

THE EFFECT OF LOGISTICS AND SUPPLY CHAIN MANAGEMENT
PRINCIPLES ON CUSTOMER RELATIONSHIP MANAGEMENT IN THE
AIRLINE INDUSTRY:
SUNEXPRESS AIRLINES AS A CASE STUDY

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DECEMBER, 2007

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MELİH MERT TEZEL

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Approval of the Graduate School of Social Sciences

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ABSTRACT

**THE EFFECT OF LOGISTICS AND SUPPLY CHAIN MANAGEMENT
PRINCIPLES ON CUSTOMER RELATIONSHIP MANAGEMENT IN THE
AIRLINE INDUSTRY:
SUNEXPRESS AIRLINES AS A CASE STUDY**

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This thesis focuses on the importance of Customer Relationship Management (CRM) in air transportation and logistics. Moreover, we will see CRM applications for this industry. Customers and customer loyalty have an increasing importance in today's competitive market. The companies follow customer share intelligence instead of market share intelligence. The most commonly used method for this is CRM. Today's firms do not make profit just from production or service. For this reason firms get develop strategies to keep one pace of their rivals. Thus the strategies that are developed ahead to focus on customers. Besides service quality, providing customer pleasure has been a mandatory. For this reason firms have developed assorted strategies. At this

point CRM is deployed by the firm. CRM determines the customer value in a true manner in order to better understand the customer. CRM is a management strategy and is of a vital importance. Crucial competition conditions prevail in our age. Consequently, firms need to make a profit in order to continue their existence. With CRM, firms seek customer satisfaction to make a profit and to meet the competition. For this purpose, a survey was conducted to the 50 passengers of an international flight of Sunexpress Airline. To be able to get a deep understanding of the meaning of customer satisfaction from passengers being transported by Sunexpress Airline, the company's flight is used as a case study; the findings of the survey are evaluated and a "SWOT" analysis is added to understand the company profile.

Keywords:

- Customer Satisfaction,
- Customer Expectation,
- Customer Service,
- Customer Relationship Management,
- Logistics,
- Air transportation,

ÖZET

HAVACILIK SEKTÖRÜNDE MÜŞTERİ İLİŞKİLERİ YÖNETİMİNE TEDARİK
ZİNCİRİ YÖNETİMİ PENSİPLERİNİN VE LOJİSTİĞİN ETKİLERİ:
BİR VAKA ANALİZİ OLARAK SUNEXPRESS HAVAYOLU ŞİRKETİ

Tezel, Melih Mert
Lojistik Yönetimi Yüksek Lisans, Lojistik
Yönetimi Bölümü

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Bu tez, hava taşımacılığı ve lojistik sektöründe Müşteri İlişkileri Yönetiminin önemi üzerinde yoğunlaşmıştır. Buna ek olarak Müşteri İlişkileri Yönetimi uygulamalarını göreceğiz. Müşteri ve müşteri sadakati günümüzün rekabetçi dünyasında artan bir öneme sahiptir. İşletmeler Pazar payı yerine müşteri payı anlayışını izlemektedirler. Bunun için en çok kullanılan yöntem Müşteri İlişkileri yöntemidir. Firmalar günümüzde sadece kaliteli hizmet karlılığa geçememektedirler. Bu nedenle firmaların rakiplerinden bir adım önde olmalarını sağlayacak stratejiler geliştirmeleri gerekmektedir. İşte bu doğrultuda geliştirilen stratejilerin müşteriye yönelik olması gerekmektedir. Hizmet kalitesinin yanında müşteri memnuniyetinde sağlanması günümüzde bir mecburiyet haline gelmiştir. Bu nedenle firmalar çeşitli stretejiler

geliştirmişlerdir. Bu noktada firmaların yardımına Müşteri İlişkileri Yönetimi yetişmektedir. Müşteri İlişkileri Yönetimi firmaya olduğu kadar müşteriye de oldukça büyük katkılar sağlamaktadır. Müşteri İlişkileri Yönetimi, müşteri değerinin doğru bir şekilde belirlenmesini ve müşterinin daha iyi anlaşılmasını sağlar. Kısaca müşteri ilişkileri yönetimi bir yönetim stratejisidir ve firmalar için hayati öneme sahiptir. Çağımız, acımasız rekabet şartlarının hüküm sürdüğü bir çağdır. Dolayısıyla firmaların varlığını devam ettirebilmeleri için kar elde etmeleri gerekmektedir. Müşteri İlişkileri Yönetimi, müşteri memnuniyetini sağlayarak firmaların kar elde etmelerini ve rekabet edebilmelerini sağlar. Bu amaç doğrultusunda Sunexpress Havayolu şirketinin uluslararası uçuşlarında 50 yolcuya yapılan müşteri memnuniyeti anketine yer verilmiştir. Türkiye'deki özel havayolu şirketlerinin müşteri memnuniyetini anlamak amacıyla, yolcu taşımacılığı yapan Sunexpress havayolu şirketi örnek olarak seçilmiş ve SWOT analizi uygulanmıştır ve buna ek olarak anket sonuçları ortaya konmuştur.

Anahtar kelimeler:

- Müşteri memnuniyeti,
- Müşteri Beklentisi,
- Müşteri Hizmeti,
- Müşteri İlişkileri Yönetimi
- Lojistik,
- Havayolu taşımacılığı.

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To My Parents

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LIST OF ABBREVIATIONS

ASP	APPLICATION SERVICE PROVIDERS
CAD	COMPUTER AIDED DESIGN
CFM	SWITZERLAND FRANK
CFO	CHIEF FINENCIAL OFFICERS
CIO	CHIEF INFORMATION OFFICERS
CRM	CUSTOMER RELATIONSHIP MANAGEMENT
DS	DECISION SUPPORT SYSTEM
D2D	DOOR TO DOOR
ECSI	EUROPEAN CUSTOMER SATISFACTION INDEX
E-CRM	ELECTRONIC CUSTOMER RELATIONSHIP MANAGEMENT
EDI	ELECTRONIC DATA INTERCHANGE
E.G.	EXAMPLE
ERP	ENTERPRISE RESOURCE PLANNING
IT	INFORMATION TECHNOLOGY
LTV	LIFE TIME VALUE
WWW	WORLD WIDE WEB

INTRODUCTION

The importance of Customer Relationship Management and being customer oriented is increasing each day. Especially in air transportation and logistics industry, the market share is decreasing each day because of the competition with the developing countries which give low-prices and good service to the customers; and the companies to keep their existing customer instead of gaining new ones. Day by day, companies are looking for new ways to succeed in obtaining the customer loyalty. Customer Relationship Management is a good guide for the companies in this area and with the handling of the customer complaints; the companies would manage to provide loyal customers.

In the air transportation and transportation industry the communications being developed with the customers are of great significance. And these communications directly effect the quality of the services provided. Finding complete solutions to the customer complaints systematically, decreasing operation costs, making the customer feel as an individual partner, using the technology factor efficiently are all important factors in the companies offering services.

Customer Relationship Management is a strategy which should been understood by not only the marketing department but also by all company departments.

The airline industry has undergone significant restructuring in recent years. Airlines, formerly rivals in a highly regulated industry, have become opportunistic seekers of cooperation.

In today's world, mega-carriers and small airlines are working together rather than competing with one another. Forms of cooperation include sub-contracting, code sharing, franchising and the formation of global marketing networks. Such alliances allow firms to focus on their respective core competencies, while drawing the benefits of scale economies. In essence, cooperation among competitors has led to increased competitiveness. This has accelerated the trend of joint marketing, and the airline has become characterised by the desire to belong to a global network. The tendency has been to strive for a global presence.

This thesis consist of 5 main chapters:

The first chapter describes the terms, customer relationship management, customer satisfaction, and customer loyalty. Improving technique of customer relationship management and tools that help to apply a successful to customer relationship management are also examined. This chapter serves as a background for the following chapters.

The second chapter covers information about logistics management and its relationship with the marketing. Moreover, customer relations and to learn the effects of customer service in transportation with Customer Relationship Management model.

The third chapter of this thesis deals with the customer service. Service quality has been one of the most frequently studied topics in the service marketing literature. The brief information and history of Sun Express Airlines which is examined.

The fourth chapter of this thesis deals with the findings of the survey. The survey has been conducted to the 50 passengers of 3 International Flights of Sunexpress Airlines. Destination of these flights are from İzmir to Germany. In order to determined the company profile, the company has been analysed with swot.

The fifth chapter of this thesis deals with the conclusion part.

The last section is the Appendix where you can see the questions, which were applied for survey.

CHAPTER 1

GENERAL CONCEPT OF CRM AND CUSTOMER BEHAVIOR

1. CUSTOMER RELATIONSHIP MANAGEMENT IN COMPETITIVE WORLD

Customer Relationship Management (CRM) is developing into a major element of corporate strategy for many organizations. CRM, also known by other terms such as relationship marketing and customer management, is concerned with the creation, development and enhancement of individualized customer relationship with carefully targeted customers and customer groups resulting in maximizing their total customer life-time value.

Industry leaders are now addressing how to transform their approach to customer management. Narrow functionally-based traditional marketing is being replaced by a new form of cross functional marketing-CRM. The traditional approach to marketing has been increasingly questioned in recent years. This approach emphasized management of the key marketing mix elements such as product, price, promotion and place within the functional context of the marketing department.

The new CRM approach, whilst recognizing these key elements still need to be addressed, reflects their need to create an integrated cross-functional focus on marketing-one which emphasizes keeping as well as winning customers. Thus the focus is shifting from customer acquisition to customer retention and ensuring the appropriate amounts of time, money and managerial resources are directed at both of these key tasks. The new CRM paradigm reflects a change from traditional marketing to what is now being described as “customer management”.

The adoption of CRM is being fuelled by recognition that long-term relationship with customers are one of the most important assets of an organization and that information-enabled systems must be developed that will give them “customer ownership”. Successful customer ownership will create competitive advantage and result in improved customer retention and profitability for the company.(Payre,2000,p.1)

The companies that will withstand the competitive market conditions are the ones who understand the importance of customer relations.

1.1 Definition OF CRM

The basic thought behind CRM is quite simple:The most profitable customer is one who is loyal, buys in large quantities and needs little or none marketing efforts.Provided with a sufficient number of such customers one wouldn't need to take the costs and efforts of sales and marketing. Unfortunately, very few, if any, business has these kinds of customers. But by paying attention to questions about loyalty and relations,your customer can be much more ideal. The process of transforming the customers is known as CRM (Ekstam et al.2001,p.2).

There are several definitions of CRM. Hyperion Solutions presents the following:

“CRM is an enterprise business strategy that enables companies to select and manage customer-centric business philosophy to support effective marketing, sales and processes across direct and indirect customer interaction channels.”

According to Klaus, "CRM is a customer-oriented business philosophy, which tries to develop and strengthen profitable customer relationships in long term through a holistic and individual marketing, sales and service concept, by means of modern information and communication Technologies" (Wilde,2000,p.3),

Bob Thompson defined CRM as: "CRM is a business strategy to select and manage to most valuable customer relationships. CRM requires a customer-centric business philosophy and culture to support effective customer relationship management, provided that an enterprise has the right leadership, strategy, and culture."(www.erpcrm.com)

According to Gartner: "CRM is a business strategy comprising segments for sales, marketing and service with outcomes optimising profitability, revenue and customer satisfaction. CRM is a customer-focused strategy aimed at anticipating, understanding and responding to the needs of enterprise's current and prospective customers. The objective of a CRM strategy is to optimise profitability, revenue and customer satisfaction."(www.erpcrm.com)

According to Peppers and Rogers Group: "The idea for CRM is: establish relationship with customers on an individual basis, and then use the information you gather to treat different customers on differently. The Exchange between a customer and a company becomes mutually beneficial, as a customers give information in return for personalized service that meets their individual needs."(www.erpcrm.com)

Another definition, which is done by Brown, is: "Simply defined, it is the process of acquiring, retaining and growing profitable customers. It requires a clear focus on the service attributes that represent value to the customer and create loyalty". (Brown, 2000, p.8)

Finally Swift defined CRM as: "CRM is an enterprise approach to understanding and influencing customer behavior through meaningful communications in order to improve customer acquisition, customer retention, customer loyalty, and customer profitability. CRM is an iterative process that turns customer information into positive customer relationships". (Swift, 2001, pp. 12, 13)

CRM is a strategy that should be applied and understood by not only the marketing and sales departments of a company. If a company wants to apply CRM strategy, it should identify and differentiate its customers, interact with them and finally give customized service to them in turn. While applying this strategy, a company uses information technologies mostly. By this way, the company can reach higher customer shares than before.

In other words, the objectives of CRM are to create long-term, mutually valuable relations with important customers. The profit from these relations should be seen in a long-term perspective. There are, according to the following reasons for this:

- The competition of the customers is increasing: The advantage of local presence is decreasing as geographic borders are diminishing because of the business alliance. The pressure on logistics and distribution increases as the local presence decreases.

