.

After receiving data, the analysis is conducted. This analysis shows whether there is a significant difference in customer perception of these two companies. T-test for all the scores is performed between customers of two companies. This test shows whether there is the difference between positional advantages of the companies, and what the actual distinction is. T-test for managers' scores is performed in order to determine which CRM elements are developed in each company and to what extent.

Also the estimation of the relationship between perception of company's positional advantage and customer satisfaction and loyalty is made. For this purpose the regression analyses of loyalty on dimensions of positional advantage is conducted. It shows whether there is a significant relationship between loyalty and positional advantage, and what the reasons for customer satisfaction are.

- Description of the companies

The general characteristics of Rise and Elitsortnasinnja are described. The following information is presented: distribution channels, suppliers and partners, customers, competitors, marketing positioning and internal resources of the company. Also the PESTEL analysis investigates a framework of macro-environmental factors influencing companies' performance in Ukraine.

- Results

This chapter defines the differences between positional advantage and loyalty & satisfaction of both companies and tries to distinguish which CRM sources influence creation of beneficial positive advantage. Also the relation between positional advantage and customer loyalty & satisfaction is determined.

The paper is completed with conclusion and discussions chapter, which provides recommendations for practical use, limitations of research and suggestions for further research.

2. Literature Review

2.1. Structure of the Theoretical Framework

The literature review and designing of theoretical framework are performed on the basis of the schema, presented below (Fig.1, Day & Wensley 1988).
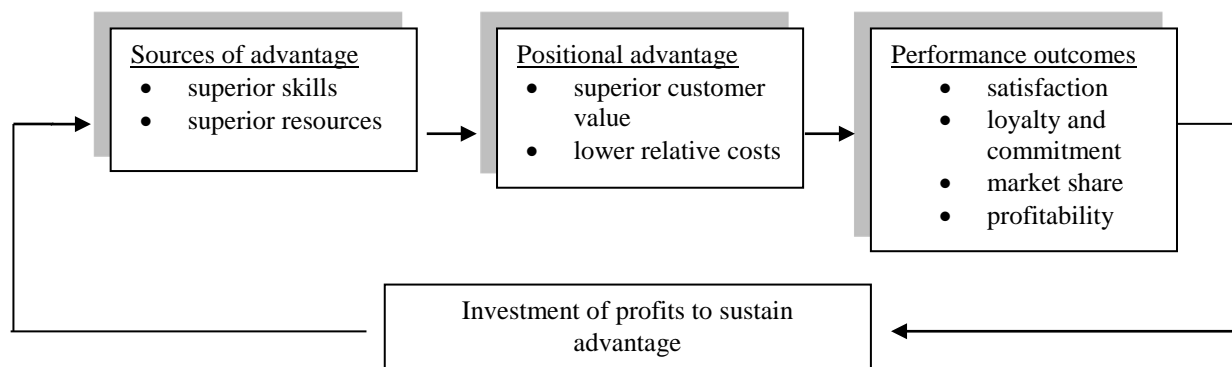
Fig. 1. Theoretical framework schema. The elements of competitive advantage.

Companies are ultimately interested in their performance outcomes. If the customer is satisfied with products/services of the company, he becomes loyal to it and commited (Oliver, 1999). Commitment to the relationship is defined as an "en-during desire to maintain a valued relationship" (Morgan&Hunt 1994, p.23). Commitment of many buyers, resulting in constant purchases, can enlarge company's market share and increase company's profitability. That's why in the literature review first, the concepts of consumer loyalty and commitment are investigated. The mechanism causing customers' satisfaction is explained in order to trace how customer loyalty is built.

In order to reach desired performance outcome, company has to possess positional advantage. Positional advantage can be determined as a "differential superiority of the product compared with competing products on the basis of image, technical performance and quality" (Carbonell & Rodriguez 2006, p.3). Accordingly, in the second section of literature review the notion of the positional advantage of the company is explored.

Since positional advantage occurs on the basis of superior firm's capabilities, the main sources of the positional advantage are traced. The concept of CRM is presented and explained.

Finally, an extension to the schema is appended. This extension presents some recommendations and tips for introducing/strengthening CRM in the company.

The following research model is proposed for the investigation (Fig.2):
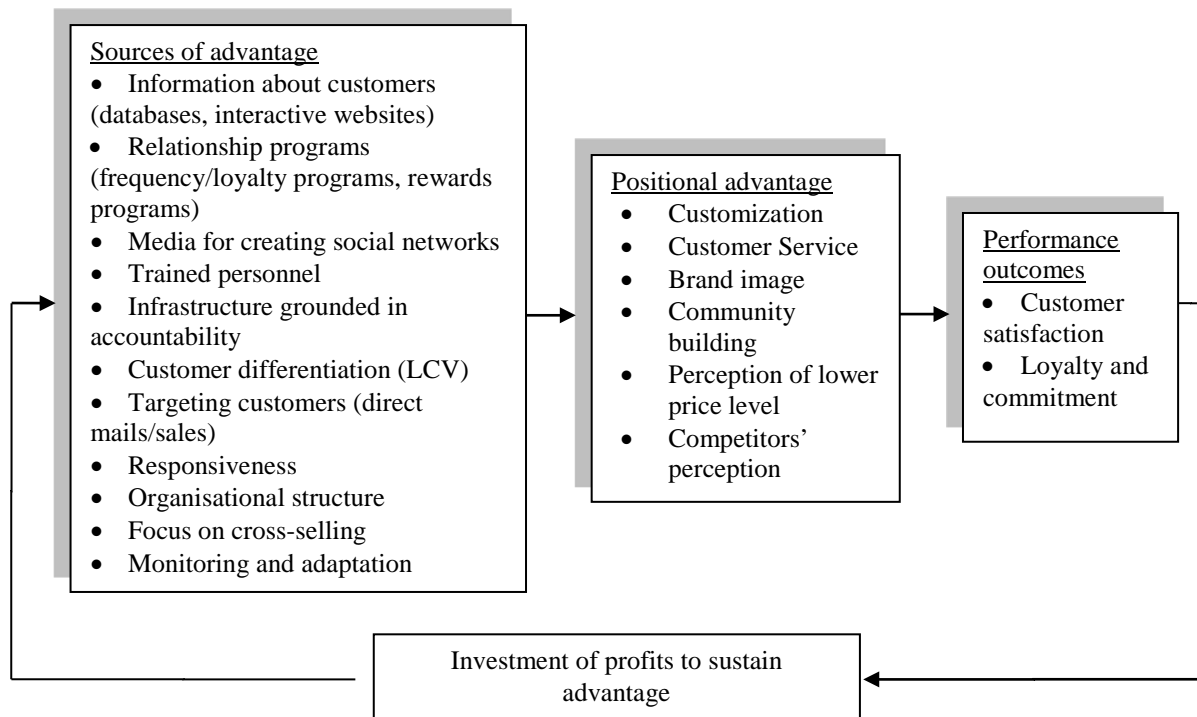
Fig. 2. Research model.

This research model is based on Fig.1, but is more concrete. It considers CRM capabilities as a source of advantage, relationship personalization and high service quality as a company's positional advantage and customer satisfaction, loyalty and commitment as performance outcomes. This research model defines methodological tools to be used in this thesis research.

2.2. Performance outcomes

Performance outcomes that are discussed in the following section due to the thesis research model include loyalty, commitment and satisfaction concepts. This paper does not examine separately the concepts of market share and profitability, mentioned in the theoretical framework of Day and Wensley (1988), because they are considered to be related and dependent on the customer loyalty and satisfaction concepts.

2.2.1. Loyalty

Customer loyalty is a valuable asset for a company in competitive markets (Srivastava et al. 2000). In the 90s the loyalty concept was the object of increased attention in the scientific literature. It is supposed that loyalty helps to increase sales and prices, reduces marketing costs and influences profitability positively (Griffin 1995).

In this thesis, customer loyalty is defined as repeated purchasing stimulated by a strong internal propensity (Day 1969).

Various definitions of customer loyalty are presented in the scientific literature. For instance, loyalty is defined as a behavioural response that is expressed over time through the decisions that are made among alternatives (Dick & Basu 1994). Customer loyalty also can be called the degree of behavior insensitivity of product/service customers to the competitors actions (price, products, services changes), which is accompanied by emotional commitment to the product/service (Tsysar 2002). Loyalty is also determined as "a deeply held commitment to rebuy or re-patronize a preferred product or service in the future" (Oliver 1997, p.392). In contrast Liljander and Roos (2002) in their study

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found that loyalty may be defined as repeat patronage rather than a long term commitment as was stated by Javalgi et al. (2006). Other researchers consider loyalty on a multidimensional basis by adding an attitudinal or connective (intention or commitment to consume) component to a behavioural loyalty concept (Chaudhuri & Holbrook 2001).

Commitment concept in this thesis is considered as a part of brand loyalty. This view is in line with Oliver (1999), who included customers commitment among three components of brand loyalty (preference and repeat purchase are the two others).

However, there are diverse standpoints for commitment concept among scientists. The following determination is proposed by Iacobucci and Hibbard (1999): commitment is the "implicit or explicit pledge of relational continuity between exchange partners; adoption of a long-term orientation toward the relationship – a willingness to make short-term sacrifices to realize long term benefits" (p.22). They highlighted the emotional hidden motive for creating commitment. Sometimes, the notions of loyalty and commitment are used in the literature interchangeably. Knowing consumer's attitude toward the product or service is necessary for understanding customer's repurchase behavior (Chaudhuri & Holbrook 2001). That's why commitment is referred to the attitudinal loyalty (Gremler & Brown 1998; Mellens et al. 1996; Traylor 1981; Shankar et al. 2000), the concept of which will be discussed later in this section.

Loyalty typologies

Various typologies of customer loyalty are given for consideration in the scientific literature. Several examples of them are presented below.

First, the distinction between the so-called "true" and "spurious" loyalty is made by marketing specialists. The concept of 'true' loyalty is determined as the customers' preferred behavioral and attitudinal acknowledgement of one or more brands in a product category manifested over a period of time (Engel & Blackwell 1982). Truly loyal customers are those "who feel so strongly that you (the company) can best meet his or her relevant needs that your (the company's) competition is virtually excluded from the consideration set; these customers buy almost exclusively from you (the company)" (Shoemaker & Lewis 1999, p.349). On the contrary, "spurious" loyalty is defined as "purchases that are guided not by a concomitant strong attitude but merely by situational exigencies" (Dick & Basu 1994, p.100).

Secondly, the classification of loyalty types based on different underlying aspects that influence customer behavior is proposed (Tsysar 2002):

1) Transactional loyalty – changes in buyers behavior are considered (for instance, the share of a certain product in the total costs of the consumer for the product category), but the factors influencing these changes are not indicated. This is the most popular loyalty view, since its' behavioural aspect is closely related to the company's economic results.

Transactional loyalty has various names in the scientific literature, although its' meaning remains the same. For instance, Pritchard et al. (1992), Kumar & Shah (2004) call it "behavioural loyalty" and observe it "from the customer's purchase behavior".

2) Perceptual loyalty – the main aspects are customers subjective opinions and evaluations. It is also called attitudinal loyalty. Attitude is defined as 'a psychological tendency that is expressed by evaluating a particular entity with some degree of favor or disfavor' (Eagly & Chaiken 1993, p.745). Mostly it refers to the affective and cognitive aspects of brand loyalty, such as brand preference and commitment (Gremler & Brown 1998; Mellens et al. 1996; Traylor 1981). Attitudinal loyalty

represents consumer's long-term commitment to the company that can't be deduced by solely observing customers repurchase behavior (Shankar et al. 2000).

Attitudinal loyalty indicates inclination to conduct certain behaviors, for instance future usage probability (Liddy 2000) or the likelihood of customers recommending the company to their family/friend/pears (Reichheld 2003). Attitudinal loyalty can result in the positive word of mouth advertising and thus create idiosyncratic value to the company (Dick & Basu 1994; Hagel & Armstrong 1997; Reichheld 2003).

Perceptual indicators are considered to be more important than transactional, because they contain certain diagnostic and prognostic information, i.e. answers to the questions about causes of loyally and the ways to build it.

On the basis of attitude to the brand, the following types of loyal customers were defined (Coyles & Gokey 2002):
• Emotive loyalists - these are the most loyal. They are completely committed to the chosen product alternative and spend more money in comparison to the more fastidious customers;
• Inertial loyalists - these are not involved with the product, may undergo high switching expenses, and this results in inertia and passive repurchase behaviour;
• Deliberative loyalists - they choose the product among alternatives due to the perceived superior level of performance or quality or lower price level and spend continuously money on this product. However over time they may reassess their choice, compare it with alternatives and switch to the better perceived option.

Another classification of loyal customers was proposed by Sanchez (2005). In his study he describes the loyalty ladder (Fig.3, Sanchez 2005, p. 7). Company's marketing specialists focus all their resources for moving their customers up the loyalty ladder.

Fig. 3. The loyalty ladder.

The loyalty ladder starts with the so-called brand terrorists. It is a disloyal group of customers who are "so unhappy that they speak out against a poorly delivered service (or product) at every opportunity." (Heskett et al. 1994, p.166). Company's objective is to neutralize brand terrorists in order to avoid brand rejection, and to change buyers to loyalists and further to enthusiasts/evangelists.

Another attitudinal loyalty ladder was provided by Oliver (1999). He determined 4 loyalty levels on the basis of cognitive, affective, and conative elements of loyalty:
• Cognitive – one product is preferable based on its superior attributes;

- Affective – several purchase situations brought satisfaction and has resulted in the preference towards particular product;
- Conative – it's an affective stage with the explicit intention to repurchase;
- Action – Conative stage in the combination with the active desire to vanquish possible situational influences and marketing activities that cause switching of customers' behavior. At the action phase the consumer is deeply committed to the product repurchase. Practice shows that this is the rarest form of loyalty (Oliver 1999).

3) Complex loyalty – the combination of perceptual and transactional loyalty. In other words it is customers' repeat buying behavior resulted from their positive perception of the brand.

This research analyses complex loyalty and stresses that loyalty is a combination of customers brand perceptions and repeat purchasing of this brand.

Importance of loyalty concept

The importance of the loyalty concept can be derived from its consequences.

First of all, customer loyalty strengthens the positive image of the product/service: " Creating and increasing brand loyalty results in a corresponding increase in the value of the trustmark… A strong brand…is a trustmark of enormous value. " (Sanchez 2005, p.5). Such a positive estimation of the brand can be spread through word-of-mouth advertising in the conversation with friends/family/pears and influence their purchase decisions.

The relation between loyalty and profitability is also very important. It is believed that loyal customers are more profitable. This effect of loyalty was proved by Reinartz and Kumar (2002) when they included customers' attitudes in the original behavioural loyalty definition, i.e. researched complex loyalty. Thus creating customer loyalty is a key factor in attaining company's profitability (Sanchez 2005; Baldinger 1991; McQueen 1991).

The following factors, causing the high profitability of loyal customers in comparison with new ones, were highlighted by Reichheld (1996):
- Loyal customers remain with the company for a long time;
- They buy more (Share of Wallet);
- They are easier (less costly) in servicing, since they understand the service procedure;
- They are less price-sensitive;
- They provide word-of-mouth advertising.

Not every customer has potential to become loyal and profitable for the company. Company specialists have to segment customers to find the target customers' subset with such a potential. Thus company's investment in creating loyalty will be repaid (Reichheld & Detrick 2003).

Causes for loyalty

Customer defection is the main reason why companies long to create customer loyalty. The motives for defection are the following: customer's bad experience with a company's core service, poor product recognition, lack of responsiveness to a service failure (can result in customers' hostility and negativity), different inconveniences (e.g. long waiting time), competition (Javalgi et al. 2006). However, price increases were not recognised the most popular reasons for defection, as it was supposed previously (Javalgi et al. 2006).

Understanding customer loyalty and their motives to switch the brands requires the investigation of the mechanism underlying loyalty (Jacoby & Chestnut 1978; van Trijp et al. 1996).

The main factors that influence loyalty creation are "perceived risk associated with a purchase, past satisfaction with a brand, the costs of switching brands and the availability of substitutes" (Javalgi & Moberg 1997, p. 166).

Brand loyalty as a behavior occurs because the customer perceives all the benefits which a brand grants (functional, image, level of perceived quality). Loyalty occurs at the moment when brand for the customer becomes something more than the set of functional characteristics, when the emotional bond occurs, based on the values, which are associated with the brand and the expected satisfaction is met (Kotler & Keller 2006). Behavior, expressed in the form of brand loyalty, in many cases presents peculiar "behavioral habit" (Zajonc & Markus 1982). It is convenient for the person, because support by past positive experience decreases the risk during purchase decision making and minimizes the time for evaluation of proposed purchase variants. However it is also claimed, that consumers are loyal to the value ("when benefits outweigh the sum of all costs"), not the product (Izquierdo et al. 2005). Therefore they do not necessarily need an approach on the long-term basis; their aim is to get more for less.

2.2.2. Satisfaction

The concept of customer satisfaction is widely discussed in the marketing and management literature (Liang 2008; Johnson et al. 1995; Kekre et al. 1995; Martensen et al. 2000; Mittal et al. 1998; Oliver & Burke 1999; Shimp &Bearden 1982; Wong 2000).

In this thesis, customer satisfaction is defined as "a measure of how [to what extent] products or services supplied by a firm meet consumer requirements" (Liang 2008, p.22).

There are various definitions for customer satisfaction in scientific literature that quite differ from each other. The solemn overview of satisfaction definitions is proposed in the study of Liang (2008). They are cited and organized in the Table 1 below (on the basis of Liang 2008, p.22-23).

Table 1. Customer satisfaction definition

Customer satisfaction definition	Original authors
Strong predictor of corporate success in terms of market share, return on investment, and cost reduction	Anderson et al. (1984), Oliver (1993), Oliver & DeSarbo (1988), Spreng et al. (1996)
Sum of one's feelings or attitudes toward a variety of factors affecting that situation.	Bailey and Pearson (1983)
Feeling developed from an evaluation of the use experience	Cadotte et al. (1987)
Buyer's cognitive state of being adequately or inadequately rewarded for the sacrifices he/she has made	Howard & Sheth (1969), Mano & Oliver (1993)
Consumer's fulfillment response in judging a product or service feature	Oliver (1997)

Consumer's response to the evaluation of the perceived discrepancy between prior expectations and the actual performance of the product as perceived after its consumption	Tse & Wilton (1988)
Global postpurchase evaluation of the consumption of product or service.	Fornell (1992)
Overall emotional sensation affected by the consumption effect.	Westbrook (1987), Wong (2000)

As it's seen from the table, some scientists stressed the influence of customers' perception and emotional factor on satisfaction occurrence (Westbrook 1987; Wong 2000; Cadotte et al. 1987). The influence of customers' emotional reactions and equity perceptions on the customer satisfaction was also researched by Zeithaml & Bitner (2003). They referred emotional responses to the internal mood states. This paper agrees that emotional factor underlies customer satisfaction and the positive perception of customers is important in creating satisfaction.

For summarizing all these definitions, three general perspectives for customer satisfaction can be used (Giese & Cote 2000):
1) customer satisfaction is based on the customer's cognitive or emotional reaction to the product;
2) it occurs at a particular time of product usage (i.e., prepurchase, before consumption, during consumption);
3) customers' reaction is devoted to the particular issue (i.e. expectations, consumption experience, product attributes/ benefits, salesperson/store, information), or multiple issues.

Importance of satisfaction concept

The importance of the customers' satisfaction for the companies is neatly characterized by scientific literature. If the product can't satisfy the customer and his needs, then no additional costs and effort, referred to the usage of other marketing elements, can't improve company's position in the market (Majaro 1993). Customer satisfaction is also called "the most important element in maintaining a relationship" (De Wulf et al. 2001 in Njenga 2010, p. 88) and a "strategic imperative" for the companies (Honomichl 1993).

The importance of satisfaction concept is seen in its' linkage with customer loyalty, retention and company's profitability. Increasing of customer satisfaction may result in the strengthening of consumers commitment and lead to the expanding of the company's market share (Bitner 1990; Oliver 1980; Oliver & Bearden 1985; Oliver & Swan 1989; Rust & Zahorik 1993). Customer satisfaction also may "result in high levels of repeat purchase, insulation from price increases and improved responsiveness to marketing communications by customers" (Gale & Chapman 1994 in Sorce 2002, p.7). Oliver (1999) states that "loyalty is presumably a consequence of satisfaction and brand attitudes" (Suh & Yi 2006, p. 146). However, some studies claimed that satisfaction doesn't always lead to retention and loyalty creation, especially in the highly competitive markets (Liljander & Roos 2002; Kotler 2003; Javalgi at al. 2006).

In this thesis, satisfaction concept is considered as a company's performance outcome, separate from the customer loyalty and commitment, with correspondence to the theoretical framework of Day and Wensley (1988). This differentiation between satisfaction and loyalty is in line with Oliver's (1999) representation, stating that "some fraction of satisfaction is found in loyalty and that that fraction is part of, but not key to, the very essence of loyalty" (p. 34). Thereby, this paper supports the opinion

that satisfaction doesn't always lead to the customer loyalty, but it however agrees, that stimulating customer satisfaction enhances the opportunities for loyalty occurrence.

Causes of satisfaction

The causes of customer satisfaction occurrence consist in delivering products and services with superior quality (Gale & Chapman 1994). Better explanation of the satisfaction creation mechanism can be provided by determination of satisfaction elements.

There are three interrelated elements of satisfaction occurrence (Javalgi et al. 2006). They are: "customer's initial expectation of the product or service delivery", "actual delivery of the customer experience", and comparison of the "service delivery with their (customers') prior expectations" (p. 16). If prior expectations are exceeded, positive reaction (positive disconfirmation) occurs, which results in post-purchase satisfaction. Otherwise the negative disconfirmation takes place (Spreng et al. 1996).

2.3. Positional advantage

Superior performance outcomes can be achieved on the basis of superior positional advantage of the company (Day & Wensley 1988). Positional advantage is directly related to the customers' perception of the company's image or its products.

The following section provides the explanation of positional advantage concept and its components in relation to Customer Relationship Management.

2.3.1. Definition of positional advantage

Market competition, according to Smith (1976), is a factor regulating the correspondence of private and public interests, the so-called "invisible hand of the market", which balances the norms of profit for the optimal distribution of labour and capital. It is one of the essential market features, the form of mutual rivalry among the marketing system entities, and the mechanism controlling production process.

To win this competition the company must have a certain advantage in the marketplace, to be able to establish the factors of superiority of goods and means of market promotion over its competitors in the consumer mind. This advantage is a so-called "competitive advantage".

Competitive advantage is defined by the set of characteristics, properties of the product or brand, which creates a company's advantage over its direct competitors (Lamben 1996). One of the elements of competitive advantage is a positional advantage.

The positional advantage of the company implies creation of a value for the customer, superior than competitors do (Bharadwaj et al. 1993). Positional advantage, according to Day and Wensley (1988) consists "not only of customer perceptions that a firm provides value through superior functionality (product advantage), but also of perceptions that the firm is better at delivering service and handling its relations with customers (relational advantage)" (Day & Van den Bulte 2002, p.4). It is also called the result of the relative (compared to competitors) excellence in skills and resources used in business. These skills and benefits are the sources for the creation of positional advantages in prices and/or differentiation (Porter 1980, 1985) and will be explained in Section 2.4.

Advantage in prices (costs) can be achieved through the ability of enterprises to develop, manufacture and sell a comparable product at a lower cost than competitors. That means companies must be able to create high absolute value at a reasonably low cost in comparison to their competitors.

Differentiation is the company's ability to provide customers a unique and significant value in the form of new product quality, special properties of use or after-sales service. Offering a unique product which doesn't have analogues on the market, the company may seek a higher price. At the equal cost level with competitors it again gives an opportunity to get more profit (Bharadwaj et al. 1993).

The positive consequences of the positional advantage for the firm are highlighted in the scientific literature. It is claimed that "positional advantage is positively related to new product performance" (Carbonell & Rodriguez 2006, p.3). The dependence of the new product market success and the firm's positional advantage was also also reported by Cooper & Kleinschmidt (1993) and Song & Parry (1997). Differentiation direction within company's positional advantage positively influences products' performance in the market (Gatignon & Xuereb 1997, Henard & Szymanski 2001). It was also argued that "positional advantages should translate into superior performance in customer retention, sales growth, and profitability" (Day & Van den Bulte 2002, p.4).

2.3.2. Elements of positional advantage

The following section describes the elements of company's positional advantage.

2.3.2.1. Customization

The essence of customization process (also called "personalization" and "individualization" in the literature) is expressed in the motto "Treat each customer uniquely" of the CRM process. That means that customization is not simply about 1-to-1 marketing, it supposes the creation of products for individual consumers, based on their favors and peculiarities (Winer 2001). Customization is defined as the process, where "content and services to customer should be designed based on customer preferences and behavior" (Hagen et al. 1999 in Gray & Byun 2001, p.28). Customization process can be called a "choiceboard" where consumers choose from the list of product attributes those they want to see in the product (Slywotzky 2000). Customers become "product makers" by themselves.

Customization starts with customer identification. The company seeks to identify the customer needs using different marketing channels and interactions, to know what kind of value to provide to the customer (Gray & Byun 2001). Increased availability of information about customers and their preferences gives an opportunity to manufacturers to add to the products "the appearance of being customized even if they are simply variations on a common base" (Winer 2001, p.18). This procedure is especially easy to do with information goods and is termed "versioning", and services (Shapiro & Varian 1999).

The advantage of customization use for manufacturers consists in the increasing "the cost of changing vendors" for customers and premises to create loyalty to the brand (Gray & Byun 2001, p.29).

The disadvantage of customization strategy is that consumers preferences are often influenced by fashion and trends, and it's hard to customize the company's products respectively. Therefore some scientists argue that it's much more important to provide "the right products and services at the right time or moment" rather than to stake only on the individualization of products/services (Gray & Byun 2001, p.42).

2.3.2.2. Customer Service

Customer service is defined as "all interactions between a customer and a product provider at the time of sale, and thereafter" (Business Dictionary 2011). The goal of customer service is to satisfy customers' needs and to solve their problems efficiently and quickly.

Service quality evaluation contains two basic concepts – expectation and perception. Expectation is defined as beliefs about a service quality before actually using it (Olson & Dover 1976). They may contain product attributes, evaluation of performance or customer value (Tse & Wilton 1988). Perception is devoted to the perceived levels of performance (Oliver & Burke 1999). It is associated with the "moments of truth" (Ferris & Stebbings 2003).

Services' intangibility makes the assessment of service quality more complicated before its' actual use. That implies that customers depend on credence qualities to make evaluation (Zeithaml 1981). Consequently it is more difficult and costly to gather the information about services. To reduce the risk of using service, consumers pay attention to the tangible cues, for instance brand (Berry 2000). Therefore the company may use branding strategy to make consumers sure that the service quality is high (Onkvisit & Shaw 1989). Branding is discussed in the Section 2.3.2.3.

Employees play a vital role in creating relationships with customers. They have a direct contact with the consumers and directly contribute to the delivery of service quality and satisfaction, which can result in the customer loyalty (Njenga 2010). Consumers pay attention to the employees selling behaviour and attitude to the clients and appreciate it when they get the result they expected to get (Mohr & Bitner 1995). Communicating role of employees is also significant, since they take part in the pre-purchase (assisting during decision making), purchase and post-purchase (follow up phone calls, special offers) activities (Anonymous 2006 in Njenga 2010). That is why the level of employees' proficiency has to be high (see Section 2.4.2.3).

In terms of the components, the cornerstones of customer service according to Gray and Byun (2001) are shown on the Fig. 4 (Gray &Byun 2001, p. 5) below:

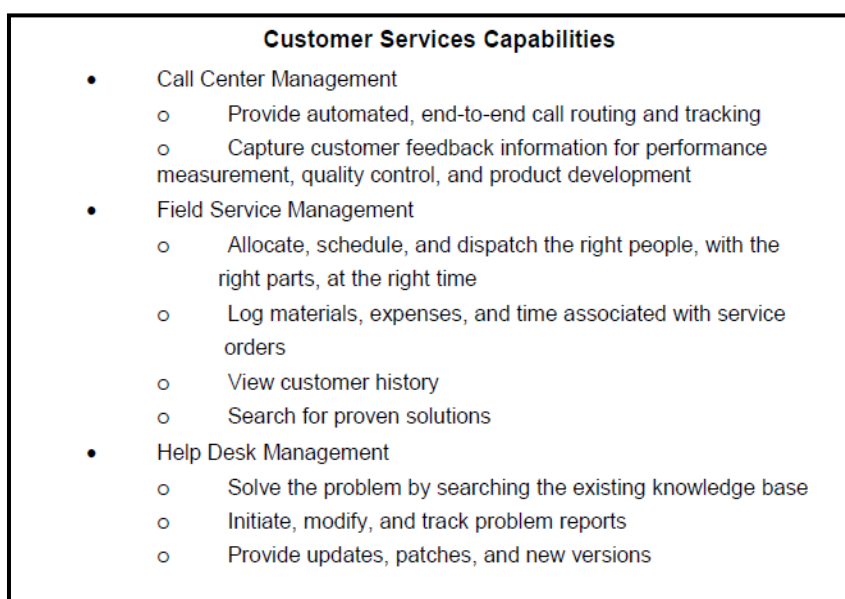**Fig.4.** The cornerstones of customer service.

Service quality is an important factor influencing customer satisfaction. This statement was traced through various marketing studies (Anderson & Sullivan 1993; Churchill & Suprenant 1982; Cronin &

Taylor 1992; Fornell 1992; Fredericks & Salter 1995; Hackman & Wageman 1995; Oliver & DeSarbo 1988). Customer compares his initial expectations about the service with the actual delivery of this service (Oliver 1980). The difference is provided through disconfirmation, positive and negative (this mechanism is discussed in Section 1.2). Also many scientists stressed the impact of service quality perception on the strengthening loyalty, increasing market share and profitability, saving costs (Fredericks & Salter 1995; Jacobson & Aaker 1987; Buzzell & Gale 1987; Rudie & Wansley 1985). "Perceived service quality" can be seen as "a primary factor affecting customer perception" (Liang 2008, p.3).