- The market is divided in segments more and more. The focus is moved from classical mass market with higher needs than available, towards more individualistic marketing, so called one-to-one marketing. That is based on the assumption that customers become more loyal if the offers are tailored to their specified needs, maybe unique needs.
- The product quality has generally increased during the last years and it is not self evident that the quality of the product can give competitive edge.

These reasons, combined with the increased possibilities with tailoring special solutions and offering them to customers is a good starting point. The internet, software and phones makes it easy to cultivate closer relationships with the customers (Ekstam et al.2001,p.3).

1.2 Historical Development

CRM is a new term but it is not completely a new term,as it is an old fact. (Gummesson,1997) There is a strong historical relationship between CRM and pre-industry age. Its importance has raised and the style of its application has changed recently. (Sheth&Parvatiyar ,1995a)

At the age of party-industry evolution, the development of CRM is based on the birth of direct marketing between the customers and the companies, being important again are: (Sheth&Parvatiyar,1995a)

i. The relationships', which are between customers and companies, getting easy as a result of the quick technological developments at information Technologies

ii. Companies' considering total quality approach for forming a close relationship, which is between customers and company. Companies' improving the quality and decreasing the cost.

iii. As a result of service sector's improvement, the necessity's, which is of forming and improving the relationships between service companies and the customers, appearing.

As a result of these evolutions, it has started to turn on marketing intelligence, which depends on one-to-one relationship between companies and customers.

Ming Hua's studies in old China about marketing can be showed as an example in order to analyse CRM at the age of pre-industry: (Grönroos, 1996)

Ming Hua, who was one of the rice sellers of a town, was waiting customer in his store. One day, Ming Hua thought that instead of waiting and selling rice, providing the customers' desires and offering different things than other companies were much more important. So he decided to record customers' eating habits, the periods of buying their needs and to provide them rice when they needed. In order to apply his thoughts, he went to his customers' houses and asked them questions about the number of people living in their house, the rice they consumed in a day and the amount of the rice pots. And then he offered them to give their need of rice at their home free and fill their rice pots automatically.

After settling essential records and improving necessary services, he started to settle strong relationships with present customers and the other customers in his town. As a result of these studies, he improved his job and began to employ. He employed someone to record the customers' needs, someone to record balancing accounts, someone to sell rice at his store and two people to give up the rice.

He spent his time visiting towns and meeting the rice suppliers, who knew him. This story of Ming Hua consists of CRM's three variables. These are searching the ways of settling relationships with customers are connected, and improving a service system, which focuses on customers. This story, which is an example of CRM, shows that CRM is not a new strategy.

The years of 1990's are the beginning point of personal marketing strategies, because companies are searching for different competition advantages under today's high competition conditions. The long relationship with customers takes full advantage of the company, as it can not be imitated easily by other companies.

1.3 The Importance Of Customer Centric Approach

The new economy has become an important battleground for market share. The use of more customer-centric Technologies will confer competitive advantage on those who deploy them wisely, and will leave the laggards further and further behind (Solomon et al.2000,p.3).

When the company involves its customers in the development of its strategies, it reaps an additional benefit: the ability to focus more clearly on meeting their needs. The

strong customer focus let the company put its heart into its customer relationship. It pushes the company to the front of the line.

As well as all these, today's customers expect other things from the companies. The needs of the customer due to improvements in technology and competitiveness are:

- The customers' needs to be given value by the companies as a result of increased customer knowledge and selectivity.
- The customers want products with a lower price but a higher quality.
- The customers want the products to meet their needs and expectations.
- The customers want better relationships with the company.
- Products that fit global standards and that have high quality.

Today the important point is not to produce things at a certain price, the important point is to produce things that fit the customer needs and at a suitable price (Cross and Smith, 1995a, p3; Cross and Smith, 1995b, p26).

To achieve the customer-centric approach that today's customers demand, organizations need to excel, among other things, at empathy. They need to develop a pervasive ability to see things from the viewpoint of the customer.

This may sound fairly simple. However, the capacity to put oneself in the shoes of someone else is difficult skill to master, and not surprisingly will prove to be a key issue in customer relationship management (CRM).

Interest in CRM has arisen from the realization that it is easier and cheaper to sell to existing customers than it is to acquire new ones. As such, successful management of relationships with existing customers is imperative.

For example, obtaining a new customer in the financial services industry today is on average 10 times more costly than keeping an existing one.

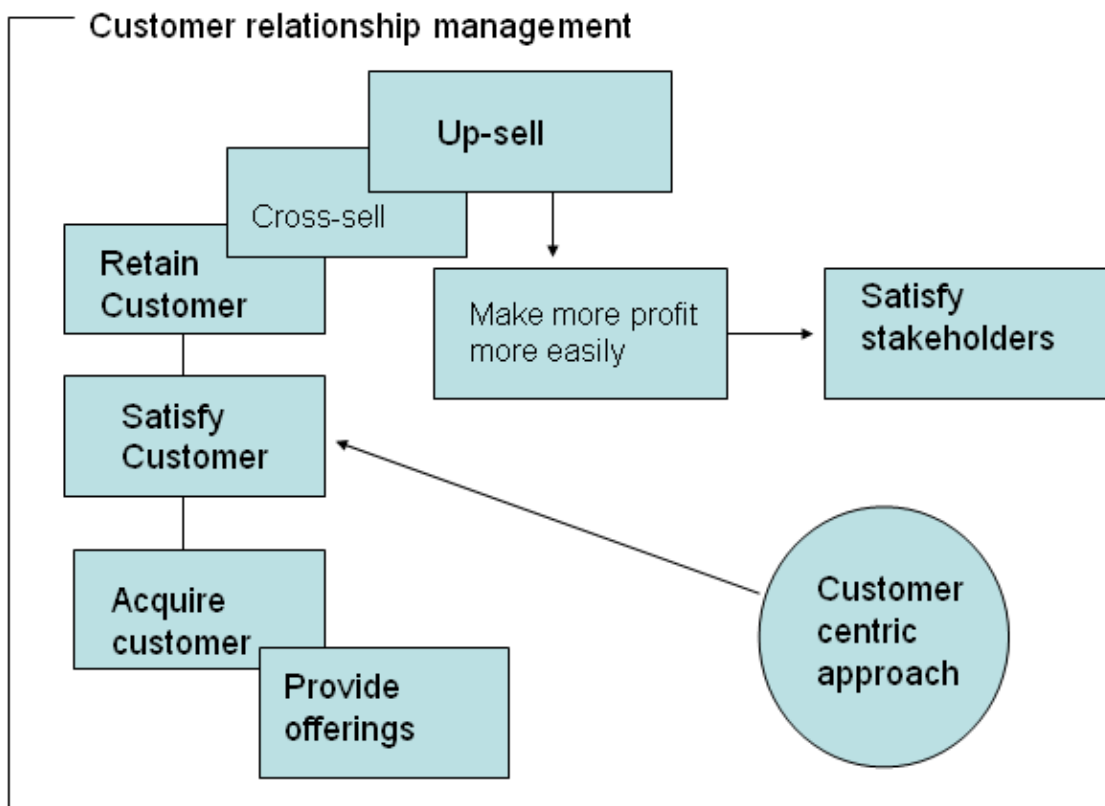


Figure1.1 Customer Centric Approach

Source:Solomon,2000

To design satisfying offerings and to serve customers as they want to be served, organizations have to undertake the difficult task of adopting a customer-centric approach.

Customer situations can be viewed from three perspectives:

- the point of view of the company,

- the point of view of the individual serving the customer, and
- the point of view of the customer (Solomon et al, 2000, pp.3-4).

The companies do not only need to empathize with the customer, but also need to respond appropriately to his needs. This involves putting themselves to customer's shoes and seeing the world as he sees it. Once that is apparent to the company, it needs to respond by providing what is necessary an time and at the expected cost.

1.4 Customer Life Time Value

The company's job is to sell products/services but there is another perspective while thinking are also one of the financial circumstances of the company (Peppers,2002). Usually the administrators see their customers as a potential for profit. But there is a point that should be considered: the customers have a value called customer lifetime value, which changes from sector to sector.

The lifetime value (LTV) concept associated to the customer importance. It is the future net value of a customer via a relationship. The lifetime value is important in order not to over invest in a customer without getting anything back. It is important to identify the LTV of customers. This can be done in both directions in time, historically and in the future. If this is done for the customers, four classes of customers can be identified:

- Low historical value and low future value
- Low historical value and high future value
- High historical value and low future value
- High historical value and high future value

At a glance, this might suggest that the least profitable customer should be decommissioned, this is not always true. If they cost more than they attribute, that fact should be corrected. But otherwise use the knowledge to tailor make the service offered. The most valuable customers should be given the resources. Invest in prolonging and widen the relationship. Different ways of investments can be given, e.g. tailor products and services, offer flexible billing and payments, develop a help desk and to devote the best staff to serve these customer. Widening the relationship is about selling in new concepts and concepts yet not used by the customer. This is believed to be easier than to sell the concept to a new customer (Ekstam et al,2001,p.4).

Customer lifetime value is calculated by extracting the total of the cost of the products and services that the customer uses from the lifetime expenditure that is made for the customer by the company. In other words, it is the profit that is obtained in time period of customers' shopping and the communication between the customers and the company. Customer lifetime value can be calculated not only over the total value of the products and services but also over certain kind of product or service group.

To calculate customer lifetime value, the company will need some datum. These are (Barutcu, et al,2002 p.4):

- All marketing relationships with the customers
- The answers and income flow results from these relationships
- The cost of each relationships with the customer and the cost of the answers to these relationships
- The value of the future profits

All customers are different and in fact their needs are different too. Also every customer has different value. The real value of a customer is the existing value of which gives hints about the future profit, that is given to the company by the customer. Here the problem is: it is hard to estimate the future. But the company can affect the customer's value in the future before. This is called strategic value and also it is the customer's growing potential. In other words, it is the customer's potential expenditures, which will be formed by the company, and the profit, which is obtained by it (Peppers,2002).

1.5 Customer Satisfaction

In best practice companies, cultural values suggest that satisfying the customer is essential for business success. In accomplishing this, according to Garver and Cook(2002), the cultures mandate, guide and support the continual monitoring and gathering of customer feedback, share the feedback throughout the organization, analyze and understand the information, and integrate this understanding into tactical and strategic decision making (Garver et al,2002 p.37).

If companies understand their customers better, they can more effectively develop product or service offerings and continually improve them to drive competitive advantage. Market orientation and customer satisfaction research shows a direct link between managing customer value and satisfaction and organizational performance. As a result, maintains Oliver (1999), Customer Value and Satisfaction research is the most prevalent type of research conducted by companies today. (Garver et al,2002 p.35).

1.5.1 Customer Satisfaction In Literature

There are many customer satisfaction models. One of them; Fornell's satisfaction model is based on the economic structural model that links different customer satisfaction measures (e.g. expectations, loyalty, complaints, etc) with specific and predefined formulas. Given these defined relations between included variables, the model produces a system of cause and effect relationships (Grigoroudis et al 2003,p.3).

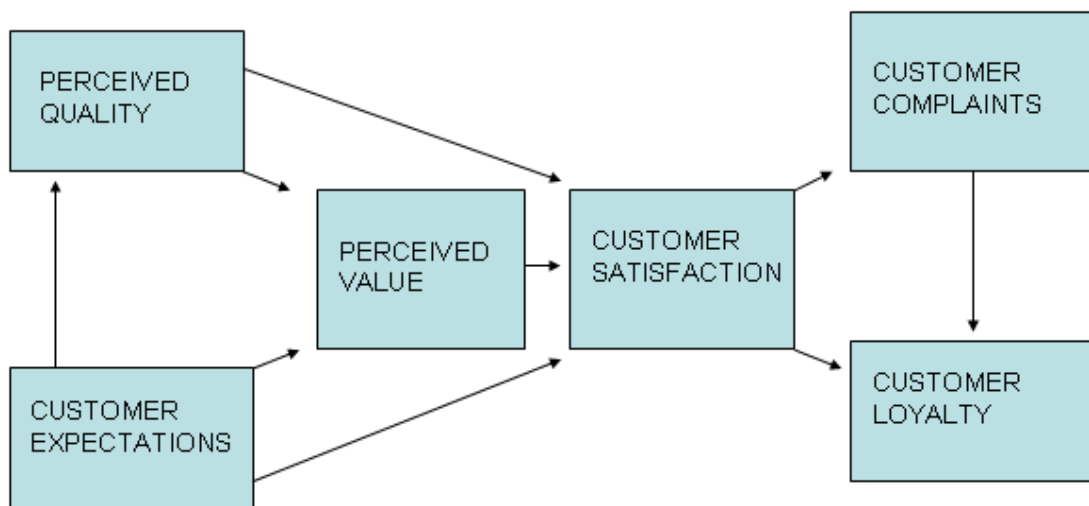


Figure 1.2 ACSI / Fornell's Satisfaction Model

Source: Vavra, 1997

Generally, as presented in Figure 1.2, the model variables are analyzed in the following main categories:

- Satisfaction causes (quality, expectations, etc)
- Satisfaction, and
- Satisfaction results (complaints and loyalty)

Fornell's model expresses satisfaction as a result of the three elements: perceived quality, expectations and perceived value (Grigoroudis et al, 2003, p.3).