2.3.2.3. Brand image

Brand image is devoted to the "total product concept" containing names, colours, symbols, mottos (Berry et al. 1988). It is "the perception of the brand in the minds of people . . . it is what people believe about a brand – their thoughts, feelings, expectations" (Bennett 1995 in Kavaratzis & Ashworth 2005, p.509). It raises the product's value to the consumers (The Economist 1988), gives "the extra benefit enjoyed by the consumer above the bare utility value of the product" (Kavaratzis & Ashworth 2005, p.509), beget trust to the brand (Keller & Lehmann 2006).

Branding (also called "Brand Positioning") is a "technique to build a sustainable, differential advantage by playing on the nature of human beings" (Rooney 1995, p.48). It is related to the creation of a certain product's image (Cleary 1981). It is the only way to show to the customers that the product is different from the others in the market (Carey 1991), although this difference may exist "primarily in the mind of the consumer" (Rooney 1995, p.54).

The goal of the brand image is to attract and retain consumers through promoting certain lifestyle, prestige and values. It also gives a perception of decreased risk when the consumer purchases the product he's not quite familiar with (Montgomery & Wernerfelt 1992). The success of the creation the right brand image is to focus on the personal values of the modern customer. Then the product becomes more desirable in comparison to competitors (Rooney 1995).

Creation of brand image covers two main areas related to the positioning: "the role of brand intangibles" and "the role of corporate images and reputation" (Keller & Lehmann 2006, p.740). Brand intangibles are the dimensions of the brand image that do not include tangible attributes of the product (Levy 1999), but associations, attitudes and experience (Keller 2001). They are the means to differentiate the brand (Park et al. 1986). Corporate reputation (also called "corporate brand awareness") is the cumulative perceptions of the company's ability to implement the expectations of stakeholders. It directly depends on the brand perception of the customers (Gregory 1993).

Sustaining brand image is the first step on the way to customer retention and increasing company's profitability (Rooney 1995). It is also important to remember that customers trust existing dynamic brands more in comparison to the newly emerged (Baum 1990). That's why brand owners have to "constantly review the appeal of their brands to ensure that they remain contemporary and relevant" (O'Malley 1991 in Rooney 1995, p.51), monitor market changes, competitors and customers perception of brand value (Berry 1993).

Brand image leads to the formation of a 'linking value', which has an ability gather brand users in the groups, so called "brand communities" (Cova 1997). See more details in the following section.

2.3.2.4. Community building

Communities (also called "the village") are those networks of consumers assigned for "exchanging product-related information" and strengthening relationships between the company and its' consumers

(Winer 2001, p.18). These relationships include the links between the customer and the brand, the customer and the firm, the customer and product in use, links among fellow customers. Within communities, their members can share different by nature resources: emotional, cognitive or material (McAlexader et al. 2002). Communities are most likely to emerge around brand with strong image, rich history and wide competition (Muniz & O'Guinn 2001).

The concept of brand community is based on Boorstin's (1974) view, proclaiming that "individuals feel a sense of community when they share the same consumption values and behaviors" (Schouten & McAlexander 1995 in Oliver 1999, p.40). Brand community is defined as "a specialized, nongeographically bound community, based on a structured set of social relationships among users of a brand." (Muniz & O'Guinn 2001, p. 412). Oliver (1999) uses the notion "village" and defines it as a "social alliance in which the primary motivation to become loyal on the part of each consumer is to be one with the group, and the primary motivation of the group overseers is to please their constituency" (p. 39). Getting to "the village" promises the attention to the new-comers from the other participants of the group.

Brand community is a part of the higher brand's construction and plays a vital role in the brand's image strengthening. Communities make the relationship with the product more personal for customer. After getting used to such an environment it's hard for consumer to leave the community, formed with other clients of the company, the so-called "family". "Brand exposure and repetition and the apparent endorsement by the collective" are recognised being the primary sources of customer loyalty (Oliver 1999, p.40). Different scientists (Holt 1995; Schouten & McAlexander 1995; Muniz & O'Guinn 2001) emphasized the importance of brand communities in the creation brand loyalty. Thus the essence of brand community is purely commercial.

2.3.2.5. Perception of lower price level

In the thesis the price is determined as "the monetary expenditure that the consumer must incur in order to make a purchase" (Ailawadi & Keller 2004, p.333).

Customers' price perception has been widely discussed in the scientific literature. Image of price may be influenced by average price level, level of price variation during certain period, promotion frequencies and extent (Ailawadi & Keller 2004). However, it is also argued that customers can use "non-price related cues" (e.g. product and service quality levels) to form their price perception (Brown 1969 in Ailawadi & Keller 2004, p.334). More than that, customers' perception may not depend on actual store prices (Dickson & Sawyer 1990). Consumers may assess products' expensiveness "in relative terms" (Monroe & Lee 1999 in Ailawadi & Keller 2004, p.334). Price perception is subject to prior beliefs and "information about how frequently a store has a price advantage on a set of products and the magnitude of that price advantage" (Alba et al. 1994 in Ailawadi & Keller 2004, p.334).

Perception of the lower price level can be attained by using different marketing tools, for instance accumulative discounts, promotions, loyalty/frequency/rewards programs.

2.3.2.6. Competitors perception

Customers are likely to choose between several companies before making their purchase decision. The company which is interested in strenghthening loyalty of its customers has to think first about its position among competitors: is it more attractive to customers? how can the customers be persuaded that dealing with a certain company is much more beneficial in comparison to others? Thus each company has to conduct the constant analysis of competition in the market environment and trace the approaches of competing companies.

2.4. Sources of advantage

In order to obtain a positional advantage, company has to possess certain resources and capabilities, due to the resource-based view.

Basically, resources "are the firm-specific assets useful for creating a cost or differentiation advantage" (Quickmba 2010). These resources have to be superior to competitors, otherwise they will be easy-replicable. Customer relating capabilities are determined as "a complex bundle of skills and accumulated knowledge, combined with systems and databases" (Day & Van den Bulte 2002, p.4). Together company's resources and capabilities are called distinctive competencies or sources of positional advantage.

Gaining of superior capability is possible through the implementation of Customer Relationship Management process (Parvatiyar & Sheth 2000). The CRM concept and its' main components, as well as sources of advantage following from this concept are discussed in the following section.

2.4.1. CRM concept

CRM concept is an important business strategy (Li et al. 2009). The term "Customer Relationship Management" appeared in the mid-1990s. Basically CRM is "a comprehensive strategy and process of acquiring, retaining, and partnering with selective customers to create superior value for the company and the customer" (Parvitiyar & Sheth 2001, p.5). The main goal of CRM is "to maximise the lifetime value of a customer to the organization" (Peppard 2000, p.321).

There are various definitions for CRM concept. CRM is defined as:
- "a set of processes and enabling systems supporting a business strategy to build long term, profitable relationships with specific customers" (Chi & Phill 2001 in Li et al. 2009, p.739);
- "the strategic use of information, processes, technology, and people to manage the customers' relationship with the company across the whole customer life cycle" (Parvatiyar 2001in Li et al. 2009, p.740);
- "a company approach to understanding and influencing customer behavior through meaningful communications in order to improve customer acquisition, customer retention, customer loyalty, and customer profitability" (Kincaid 2003 in Li et al. 2009, p.740);
- "a set of linear, internally focused processes based around three key areas: marketing, sales, and service and support" (Chess 2010, p. 7);
- purely "information systems aimed at enabling organisations to realise a customer focus" (Bull 2003, p. 592), however it's quite a narrow, technology-oriented view.

CRM notion is often used interchangeably with the term "relationship marketing" (Parvatiyar & Sheth 2001). However, CRM concept is claimed to be an evolution of relationship marketing, providing a clear strategy towards customer retention (Kokemuller 2010). Both concepts stress the importance of maintaining relationships with consumers and enhancing their loyalty. However, CRM system focuses on customization process towards each individual customer, while relationship management targets separate customer groups. CRM is more comprehensive and universal system, based on data storage facilities.

Generally CRM system includes 3 basic elements: customer, relationship and management (Roberts-Witt` 2000). However academic literature shows certain variation of opinions about what construct CRM system. Other elements to mention are:

- the combination of customer data and information technology use in the form of IT solutions (Li et al. 2009), customized communication with the customers (Burgarski 2007) and collaboration among the company's employees (BOOMER 2008).
- Customer Identification, Customer Attraction, Customer Retention, and Customer Development (Swift 2001; Chen & Popovich 2003).
- Sales Force Automation (supporting sales department), Customer Service, Sales and Marketing Management and Contact & Activity Management (Gray & Byun 2001).

The benefits of CRM system are expressed in the increased customer satisfaction, which leads to the growth of profitability, customer loyalty, positional advantage and reduction of costs (Njenga 2010; Mithas et al. 2005). Academic literature provides the following examples of CRM effect:

- CRM system provides additional opportunities for the firm in the form of "cross-selling opportunities, new business acquisition activities and targeted marketing campaigns" (BOOMER 2008, p.3), offerings customization and increasing reliability (Mithas et al. 2005).
- After introducing CRM system, the company can figure on "improved client relations", "enhanced internal management" and "expanded business development" (BOOMER 2008, p.9).
- CRM system allows to "track and centralize" data about the customers and organize it in the databases to make it available for the employees. Thus, CRM provides the accountability for customer service (BOOMER 2008, p.3).
- CRM gives to its' introducer the valuable asset – customer knowledge (Bolton et al. 2000). According to Mithas et al. (2005) "better knowledge of customer behavior enables firms to manage and target customers on the basis of evolving service experiences…, which increases the perceived value of the firm's offering and decreases the chance of loyal customers defecting to the competition" (p.203).

However, there are opinions that question the successfulness of CRM process. Some authors think that CRM doesn't meet the expectations of the companies, introducing this system (Ryals 2005; Zablah et al. 2004; Whiting 2001). Thus, it is necessary to understand why it is failing, because failed CRM may damage the customer relationships (Rigby et al. 2002).

2.4.2. CRM sources

CRM sources as a concept have three interrelated elements:
1. Information about customers – this element covers various customers databases and information systems;
2. Relationship orientation – it describes the company's priorities in organising relationships with customers and the criteria of decision-making;
3. Organisational configuration – it provides "alignment of organization structures, accountabilities and incentives for customer retention" (Day & Van den Bulte 2002, p.26).

In the following section these sources are discussed more into depth.

2.4.2.1. Information about customers

Databases

One of the main principles of CRM is "Users need to be held accountable" (BOOMER 2008, p.14). Thus the companies tend to introduce "data warehousing, knowledge management and portals on the web" (Howlett 1999). The construction of consumers' database is the first step on the way of CRM implementation. Creating a Customer Database implies "seeking historical customer contact data from internal sources such as accounting and customer service" (Winer 2001, p.5).

The database should include the following information:

- Transactions (the total history of purchasing with details about price level, delivery date, how recently the last purchase was made, how frequently it is done, and how much customers spend per visit). This information is needed for assessment of lifetime customer value (see Section 2.4.2.2) (Mithas et al. 2005);
- Customer contacts (any contact information, including service calls and any other request, initiated by the consumer);
- Descriptive information (customers' information, useful for conducting segmentation analysis);
- Response to marketing stimuli (information about the customer disposition to a direct contact from the company's personnel).

The time period of recording this information should be long enough to get an adequate overview of the customers' situation (Winer 2001).

The advantages of using customers' database are evident. The database is a helpful tool for the employees, because it provides a quick access to the customers' information and allows conducting service timely and effectively (BOOMER 2008). On the basis of similarities between the customers and their purchase behaviour, marketers can segment consumers and predict their needs and requirements. Customer knowledge can improve the company's responsiveness (see Section 2.4.2.2) (Mithas et al. 2005). Also using the database information companies can offer the clients to define what kind of service and its delivery they prefer the most (Prahalad et al. 2000). This "customer self-selection of service" will expand the customer knowledge and allow firms to adapt to the consumers changing needs (Mithas et al. 2005, p.202). Moreover, the database is a foundation for implementation customization strategy (Shoemaker & Lewis 1999) and communication strategy (Magson 1998).

Collecting customers' data is not that easy. Some manufacturers use the information from the warranty cards, although response rate from the card owners is low. Also big retailers have a challenge to create the opportunities to interact with the customers and to collect data about them. Service providers due to the nature of their services get more in the contact with the customers and have a possibility to receive more information.

Creating interactive websites is seen to be the most convenient way of collecting data about the customers. Through different incentives and stimulus (discounts, presents, beneficial offers.) marketers motivate consumers to register at the websites and to share their personal information (Winer 2001).

Interactive websites

The interactive websites now give the customers the possibility to share their opinions and experience on any brand or company (Chess 2010). Social networks contain variety of "non-traditional industry influencers" that can answer all consumers question and influence their perception about the product or service (Chess 2010, p.9). Peers' and friends' opinion also becomes important and easy-reachable. Thus, interactivity helps consumers to shape their ideal product or service and the company to learn about these preferences (Peppard 2000).

Posting a message about product quality or service characteristics on the websites, companies have to be careful. The sense of this message has to be clear; otherwise customers may form wrong expectations and get disappointed about the company (Chess 2010).

Development of social networks and communication loads imply the emergence of the following question: to what extent customers have to be sincere and willing to share their personal information. Thus, the privacy issues become of great importance (see in the current section).

Media for creating social networks

Media is a main element of interaction within social networks. The right choice of the media influences the whole CRM process.

Media as a concept covers not only online communication channel in use, but "real life" interactions, such as "letters, phone calls, feedback forms, and comment cards" (Chess 2010, p.4). It is important to notice that mass marketing in form of television, radio and print advertisements is little efficient in terms of CRM, because of "their impersonal nature" (Winer 2001, p.13).

Privacy Issues

There is always a question for companies about what amount of customers' information is needed to meet their expectations on the higher level. Customisation process requires collection of all the demographic and behavioural data available. However, this information is in most times perceived by the customers as private and undesirable to share with the company (Gray&Byun 2001).

The reaction of customers for company's intrusion in their lives, for instance in the form of unwanted mails or calls, can take different forms: from simple irritation to the feelings of violation, fear of harm and nightmarish visions (Stanley 2000).

Privacy issues are regulated through various concerns, legal injunctions, and public policies. And still it is unclear what amount of personal data is obliged to protection.

The debate about privacy issues tries to clarify how much control web users should obtain in regards to their private information. Companies argue that the more information they get, the better they can satisfy customers needs. The opponents provide for consideration two options:
- "Opt-in": customers have to agree for the collection of their private information or a certain amount of it, filling in the "customer consent form". This opportunity gives consumers more control and rights due to the use of their information, builds thrust between the company and its' customers. The disadvantage of this option from the companies' view is that the amount of this information will not be enough for creating an in-depth database.
- "Opt-out": customers prohibit the usage of any private information. However, in reality it does not stop the company from collecting personal data; customers simply lose control over the process (Winer 2001).

2.4.2.2. Relationship orientation

Targeting customers

Traditional sources of influencing customers, such as TV or newspapers advertising, are considered to be less efficient in comparison to the directly targeted approaches (Peppers & Rogers 1997). Directly targeted marketing approaches cover two components: direct mailing and direct sales.

Direct sales are defined as selling straight to consumer and not in the retail location. It is selling technique, beneficial for the customer, since consumers don't have to leave their apartment to get the explanation of the service/product use (Xardel 1993). The most important element of the direct sales is the personal contact between buyer and seller. Seller has to create good prepossessing impression in order to build strong relationships with the customers.

The advantage of direct sales method is its' relatively low cost in comparison to foundation the retail network.

Direct mailing is implemented through personalized e-mails (Winer 2001). However, marketers have to be careful with creating these e-mails in order not to be considered as an ordinary spam letters. To overcome this challenge Godin (1999) in his study argued the necessity of "permission"-based programs. Due to them the consumer first has to agree to receive special messages from the firm. These specialized letters can be very informative and sophisticated, include attached video clips, audio and web-pages (Winer 2001).

There a lot of advantages in using direct mailing approach. First, it is very cost-efficient method, since it does not imply, for instance, spending for paper, printing and distribution in comparison to paper mail (Nail 2000). Second, e-mails possess certain unique peculiarities: "enablement of personalized offers", absence of competition "for the attention of the customer from other advertisements", and a possibility "to involve the respondent" (Roberts & Berger 1999 in Verhoef 2003, p.35). Thanks to these features, direct mails can create the interest in the new product/service and thus favour the purchase behaviour (Roberts & Berger 1999). The personalized approach can influence the perception of relationship quality between the company and the buyer due to the "individualized communication" and the appeal to consumers' desires and manner of their implementation (De Wulf et al. 2001; Hoekstra et al. 1999 in Verhoef 2003, p.35). Third, e-mails offering price discounts and other short-term rewards may lead to the consuming of additional services and raising the consumer share (Bawa & Shoemaker 1987; Verhoef 2003).

The only disadvantage of e-mails is the privacy issue (see Section 2.4.2.1.).

Relationship programs:

There are two main types of relationship programs: loyalty and rewards/frequency programs. The goal of relationship programs is "to deliver a higher level of customer satisfaction than competing firms deliver" (Winer 2001, p. 15). Relationship programs include the following incentives: discounts for frequent customers (for services), free products, special offers, servicing priority, and fidelity or reward cards (Claycomb & Martin 2002). The more detailes are provided below:

- *Loyalty programs*

The loyalty programs are "structured marketing efforts, which reward, and therefore encourage, loyal behavior" (Izquierdo et al. 2005,p.235). Customer loyalty programs are also determined as "coordinated, membership-based marketing activities designed to enhance the building of continued marketing exchanges among pre-identified customers toward a sponsoring brand or firm" (Lacey & Sneath 2006, p.459). They are designed in the way that they stimulate customers to repurchase the product/service (Roehm et al. 2002). They include the following tactics: "customized recognition, emotional 'trophy' rewards and tailored offers or messages" (Shoemaker & Lewis 1999, p.350).

The effect of loyalty programs is the following: members of these programs purchase more frequently at the company in comparison to non-members and show loyal behaviour manifested in decreased switching to other brands that do not use relationship programs (Sharp & Sharp 1997). Being a member of loyalty program has a similar premise as being a member of brand community (see Section 2.3.2.4) (Dowling & Uncles 1997).

There are different opinions about the impact of loyalty programs on the customer loyalty. For instance, some authors highlighted the positive influence of loyalty programs on strengthening loyalty and retaining customers (Bolton et al. 2000; Rust et al. 2000; Verhoef 2003). In contrast, other argued that "loyalty programs have a weak impact on loyalty" (Izquierdo et al. 2005 p.236) and prejudiced the positive effect of loyalty programs (Dowling & Uncles 1997; Sharp & Sharp 1997). The similar

findings belong to Sin et al. (2002), who claimed that loyalty programs negatively affects promotional image of the company.

- *Rewards/frequency programs*

Reward based programs are believed to affect positively customer retention process and increase customer share (Verhoef 2003). There are several reasons for that:
1. Psychological reason: reward is highly motivating (Latham & Locke 1991). In order to receive future rewards, customers can adapt their behavior in a way needed (Nicholls 1989).
2. Barriers to switch to another company, especially when the reward structure is based on the length of company-customer relationships. The basis of this premise lies in switching costs, which are directly connected to the loyalty concept (Dick & Basu 1994; Klemperer 1995).

Loyalty program differs from rewards/frequency programs, though some literature uses these notions interchangeably. Frequency programs focus on stimulating repeat purchasing and spending behaviour, while loyalty programs tends to create customers' commitment and emotional link to the brand. Participating frequency program customers long to receive reward, they do not adequately perceive brand's superiority. Thus frequency program can't be a source for positional advantage (Shoemaker & Lewis 1999).

Customer differentiation

Every consumer, due to the company's view, has its own lifetime customer value (LCV) and possesses special unique requirements for the company's performance outcome (Gray & Byun 2001).

The lifetime customer value is a basic concept of CRM. The idea behind this concept is that the customers provide certain level of profitability to the company during the total time they've spent for purchasing (called "lifetime") (Gray & Byun 2001, p.29). The "value" is economic term and referred to the "net margins on transactions, taken over all channels"(p.53) or "the return on investment on the customer asset" (p.54), and the investment covers the cost to attract and retain the customer.

Customer differentiation implies that the company has to select "good" customers, and escape "bad" consumers based on their lifetime value (Gray & Byun 2001, p.29). The right customers should be treated on the higher level, since they cause the profits increase, while the "worst customers should be dropped" (p.29). Differentiation can help the company to "allocate its limited resources"(p.29) and thus receive higher returns (Peppers & Rogers 1997; Wayland & Cole 1997). Customer selection is performed on the basis of information derived from the customers' database.

However some shortcomings of this method exist. The analysis, selecting the customers for dropping out, does not account the possible customer's growth in buying. Dropping away of "bad" customers needs accuracy and care, because unhappy or ignored consumers can harm the image of the company, spreading negative word-of-mouth advertising (Winer 2001). The risk of including unprofitable clients in the segment is also high, since LCV is hard to predict precisely enough.

Focus on cross-selling

Cross-selling is "the action of selling an additional product or service to an existing customer" (Oxford English Dictionary 2010).

CRM system stimulates providing of new and additional services, managed by "a standardized sales process using customized workflow routines" (BOOMER 2008, p.22).

It is claimed that the greater degree of cross-buying leads to the increasing of transactions rate and profit level (Bolton et al. 2004; Gupta et al. 2004), and also strengthening of loyalty and increasing of consumer lifetimes (Meyer-Waarden 2008).

Responsiveness

The company has to respond and react to every customers question, initiation, or complaint. This act of sociability is referred to responsiveness (Chess 2010). It is claimed that "satisfaction with complaint handling has a direct impact on trust and commitment and can override the initial negative experience if handled to the customer's satisfaction or delight" (Izquierdo et al. 2005, p.235).

2.4.2.3. Organisational configuration

Organisational structure and trained personnel

In order to introduce CRM system in the company it is essential to create the organisational structure that disciplines the process.

Special working teams have to be created for taking the full responsibility for the process. It is considered that "the functions and responsibilities of these teams must be defined precisely, along with who will make them up, what each of them will contribute to the project, who will lead them and how often the meetings will be held" (Chalmeta 2006, p.1023).

The team has to be instructed how to use CRM system, to get acquaint with new technologies and information networks. For this reason company needs to hire a CRM specialist.

The CRM System Expert (Internal or External) is needed for exploiting the potential of this relationship tool. This expert can provide the employees' team with his/her past experience and knowledge; make propositions and recommendations accordingly to the company's peculiarities (BOOMER 2008).

Besides CRM expert, other specialists are needed at the company, among them are "systems experts; business analysts; backroom operations specialists; managers who use customized reports to fine-tune sales, marketing, and customer service strategies; and frontline sales and service people, who are responsible for inputting data the CRM initiative needs to yield rich insights and for acting on them" (Agarwat et al. 2004, p.2).

Communication among the team is quite important. Every group-member has to be aware about overall CRM implementation process and its' detailed stages. This will assure that all the employees understand the company growth direction and are ready and interested in changes.

Highly-skilled personnel can provide efficient customer service and thus increase company's positional advantage (Matear et al. 2000). Dealing with the customers, employees have to be polite, considerate, calm but reacting fast, providing all necessary information when asked.

Infrastructure grounded on accountability

The company's infrastructure has to be easily accountable and controllable. This will help the company to avoid challenges related to data lose or confusion.

CRM system introduces the discipline and organization that is aimed at the increasing of infrastructure accountability and provides the possibility to manage it in the most efficient way.

Monitoring and adaptation

The main rule of the gradual CRM implementation is to "Conduct Regular Reviews and Improve Existing Processes" (BOOMER 2008, p.13). The documentation of such reviews is essential. Administration may use management reports to provide the personnel accountability. Any deviation from the designated direction should be noticed and taken into account.

Special indicators from the "control panel-type tool" have to be used for monitoring (Chalmeta 2006). To control the project's progress, the indicators of "start dates, due dates and target times" are compared. For analysing the success of consumer strategy, the indicators of "measure improvements in customer value" are needed (p.1023). Also thanks to quality indicators the effectiveness of the changes can be traced (Chalmeta 2006).

The adaptation of system, personnel and process is needed. If the staff is not interested in CRM implementation, the trainings may change the situation.

3. Methods

3.1. Case study as a research method

Case study itself is a research, which "consists of a detailed investigation, often with data collected over a period of time, of phenomena, within their context" (Cassell & Symon 2006, p.323).

Case study as a research method has the following advantages and disadvantages (Table 2).

Table 2. Advantages and disadvantages of case study

Advantages	Disadvantages
• This method is helpful when determining policies and predicting outcomes on the micro and individual level • It examines situation more deeply in comparison to other methods • Case study can use different tools to get the information (observation, questionnaire, interview) • It has an opportunity for developing new hypothesis for the later testing • Case study method may be helpful in describing the specific and complex cases, which are difficult for examination if using other methods • Case study may replace other methods, since it can reach the objectives of other methods, because it can be exploratory, constructive confirmatory, qualitative or quantitative and use primary or secondary sources. • It is the best method to use when the sample size is known beforehand to be small. The researcher can omit the problems connected to statistical bias and the disadvantages of other methods. • Using this method the researcher can develop analytic skills necessary for problem solving and apply new knowledge	• The outcomes of the research are hardly applicable on the macro level, because the limited case can't represent the whole society's situation. • Researcher's interpretation of the case is based on his own opinion. Then evaluation of the case may lack objectivity and contain bias. • Case study is difficult to replicate in another study and to check whether the results of the research are precise. • It's important to be very accurate while dealing with case study; otherwise it's easy to be steered off the course. The internal and external validity should be taken into account. • Case studies are time consuming, difficult for making the analysis and interpretation of the results. • Researchers may be influenced by Pygmalion effect, unconsciously guiding to obtaining the expected results, thus creating bias.

In this thesis author uses the case study as a research strategy, because the expected results are applicable to similar cases on the micro level and the deep examination of the situation is needed.

The following section contains description of two cases.

The first case is about the firm LLC "Agrofirm - Elitsortnasinnja". This Ukrainian seed-selling company experienced problems with customers' retention and strengthening their loyalty. Now it makes the first steps in introducing CRM system. However it still needs recommendations and improvement to bring system into the working process.

The second case is devoted to the company PJSC Rise. This Ukrainian agricultural company has a seed-producing and selling department among other activities. It has developed CRM system and a wide network of loyal customers.

These companies were chosen as the cases because they both perform in the same Ukrainian market within the seed-selling industry. Although they have some minor differences in the production process, marketing positioning and targeting, the most significant difference is in their level of CRM usage. Rise has a wide experience in maintaining relationships with customers, while Elitsortnasinnja is a CRM starter. Due to this difference Elitsortnasinnja can derive some recommendations for improvement of their CRM system.

The general characteristics of both companies are provided in the Chapter 4.

3.2. Questionnaire design

The following section explains the questionnaire design process.

The sample for questionnaire was randomly chosen from the customers of both companies. For this selection the customers' database of Rise and customers contact list of Elitsortnasinnja were used. The sample size is 50 respondents from each company. Moreover, the managers of the companies were interviewed. The sample accounted for 10 representatives.

The questioning was performed in the form of phone calls. The advantages of this method are:
1. This is a fast way of receiving data due to the personal communication.
2. A lot of customers do not have Internet at their places or the possibility to check their e-mails regularly, thus targeting them by e-mails can be inefficient. However all of them have phones, so they are easily reachable.

The disadvantages are:
1. Respondents (especially customers) may refuse answering the questions. The reasons can be: lack of time, unwillingness to participate or they just may not pick up the phone.
2. Some respondents may experience problems with auditory sensing of questions, do not memorize them after the first pronouncement.

The original questionnaire was created in English, because the scales used for measurement were derived from English scientific sources. Then the questionnaire was translated in Ukrainian, because for most respondents Ukrainian is a native language. Conducting phone questioning took one week. Those who appeared to be unreachable by the phone from the first call were contacted several times, till they picked up the phone. In the customers sample of Elitsortnasinnja 42 respondents agreed to take part in the interview, 5 refused and 3 remained unreachable; among managers sample all 10 respondents gave the answers. In the sample of Rise 45 customers answered the questions and 5 refused to take part; all 10 managers gave the answers. In total the answers of 87 customers formed the Customer dataset for analysis and the answers of 20 managers created the Manager dataset.

All questions from the questionnaire were answered, so there are no missing values in the both datasets. The scales are given in Appendixes. For all the answers the 7-point Likert scale is used, for instance:

Very bad						Very good

Also the questions about personal information for the demographic overview of respondents were included.

3.3. Analysis and measures

The following section provides measurement characteristics for the concepts in the model

First, Principal Component Analysis (PCA) and Reliability analysis (RA) were conducted. PCA is a "multivariate technique for identifying the linear components of a set of variables" (Field 2005, p.742). In other words this analysis defines how a particular variable may contribute to the identified component and reveals the variables subject to elimination. RA checks whether a scale reflects the concept it's measuring (Field 2005).

Criteria for PCA indicating that the measure is appropriate for conducting further analysis are the following:
- PCA should derive one component as a solution. The identifiers of this solution are presented in the form of a scree plot with a sharp decline in Eigenvalues from the first to the second component, followed by consecutive decrease in Eigenvalues of further components. Also the Eigenvalue of second component should be less than one, while the variance of the first component should make up not less than 50% of the total variance in variables.
- The loading on the first component before rotation for all elements (survey questions) should account more than 0.6 (Hair et al. 1992 in Verhees et al. 2008).

Criterion for RA is Cronbach's Alpha bigger than 0.6.

The properties of concepts' measures used in this research are summarized in the Table 3. The basis for the table is adopted from Verhees et al. (2008). The first part of the table contains measures related to the customers' perception. The second part presents measures of CRM usage in the company according to the managers' answers.