According to Earl Naumann, "An effective customer satisfaction program must be based on an understanding of customer value-from the customer's perspective, the ratio of the expected benefits of a product or service to the expected outlays. Because customers can seldom determine the benefits or outlays objectively, their expectations and perceptions become critical. These expectations and perceptions can be separated into two groups: hygiene factors and satisfiers.

Hygiene factors are mandatory for satisfying customers, whereas satisfiers enhancing factors-the extras" (Naumann, 2001, p.37).

At one time, customer satisfaction seemed to be of the critical importance of the practitioners. This is evidence in slogans that were used in the late 1980's and early 1990's, such as Ford Motor's "Satisfaction is Job 1". ... Researchers have found that as a buyer is more satisfied with a supplier more positively. Additionally, satisfaction with the salesperson has been found to be an important element in the buyer's overall assessment of the quality of the relationship (Crosby et al; 1990, pp.68-81).

1.5.2 The Relationship Between Customer Satisfaction And Customer Loyalty

Customer satisfaction is undoubtedly one of the top strategic issues in the new decade. Given that customer satisfaction is positively related to loyalty, which in turn leads to increased profitability, market share and growth, the importance of developing an effective program is critical (Naumann, 2001, p.37).

Satisfaction and loyalty are not surrogates for each other. It is possible for a customer to be loyal without being highly satisfied (e.g. when there are few other choices) and to be highly satisfied and yet not be loyal (e.g. when many alternatives are available). Firms need to gain a better understanding of the relationship between satisfaction and loyalty in the online environment to allocate their online marketing efforts between satisfaction initiatives and loyalty programs. If, for example, the firm finds that loyalty is associated with increases satisfaction, it could directly focus on enhancing its loyalty programs (Shankar, 2003, p.154).

A loyal customer is more likely to find the service encounter and the overall experience with a service provider more satisfying than a non loyal customer. Although previous research has not viewed loyalty as an explanatory variable of satisfaction, prospect theory (Kahneman, 1979) offers a rationale for why loyal customers may be more satisfied than non loyal customer. According to this theory, losses loom larger than gains. In the context of the relationship between loyalty and satisfaction, this theory suggests that if loyal customers have a negative experience and become dissatisfied with a service provider, then they might gain by switching to a new provider. However, by switching they will incur loss in the form of loyalty benefits (e.g. emotional loss, rewards program) or face a potentially unfamiliar service encounter. Compared to non loyal customers, loyal customers may perceive the loss to be larger than the short-term gain of moving to a new service provider. (Shankar, 2003. p.157)

Many researches show that the more the customer is satisfied, the more he becomes loyal. There is a linear effect between loyalty and satisfaction. Although customer

loyalty is affected from other variables or factors expect customer satisfaction,high customer satisfaction is usually seen as a way for obtaining customer loyalty (Stewart, 1997, pp,112-113).

The theoretical European Customer Satisfaction Index (ECSI) model constitutes a modified adaption of the ACSI/Fornell’s model.

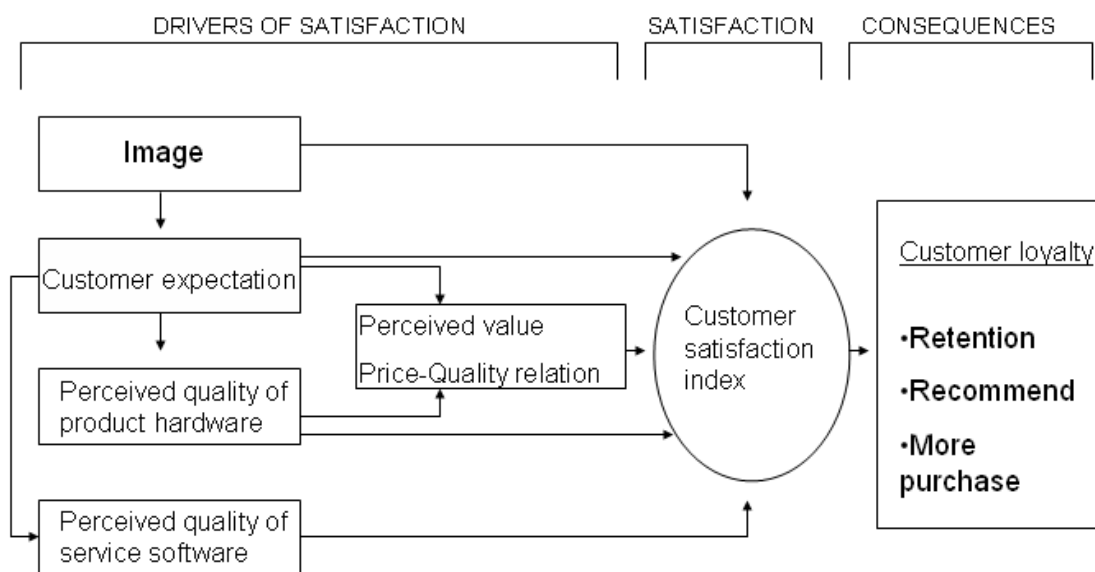


Figure 1.3 Basic ECSI Customer Satisfaction Model

Source:Grigoroudis, 2003

It is a structural model employing stochastic approach and using simultaneous equation estimation techniques (ECSI, 1998, Eklöf and Westlund, 2000). As presented in Figure 1.3. the model includes a set of variables in order to explain customer preferences, perceived quality and other behavioral aspects. The set of latent variables can be categorized as drivers for explaining satisfaction, customer satisfaction, and consequences of satisfaction (loyalty):

- **Image:** It is a measure of the underlying image(association and perception)of the considered brand name.
- **Expectations:** They relate to prior anticipations of the product or company in the eyes of the individual customer. Such expectations are the result of active company or product promotion as well as prior experience with the product or service provider.
- **Perceived quality:** The concept of perceived quality is divided into two parts The “hardware”component means the quality of the product as such,while software relate to associated service like quarantees given, after-sales service, conditions of product display and assortment,etc.
- **Perceived value:** It concerns the “value for money aspects as they are experienced by the customer.
- **Customer satisfaction:** The index indicates how satisfied customers are,and how well there expectations are met (Grigoroudis, 2003, p.12).

“To withstand the rigors of today’s fragmented and over-commercialised marketplace, marketers must become masterful in earning and keeping strong customer bonds by achieving the trust and loyalty bonds of customer” (Cross and Smith, 1995a, p.3; Cross and Smith, 1995 p.26).

1.5.3 Market Share Versus Share of Customer

Companies can take their strategies either from product/service point or from customer point. Competition has product dimension,but it also has customer dimension too. For reaching to a success, first of all a customer is needed. In fact this customer has certain needs.

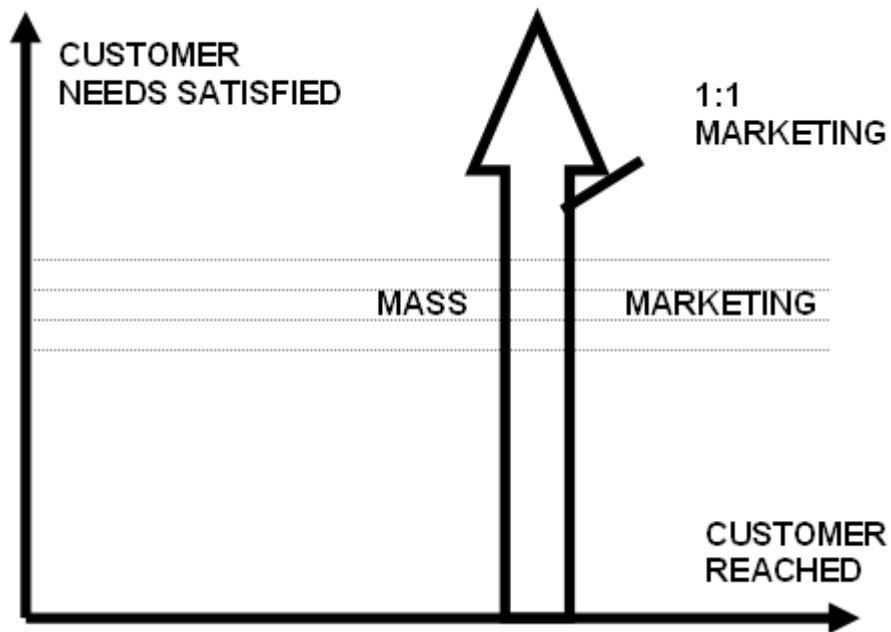


Figure: 1.4 Market Share Vs. Share Of Customer

Source: Peppers, 2002

If the customers whose needs are satisfied are put on the vertical axis and the customers reached are put on the horizontal axis at a two-axis table, showed in Figure 1.4 the differences between mass marketing and one-to-one marketing can be seen. It would be a good idea to be interested in one customer and the needs, which that customer needs, rather than to be interested in one product/service at a time. As seen in Figure 1.4, one-to-one marketing brings more profit than market share represented in the horizontal column. Consequently, the more market share a company has, the harder it will be to obtain the following market share. In other words, if the company's market share is 30 %, the cost of increasing it to 31% is more than the cost of increasing the market share from 10% to 20%. The more a company satisfies its customer's needs, the easier it is to sell a product to that customer in the future.

The company's real aim is increasing the value, which is given to the company by its customer base. One of the ways, which increase the value of customer base, is to acquire more customer, but the customers, who are acquired, should be profitable customers. It should be a good idea to hold these and to ignore the customers who are not profitable. Retention of these customers should be one of the company's jobs. In addition to this, two other increasing ways are up-selling and cross-selling. At both of these, having customer data is very important for being successful. If a company has data, which enables to differentiate a customer from one another, then it can treat a customer different from the other. And also, if there is enough data, then the company can know which customer is more profitable than others. (Peppers, 2002).

As said above, if the aim of the company is increasing the value of its customers, then Customer Relationship Management (CRM) is the best way for achieving this aim. Using this system, it is possible to treat different customers differently.

1.6 Loyalty Behavior Of The Customer

According to Richard L. Oliver, loyalty is "A deeply held commitment to re-buy or re-patronize a preferred product or service consistently in the future despite situational influences and marketing efforts having the potential to cause switching behavior" (Oliver, 1997).

In 1978, Jacoby and Chestnut, formed the psychological meanings of loyalty for separating it from behavior meanings (such as buying again). According to them, buying continuously is not an indicator of loyalty, for this reason they separated the continuous buying behavior from loyalty. After this, they analysed the customer

beliefs, feelings and traditional customer behavior. Due to them, if there is a true loyalty, then the three decision levels should be seen while choosing the company;

1. The classifications for the company's qualities should be chosen against the competitive alternatives.
2. This information must certainly be connected to the affective preference to the company.
3. When the customer compares the alternatives with the company, he should show a high tendency for buying the product/service from the company

Customer loyalty is an important element for the companies for being successful in the competitive world. Therefore, companies always try to increase the number of loyal customers and the degree of their customers loyalty. For obtaining this, elements, which cause a decrease in customer loyalty, must be learned carefully.

The reasons for the decrease in customer loyalty are (Coroglu, 2002):

- Globalisation
- The increase of competition and alternatives with low prices
- The ease of reaching knowledge and knowledge sharing
- Message jam
- The improvement of internet
- Technological improvements
- The products that are nearly the same

1.6.1 The Variables That Are Effective While Obtaining Customer Loyalty

The variables that form customer loyalty can change from sector to sector and from company to company. Customer loyalty is affected from many different variables.

1.6.1.1 Quality And Customer Satisfaction

The basic variable at forming customer loyalty is obtaining customer satisfaction by producing product/service with high quality. The only thing that is a must today is quality and customer satisfaction. It should not be waited that the customers, who are not satisfied or who did not get the desired profit from buying process, rebuy. The quality, which is desired by the customers, can be either materialistic or unmaterialistic (image) (Walters&Bergiel in Barutcu, 2002).

1.6.1.2 Image

The image of the company plays an important role in the acquisition and retention of the customers (Anderassen & Lindestad in Barutcu, 2002). As superiority image, which is related to those product/services by the customers, is an important variable at the foundation of customers' loyalty to product/service. The superiority image can prevent the customers for looking alternative products/services.

1.6.1.3 Customer Service

Customer service should be seen as a creative process which provides before sale, moment of sale and after-sale easiness to the customer by time and place (Odabası, 2000).

Customer services are important for the companies, because they can be used at the differentiation of company's products/services can form customers' feeling loyal to the company (Odabası 2000).