In the first part the majority of measures meet the criteria described above. However, "Perception of lower price level" construct shows some divergence. After conducting analysis the first time, this concept showed an Eigenvalue of second component bigger than one, 35% of variance for the first component, very small loading on the first component and Cronbach's Alpha less than 0,6. After eliminating the item with the smallest loading on the first component (-0.24, question # 5), the analyses was conducted the second time with only 4 items. This time, the Eigenvalue for the second component was less than one; however, variance remained at low level, loading of one item was at the level of 0.6 and Cronbach's Alpha remained less than 0.6. This means that the measure and corresponding items should be revised for consistency and reliability for the further research, however in this paper this inconsistency was ignored and the measure for price perception was used for interpretation results. There are also some other deviations from the criteria. For instance, item loadings for "Brand image" and "Commitment" concepts are smaller than 0.6 (-0.440 and -0,595 respectively). Taken into account that the items with low loadings are reversed and all other values of these concepts meet the requirements, this deviation is acceptable and thus is ignored. The same relates to the "Customization" concept. It has Cronbach's Alpha of 0,591 which is lower than required 0.6; however all other values meet the criteria. Moreover, the concept includes only 3 items, which also influences the lower value of Cronbach's Alpha.

In the second part the analyses showed some difficulties in verification of the measure "Targeting customers in a direct way". Since one of the variables (question #4) had zero variance, it was eliminated from the variables list. Further analyses revealed positive results with high values. Also the measure "Using CRM approach" displayed Eigenvalue of second component bigger than one and one item loading of 0.470. After eliminating the item with the lowest loading (question #5) all indicators appeared at the acceptable level.

Table 3. Measures characteristics

Measures for customers	# of items	Eigen value second component	Variance accounted for	Lowest item loading	Cronbach's Alpha
Customer satisfaction	5	0,273	81,60%	0,889	0,943
Loyalty	5	0,528	73,78%	0,747	0,908
Commitment	5	0,718	74,02%	**-0,595**	0,897
Customization	3	0,754	56,69%	0,689	**0,591**
Customer Service	5	0,333	83,91%	0,876	0,949
Brand image	5	0,894	66,65%	**-0,440**	0,821
Community building	4	0,739	67,74%	0,622	0,839
Perception of lower price level	5	**1,078**	**35,94%**	**-0,240**	**0,448**
(after item extraction)	4	0,812	**44,92%**	0,600	**0,534**
Competitors perception	5	0,599	74,47%	0,704	0,912

Measures for managers	# of items	Eigen value second component	Variance accounted for	Lowest item loading	Cronbach's Alpha
Using CRM approach	5	**1,076**	60,56%	**0,470**	0,827
(after item extraction)	4	0,688	71,79%	0,656	0,854
Databases	4	0,413	83,65%	0,872	0,869
Interactive websites	4	0,578	78,91%	0,755	0,822
Relationship programs	4	0,319	86,76%	0,884	0,935
Media for creating social networks	4	0,243	85,14%	0,907	0,924
Trainned personnel	5	0,330	80,96%	0,888	0,933
Infrastructure grounded in accountability	3	0,380	81,55%	0,859	0,887
Customer differentiation strategy	3	0,501	76,67%	0,800	0,839
Targeting customers in a direct way	4	0,552	74,59%	0,823	0,843
Responsiveness	3	0,638	72,41%	0,735	0,807
Organisational structure creation	3	0,308	81,89%	0,890	0,874
Focus on cross-selling	4	0,363	82,81%	0,866	0,851
Monitoring and adaptation	5	0,272	88,00%	0,897	0,956

After reducing the data to the appropriate level, the average scores were defined for all the measures. They are used in the further analyses.

Second, the analysis was conducted among the measures to check them for discriminant validity and to see whether they describe and assess different concepts. However this analysis didn't show the appropriate results; the measures are highly correlated. The majority of respondents scored all concepts in the model high on the company using CRM and low on the company that doesn't use this system. Therefore discriminant validity could not be assessed with these data.

Third the independent two-sample t-test was performed in order to define whether the means of two variables groups (Elitsortnasinnja and Rise) are statistically different from each other. The t-test was performed separately for averaged scores for customers and those of managers. The results of this analysis are explained in the Chapter 5.

Finally, the regression analysis for Customers dataset was conducted in order to see how "Satisfaction" and "Loyalty" concepts depend on the concepts reflecting customers' perception of companies', i.e. positional advantage. However, problems with multicollinearity are anticipated, because discriminant validity of the used measures could not be assessed. The results of this analysis are explained in the next Chapter 5.

4. Description of the companies

4.1. Elitsortnasinnja

Limited Liability Company "Agrofirm - Elitsortnasinnja" is a leading seed company operating on the domestic market. Company's headquarter is situated in Kiev, Ukraine. The company started its' activities on the basis of association Ukrsortnasinnjaovoch, which delegated the rights for producing and selling vegetables and flowers seeds.

Company's activities are producing and selling of duplicated high-qualitative seeds of flower, vegetable and melon crops of both domestic and foreign selection for supplying demand of consumers. Also company grows the most known Ukrainian seed sorts abroad in Germany and Italy using long-term license agreements, and imports the best hybrids of foreign producers in Ukraine for growing vegetables.

Company's principles and advantages, according to the general director, Rojenko Volodymyr Petrovych, are the following:
1. High quality at reasonable price.
2. The seeds are supplied by the manufacturer, passing the intermediaries. This approach gives the possibility to get the product with a minimum margin.
3. Wide distribution all over Ukraine.
4. Flexible price policy – usage of cumulative discounts system for regular customers.
5. The high quality of product is confirmed by appropriate certificates
6. Delivery to the store or farm in Kiev and Kiev region.
7. Despatch of merchandise by transport carriers: Vash Chas, Autolux, Night Express, Gunsel, Nova poshta, Evroekspres.

The main internal resource of the company is the new and young personnel. The corporate culture is based on the team spirit and common contribution to the achievement of the final goal.

Company performs wholesale and retail trade activities. The wholesale outlet is located in Kiev, while retail outlets are spread all over Ukraine (several of them are in Kiev, others are in Mariupol, Krasnoperekopsk, Olexandrija, Kharkiv, Uzhgorod, Kirovograd and Illichivsk).

Company's seed products are also well known in the CIS (Commonwealth of Independent States) countries: Belorussia, Russia, Azerbaijan, and Uzbekistan.

Order of the products can be made by phone, e-mail, fax, ordinary mail.

Talking about delivery conditions, company provides delivery all over the territory of Ukraine. Also the customer can pick up the order by himself. The delivery takes place once in a week with the minimal order value 40 UAH. Order can be delivered by mail or transport carrier Vash Chas. The payment for delivery can be made in cash or by bank transaction (for more details see an official website of Elitsortnasinnja).

The customers of Elitsortnasinnja are professional vegetable growers, market gardeners and cottagers. All of them have small to middle income, they are mostly married, middle and old aged. The company also offers collaboration to agricultural enterprises, farms and private households, for instance they can provide seeds for sale.

The following basic target groups can be marked out:
1. Buyers, who use seeds for planting as a hobby;

2. Buyers, who use seeds for planting as a habit (work in the garden or farmland);
3. Buyers, who use seeds for planting as a means of making money.

Company cooperates for a long time with the key agricultural companies from France, (GSN, Semences, Clause, Tezier), Germany (Satimex Quedlinburg, N.L.Chrestensen), Poland (Polan, Rolimpex, Malopolska Hodowla Roslin– HPB), Hungary, Netherlands, Italy (Anseme s. p. a.) and others. Also Elitsortnasinnja is an official representative of German enterprise Ernst Benary Samenzucht GmbH, being one of the leading companies in growing, seed production and introduction of flower crops.

The partners in Ukraine are leading selection centers (for instance, Institute of Vegetable and Melon-Growing UAAN and the network of its research stations).

The most important competitor for the company is TM Svytjaz. This Ukrainian company sells seeds of flowers, grass, vegetables, and also mineralized fertilizers for gardens and kaleyards.

The marketing mix of the company is discussed below:

Product

Product assortment covers more than 200 types and 3000 sorts and hybrids of seeds. Especially big offer is among flower seeds – up to 100 seed types with more than 300 different sorts. Of big demand among consumers are the seeds of vegetables, melons, spice plants and flowers, packed in the original packages with the label of Elitsortnasinnja.

The seeds are packed according to their crop type and sort. The packages are protected from falsification by an individual bar code. They have short information on the back side which helps consumer to look through the characteristics of the sort or hybrid, recommendations for the sowing terms, care and harvesting. It also contains the corresponding photo to make the right choice of the product. The packages have different forms: professional can purchase the "Profi" series with the package weight of 20 and 50 g, farmers may prefer seeds sold by weight or packed in the original metal cans from the producer. The company independently completes the packaging cycle with specialized equipment (more than 10 mln packages per year). Use of the modern technologies and quality materials can fully satisfy Ukrainian requirements of packaging, established by the governmental standard DSTU 6006:2008.

Seeds' crop quality meets the requirements of the governmental standards DSTU 2240-93, GOST 11260-81, and GOST 12420-81.

The company's product assortment is constantly expanded and renewed due to the wide partner network of Elitsortnasinnja.

Price

In total, the price for the product is in the middle market range, varying from 1 to 3 UAH per package, depending on the type, sort and package volume of seeds.

Company provides the customers with the cumulative system of discounts. Those who bought the products in total for more than 500 UAH, receive the 5% discount; for more than 1000 UAH – 8% discount; for more than 2000 UAH – 10% discount.

<u>Place</u>

The products of Elitsortnasinnja can be bought in the ordinary retail stores of the company and in the warehouses for the wholesalers. Also the packages of Elitsortnasinnja can be found in the specialized seed stores with the products of other seed companies, on the markets, in the supermarkets and hardware stores.

Also the orders for the seeds can be made through Internet on the company's website.

<u>Promotion</u>

Company takes part in thematic seminars and scientific conferences, international and Ukrainian specialized exhibitions and forums.

It also publishes catalog called "Dovidnyk-Perelik", where customer can see all the product assortment, new arrivals and special offers, and to read the description about peculiarities of each seed sort. This catalog is presented on the company's website. Consumer also can receive it during making the purchase of the company's products.

Company has the website: **http://www.elitsort.com.ua/** . It's still in the development phase, but Internet users can already find here information about the product assortment, ways of making/receiving the order, payment system and the distribution outlets of Elitsortnasinnja.

4.2. Rise

The Public Joint Stock Company Rise was founded in 1992. It's a "leading distributor of crop protection products, fertilizers, seeds, agricultural machinery and spare parts in Ukraine" (Rise 2010). Also the company provides agribusiness support, transportation, warehousing and consulting services, conducts agricultural crop trading, supplies farmers with agricultural inputs, and introduces innovations and modern technologies in the agricultural sector.

Talking about organizational structure, company consists of two independent departments: industrial Rise-Maxymko and distributional Rise. Industrial department implements the orders of distributional department.

Rise helped to develop Ukrainian agribusiness. It made a significant contribution to the development of agricultural commodities market in Ukraine; "adapted the best international agricultural practices to Ukrainian geo-climatic and social environment at its five primary production locations across all climate zones of Ukraine" (Rise, 2010).

In order to be able to confront Rise and Elitsortnasinnja in terms of industry, the following factors are explored in regard to the seed production activity only.

Rise produces grain crop (wheat, barley) and grain legumes seeds (soya, peas) in Ukraine. It also imports hybrid seeds from the partners abroad (for instance, corn, sugar beet grain, winter and spring rape for selling purposes) and then reproduces it on the seed factories. However Rise doesn't sell vegetables or flowers seeds.

Company has a central office in Kiev, Ukraine. Also it has wide distribution network all around Ukraine in the form of "of local branches and sales representatives", numbering 71 distribution centers (Table 4, Rise 2010). Recently it opened subsidiaries in Russia and Moldova.

Table 4. The example of Rise distribution network structure

Department	Western regional administration	Southern regional administration	Northern regional administration	Eastern regional administration
Region (oblast)	Vinnuzka	Cherkaska	Sumska	Poltavska
Subsidiaries	Nagirjanska	Monasturuschenska	Burinska	Lubenska
	Starosynjavska	Tavrijska	Pidlisnivska	Lokhvytska
	Kalynivska	Ulyanovska	Huhryanska	Horoshkivska
	Zorjanska	Umanska	Shevchenkivska	Hadiazka
	Rachynska		Romanivska	Chornuhynska
	Chudnivska			Lebedynska
	Ternopilska			Romenska
				Chervonozavodska

Within seed production company commands 40 subsidiaries. Each of them possesses 200-400 hectares of farm land, serves about 40 clients and is coordinated by the manager.

The company is oriented mainly on two customers' segments: large companies (holdings) and medium-sized farms. Retailers also can purchase seeds for personal needs or further reselling, but their percentage in the client amount is not high.

Rise collaborates with the companies all over the world. The partners of Rise are the companies specialized in machinery and equipment for agricultural activities: harvesting, cultivating. Among them are the following companies: John Deere, Kverneland, Hardi, Farmet, Merlo, Schulte, Blu-Jet, MaxField, Gregoire, Focus Industries Inc.

Among seed partners the following companies can be mentioned: Lembke (Germany) –supplies winter and spring rape, Monsanto (USA) – supplies corn, Syngenta (Switzerland) – supplies sunflower. Other partners are the following:
- Euralis and Pioneer (corn, sunflower, sorghum);
- Sesvanderhave (sugar beet);
- Osjeva (spring wheat, peas, soya, brewing barley);
- Limagrain (brewing barley) and others.

The most important competitor of Rise is Eridon. This Ukrainian company specializes on the seed distribution and has a wide network of partners.

The company's benefit is in its' combination of seed production and distribution. Thus it's not fully dependent on the suppliers and partners but can sell its own products. Moreover company concludes only licensed treaties, pays royalty and keeps the terms of Ukrainian and international legislation connected to the implementing of trade duties.

Company has the following marketing mix:

Product

The packaging of seeds is fulfilled due to the customers wish. Mainly they are packed in the sacks. The volume of product in the sack also differs. For instance, corn is packed in the amount of 50 thousand seeds per sack.

Seeds also vary due to the selection sort (1st, 2nd or 3d depending on the quality of seeds and the extent of germination).

Packaging of imported hybrids is foreknown due to the terms of treaties. Sacks have a logo of a producer company and the distributor ("Rise").

Price
Company uses a discount system. Discounts are provided mainly for the last year's seeds that were not sold.

Place

Seeds can be bought in the subsidiary or ordered through Internet. Company doesn't sell seeds in the specialized retail stores, combining different companies and types of seeds.

Promotion

The promotion activities held by the company are the following:
- Laying of demonstration crops;
- Conducting of Days of the Field;
- Spreading of information materials: catalogues, leaflets;
- Selling of souvenir products.

The staff of the company takes part in the international conferences, seminars, and training sessions, "meets with hundreds of representatives of producers, researchers, suppliers, best-performing farmers in North and South America and Western Europe" (Rise 2010).

For targeting customers, company uses sending of short messages to the customers' cell-phones, advertisement in press and spreading of information about the high quality of company's seeds.

Company has the website **http://rise.ua/**, which it uses for notification customers about the last news and campaigns.

4.3. PESTEL analysis

For describing a framework of macro-environmental factors influencing both companies in Ukraine, PESTEL analysis was conducted.

Political Factors

The following external factors influencing the companies were identified. The information on policy trends was derived mostly from the Ukrainian governmental websites (President 2011, KMU 2011, Rada 2011, Byut 2011, Korupzia 2011).

1. Political stability
   - Ukraine elected the President, formed government and pro-presidential majority in the country's Parliament in 2010. These changes give the opportunity to forecast the country's economic course and to create the respective strategy of country's development. Thereby political stability will indemnify the companies from unexpected incidents on the governmental level.

2. Reducing the impact of the opposition to the presidential decision-making
   - The Ukrainian opposition is weak nowadays. More than that, European Union is strongly concerned about persecution of the opposition and does everything possible to strengthen the opposition's role in Ukraine. Thus collaboration between EU and Ukraine may lead to the reinforcement of the opposition's rights in the political and economic life of Ukraine. Companies' managers have to include risks of corresponding changes in the economic legislation while creating long-term development strategies.

3. Lobbying and pressure on the market
   - Lobbying of certain business interests by parliament groups is presented in different countries; however in Ukraine it has tremendous meaning. There are a lot of people in the government and Parliament, who own businesses and make decisions (also legislative) through the lenses of their businesses. Big business is politically lobbied and supported in Ukraine, while medium-sized businesses (Elitsortnasinnja is the representative of such a business) rely mainly upon their own capacities. It causes additional pressure on the market (medium-sized businesses have to do their best to survive the unfair rivalry) and has to be taken into consideration while conducting business.

4. Non-transparency of the customs policy
   - Customs policy in Ukraine often depends on the person, who heads this department. Both companies, especially Elitsortnasinnja are oriented for import, that's why this factor has a significant value for companies. The large part of companies' activities depends on the passing the customs. That's why companies have to trace all the changes of customs policy. Nowadays customs clearance in Ukraine became even more complicated: a lot of new entrance barriers appeared (for instance, requirement of additional certificates), the custom fees become higher, and the customs clearance period can last for very long time. At the same time, using corrupt schemas, some goods are imported faster for lower price and supplant other products on the market.

5. The activity of regulatory bodies
   - Ukrainian administrative reform started the liquidation of State Committee of regulative policy and enterprise. This administrative body dealt with the issues of organization and assistance for small and medium sized business. That means that companies of corresponding segment have been deprived of support of such a powerful organization and have to rely upon their own capacities.

6. State control over business entities and penalties.
   - The mechanism of state control over business in Ukraine is fixed in the Law "About restriction of monopolism and prohibition of dishonest competition in entrepreneurship". Fulfillment of this law is executed by Antitrust committee of Ukraine; that is a public body, which provides state defense for the rivalry in entrepreneurship. In December 2010 the committee became headed by the person, who declares the transparent competition rules. The schema of state control in Ukraine is close to those used in Germany, the Netherlands, Austria, Great Britain and Sweden: businessmen inform relevant state bodies about all agreements, which have competition limitations (notifications), and in some cases register them in special list, where customers and competitor can read them. However Ukraine lacks the supremacy of law, that's why court decisions favour businesses that are close to President.
   As other European countries Ukraine has public organizations (associations and customers cooperatives) that supply population with information aout product quality, trade conditions and provide educational activities. However in Ukraine these organizations (for instance Ukraininan Customers Union) do not work effectively even according to official sources.

7. Development of cooperation with EU
   - The policy of the President Yanukovych in many aspects repeats the policy of the former President Kuchma, i.e. manoeuvring between Moscow and EU. However, the large part of

business, which came to the power with Yanukovych, is oriented to the West, meaning that collaboration with EU will develop further. That is a positive trend for the companies.

Economic Factors

The information on economic factors influencing companies' activities was derived from the governmental and public financial websites (Bank 2011, Finance a 2011, Advokat-ua 2011, Finance b 2011, Korupzia 2011).

1. Stability of the national currency against foreign currency
   - The currency rate was fluctuating around 8 UAN per $1 during 2010. Same rate was used for creating the state budget of Ukraine for 2011. Stability of the national currency can assure the absence of unexpected slump in the contracts' value for the companies.
2. Fluctuation of Euro currency
   - Ukrainian currency – hryvna – is attached to the dollar. In 2010 the rate of hryvna was more or less stable, while Euro rate varied noticeably. The companies' contracts are concluded in Euro currency, that's why this factor has to be taken into account.
3. Inflation level
   - According to year results and corresponding official data, inflation made up 9.1%, in comparison to 12.3% in 2009. In 2011 it is expected to be at the level of 10.8%.
4. Planned tax cuts (GDP, customs duties)
   - The Tax code was adopted in Ukraine in December 2010 and becomes operative from 2011. Among different issues, this document foresees the reduction of tax rate for the companies' profit from 25% till 23% in 2011, till 21% in 2012, till 19% in 2013 and till 16% from 2014. In addition, the GDP rate also will be retrenched from present 20% till 17% from 2014 (in 2011 – 19%). This has to decrease the tax pressure on the enterprises and to expand the taxation basis.
5. Raising the minimum wage
   - In 2011 the government plans to increase the social standards. The minimum subsistence level is going to be 953 UAH, and minimum wage – 1004 UAH. The minimum amount of work pay by the hour is offered to be at the level of 5.6 UAH from 1 January, and 6.05 UAH - from 1 December. The minimum pension till the end of 2011 is going to reach the level of 800 UAH; the same is fair for the minimum subsistence level for disabled.
6. High interest on loans
   - The absence of crisis in banking system in the current year allowed credit institutions to increase the amount of population and enterprises deposits – for 53 bln UAH. However such a large-scale increment of deposits didn't cause the take-off in crediting economy. During the last 8 months the credit portfolio of the banks even shortened for 7.54 bln UAH. This happened because during the crisis the borrower's credit quality was seriously damaged and the banks became more careful, crediting only selectively. As a result, banks saved up a lot of temporarily disposable funds. Nowadays average interest rates are at the level of 24% (in comparison with last years' 40-50%) and have the tendency for lowering. So the company can count on getting credits.
7. Dynamics of the refinancing rate
   - The refinancing rate has to be maintained at the minimum positive level with regard to inflation, according to the National Bank. That's why the cost of crediting resources has to be decreased, because the macroeconomic situation in Ukraine stabilized and the tendency for the investors' funds' return to the banking system appeared. The concrete value of discount rate and refinancing rate will be determined according to the situations in economy and commodity-money market, and the development forecasts. Nowadays the discount rate of NBU (National Bank of Ukraine) is 7.75% annuals.

8. Increasing demand for seed services
   - The demand for high-quality seeds is increasing in Ukraine. The companies agree to pay the market prices for the guaranteed harvest. Also there is the production increase in the vegetable gardens.
9. The development of market infrastructure
   - Ukrainian government invests and enlists significant funds in the development of transport and trade infrastructure due to the preparation for Euro-2012. This will contribute to the expansion of companies' business.
10. GDP growth
    - Ukrainian GDP made up 117 bln $ According to the results of 2009. 2010 year forecasted GDP growth for more than 4%. The growth of macroeconomic indexes allows the companies to build optimistic scenarios of their development.
11. Increased government control over pricing
    - Ukrainian legislation has the law "About prices and price formation", which prescribes the relations between the state and business in the price formation area. Lately the significant price growth takes place and the threat of administrative regulation of prices appears.
12. Rise in energy and transport costs
    - The price of imported in Ukraine Russian natural gas in January-March 2011 makes 264 $ per 1 thousand m^3, that is for 4.7% more, than in October-December 2010. At the same time, in the law about state budget for 2011 the medium price of imported natural gas is forecasted at the level of 269 $ per 1 thousand m^3. Also in 2011 electrical energy and transport services are forecasted to rise in price.
13. Corruption
    - Corruption in Ukraine exists on the high level. It creates the shadow economy, which according to different assessments accounts up to 40% GDP. In the rating of countries with corruption for 2010 Ukraine takes 134th place among 178 world countries (Denmark, New Zeland and Singapore took 1st place and were recognized as the least corrupted countires). The rating given is prepared by global anti-corruption non-governmental organization Transparency International. Tracing the last 12 years corruption level in Ukraine, organization repeatedly expressed the disquietude of the critical situation in Ukraine.
14. Reduction of real incomes of certain population groups
    - In 2011 Government plans to establish the following rates per month for 1 person (Table 5):

Table 5. Monthly rates per person

From the date	1 January	1 April	1 October	1 December
Minimum subsistence level, UAH	894	911	934	953
Minimum wage, UAH	941	960	985	1004
Minimum wage per hour, UAH	5.66	5.77	5.92	6.04

The nominal level of increasing minimum wage and minimum subsistence level will be basically lower than forecasted inflation level, which is expected to be at the level of 10% annual. That means that the real income of the majority of employees and socially unprotected population layers receiving social help will fall down in 2011.

Social-Cultural Factors

The following information was derived from the governmental and public organizations websites (Zakon 2011, DCZ 2011, Radioera 2011, Buklib 2011, Ukrstat 2011).

1. Worsening of demographic situation
   - Manifestation of demographic crisis was expressed in the worsening of all demographic indexes. Ukrainian population number decreased for more than 6 mln people from 1991 to the present times (from 52 mln till 46 mln people - 1 mln reduction due to biological death, 2 mln of Ukrainians live and work in Russia, 3 mln work in USA and Western Europe). The urban population takes 68.8%, while rural population is about 31.4%. According to the last population census, the ethnic groups presented n Ukraine are the following: Ukrainians (77.8%), Russians (17.3%), Belorussians (0.6%), Moldavians (0.5%), Crimean Tatars (0.5%), Bulgarians (0.4%), Hungarians (0.3%), Romanians (0.3%), Poles (0.3%), Jews (0.2%), Armenian (0.2%), Greeks (0.2%). Basically, Ukraine is monocultural country. However politicians artificially exaggerate the problem of confrontation between Eastern and Southern Ukraine (Russian language speakers) and Western Ukraine (Ukrainian language speakers). Marketers have to take it into account while expanding the business to East, South or West of Ukraine.

     The main problems connected to the demographic crisis are as following: decline in the birthrate, growth of mortality rate, reduction of life duration and the general population ageing. The health condition of Ukrainian population has considerable prevalence of chronic diseases and socially dangerous illnesses. The levels of disability and mortality are still high with the short average life duration. The factors influencing population health and reproduction are the following: qualitative life indexes, environmental pollution, unsatisfactory working conditions, spreading of infectious and parasitical diseases, crisis of medical service industry, insufficient control for the quality and usage of remedies and biologically active admixtureswith the food and smoking. Also the causes of health level deterioration and increase of production accidents are excessive use of alcohol, drugs and psychotropic agents. Increasing of people with retirement and preretirement age, reduction of population number will perhaps force the state to raise tax pressure on the salary. Factor given is a global trend for the whole post-Soviet territory.

2. Educational level
   - Ukraine has more than 350 universities and a lot more of other higher educational institutes. Although the quality of education is not always satisfactory for the employing companies, its level is enough for further self-improvement and qualification heightening directly in the company. The tendency of studying abroad increases, which positively influences the rise in Ukrainian universities' competitiveness. However, Ukrainian educational system has the main negative factor – corruption (exams and diplomas can be bought).

3. Employment level
   - The level of unemployment among the population of able-to-work age (16-54 years for women and 16-59 for men) was 9.8% in 2010, among the economically active population of 15-70 age – 9% (around 22.1 mln, 2 mln from them were unemployed but searching for work). The level of employment was 58% for people in the age 15-70 and 65% for able-to-work age.

4. Increasing of the general consumption culture
   - World tendencies for life quality improvement are becoming more and more apparent in Ukraine. The companies' products are directly referred to this process and suit the modern lifestyle. That's why they can expect constantly increasing demand.

5. Brand, company's reputation and image of commercial products
   - Companies under investigation sell products of well-known brands in their segments and have a positive reputation. Products have high quality.

6. Positive attitude of consumers
   - Companies under investigation act for a long time in the market and gained positive attitude of customers.

Technological Factors

The following information was derived from public organizations websites (Djerelo 2011, Ukrtelecom 2011, Datagroup 2011).

1. Scientific and technological progress
   - Ukraine has powerful scientific-technical potential. It can solve the most urgent problems regarding economy's structural reorganization and strengthening of production intensification.
2. Infrastructure development
   - In Ukraine the infrastructure of seed market is quite developed. It is possible to rent the land for growing seeds and to build or rent storehouses for seeds preservation. The railway transport is also full-blown. The length of railways is 22.7 km and the density of railway transport routes is 38 km per 1000 km. The general length of water shipping routes is more than 5000 km. But the main transport is automobile transport. The network of automobile routes of general usage includes 169.5 thousand km of roads. Also the postal service is developed, which can be successfully used for selling packaged seeds. Ukraine has a developed system of modern communications, including mobile connection through all the territory. The level of mobile penetration in Ukraine is about 120%, i.e. a lot of Ukrainians have several sim-cards. The tariffs for mobile connection are one of the lowest in Europe – approximately 0.1€ per minute of talking.
3. Development information technologies
   - Ukraine has the opportunities for introducing the most modern information technologies.
4. Widespread usage of Internet
   - For all the territory of Ukraine Internet access is provided for stationary computers and mobile devices. The age of Ukrainian users is distributed as following: 14-24 years – 36%, 25-43 years – 29%, 35-44 years – 19%, 45-54 years – 12%, more than 55 years – 4%. More than the half of Ukrainian Internet users (51%) are men, 49% - women. 85% of users use Internet every day, 13% use it several times per week, 1% use Internet 1 time per week 1% - several times per month. 89.38% user have Internet access at home, 39.98% - at work, 7.69% - in university or school, 7.26% go to Internet-café, 12.55% use Internet from relatives and friends and 6.21% access Internet in other places. 59% of Ukrainian Internet-users live in the big cities (with more than 500 thousand population), 16% live in towns with population 101-500 thousand people, 17% live in towns with less than 100 thousand people, 8% live in villages. The largest Internet audience is located in Kiev and Kiev region – 44%. Eastern part of Ukraine has 24%, southern 0 16%, western – 9%, central – 5%, northern – 2% of users. Among them 44% have the higher education, 30% have non-finished higher education and 15% received only general secondary education.
   The wide usage of Internet technologies will give the companies the possibilities to raise their efficiency dramatically.

Legal Factors

Legislation regulating the company's activities needs considerable improvement. Some restructuring is expected after adoption of the Internal Revenue Code. The following information was derived from governmental, legislative and public organizations websites (Liga 2011, Ligazakon 2011, AMC 2011).

1. Imperfect legislation base
   - Ukrainian legislation concerning business regulation quite often was adopted and is still adopted subject to the wishes of oligarchic clans. Some laws can contradict each other, that's

why it is important to learn the legislative basis while making strategic decisions. Also in 2011 the adoption of new Housing and Pension code is expected. That will influence significantly the development of small and medium-sized business.