1.6.1.4 Customer's Being Accustomed To The Company

Customer's being accustomed to a company means that there is not a reason for looking alternative products/service sor brands. From customers'point of view, buying products/services from the same company is easier than changing. If this factor comes together with customer satisfaction and superiority image, it will help at the forming of customer loyalty (Walter & Bergiel in Barutcu, 2002). In other words, this factor can cause for providing a positive manner to the company and this positive manner can help for forming customer loyalty (Griffin in Barutcu, 2002).

1.6.1.5 Customers' Abstaining From Not Taking Risk

Customer loyalty is stronger at the customers,who perceive more risk when product/service is cahnged. The customers,who perceive the risk less,can change brand or the company easier and forming customer loyalty at this kind of customer is harder (Walters & Bergiel in Barutcu, 2002).

1.6.1.6 Market And Competition Conditions

Customer loyalty can be because of the market and competition conditions. For example, if there are not any alternative products in the market,then the customer would be devoted to the existing products or buy nothing (Walter & Bergiel in Barutcu, 2002).

If there is only one market in a living area, then this will cause the customers' shopping from that market occasionally and will end by the people, who live in that area, being a continuous customer of that market (Walters & Bergiel in Barutcu, 2002).

1.6.1.7 Giving Prizes To Regular Customer

One of the methods that are used at forming customer loyalty is giving prizes to them. After providing customer satisfaction, the prizes given to regular customers have a positive effect on the customers' buying and being a customer of the company again (Bolton et al. 2000). This positive effect will have an important role for forming loyalty.

Companies are not obliged to prize customer loyalty by economical values only. In addition to this, customers give value to the attention of the personnel, personnel's being helpful at the solution of the problems, and the trust that is given by the company. A simple thank-you note, birthday or Christmas card are enough for forming an appreciation feeling. Calling customer after the sale by phone can be affecting (Barutcu, 2002).

1.7 Defining And Differentating The Customer

To develop a customer satisfaction program, the term "customer" must be defined. In addition to the traditional consumer, there are three groups of customers that are often neglected in customer satisfaction programs:

- Internal customers
- Channel members in consumer markets

- And buying center members in business-to-business markets

In some companies or divisions, intracompany transfers may constitute a large portion of sales, so generating satisfaction among these internal customers is very important.

As power has shifted more clearly to consumers, channel intermediaries (particularly those close to the customer) have gained power as well. Because of the diversity of brands competing for shelf space, retailers play more of a gatekeeper role than ever before. Ensuring that they remain satisfied is obviously important. However, channels may include brokers, wholesalers, and distribution centers, each of whom may have different decision criteria. A good customer satisfaction program will include at least the most important of these types of channel customers.

Business-to-business marketing often implies satisfying the purchasing manager. However, the power to formulate purchase decisions is dispersed among various individuals in most firms. In a high-tech industry, people from such departments as engineering, production, purchasing, quality assurance and research and development may be involved in the purchase decision process. Because each department evaluates suppliers differently, an effective customer satisfaction program needs to pursue the multiple views normally found in the buying decision (Naumann, 2001, p.38). For this research customer type is defined as members in business-to-business markets.

After defining the customer the company should differentiate the customers in terms of loyalty and profitability.

There are four basic situations in a customer relationship, which are defined by Brown (Brown, 2000, p.64):

1. The customer is loyal and profitable: The company should focus on deepening the relationship, strengthening loyalty and optimising profitability through cross-selling and up-selling.

2. The customer is profitable but not unprofitable: The company should maintain relationship and secure loyalty because the customer may still become profitable through cross-selling and up-selling. If not, the customer should be dropped to the competitor.

3. The customer is profitable but not loyal: The company should focus on strengthening the relationship and building the loyalty.

4. The customer is not loyal and unprofitable: It is probably worth considering for the company to give the customer to the competitor.

1.8 The Principles Of Information Technology Based CRM

To understand IT based CRM, the companies should invest in human resources, as well as the technology, because these resources apply IT based CRM and direct the strategy. The company should also adapt some principles of IT based CRM among the firm. These principles are : (Yereli, pp.31-33)

1. **Internal motivation:** The company should get an encouragement part that creates an affective participation and agreement between the company as a whole. The company should never reach to the customer because of time trouble and budget restrictions and should meet the needs of the customer.
2. **Communication skills:** The company should use all communication channels successfully. It is important that the alternative channels, which develop alongside new technology, should be used in the right place.
3. **Customer reconciliation:** While having a relationship with the customer, of course there can be many opposite opinions and as a result of these opinions, there can be many unpleasant situations. Most of the times the customer can be in a negative position while desiring a high quality product/service and having a limited budget. In these situations, it is expected from the company to have a reconcilable conduct and to reach a solution by meeting the customer's needs at suitable point.
4. **Mutual responsibility acknowledgement:** Both the company and the customer should know their responsibilities. The new economy approach brought many new responsibilities to the companies. Customer pleasure is the most important responsibility that every company should consider first.
5. **Whole intelligence:** in today's companies just selling the products to the customers should not be the only aim of the company. Customer pleasure under every circumstance will be the main target but also the service before the sale and after the sale should be considered as a whole.
6. **Enterprising intelligence:** it is accepted that the company should do everything for customer pleasure. The company must do all kinds of social and

cultural enterprising activities, which brings no profits to the company, but consider the rights of the customer.

7. **The studies for the result:** The company should do all it can to ensure complete communication with the customer at all the times. If all kinds of enterprising work is carried out and the customer does not leave the company happily, this means that CRM application has not been carried out successfully.

1.9 Advantages Of CRM

The challenges and reasons that push firms to apply CRM techniques are listed below:

- **Lower costs of recruiting customers:**

Using CRM techniques will bring savings on marketing, mailing, contact, follow-up, fulfilment, and services and so on.

- **Simplified internal organization:**

Using CRM techniques speeds the time it takes to develop and market a product (the marketing cycle). Organizing the business of the company to satisfy customer demands simplifies the company's infrastructure. Organizing around customer shrinks workflow, shortens cycle times and eliminates non-productive information flow.

- **Reduced cost of sales:**

Usually existing customers are more responsive customers. Better knowledge of the company's channels or distributors drives more effectiveness in the relationship. It improves the use of the customer channel, thus making the most of

each contact with a customer. It will also reduce the marketing costs and provide higher return on investment (ROI) in marketing and customer communications.

- **Higher customer profitability:**

It brings larger wallet-share; more follow-up sales; more referrals from higher customer satisfaction and services; ability to cross-sell or up-sell from present purchases. CRM makes it easier to target specific customers by focusing on their needs.

- **Competitive advantage:**

CRM gives a competitive advantage because it allows organizations to compete for customers based on service, not only on price. Also the products/services of different companies does not differ much today, so in a competitive world the only way to be successful is to know the customers better and to produce one-to-one products/services for them.

- **Increased customer retention and loyalty:**

“Customer stay longer, buy more, contact the company for their requirements (which increases the bonding relationship) and buy more frequently. The CRM, therefore, increases the opportunity and accomplishment of real lifetime value.” (Swift, 2001, p. 28) Long term relationships that are close and complex are established in an effort to gain competitive advantage because they are hard for competitors to understand, imitate, or supplant.

- **Evaluation of customer profitability:**

By using CRM, the company can easily make segmentations and this brings the knowledge of the profitable customers, the need for changes from low/no profit through cross-selling/up-selling for some customers; which customers might not ever become profitable; which customers should be managed by external

channels; and which customers drive future business. It prevents overspending on low-value customers or under-spending on high-value ones.

- **Easy connection of sales, marketing and Internet operations:**

With the help of CRM activities, the knowledge of the customer which comes from the relationship at traditional sales channels (face-toface, telephone), and also at alternatives sales channels (call center, web site, e-mail) can be analysed as a total, and so the company can reach a maximum customer knowledge and relationship.

- **New products by the results of relationship with the customers:**

Relationship with every customer can bring improvements on the products and perhaps new products by the customer's needs. The company meets the needs of the customers before its competitors by using CRM techniques.

1.10 CRM Technology

CRM technology, which will be used by a company that has decided to apply CRM, can be analysed under three main classes: (erpcrm.com)

- **Operational CRM:** This is the first category remembered which is defined as an automation system that helps to see the customer contact points, channels and work processes as a whole. Supply chain management, postsales service, marketing automation, sales automation and mobile sales are included in this category.
- **Analytical CRM:** it contains building an analysis system on the operational system and by this way discovering the potential customers, segmentation, and giving one-to-one marketing services. At the formation of marketing and company strategies, analysing data correctly is very important. Marketing,

analysis of sales and service operations and customer behavior type, customer value and customer portfolio analysis are included in this category.

- **Collaborative CRM/Connection points management:** these are the functions that are built on the logic of detailing special services for the customers more by sharing the data of customers with the work partners, channel and suppliers. Direct connection, telephone (call center), web and letter/fax are included in this category.

1.11 CRM Implementation Model

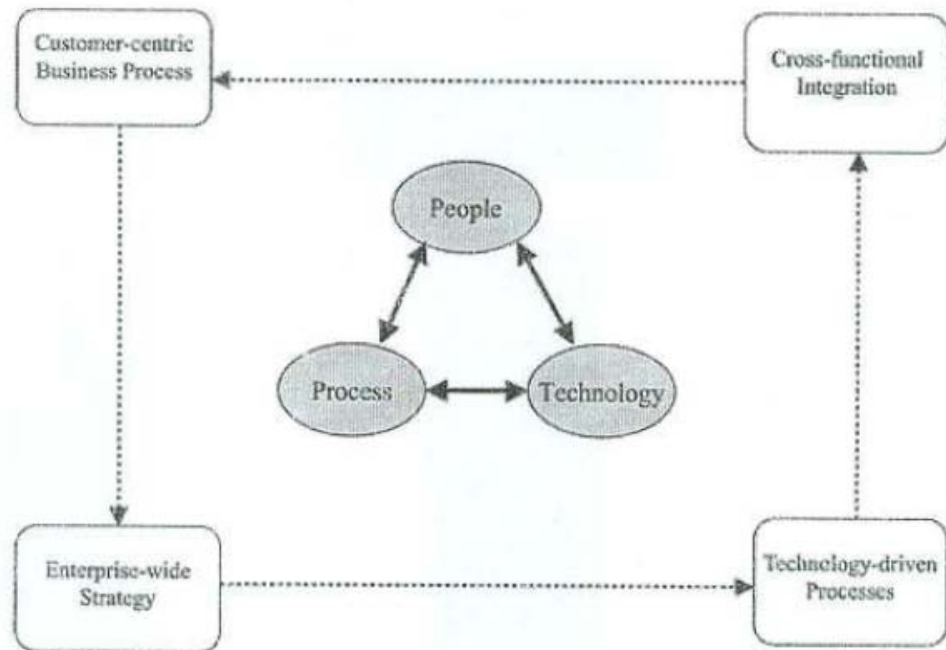


Figure 1.5 ACRM implementation model

Source: Steven and Gray, 2004

1.12 The Application Steps Of CRM

The company tries to figure out the customer profiles, which are the most profitable, and to get all of the knowledge about these profitable customers by application of CRM. In this way, these customers will be kept in reserve.

At the planning process in a company, which decided to apply CRM strategy, there are four stages: (www.onetoone.com)

1. Identifying the customers of the company
2. Differentiating the customers
3. Interacting with the customers

4. Customizing the products/services of the company according to its customers

1.12.1 Identifying The Customers Of The Company

For treating different customers differently, firstly a company should understand who its customers are and establish the identities of its customers. "Customer identity data" is formed of the data, which help to differentiate one customer from another, trace the relationship of the company with that customer in time and give the company a possibility for contacting that customer one-to-one in the future. Here, there are two points that should not be forgotten: (Kırım, 2001)

- The needs and appreciations of the customers can change.
- At every shopping, the company can learn a new thing about the customer, which it did not know before.

Therefore, a dynamic system, which will identify the customers as "individuals" or as "person" at every process, that is done with them, should be formed at the company. This system's most important point is obtaining data. The most used way for obtaining customer data is using smart cards (or also named as loyalty cards) and data warehouses.

1.12.1.1 The Role Of Smart Cards In Identifying The Customers Of A Company

One of the major problems of successful implementation of CRM is reaching customer data. The idea of the single view of the customer, so attractive in theory, is

very hard to achieve in practice. Smart cards are best for getting customer knowledge to use in the databases.

Smart card technology for customer management is defined as technology that allows a single card to be used for a variety of applications. These applications can be (Foss&Stone, 2001,pp.239-259)

- Customer loyalty: This may be by one company or several, either working closely or separately as a part of the card's loyalty scheme.
- More accurate customer identification for marketing purposes. (For example customer targeting etc.)
- More accurate customer identification for validation purposes. This includes identification as the customer uses different channels to shop.
- Local customer data storage, particularly when the customer may interact with the company in many different places and/or many channels.

In other words, a loyalty card is primarily an information card from which follows better decision-making in both marketing and cost-reduction. Two major retailers (one in Europe and one in the US) told, on separate occasions, that the major beneficiary of their loyalty card programs was not their marketing departments but their real estate departments. The information generated by their customer cards showed them, for example, not just how far customers' spending changed as the distance varied. This was of significant benefit to them as they evaluated new store sites.(Woolf, 2002)

1.12.1.2 The Way To Store The Data: Data Warehouses

After collecting the data, of course then comes analysing this data, which is possible by the help of data warehouses. Improvements and innovations in technology, a key enabler of customer data collection, have provided organisations with the ability to store, share, analyse and transfer vast amounts of data at low cost. Growth in the use of sophisticated data warehouses and data mining software applications make it possible for companies to analyse customers' behavioral patterns, individual levels of profitability and the lifetime value of their custom.

Companies can now compete in a totally new way with the help of new technology, especially database technology, e.g. customizing products for individual customers or personalizing dialogues with the consumer. Very detailed data is the key of success in the new world and the more the company knows about its customers, the more profitability it reaches.

“The data warehouse offers you the opportunity to combine the massive amounts of information, with campaign management, along with data mining tools to improve your response rates.” (Swift, 2001, p.41)

According to a study made by the International Data Corporation (IDC) in 1996.” The average return on investment, from a study of 62 data warehouses implemented in North America, is approximately 401% return on investment in the first 2-3 years after implementation.” Also according to another study, made by the NCR Corporation, more than 20 data warehouses in the retail industry attained

approximately 300-1000% return on investment was realized in less than 2 years.
(Swift, 2001, p.25)

The data warehouse should prepare infrastructure not only for Standard analysis but also for immediate personal analysis. It should be used for many managerial p decision-making, marketing analysis, customer relationship purposes. Therefore it should be used by all of the company workers. In other words, there should not be any obstacle in all employee's Access to the data in the company. The data warehouses are the systems in which the data of the company are brought together and are used as a total to reach a result.

A data warehouse is required to do the following: (Swift, 2001)

- 1.** It must hold lots of detailed data: Every transaction made for business, every phone call (including the ones that are made to the help desk), every purchase, every bill, every complaint and message of thanks.
- 2.** It is continually being updated with business and marketing transactions. These updates should be done nearly every day, in fact daily update is too slow.
- 3.** The data warehouse is used by every department in the company
- 4.** The system must be available for use at all times and also it should be used completely by every department in the company.
- 5.** It should be secure.

1.12.1.2.1 The Relationship Between The Data Warehouse And Source Systems

It is useful to distinguish five types of databases which hold marketing data, as shown in Table 1.1. These different databases require different types of database software to manage them. This is due to the different requirements of each of them for security, back-up, auditing, interactive and batch performance.

Table 1.1 Definition Of Database Types

Database Type	Basic Characteristics	How it is Used and Other Characteristics
Master Customer File	This holds the basic details identifying and allowing access to the customer, ie name, address, telephone numbers	It is often held within another database. In companies which transact directly with their customers, it is held within the transactions database. For businesses which do not transact directly with their final customers, but through agents, or where transactions are anonymous it is more likely to be held on the customer database.
Operational or Transactions Database	Used to manage sales and service transactions with customers	There are usually several of these in most companies, perhaps used to manage transactions for different products or services
Customer Database	Provides a single, current, view of the customer-policies, relationships (household, Sanity, commercial, etc)	This is built from operational data, which has been merged, cleaned, sometimes using semi-automated or even manual processes, and often dependent for its quality on a highly skilled database administrator. It may have different interfaces and will almost certainly be used by many different people, eg tied or franchised agents, telemarketing personnel, mailing houses. It should have smooth access to its source operational systems and becomes the accepted source of quality information about the state of the company's customer inventory.
Marketing Database	Supports business and marketing planning. It provides a view of the business over time, because it holds details of current and past customers, and campaign prospects	It is used to drive campaigns and assists tracking of prospects and proposals. It tracks and supports the development of customer relationships over time. It is this database which may include data from external sources-lifestyle, psychographic and demographic, any segmentation codes and scoring algorithms. Note that some operational data may not be here, as it has been found not to be useful for marketing purposes. Note also that segmentation codes and scoring algorithms may be written back into the customer database, as they will be used at point of sale to a) determine which segments new customers belong to b) calculate appropriate, customized prices.
Data Warehouse	This contains data from many of the above databases and possibly from still further databases, eg customer service (complaints and compliments)	This is constructed either for analysis or to provide a master standardized data set which other applications can use.

Source: Foos And Stone, 2001; 81-82

1.12.1.2.2 Data Mining

Data mining is the technique of searching relationships and rules, which will help the company to estimate from a very huge amount of data. The basic point is using the results and experiences that appeared in similar situations, and then, preparing true and successful decisions for the future. If it is thought that the future is nearly the same with, the past, the results that are obtained from the past will be current in the future also and will help the company to decide correctly. But it should not be forgotten that the market conditions are changeable.

1.12.1.2.2.1 Myths About Data Mining

There are many myths about data mining, One is that it is unimportant, because it is just running a few off-the-shelf tools. In fact from this point, it is business-as-usual, because it is: (Foss&Stone,2001,pp.70-71)

- Just exploration
- Simple use of off-the-shelf packages
- Merely fancy graphical user-interface tools

Another myth is that data mining is the answer to a maiden's prayer, because it will unlock everything a company needs to know. According to this view, it is: (Foss&Stone, 2001, pp, 70-71)

- The way to run the whole business
- The reason a company should install a data warehouse
- The single factor that will give a competitive edge

1.12.1.2.2.2 Areas That Data Mining Is Used At

Data mining can be used in many areas such as banking, telecommunication and e-commerce. Some of the examples that data mining is used, are below:
(Oktay,2002.pp.4-9)

1. Marketing Activities

- Creating cross-selling activities that can not be guessed before by analysing the products that are sold together and making positive or negative correlations between them. For example “30 percent of the customers who buy nappies buy beer.” Illustrates a relationship that can not be guessed or known. It can be guessed that the customers who buy beer, also buy chips. But only data mining brings to light the fact that there is a relationship between nappies and beer.
- Presenting the right product to the right customers or analysing the ideal customer profile for a product. For example the fact that “Young women buy small cars; old and rich men buy big and luxury cars.” Means, the car seller will make a correct marketing by giving advertisements of small cars to a magazine which young women read.
- Developing the right segmentation for promotions and campaigns. For example, an airway company at the United States analysed the data of 26 million customers who frequently fly, and made some marketing campaigns. By this way they had a decrease of 100 million dollars in their costs.

2. Forgery fixation:

- Developing the profiles of the customers who have a big or small risk of making forgery. With the help of this data, the insurance company can make marketing campaigns which advertises the decrease in prices to the people who the company discovered to have a low loss risk in a certain region or age group, or the company can decide to increase the prices at the regions or groups and decrease the marketing work.
- Establishing the customers who act unnatural. For example, contacting the customer's bank and analysing the credit card data of the customer for the unnatural spending behavior will protect the company from possible damages.

3. Risk management:

- By analysing the data of the customer to whom a was given in the past, finding out the profiles of the customers with or without risks. For example, “the men who have a house, work at the same place for over five years, paid the past credits under a month, have a credit risk of 17 percent” result, helps the company to end out the risk whice the company takes by analysing the personel financial trustworthiness of the person who applied for credit

4. Production, prizing and distribution:

- Producing the appropriate product according to the profile and buying acts of the possible customer and prizing a product For example, the companies can

analyse packing and prize options and find out which of them are attractive for the customer and also profitable for the company.

1.12.2 Differentiating The Customers

At the second stage of CRM, the basic movement point is “understanding the needs and wants of different customers of the company”. The thing that should be done at this stage is classifying the customers of the company according to their value and differentiating them from the others according to their needs. Customer differentiating is the most important part of CRM applications. (Kırım.2001)

Segmentation is dividing customers into groups, which have similar characteristics. By categorizing customers into like groups, the organisation is able to identify the customer needs associated with each segment beter. Once the customers needs are known it is much easier to determine what services are necessary to enhance delivery of customer care to a wide range of customers. (Brown.2000.p.15)

The customers differ in two points for a company: (Kırım.2001)

1. Every customer has different value for a company.
2. Every customer has different needs and wants from the company.

Therefore segmenttion of the customers shold develop like this: (Kırım.2001)

1. Arranging the customers according to the their value
2. Differentiating them according to their needs

The company should know the state of its customers loyalty and profitability at the journey of its CRM. In order to achieve this, company can target its dialog and further the development of loyalty and lifetime value for individual customers as well as for the whole customer portfolio.

There are four basic situations in a customer relationship, which are defined by Brown: (Brown.2000.p.64)

1. **The customer is loyal and profitable:** The company should focus on deepening the relationship, strengthening loyalty and optimising profitability through cross-selling and up-selling.
2. **The customer is loyal but unprofitable:** The company should maintain relationship and secure loyalty because the customer may still become profitable through cross-selling and up-selling. If not, the customer should be dropped to the competitor.
3. **The customer is profitable but not loyal:** The company should focus on strengthening the relationship and building the loyalty.
4. **The customer is not loyal and unprofitable:** It is probably worth considering for the company to give the customer to the competitor.

Don Peppers classifies customers into 3 groups according to their value. This is another way, also similar to Brown's classification, for classifying the customers of a company: (Peppers.2002)

1. **Most Valuable Customers:** These can be called “cram de la cream” and they are the most valuable customers for a company. The loyalty of these customers is really important and retention of them should be a company’s most important job.
2. **Most Growable Customers:** These customers have a potential of growth. The strategic value of them is higher than their existing value and retention of these customers is also very important.
3. **Below Zero:** Their existing value is negative. Their cost is higher than the profit, which is obtained by the company. The below zero group of customers are the customers who can never bring a profit to a company.

Until now, the segmentation of the customers is done according to their value or loyalty. The second important point at classifying the customers is classifying them according to their needs also. (Kırım.2001)

There are two groups of needs: (Kırım.2001)

1. **Group needs:** These are the general needs. In other words, one customer’s needs are the same as other customer’s needs.
2. **Individual needs:** These are the needs that are special. For example, the florist can sell more flowers to a customer whose mother’s birthday date is known by the florist. The more a company learns about the individual needs, the more it can be successful at forming individual marketing strategies.

Customer differentiating is the most important CRM application stage, as said before. Therefore, every company should do the segmentation according to their customer's needs and the company's strategies and also and other differentiation categories.

1.12.3 Interacting With The Customers

At the third stage of CRM, there is interacting with customers. The interacting means call centers. Internet site, direct mail, listening to customer complaints etc. In other words, it is the usage of every channel that forms a relationship with the customer.

The aim of interacting with the customer is forming a two-sided dialog with the customer. By the help of this dialog, the company can learn a lot of special data about the customer and form special products/services for the customers. This data can help the company to reach to success in the competitive world. (Kırım.2001)

“Learning relationship” is the key point in CRM. This learning relationship can be obtained by dialog. By dialog, a company can turn the data about the customers needs and wants into useful data. (Kırım.2001)

An important point for interacting is using the channels, which help to contact the customers. Building the company's organisation structure according to use the channels productive and giving an education to the employees of the company for the usage of these channels are also very important.

One of the interacting channels is call center. The elements for having a successful call center will be given below:

1.12.3.1 Call Centers

Call centers play an important role for customer relationships. The attributes that a

Call center should have are: (Brown.2000.pp.135-136)

1. **Accessibility:** Because call centers communicate directly with the customers via a central point, a consistent and high quality flow of information in both directions can be ensured. This gives the company an advantage in winning new customers and retaining existing ones.

The call center should:

- Provide a central point to which all telephone numbers used for customer communication can be directed.
- Offer high levels of flexibility and service.
- Handle the variety of media that may be used by the customers telephone,mail,fax or e-mail.
- Provide Access to a unified and coherent source of information that allows for a full dialogue with each customer or potential a customer

2. **Integrated use of main sources:** Implementation of the call center requires a high degree of organizational skill and professionalism, because it is a direct channel for communication with the company's customers and also it is a service which is a part of the company's marketing department.

3. **Procedures to ensure quality and an appropriate system for reporting and control:**

Procedures for best quality must be well documented. All of the staff who work at the call center department of the company must know how to talk and treat the customer. Of course when reaching for this goal, the company should apply:

- A strong training program which gives not only usual training but also a training for the new products and services of the company.
- A coaching monitoring system. Of course the staff who works at the call center know how to treat the customer, but sometimes they need support from supervisors and mentor to discuss the right way to handle customer issues and best practices in responding to customer needs.
- A quality monitoring system that may take a number of forms such as remote monitoring of the calls by a member of the training staff, customer surveys about the quality of the call center and mystery calling through to call center itself (a third quality of the call into the call center to assess various aspects of the quality and accuracy of the call).
- A reporting system that tracks performance against critical quality and service levels. The performance measures, call handling measures and cost/productivity measures.