2. Laws on environmental protection
- The task of legislation concerning the environment protection implies regulation of relationships in the area of defense, usage and reproduction of natural resources; providing ecological safety; prevention and liquidation of negative impact of economic and other activity at environment; preservation of natural resources, genetical stock of live nature, landscapes and others natural complexes, unique territories and natural objects connected to historically-cultural heritage. Relationships in the sphere of environment protection in Ukraine are regulated by the Law "About environment protection". Rise and "Elisortnasinnja" act in line with this law.

3. Foreign economic legislation
- The main legal acts of the corresponding legislation branch are the Laws of Ukraine "About foreign economic activity" and "About usage of special measures for importing to Ukraine". Ukraine is a member of World Trade Organisation (WTO) from 15 May 2008, thus it joined the Marrakesh Agreement about foundation of WTO and to multilateral trade agreements, including GATT 1994, Agreement on Safeguards and the Understanding on Rules and Procedures Governing the Settlement of Disputes. Two years of membership in WTO showed that the export of goods by Ukraine didn't become easier. Decreasing of import fee for a lot of merchandises and simplification of import procedures, according to WTO standards, actually aggravated the situation for a lot of Ukrainian industries. Ukrainian producers do not have any benefits, while foreign importing enterprises received wide opportunities to trade in Ukraine. Also Ukraine still has uncontrolled and smuggling import, which can sometimes avoid all legislative protection measures.

Environmental Factors

The following information was derived from the state financial and public organizations websites (Greenparty 2011, Eco-live 2011).

1. Positive impact on ecology
- The nature protection movement has become more active in Ukraine. This movement is propagandized by the Green party, represented in the parliament complement of 2009, and a number of other public organizations. The products of Rise and "Elisortnasinnja" do not harm the environment, are ecologically clean and contribute to the nature development.

2. Public opinion
- Activities and the main products of the companies do not pollute environment; that means that there are almost no risks of negative consumer attitude or obstruction.

5. Results

The t-test outcome is presented in the Tables 6-7.

Table 6 shows the group statistics for the measures based on the Customer dataset. The means of the groups differ dramatically: the customers of Elitsortnasinnja scored quite lower on each concept in comparison to the customers of Rise. The significance of this difference is large, since Sig. value is less than 0.05 for each concept. The customers of Elitsortnasinnja are less satisfied, less loyal and less committed to the company in comparison to the customers of Rise; also they scored very low on the community building possibility of the company. However customers of Elitsortnasinnja are quite positive about the "perception of lower price" and score it at the almost equal level with customers of Rise. On the contrast customers of Rise scored highly on all the concepts, revealing the high level of satisfaction and slightly lower level of loyalty and commitment. Also customers of Rise favour the company's customer service to a large extent and distinguishe Rise among its competitors as very advantageous company. In total, the positional advantage of Elitsortnasinnja is perceived by customers on the lower level in comparison to the positional advantage of Rise. This means that positional advantage directly influences customers' satisfaction and loyalty strengthening: the stronger the company's positional advantage is the more satisfied and loyal the customers are and vise versa.

Table 6. Customers' perception of the companies

Concept	Mean*	
	Elitsortnasinnja	Rise
Satisfaction	4,5381	6,3822
Loyalty	3,8476	5,8222
Commitment	4,3762	5,7378
Customisation	4,7937	5,5333
Customer service	4,6333	6,4622
Brand image	3,7476	5,4933
Community building	2,3929	5,5000
Perception of lower price	5,1012	5,8000
Competitors perception	4,6905	6,1333

* Sig.<0.05

Table 7 defines the managers' perception of the extent of CRM sources application in the company. Managers of Elitsortnasinnja scored lower on all the concepts in comparison to the managers of Rise. The level of databases usage, relationship programs introducing, cross-selling opportunities and monitoring and adaptation facilities appeared to be rather low in Elitsortnasinnja. In contrast managers of Rise scored high on all the concepts, giving the lowest scores of approximately 5.9 to relationship programs usage, targeting customers, focus on cross-selling and monitoring and adaptation. The significance of difference in scores is large; Sig. value is less than 0.05. In total, the level of CRM application in Elitsortnasinnja is much lower in comparison to Rise.

Table 7. Level of CRM application in the companies

Concept	Mean*	
	Elitsortnasinnja	Rise
Using CRM approach	4,5000	6,0750
Databases	3,6750	6,5750
Interactive websites	4,0250	6,4500
Relationship programs	3,0750	5,9000
Media for creating social networks	4,8000	6,6250
Trainned personnel	4,1200	6,1600
Infrastructure grounded in accountability	4,3667	6,0667
Customer differentiation strategy	4,5000	6,2667
Targeting customers in a direct way	4,0750	5,8500
Responsiveness	5,1000	6,5667
Organisational structure creation	3,4500	5,9000
Focus on cross-selling	3,3600	5,9400
Monitoring and adaptation	4,5000	6,0750

* Sig. <0.05

The regression analysis revealed the following results.

Table 8 represents the partial correlation between satisfaction and loyalty level and positional advantage concepts.

The first part of the table provides the details of model parameters and the significance of the parameters' values. It reveals that Customer Service and Competitors Perception have significant influence on customer satisfaction, while Customisation, Community Building and Competitors Perception influence customer loyalty level (Sig.<0.05). All other concepts seem to have no to little impact on the customers' satisfaction and loyalty levels (their Sig.>0.05). The column "Loyalty[M]" presents the results of the mediation test, where Satisfaction concept is checked for being a mediator between positional advantage and loyalty. In other words, this test checked the assumption that satisfaction leads to customer loyalty. According to results this assumption was not confirmed, since the impact of Satisfaction[M (mediated)] is not significant (Sig. >0.05). It means that based on current data no direct influence of satisfaction on loyalty were found. However, it is important to notice that there is a high chance of multicollinearity manifestation due to the combined effect of several independent variables. The indication of that is a high correlation coefficient (0.8) and VIF (variance inflation factor) value, which shows to what extent the independent variable, is explained by other variables (Hair et al. 1995). In Table 8 VIF values are satisfactory (<10), although rather high. That implies that meaning of beta coefficients and importance of concepts should be interpreted very cautiously.

The second part of the table indicates whether the model can predict the outcome variable to a significant extent. R^2 is the determination coefficient measuring the strength of the linear relationship (Tyrrell, 2009). In Table 8 R^2 shows that customers' satisfaction on 92% and customer loyalty on 85% depend on perception of positional advantage. The F-ratio value for Satisfaction is extremely high, Sig. <0.05, meaning that the obtained regression model predicts the intercorrelation between satisfaction

and positional advantage perception significantly well. For Loyalty F-ratio is much smaller, however Sig. <0.05, thus the correlation between loyalty and positional advantage is significant.

Table 8. Relation between companies' positional advantage, customers' satisfaction and loyalty

| Concept | Satisfaction | | | Loyalty | | | Loyalty^M | | |
	Coefficients	Sig.	VIF	Coefficients	Sig.	VIF	Coefficients	Sig.	VIF
Customisation	-0,009	0,816	1,402	0,148	0,021	1,402	-0,025	0,544	1,499
Customer service	0,590	0,000	5,969	0,134	0,264	5,969	0,576	0,000	6,063
Brand image	0,132	0,123	5,996	0,182	0,175	5,996	0,113	0,188	6,137
Community building	0,081	0,060	4,986	0,176	0,010	4,986	0,063	0,160	5,419
Perception of lower price	-0,078	0,168	1,565	0,017	0,851	1,565	-0,079	0,156	1,566
Competitors perception	0,222	0,008	4,983	0,507	0,000	4,983	0,168	0,061	5,966
Satisfaction^M	-	-	-	-	-	-	0,106	0,137	6,675
Intercept	0,527	0,095	-	-1,045	0,036	-	0,638	0,048	-
R^2	0,921			0,850			0,923		
F*	155,672			75,664			135,852		

* Sig. <0.05. Correlation coefficient = 0.8

6. Conclusions

This paper examined the impact of Customer Relationship Management on customer loyalty. The satisfaction and loyalty concepts and the ways to influence them were studied. The concept of positional advantage was investigated, as well as its elements and sources were defined.

According to research findings, the customer loyalty is determined by high satisfaction and commitment level. The customer perceives all the benefits which a product grants; past positive experience decreases the risk during purchase decision making and minimizes the time for evaluation of proposed purchase variants. However the direct influence of satisfaction on loyalty level was not detected in this paper.

Positional advantage directly influences customers' satisfaction and loyalty. The more strong company's positional advantage the higher the satisfaction and loyalty are and vice versa. According to analysis results, Customer Service and Competitors Perception influence customer satisfaction, while Customisation, Community Building and Competitors Perception have an impact on customer loyalty creation.

Positional advantage has certain sources that influence loyalty. These sources cover three main areas related to CRM:
- Information about customers (including Databases, Interactive websites and Media for creating social networks)
- Relationship orientation (including Targeting customers, imtroducing Relationship programs, Customer differentiation strategy, Focus on cross-selling and Responsiveness)
- Organisational configuration (including Organisational structure and trained personnel, Infrastructure grounded on accountability and Monitoring and adaptation)

Based on research findings, the following ways for building customer loyalty can be marked out:
1. Development of customization and personalization strategy
2. Building community around the brand
3. Creating the positive and beneficial image in the market compared to competitors
4. Increasing customers' satisfaction through improving customer service.

7. Discussions

7.1. Academic implications

In academic sense this research confirmed the claims of scientific literature about efficiency of correct CRM implementation and the direct influence of company's positional advantage on the customer satisfaction and loyalty to the company. Indeed, customers' positive perception implies higher level of satisfaction of the company and stimulates repurchasing behavior. Although, the direct relation between satisfaction and loyalty was not defined, it proves thesis assumption that satisfaction not always leads to loyalty. The determinants of loyalty were identified. More than that, the difference and similarities between the concepts of loyalty and commitment were identified, since present literature has variety of opinions concerning this topic. CRM sources were identified and classified for three main groups. This classification can be used for further research, since it provides quick and full overview of positional advantage sources.

7.2. Managerial implications

Supporting the problem statement of thesis, research findings showed that Elitsortnasinnja lacks facilities (CRM sources) to retain customers and strengthen their loyalty. Thus this company needs to develop a strategy of introducing CRM system and strengthen its positional advantage. Recommendations for that are provided below.

The findings of this research showed that the company's management has to pay its attention to the development of the following elements: customization strategy, brand community building, strengthening position among competitors and improving customer service.

1. Customisation

The most important for customization strategy is to make relevant offers for the customers. Company has to ensure the customers that its products were developed specifically to satisfy all their possible needs and that the company has solutions for all customers' problems. The better the consumer base is segmented, the more relevant offers can be made. Company has to trace the purchasing behavior of the customer (which products he/she buys, how often, his/her life events) and to make propositions in regard to that needs. Company's management can conduct an interview among its customers to learn what they lack in company's products, or to invite them to special event, so they could feel that the company cares about them.

2. Brand community creation

The process of creation community should be started with interaction among customers. If the company wants to influence creation of consumer's community around it, it has to provide an opportunity and place for that, for instance, interactive website or monthly held events in the company's store or prize drawings and competitions. The company has to appeal actively to customers to make them interested in cooperation. It has to create a unique image of the brand, the separate world, which customers would like to join. Company's objective is to create a perception of customers, that if they use this product they are more cool/meaningful/respectful or any other characteristic depending on the company's products and goals. Thus they will mark out those people who also use this product and gradually create a network of social bondings based on common preferences – brand community.

3. Position versus competitors

Company has to strengthen its market position constantly. The most important point is to keep the company's reputation on the high positive level. Customers are very sensitive to the slightest false step that the company can make and react quickly by slackening of buying behavior in this company or

switching to another company. Thus company has to protect its reputation by all possible means. Company also has to stress its uniqueness, something that the competitors don't have. If company's management can explain to themselves why customers should prefer their company over the others, they have made the first step on getting the customer. Next step is to make it clear for the customers.

4. Customer service improvement

Company which integrates CRM has to think about special courses and trainings for its staff to update their knowledge and skills of communicating with customers. Nowadays a lot of experts offer their help in this area and a lot of relevant literature can be found. The trainings should also include the information how to recognize the customers likely to attrit and to retain them. Company has to provide incentives and compensations for sales force to motivate their efforts to save the customer for the company.

7.3. Flaws of the research and suggestions for further research

This research has some limitations, which should be taken into account when using recommendations.

First of all, the research is based on examining only two companies. Thus multicollinearity associated with the independent variables can become a problem and applying results to all the companies can be risky.

To eliminate this problem, further research is needed, using more companies with different level of CRM implementation. Also the research has to cover a longer period of time (for instance, couple of years) in order to trace the change of relationships between customer and company and to define whether this change was caused by CRM application. More than that, the companies from different industries or service vs product companies can be compared in terms of CRM usage to provide broader overview of CRM effect.

Second, Elitsortnasinnja is a wholesale and retail company, while Rise is a pure wholesaler and producer. More than that, Rise has a complex of activities, including machinery and spare parts sale, technical support servicing, selling seeds and others, while Elitsortnasinnja sells only seeds. However, this paper tried to moderate the differences between companies: for analysis it used wholesaling customers from both companies, and the seeds departments were checked for CRM usage.

Other factor that could influence the results obtained is phone questioning of respondents. In verbal communication and auditory perception of question, the sense of information could become partly lost for the respondent and thus influence his/her answers. In the ideal situation the questionnaire should be printed and distributed among customers by post or at some agricultural event. Yet these methods are not useful in the case of limited time period. Also the questionnaire was translated in Ukrainian; that could slightly change the meaning of original English scales. That's why during data analysis some scales appeared to be incorrect: for instance, several items were eliminated from "Using CRM approach" and "Targeting customers in a direct way" measures in order to meet the analysis criteria; "Perception of lower price level" measure also has to be revised in the future research, using more consistent scale.

Further research in this area can address the following questions:

- What place does commitment take in the loyalty concept?

The paper tried to answer this question in the literature review, but it appeared that there is no generally adopted statement of commitment and it's relation to the loyalty is a bit vague for scientists. Thus a research in this area is needed to define what exactly commitment is and what place it has among satisfaction and loyalty (is it a separate concept, or a part of another concept).

- Does the structure of industry matter in loyalty development among its customers?

This research used the companies from agricultural industry within seed-selling department for investigation. However it would be useful to learn whether the industry's type and organizational structure influences customer loyalty creation and what the companies should know before applying CRM.

- Does CRM usage differ for implementing B2C and B2B?

This research used data from both customers and businesses for analysis; however the clear distinction of CRM approach for B2C and B2B was not a goal of this paper. The further research could focus on determination whether CRM has to be different when dealing with individual customers and firms.

- Do relationship programs really lead to loyalty?

This paper determined relationship programs as one of CRM sources. However there are various types of relationship programs that claimed to have no impact on loyalty creation, as they are purely reward-based. Further research in this area could check these claims for adequacy and distinguish the most efficient type of relationship programs.

Answers to these and other emerging questions can enrich the knowledge about CRM system and prevent the failures of its implementation in the future.