Quality/customer service measures include: quality of service rating, customer satisfaction rating, event based survey, percent of calls resolved on first contact internal transfer rate, external transfer rate, number of call center staff per supervisor, complaint rate, training hours per call center staff per year and number of calls monitored per call center staff per month.

Call handling measures include: The number of calls offered per call center staff per month, number of calls handled per call center staff per month, call 1 lockage rate, average abandonet rate, average speed of answer, average queue time, average call handle time, average call talk time, average after call work time, average time on hold and service level, interactive call response completion rate, and average time in interactive call response.

The last group, which is cost/productivity measures, includes average cost per minute, call center staffs productivity rate, attrition rate and absentee rate.

During the interaction with the cutomers, the most encountered situation is meeting customer complaints.

1.12.3.2 Customer Complaints

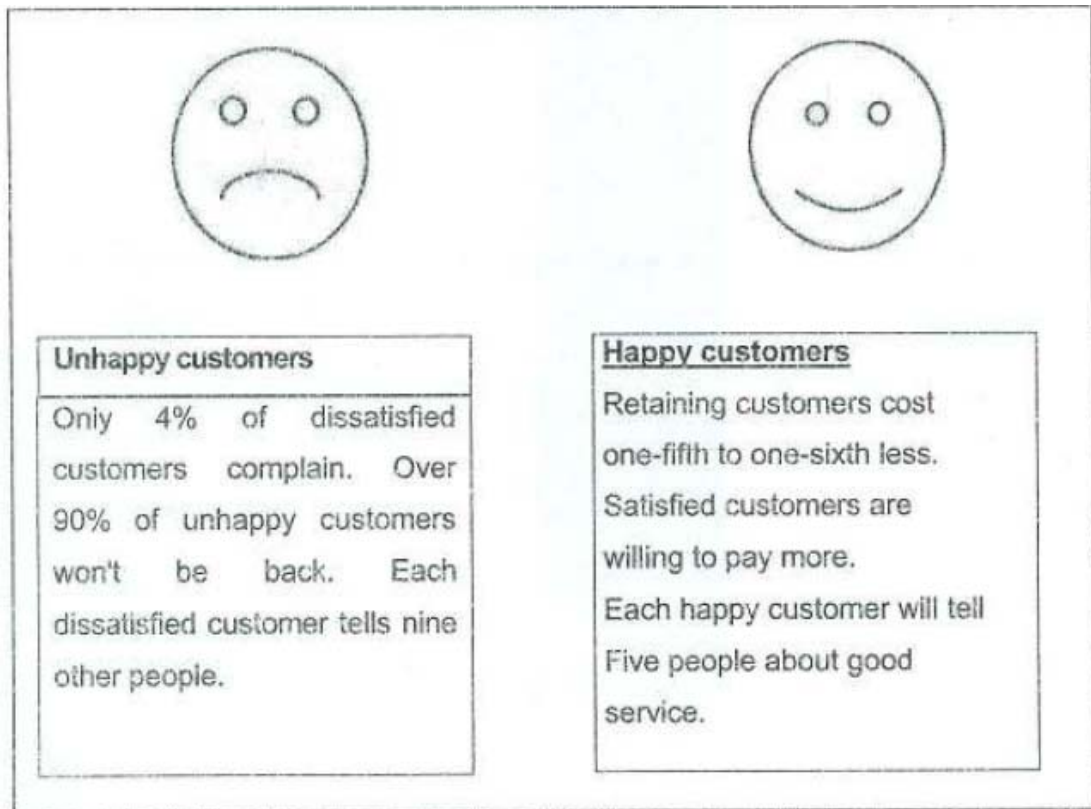


Figure 1.6 The Value Of Customer Satisfaction

Source: Anton, 1996

While comparing unhappy customers with happy customers, U.S. Office of Consumer Affairs (Knauer, 1992) produced the data summarized in Figure 1.7. According to the study above, only four percent of the unhappy customers ever give the company feedback about the reason of their unhappiness; this is maybe due to the human psychology. People have generally grown up with a culture that does not place much value on revealing negative feelings. These people also don't come back, if they are unhappy with the service/product they have bought the researches have shown that

ninety-one percent of unhappy customers will never buy from that company again and will tell at least nine other people about their dissatisfaction. Customers would have returned if there had been a professional attempt to save them at the time of a negative incident. Therefore, customer complaints, if made, are very important for looking at the incidents from the point of the customers.

According to the study of U. S. Office of Consumer Affairs, very few of the customers (4%) complain. Complaints are the mistakes that the company made in the point of individual customers. A person only complains if he or she can conceive of something better, or has experienced something better. Therefore, the company should always ask a complaining customer for his or her opinion of what would be a “better way”. Also, each complaint is a way to serve the complaining customer individually. (Anto, 1996, pp. 24-27) The company should look at complaints as suggestions from its customers. These are suggestions that help the company to improve a process.

If a company does not listen to the customer complaints and do nothing to remove these complaints, then these complaints can give harm to the company, because according to the statistics every 9 people out of 10 tell about their complaints to their friends in the United States. For this reason, the company should form a “complaint determining programme” firstly. (Peppers, 2002) In this programme, the company should think the complaints as suggestions as told above.

1.12.4 Customizing The Products / Services Of The Company According To Its Customers

The ultimate goal of CRM is to be able to deal with each customer on a one-to-one basis. Knowledge of the customer is so specific and so relevant that a company can adapt its

actions to meet that customer's previously expressed (or even implied) needs. The goal is to achieve that which was routine at the "mom-and-pop" grocery store. Customers were immediately recognized, addressed and serviced on the basis of the last interaction and treated with knowledge of past and potential value to the company. (Microsoft Great Plains Business Solutions,2001)

CHAPTER 2

CUSTOMER RELATIONSHIP MANAGEMENT DURING TRANSPORTATION

2.1 THE PARTICIPANTS OF MARKETING CHANNELS

2.1.1 The Major Actors

“The traditional, principal actors in the marketing channel are the manufacturer, the wholesaler, and retailer (Johnson, et al 1999;31).” These are known as logistics users.

2.1.2 Third-Party Logistics Service Providers

Consumer goods firms generally outsource logistics needs to third-party logistics providers (3PLs). 3PLs are essentially supply chain managers who subcontract some of their logistics requirements to container lines, trucking firms and airfreight companies. Many own assets such as distribution centers, warehouses and trucking fleets, and a growing number of providers are expanding to offer across-the-board services. For consumer goods companies looking to move their product into outsourcing to a 3PL can mean lower supply chain costs.

The emerging 3PL industry may be categorized into four types:

- **Large SOEs** with extensive transport and warehousing assets, board national Networks, and strong relationships with central and provincial governments. These firms already enjoy a monopoly in several areas of trucking, shipping and postal services.

- **Medium-sized domestic logistics providers** (generally privately owned), which focus on one or two key industries.
- **Logistics divisions of manufactureres and processors**, primarily providing services to internal customers, but sometimes offering 3PL services to outside companies. However, as an SOE, the division is struggling to update its facilities and compete with private counterparts.
- **Foreign logistics providers**, including multinational firms, new Wholly Foreign Owned Entities (WFOEs) and smaller firms working in niche markets.

Also growing in importance are foreign companies that are currently restricted to operating as joint-venture partner or through free-trade zones (FTZs). Foreign companies are now allowed to operate these warehouses themselves to store a wide variety of raw materials, parts and other finished goods for onward sale and shipment. Foreign operators generally maintain high-standard warehouses at their manufacturing facilities, which can double as regional distribution centers. A growing number of providers are “one-stop-shops” that offer wide-ranging import distribution services that extend beyond logistics.

From the logistics provider’s standpoint, both foreign and local 3PL are faced with two choices in the growing commercial economy: invest up front in a national network and wait for clients to come; or claim national coverage and struggle to meet subsequent client demand. Most 3PLs outsource most of their logistics operations to local firms, encouraging 3PLs to choose the second option. In the short term, that choice is more palatable, allowing businesses to oversee operations without having to invest heavily in equipment and personnel upfront.

Third party logistics providers enable firms to achieve reduced operating costs and increased revenues in new and existing markets. 3PLs provide firms an opportunity to enhance their market value by reducing ownership of assets, which translates to a higher return on remaining assets and greater return on stockholder investment. 3PLs also bring to the relationship their specialized expertise in managing logistics with contemporary technology and systems. The COO's decision to outsource company logistics operations to the 3PL is often justified solely on the favorable difference between the more efficient 3PL's price for the services and the firm's higher costs of existing operations. The chief marketing officer views the enhanced services and distribution reach of 3PLs in existing and new markets as translating into increased sales and better long-term relationships with customers. CFOs are delighted to see assets –property, plant, equipment, and even inventory- disappear from the firm's balance sheet, freeing up cash for more productive uses, instantaneously and “permanently” improving the company's returns on assets. CIOs are often very pleased to have access to the 3PLs systems and technology resources, avoiding the cost and trauma of upgrading their own. Reliance on the 3PL alliance frees up company employees to focus on their core competencies, doing more of what they are good at and less of what can be done better by the 3PL. Chief logistics officers begin to realize that ownership of resources is not necessary to achieve control over the results.

2.1.2.1 A Conceptual Model For 3PL

A 3PL model with five major dimensions has been proposed. These are:

- Strategic planning

- Inventory Management
- Transportation
- Capacity Planning
- Information Technology

This model has the objective of the developing management controls systems, resource management systems and integrating logistics activities. The details of the model are given in 2.1

Managing a small 3PL company requires strategic planning, which involves the making of long-term decision concerning 3PL operations. These decision should include those on corporate strategy such as the nature of the logistics business (e.g. transportaton, warehouseing, etc.), the location of distribution centers, outsocing, the size of the business, and the budget for running the logistics business. Inventory management includes planning, coordinating and controlling of materials flow along the logistics supply chain. The major decisions should involve the volume and timing of orders and deliveries, and the packing of items in batches (consolidation).

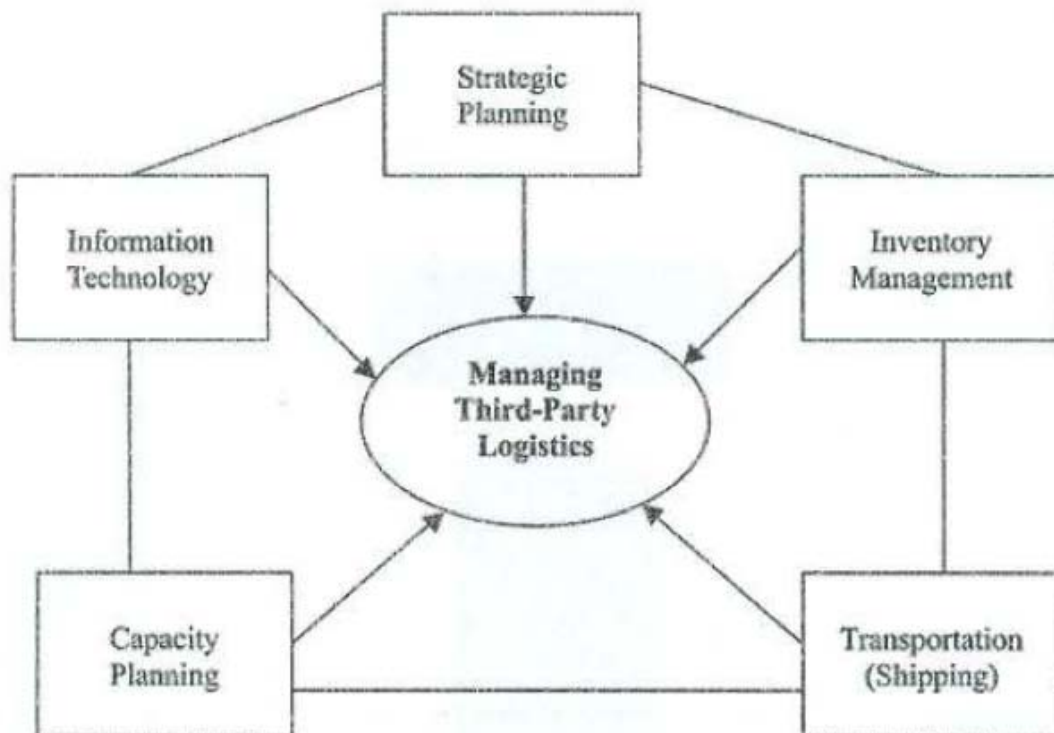


Figure 2.1 A Conceptual Model for 3PL

Source: www.emeraldinsight.com

2.2 RELATIONSHIP OF LOGISTICS AND MARKETING

Logistics Relationship Within The Marketing

The marketing philosophy puts satisfying the needs of customers as its top priority. Logistics strategies have become increasingly important in creating customer satisfaction through reducing the cost of goods as well as bringing a broader variety of choices closer to where that customer wishes to buy or use the product. Because logistics strategies are often transparent to the final customer, they offer a unique way for a company to differentiate itself among competitors. Superior logistics has become

an important route to creating a marketing advantage for many firms (Johnson, et al 1999; 79).