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№	Reference name	Web address	Access date
1	Advokat-ua (2011)	www.advokat-ua.com.ua	19.01.2011
2	AMC (2011)	www.amc.gov.ua	19.01.2011
3	Anonymous Survey (2011)	www.ramayah.com/project_0809/topic_5_customer_loyalty.doc	10.01.2011
4	Bank (2011)	www.bank.gov.ua	19.01.2011
5	Buklib (2011).	www.buklib.net	19.01.2011
6	Business Dictionary (2011)	http://www.businessdictionary.com/	10.01.2011
7	Byut (2011)	www.byut.com.ua	19.01.2011
8	Datagroup (2011)	www.datagroup.ua	19.01.2011
9	DCZ (2011)	www.dcz.gov.ua	19.01.2011
10	Djerelo (2011)	www.djerelo.com	19.01.2011
11	Eco-live (2011)	www.eco-live.com.ua	19.01.2011
12	Elitsort (2010). Official company's website	http://elitsort.com.ua/	01.10.2010
13	Finance (2011, a)	www.finance.ua	19.01.2011
14	Finance (2011, b)	www.finance.tochka.net	19.01.2011
15	Greenparty (2011)	www.greenparty.ua	19.01.2011
16	Henning, J. (2009, a). Customer Loyalty Questions	http://blog.vovici.com/blog/bid/23499/Customer-Loyalty-Questions	10.01.2011
17	Henning, J. (2009, b). Measuring Affective & Calculative Commitment	http://blog.vovici.com/blog/bid/21986/Measuring-Affective-Calculative-Commitment	10.01.2011
18	Henning, J. (2009, c). TNS Customer Loyalty Index	http://blog.vovici.com/blog/bid/20625/TNS-Customer-Loyalty-Index	10.01.2011
19	Howlett, D. (1999). CRM isn't sitting still	www.microsoft.com	20.11.2010
20	KMU (2011)	www.kmu.gov.ua	19.01.2011
21	Kokemuller, N. (2010). The Difference Between Relationship Marketing & CRM	http://www.ehow.com/facts_6867925_difference-between-relationship-marketing-crm.html	10.12.2010
22	Korupzia (2011)	www.korupzia.org.ua	19.01.2011
23	Liga (2011)	www.liga.net	19.01.2011
24	Ligazakon (2011)	www.ligazakon.ua	19.01.2011
25	Oxford English Dictionary (2010)	www.oed.com	03.12.2010
26	Prahalad, C.K., Ramaswamy, V., & Krishnan, M.S. (2000). Consumer Centricity. InformationWeek, (April 10)	http://www.informationweek.com/781/prahalad.htm	20.11.2010
27	President (2011)	www.president.gov.ua	19.01.2011
28	Quickmba (2010). Competitive advantage	http://www.quickmba.com/strategy/competitive-advantage/	15.11.2010
29	Rada (2011)	www.rada.gov.ua	19.01.2011
30	Radioera (2011)	www.radioera.com.ua	19.01.2011
31	Sanchez, J.G. (2005). Customer Relationship Marketing. Building Customer Relationships for Enduring Profits in a Wired Economy	http://www.pdf-finder.com/Customer-Relationship-Marketing.html	15.11.2010
32	Sickles, B. (2000). Conducting Statewide Customer Satisfaction Surveys. USDOL / ETA, ETA Performance Accountability Team	www.doleta.gov/performance/trainingtutorials/ppt/roadshow-surveys.ppt	10.01.2011
33	Sorce, P. (2002). Relationship Marketing Strategy. Printing Industry Center at RIT, Rochester, NY	http://print.rit.edu/pubs/02_04_sorce.pdf	15.11.2010
34	Ukrstat (2011)	www.ukrstat.gov.ua	04.02.2011
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37	Zakon (2011)	www.zakon.rada.gov.ua	19.01.2011

Appendix A

Scales

Customers

Customers' satisfaction - "a measure of how products or services supplied by a firm meet consumer requirements" (Liang 2008, p.22).
1. How satisfied are you with the overall experience dealing with X[1] (considering everything you know about this company, its relationship with you and its products, services, and/or support)? (Henning 2009, c)
2-4. How satisfied are you about (Verhoef 2003):
   - The service quality of X
   - The responding by X to claims
   - The expertise of the personnel of X
5. Considering all of the expectations you may have had about X's products and services, to what extent have they met your expectations? (Sickles 2000)

Loyalty - repeated purchasing stimulated by a strong internal propensity (Day 1969).
1. Assuming you will make 5 visits to the seed company in the next two months, how many times will you go to this company? (Yim et al. 2008)
2. When shopping for this product category, how often do you purchase from X instead of from other brands? (Henning 2009, a)
3. For your next similar purchase of product, how likely would you be to buy from X again? (Henning 2009, c)
4. How likely are you to repurchase from X if the price increases 10%? (Henning 2009, a)
5. How likely are you to repurchase from X if a like competitor has a price that is 10% lower? (Henning 2009, a)

Commitment - the "implicit or explicit pledge of relational continuity between exchange partners; adoption of a long-term orientation toward the relationship – a willingness to make short-term sacrifices to realize long term benefits" (Iacobucci & Hibbard 1999, p.22).
   To what extent can you agree with the following statements?
1. I consider myself to be highly loyal to X brand. (Beatty et al. 1988)
2. I plan to maintain my relationship with X. (Anonymous Survey 2011)
3. I take pleasure in being a customer of X. (Anonymous Survey 2011)
4. If X brand is not available in the store when I need it, I will buy it another time. (Lau & Lee 1999)
5. If another brand is having a sale, I will generally buy the other brand instead of X*[2]. (Lau & Lee 1999)

Customization - the process, where "content and services to customer should be designed based on customer preferences and behavior" (Hagen et al. 1999 in Gray & Byun 2001, p.28).
   To what extent can you agree with the following statements?
1. I want special treatment from X. (Sorce 2002)
2. I like it when the company addresses me by personalized e-mail, even if I have never done business with them before. (Sorce 2002)
3. X systematically attempts to customize products/services based on the value of the customer. (Reinartz et al. 2004)

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[1] The company under investigation is marked as X (the name of certain company is included in every particular case of interviewing).
[2] Sign * means that the item is reverse scaled.

Customer Service - "all interactions between a customer and a product provider at the time of sale, and thereafter" (Business Dictionary 2011).

   To what extent can you agree with the following statements?
1. The X staff always tries to meet my needs.
2. The X staff is responsive to my questions and requests.
3. The X staff provides accurate service in taking orders and payment.
4. The X staff provides prompt service in taking orders and payment.
5. I am confident about the service provided by X

Brand image - "the perception of the brand in the minds of people . . . it is what people believe about a brand – their thoughts, feelings, expectations" (Bennett 1995 in Kavaratzis & Ashworth 2005, p.509).

   To what extent can you agree with the following statements?
1. X brand has a reputation for being good.
2. My friends recommend that I buy X brand.
3. I have heard negative comments about X brand*.
4. When I buy X brand, I know what exactly to expect.
5. I like X brand.

Community building - constructing of the networks of consumers assigned for "exchanging product-related information" and strengthening relationships between the company and its' consumers (Winer 2001, p.18).

   To what extent can you agree with the following statements?
1. X organizes specialized events, where customers are brought together.
2. X invites me to communicate with other customers of X brand.
3. I maintain relationships with other customers of X.
4. I'm willing to exchange information about X brand with other customers of the company.

Perception of lower price level - the process by which the buyer perceive "the monetary expenditure" that he "must incur in order to make a purchase" on the lower level that it is in reality due to the specific marketing tactics (Ailawadi & Keller 2004, p.333).

   To what extent can you agree with the following statements?
1. It pays off economically to be a customer of X. (Henning 2009, b)
2. When I use discounts, I feel that I am getting a good deal. (Lichtenstein & Netemeyer 1993)
3. I enjoy using discounts, regardless of the amount I save by doing so. (Lichtenstein & Netemeyer 1993)
4. The money saved by finding lower prices is usually worth the time and effort. (Alforda & Biswas 2002)
5. I will deal with more than one company to take advantage of low prices (Lichtenstein & Netemeyer 1993) *[This item was eliminated during analysis].*

Competitors' perception - customers' impressions about "a company in the same industry … which offers a similar product or service" (Business Dictionary 2011).
1. In general, how would you rate the advantage provided to you by using X's products rather than using any other company that provides similar products? (Day & Van den Bulte 2002)
2-5. How do you perceive the business of X compared to the competitors: (Day & Van den Bulte 2002)
(The following scales are used:
   - Least responsive/Most responsive to customers' individual needs
   - Most difficult to collaborate with/Easiest to collaborate with
   - Worst customer service/Best customer service
   - Least trusted/Most trusted)

Managers

Using CRM approach - CRM is "a comprehensive strategy and process of acquiring, retaining, and partnering with selective customers to create superior value for the company and the customer" (Parvitiyar & Sheth 2001, p.5).

To what extent can you agree with the following statements?
1. In our organization, retaining customers is considered to be a top priority. (Jayachandran et al. 2005)
2. We attempt to build long-term relationships with our highvalue customers. (Reinartz et al. 2004)
3. We organize our company around customer-based groups rather than product or function-based groups. (Jayachandran et al. 2005)
4. We try to understand how one consumer differs from another. (Spiro & Weitz 1990)
5. Each customer requires a unique approach. (Spiro & Weitz 1990) *[This item was eliminated during analysis].*

Databases - "systematically organized or structured repository of indexed information (usually as a group of linked data files) that allows easy retrieval, updating, analysis, and output of data." (Business Dictionary 2011)

To what extent can you agree with the following statements?
1. We have a single source to quickly view/monitor activities related to important clients. (BOOMER 2008)
2. We collect all available client data when making decision. (Davies et al. 2010)
3. The information collected from customers is updated in a timely fashion. (Jayachandran et al. 2005)
4. We use customer information to segment markets. (Jayachandran et al. 2005)

Interactive websites - social Internet networks that "give the customers the possibility to share their opinions and experience on any brand or company" (Chess 2010).

To what extent can you agree with the following statements?
1. In our organization, business processes are designed to enhance the quality of customer interactions. (Jayachandran et al. 2005)
2. We maintain an interactive two-way communication with our customers. (Reinartz et al. 2004)
3. We provide our customers with multiple ways to contact the organization. (Jayachandran et al. 2005)
4. We maintain regular contact with our customers. (Jayachandran et al. 2005)

Relationship programs - "coordinated, membership-based marketing activities designed to enhance the building of continued marketing exchanges among pre-identified customers toward a sponsoring brand or firm" (Lacey and Sneath 2006, p.459).

To what extent can you agree with the following statements?
1. We provide individualized incentives for valuable customers if they intensify their business with us. (Reinartz et al. 2004)
2. We attempt to build long-term relationships with our highvalue customers. (Reinartz et al. 2004)
3. We have loyalty programs established for products. (Pilecki et al. 2007)
4. We have proactive retention programs to identify and approach customers likely to attrite. (Pilecki et al. 2007)

Media for creating social networks - media that covers online communication channel in use and "real life" interactions, such as "letters, phone calls, feedback forms, and comment cards" (Chess 2010, p.4).

To what extent can you agree with the following statements?
1. We use phone calls or messages to target our clients.
2. We use leaflets and other printed materials to target our clients.
3. We use feedback forms and comments card to receive data about customers' perception and preferences.
4. We use Internet communication to target our customers and receive data about them.

Trained personnel - highly skilful professionals, qualified company's staff.

To what extent can you agree with the following statements?
1. Our CEO champion a customer-centric sales and service culture across the enterprise (Pilecki et al. 2007)
2. We have a formalized sales training and coaching program for improved employees performance (Pilecki et al. 2007)
3. We reward employees for building and deepening relationships with high-value customers. (Reinartz et al. 2004)
4. Our sales and service representatives are trained to recognize retention threats (Pilecki et al. 2007)
5. A key criterion used to evaluate our customer contact employees is the quality of their customer relationships. (Jayachandran et al. 2005)

Infrastructure grounded in accountability - the fundamental facilities and systems serving an organization, that are accountable and controllable (Business Dictionary 2011)

To what extent can you agree with the following statements?
1. Infrastructure of our company is highly accountable.
2. We control all the processes in regard to the company's infrastructure.
3. We have a formal system for tracing changes concerning company's infrastructure.

Customer differentiation strategy - selection of potentially profitable customers and elimination of the "bad" consumers, based on their lifetime value (Gray & Byun 2001).

To what extent can you agree with the following statements?
1. We have a formal system for identifying which of the customers are more valuable.
2. We use data from external sources for identifying high value customers.
3. We continuously track customer information in order to assess customer value.

Targeting customers in a direct way - marketing approaches that cover two components: direct mailing (personalized e-mails) and direct sales (selling straight to consumer and not in the retail location) (Winer 2001; Xardel 1993).

To what extent can you agree with the following statements?
1. We have a clear picture of what the key customer segments are and how it can help meet customer needs.
2. We bundle products and offers to meet the individual goals of these segments.
3. We have identified subsegments within the larger groups and defined value propositions for them
4. We use direct sales approach *[This item was eliminated during analysis]*.
5. We use direct mailing approach

Responsiveness - act of sociability, implying that the company responds and reacts to every customers question, initiation, or complaint (Chess 2010).

To what extent can you agree with the following statements?

1. We are structured to optimally respond to groups of customers with different values.
2. We systematically attempt to manage the expectations of high value customers.
3. We try to deal with customers complaints quickly and effectively

Organisational structure creation - forming the "formal and informal framework of policies and rules, within which an organization arranges its lines of authority and communications, and allocates rights and duties" (Business Dictionary 2011).

To what extent can you agree with the following statements?

1. We work in a highly organized manner. (Davies et al. 2010)
2. We are good at organizing staff. (Davies et al. 2010)
3. Organizing people (i.e., changing organizational structure) to deliver differentiated treatment and products to different customer segments presents a strength for our company. (Reinartz et al. 2004)

Focus on cross-selling - cross-selling is "the action of selling an additional product or service to an existing customer" (Oxford English Dictionary 2010).

To what extent can you agree with the following statements?

1. We price products based on individual customer relationships. (Pilecki et al. 2007)
2. Our firm has numerous opportunities to cross-sell services. (BOOMER 2008)
3. We have formalized procedures for cross-selling to valuable customers. (Reinartz et al. 2004)
4. We have systematic approaches to mature relationships with high-value customers in order to be able to cross-sell. (Reinartz et al. 2004)

Monitoring and adaptation - "supervising activities in progress to ensure they are on-course and on-schedule in meeting the objectives and performance targets; and modification of a concept or object to make it applicable in situations different from originally anticipated" (Business Dictionary 2011).

To what extent can you agree with the following statements?

1. We have an opportunity to measure the profitability of individual customers or households. (Pilecki et al. 2007)
2. Our product managers are compensated for retention as well as acquisition. (Pilecki et al. 2007)
3. Our CEO review retention results on a regular basis (Pilecki et al. 2007)
4. We track attrition by customer (Pilecki et al. 2007)
5. We track the status of the relationship during the entire customer life cycle (relationship maturity) (Reinartz et al. 2004)