“Outbound logistics is a positive sales-generating asset, which explains its popularity among people in marketing. Outbound logistics interfaces with each of the four basic parts of the marketing mix : place, price, product, and promotion (sometimes referred to as the four Ps) (Johnson, et al 1999; 80).”

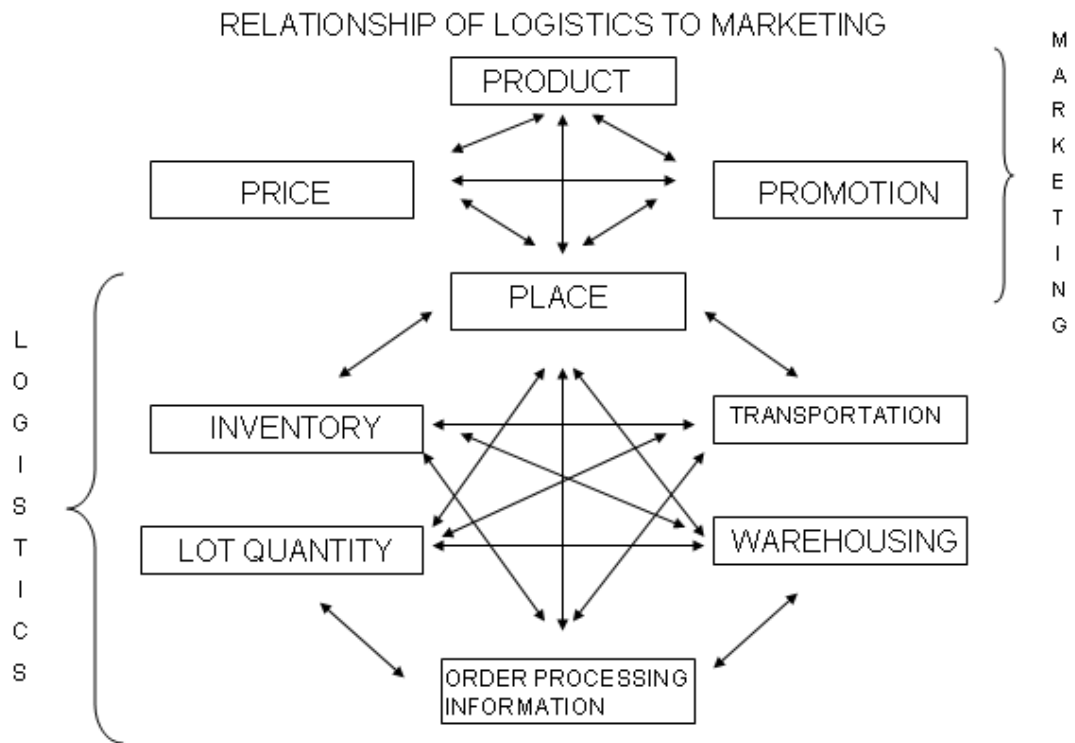


Figure 2.2 Relationship Of Logistics To Marketing

Source: <http://www.marketing.unswedu.au>

2.2.1.1 Place Decisions

“One important marketing concern is place. Decision regarding place involve two types of networks: logistics and marketing channel. Logistics decisions concern how most effectively to move and store the product between where it is produced and where it is sold (Johnson, et al 1999;80).”

“An effective logistics system can provide positive support by enabling the firm to attract and utilize what it considers to be the most productive channel and supply chain members. Frequently, the members are in a position to pick and choose which manufacturer’s products they wish to merchandise. If a manufacturer is not

consistently able to provide a certain product at the right time, in the right quantities, and in an undamaged condition, the channel members may end their relationship with the supplier or cease active promotion of the supplier's product. Place decisions may also involve new strategies of reaching customers (Johnson, et al 1999; 80).

2.2.1.3 Price Decisions

“It is only good business sense to recognise that a firm can not be profitable and grow, if it doesn't control its logistics costs. Obviously, the price of a product must cover all costs associated with its production, if a firm has serious waste in its logistics system, it will either have to pass these costs on to its customers, and thus make its price higher than its competitors or cause the firm to reduce the quality of its product and possibly lose customer loyalty. Transportation costs factors are especially important in determining to quote the firm's selling price (Johnson, et al 1999; 80)”

“Logistics managers play an important role in product pricing. They are expected to know the costs of providing various levels of customer service and therefore must be consulted to determine trade-offs between cost and customer service. Because, many distribution costs produce per unit savings when larger volumes are handled the logistics manager can also help formulate the firm's quantity discount pricing policies (Johnson, et al 1999; 83)”

2.2.1.3 Product Decisions

“The most important objective of the interface between a firm's production and logistics departments is to ensure that the product itself arrives where and when it is

needed in an undamaged state. If the objective isn't met, a stockout may occur (Johnson, et al 1999; 83)."

"The production and logistics departments must agree on protective packaging and other materials-handling procedures that will result in a minimum of product damage. Design of the product may also be altered. The logistics staff is also involved with product design. It provides information on distribution costs (packaging, warehousing, transportation, and the like) for various new products under consideration (Johnson, et al 1999; 84)."

2.2.1.4 Promotional Decisions

"Many situations require close coordination between the promotion department and logistics personnel. One important support function concerns the availability of highly advertised products. Marketing experts contend that few things are more damaging to a firm's good will than being socked out of an item that is being heavily promoted in a large sales campaign. Another involves quantities being sold in large lots, such as cases (Johnson, et al 1999; 84)."

"The logistics system is not simply a neutral factor in promotion. Outstanding distribution is a positive selling point. This is especially true for such commodities as paper products (Johnson, et al 1999; 85)."

2.2.2 Logistics Functions

- Concentration

Combine multiple small shipments into larger shipments

Accumulating from different sources (consolidating)

- Customization

A shipment of different pieces is assembled

Sorting heterogeneous products into homogeneous stocks

- Dispersion

Large shipments are broken down into smaller shipments

Allocating into smaller lots(bulk-breaking)

- Assorting

Building assortments of goods for resale

(<http://www.marketing.unsw.edu.au>)

2.2.3 Marketing/Logistics Management Concept

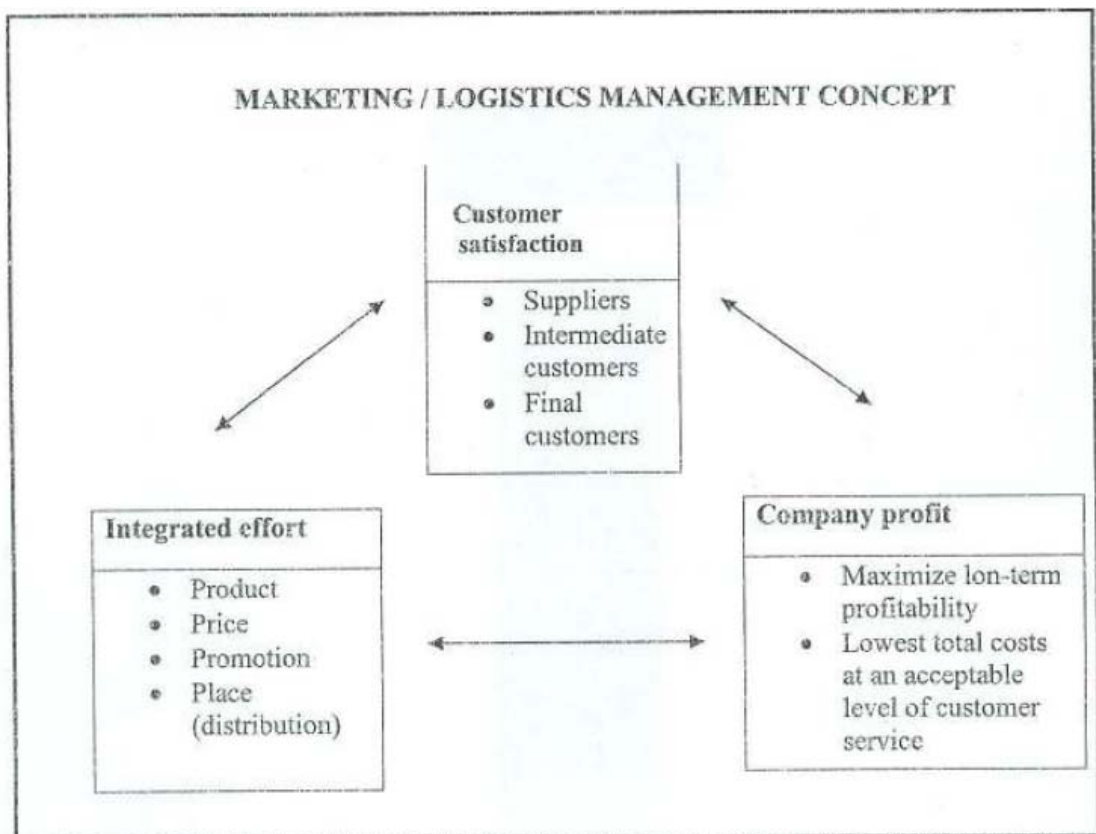


Figure: 2.3 Marketing / Logistics Management Concept

Source: <http://www.marketing.unsw.edu.tr>

2.2.4 The Scope Of Customer Service

2.2.4.1 Definition Of Customer Service

It is possible to define customer service in a number of different ways. First, customer service can be defined as, a set of functions resident in specific organizational setting. This type of definition would usually stated that the “Customer service department is a responsible for...” A second definition which reflects a performance expectation would be defined as “Deliver 75% of orders within 7 days.” A third definition reflects the underlying design and philosophy of this study, is a “process” view of customer service. Customer service is viewed as a process which takes place between buyer, seller and third-party. The process results in value added to the product or service exchanged this value added in the Exchange process might be short term as in a single transaction or longer term as in a contractual relationship. The value added is also shared, in that each of the parties to the transaction or contract are better off at the completion of the transaction than they were before the transaction took place. Thus, in a process view: Customer service is a process for providing significant value-added benefits to the supply chain in cost effective way. (Londe and Cooper and Noordewier, 1998: 4)

Customer service is not easy to control. First, customer service is not always part of the marketing function, so marketing staff can not always influence the direction of people than those working in the customer service department.

2.2.4.2 Importance Of Customer Service At Transportation

2.2.4.2.1 The Importance Of Customer Decisions Respondents And At Transportation

2.2.4.2.1.1 The Decision Making System

Once the detailed transport process has been identified, in terms of activities and players, and company's goals have been translated into different evaluation criteria, the next step has been the design and application of decision making system. This can be applied to the six local areas. Given the fact that the local areas differ from one another in terms of customers' needs and expectations, transport facilities, providers' market share, and ownership of the fleet, a contingency approach was used, in order to select the most suitable solution for each area.

“Questions relate to the local context, such as the existing company's structure already involved into transport management, the relative market share and characteristics of carriers and partners, the typology of the fleets, the percentage of owned trucks, the percentage of the service provider's activity with ITC and others (Spina and Campanella and Codeluppi, 2000:112).” The sets of weights and scores are defined through a crossfunctional negotiation process involving the different pressure. Involving the different pressure groups both inside and outside the company. This consensual process has two important effects:

- 1.** It allows a better clarification of the preference structure of the decision makers, which gets round the theoretical limitations of scoring methods

2. The internal communication between managers on cross-functional and cross-impact decisions is improved. (Spina and Campanella and Codeluppi, 2000:120).

2.2.4.2.1.1.1 Transportation Decision-Making Framework

Leading firms are making an effort to coordinate purchasing, operations and logistics to better manage the physical and information flows within and outside the firm. Firms that coordinate transportation and logistics planning with purchasing and production are less likely to be purely reactionary and more likely to identify consolidation opportunities. These firms are also likely to seek similar efficiencies across the supply chain. Close collaboration and extensive information sharing with external material and service providers creates flexible operating systems characterized by coordinated operations that can drastically cut channel cycle times and inventory levels as goods flow seamlessly from material supplier to end consumer (Bowersox, et al 1999).

Transportation services play a central role in seamless supply chain operations, moving inbound materials from supply sites to manufacturing facilities, repositioning inventory among different plants and distribution centers, and delivering finished products to customers. Benefits accruing from world class operations at the points of supply, production and customer locations are pointless without the accompaniment of excellent transportation planning and execution. Having inventory positioned and available for delivery is not enough if it cannot be delivered when and where needed in a cost-efficient manner (Fox, 1992; 1993).

When transportation managers are provided supply chain planning information that includes resource availability and delivery requirements they can arrange shipments to

take advantage of load / carrier consolidations or routing efficiencies. Purchasing, operations and customer service should provide the transportation department with information regarding when items are available for shipment and when they are needed at their destination. With this information, transportation planners can assess consolidation requirements and arrange inbound, outbound and interfacility moves such that products flow seamlessly through the supply chain while finding ways to combine movements lower costs (Bowersox, et al 1999).

The emergence of new objectives for the transportation function has created a need for a framework that identifies and organizes transportation decision making in an integrated supply chain environment. The framework portrays initial transportation decisions as strategic, long-term decisions. At this level, the decision-making scope becomes increasingly tactical in nature, focusing on operations that implement the overall system decisions. Details regarding each decision area are provided below.

2.2.4.2.1.1.2 Total Network And Lane Design Decisions

At the highest strategic decision level, transportation managers must understand and be constantly aware of total supply chain freight flows and have input into network design. This area involves consideration of the network link/node structure, i.e. supplier, plant, distribution center, and customer locations as well as the various physical movements among them. At this level, long-term decisions related to the appropriateness and availability of transportation modes for freight movement should be made. For example, managers should decide which primary mode of transportation is appropriate for each general flow (i.e. inbound, interfacility, outbound) by product

and /or location, paying careful attention to consolidation opportunities where feasible. Plan should indicate the general nature of product flows, including volume, frequency, seasonality, physical characteristics, and special handling requirements. Strategic mode and carrier sourcing decisions should be considered part of a long-term network design, identifying core carriers in each relevant mode to gain enhanced service quality commitments and increasing bargaining power. Additionally, managers should make decisions regarding the level of outsourcing desired for each major product flow, ranging from providing the transportations to third-party providers. (Barrett, 1998:49)

Network and lane design decisions should examine tradeoffs with other operational costs areas, e.g. inventory and distribution center costs. A primary factor to consider among these decisions is that networks need not be fixed or constant. Rather, substantial service improvements and costs reductions can be achieved by critically examining existing networks and associated flows. For instance, it may become apparent that stock locations can be centralized by using contract transportation providers to move volume freight to regional cross-dock facilities for sorting, packaging and brokering small loads to individual customers. For example, one manufacturer reviewed the existing node/link network and lane designs, with an eye toward significant adaptations. The manufacturer, with one plant in the Midwest and one in Texas, combined the need for frequent interfacility shipments with demands for low-cost, high-service customer shipments by contracting with a ran routine between the facilities. (Barrett, 1998:49).

2.2.4.2.1.1.3 Service Negotiations

Transportation managers are increasingly managing relationship with transportation service providers rather than managing private fleets. The wide array of cost and service options available today requires managers to possess a broad knowledge of strategic and tactical business issues. While price remains a central concern among transportation managers, a thorough understanding of service expectations and customer-and product-specific costs must be included in contract negotiations. Cross-functional tradeoffs and inter-firm relationships present themselves for consideration as well. For example, a manager may decide to incur increased transportation costs if the subsequent transportation carriers may be able to provide sorting and packaging services in transit more efficiently and effectively than moving product to regional distribution centers for the same services. (Barrett,1998:47).

In addition to the operational decisions that must be made with regard to transportation service choices, managers must also become more knowledgeable about the legal implications of contracts. While shippers would agree that deregulation has vastly improved transportation operations, it has also opened the door to number of difficult issues related to the nature of contracts and legal arrangements between shippers and their transportation providers. In today's deregulated environment, virtually every facet of a relationship between a shipper and carrier must be negotiated and stated in a contract. Otherwise, the carrier is free to make assumptions that may not be beneficial to the shipper's. The old warning of "let the buyer beware" appropriately describes the shipper's environment where legal resolutions are now based upon what is written in the contract-not necessarily by traditional precedents established under rule of the interstate Commerce

Commission. Many transportation managers, comfortable with their knowledge of business under the old precedents, find out hard way that these precedents are no longer binding (Barrett, 1998:47).

2.2.4.2.1.1.4 Framework Decision Making In An Integrated Supply Chain

Logistic and transportation managers face a very different environment today than merely a few years ago. Continued economic deregulation, increased globalization, improved technologies, labor and equipment shortages and the continually changing face of the transportation service industry present today's managers with an array of challenges and opportunities that contrast dramatically with those of a decade ago. It isn't surprising, then, that many managers have failed to fully adapt to the changing environment, resulting in performance shortcomings and lost opportunities. Prominent among the list of lost opportunities is the prospect of further leveraging the transportation function as a critical strategic element within the supply chain (Barrett 1998:55).

In order to meet ever-increasing expectations, the basic work of transportation has changed from operationally meeting elevated service requirements and increasingly lower costs. Successful managers today require a broad view of transportation management's role and responsibilities in an integrated supply chain. The purpose of this section is to clarify the major transportation management within the overall integrated supply chain environment.

2.2.4.1.2 Managerial Implications Of Flitnet Model

The FLITNET model is solved using some node data sets that represents customer zones located in New York state and Massachusetts: this serves as a sample area to demonstrate the usefulness of the FLITNET model. The location of the some customer zones was originally used to solve emergency facility location-allocation problems in a previous study (Batta and Mannur,1990:59). Other input data for the FLITNET model are provided in the study.

Many problems with the same input structure were solved in order to achieve a reasonable level of confidence about the performance and validation of the FLITNET model. The model also considers issues like placement of open plants and warehouses as well as their capacities. Facility capacities can serve as a means of smoothing the workload among different facilities involved without overloading them (Jayaraman,1998:47).

The FLITNET model provides a means by which inventory, transportation and location strategies can be evaluated by a firm. Such joint examination of inventory, transportation and location strategies could lead to more thorough investigation of competitive strategies. For example, the model could be used to vary the number of open manufacturing plants and warehouses and evaluate its effect on the transportation models and the amount of inventory (in-transit and cycle stock) that need to be carried by these plants and warehouses based on their location in the distribution network (Jayaraman,1998:482).

For many purchasing managers, transportation costs are erroneously taken as fixed and thereby not a relevant cost for the contract negotiations. This is probably the case in a regulated transportation environment where similar carriers in a given mode were required to charge the same price for the same service. Further, many buyers look at transportation cost as only a small part of the unit price of an item. However, the results of the integrated model indicate that firms have to reconsider their transportation, inventory and location strategies in the light of changing market conditions. The FLITNET model could be useful in studying the effect of switching from one strategy (e.g. open two plants and warehouses) to others (e.g. loading the open warehouse to 95 percent of their capacity) during a given planning horizon (Jayaraman, 1998:483).

2.2.4.2.1.3 A Profile Of The Respondents With Quality Improvement Programs

In improvement programs research most of the respondents were either the transportation/logistic/traffic manager, the owner or the marketing manager and this held true for the Group A (successful) and Group B (unsuccessful) respondents as well. There were also no significant differences found in the response distributions for two subgroups. The respondent sample represented primarily motor freight, rail and third party providers/distribution centers. To a lesser degree, government transportation agencies and intermodal companies were also represented. This response distribution also didn't vary significantly between two subgroups (Wisner, 1999:147)

The sample also consisted of common carriers and to a somewhat lesser degree private and combinations of common, private and contract carriers. Other responses

included warehouses and various third party companies. Again, the distributions of two subgroups didn't vary significantly. Comparing the two performance groups, the Group B (unsuccessful) respondents had a somewhat greater number of very large firms and non-profit organizations than Group A (successful) respondents (Wisner,1999:150).

2.2.4.2.2 The Role Of Customer Service Within Marketing At Transportation

2.2.4.2.2.1 Marketing, Logistics And Customer Service

Distinguish between marketing and logistics customer service, both of which are required to meet customer expectations (Fox,1993). They describe logistics customer service activities as providing "place" time and form utility by ensuring that the product is at the time customer wants it, and in an undamaged condition. Its activities are restricted to those that take place during the individual order cycle from order placement to order delivery. Marketing customer services on the other hand, are those outside the context of the order cycle. They "facilitate possession utility by certain awareness of the product, offering a mechanism such as a price by which the buyer-seller Exchange can take place and often offering follow-up service and warranty on the product" (Fox,1993) while recognising that customer service requires all of the above activities this research has limited itself to logistics customer service to provide more focus to the research.

Claims that customer service is the key to integrating marketing and logistics and that such integration is required to produce an attractive market offering for target customers and thus advance the long-run profit objectives of the company (Fox,1993).

2.2.4.2.2.1.1 Elements Of Customer Service

An identification of the elements of customer service provides a basis for measuring customer service. The degree of importance attached to any of the elements associated with customer service varies from company to company depending on customer needs. Indeed, the importance attached to various measures has changed overtime. The most common elements reported in the literature are as follows: order size constraints; ordering convenience; system picking, packing and labeling accuracy; deliver times and flexibility; ability to expedite; ability to substitute; invoicing procedures and accuracy; claims procedure; condition of goods on arrival; post sale support for the product: product tracing; order status information (Fox, 1993). Product availability (order completeness, order accuracy and stocking levels) is often the sectors, order cycle time is second in importance (order transit times, time for assembly and shipping). This suggests that dependability is perhaps the single characteristic customers desire most in a firm's logistical capabilities.

Customer service elements for logistics are having four main dimensions. Time, dependability, communications and convenience. While such a categorisation is useful it should be noted that there are overlaps and interrelationships between the dimensions, e.g time and communications.

The time factor usually refers to order cycle time from the seller's perspective, while from the buyer's perspective it usually refers to lead time or replenishment time. Several components affect the time factor. These include: order processing order preparation and other shipment. Effective management of these activities will ensure that order cycles are of reasonable length and consistent duration. Information

technology, particularly EDI, can contribute significantly to improving the time dimension of customer service.

To a customer, dependability is often more important than lead time (Coyle, et al 1996). Lead time dependability directly affects the customer service level and stock-out costs. Inventory can be minimised if lead time is fixed as there would be no need for expensive safety stock to guard against stock outs resulting from fluctuating lead times. In addition to lead time variability, dependability is concerned with the safe arrival of a correctly filled order. Communications process must be two-way process with the seller transmitting information to the customer in addition to information travelling in the other direction. For example, the supplier would be well advised to inform the buyer of potential service level reductions so that the buyer can make necessary operational adjustments.

Convenience means that the operation must be flexible to meet the non-homogeneous requirements of customers. The logistics manager must balance the unique requirement each customer has with ability to meet these requirements economically.

2.2.4.2.2 The Segmentation In The Transportation And Distribution Sector

Segmentation is crucial for benchmarking: comparing apples and pears makes little sense. In order to find a good segmentation it is important to recognize that, in general, T&D companies have two basic operations: driving and (un)loading. Companies whose core operation is driving are quite different from companies whose core is (un)loading. In most of the literature, the distinction is made between full track load (FTL) companies. Whether or not on FTL-company's core operation is method

reliable. It has been applied to the case of bulk cement but conceptually it can be easily extended to similar cases in the distribution of commodities.

2.2.4.2.2.3 Total Time and Time-Based Competition

George Stalk Jr and his colleagues at Boston Consulting Group originated the concept of time-based competition (Stalk,1983).Abegglen and Stalk (1985) concluded that time-based competition (TBC) is the just in time (JIT) philosophy extended throughout the entire value delivery cycle,from research and development through marketing and distribution. They observed that when one firm dominates,the nature of competition changes and cost becomes secondary. Other authors have stated that reduction of cycle time doesn't mean working faster, harder or longer: it means removing barriers that impede performance (Blackburn,1990; Cooke,1994; Economist,1998; Ghosh and Gagnon, 1989; Noaker; 1989; Peters, 1989; Thomas 1989, 1989b).

TBC is a concept that establishes time as the primary competitive variable, supplanting other dimensions of competition. When firms recognize that consumers (whether industrial or retail) put a Premium on time,and may even be willing to pay more to save time,they may respond by focusing competitive strategies on cycle time. Adherence to TBC concept requires firms to realign their competitive focus to concentrate on time. Some firms are built on the idea that time is primary competitive variable: Federal Express, Minute Lube, Domino's Pizza, L.L Bean, Seven-Eleven Stores, Mc Donald's all base their operations on providing the fastest benefit delivery to the customer.

The Total cycle time (TCT) concept is based on the recognition, throughout the entire value chain, that time is an important strategic weapon. Firms are realigning their competitive priorities from quality to improved customer response time by focusing on delivery speed and reliability.

2.3 CRM IN LOGISTIC MANAGEMENT

2.3.1 The Major Purpose Of CRM In The Logistics Industry

The major purpose of customer relationship management in the logistics sector is to initiate and develop this dialogue between a company and its customers, suppliers, stakeholders and employees. Chain of relationship allows companies to focus on creating new values for their customers, share values with them and suppliers, empower customers to define what they want, thus creating value with customers both for them. It also means using information technologies to communicate with customers to recognize the life time purchases of customers is an on-going developing relationship and that every opportunity to progressively bond that relationship should be taken. Due to the reflection of many significant changes of technology to the maritime industry, customers are more sophisticated and knowledgeable and they need to be served as individuals. By strengthening the bonds between customers, suppliers, stakeholders and employees and offering more complete solutions to their needs, a third party logistic company or a freight forwarder can offer the best interactions with the customer.

2.3.2 The Future Logistics Management IT Systems As Perceived By The Supply Chain Partners

The market for logistics management systems is developing rapidly. But it is still a long way to go. The development and failures we have seen the last decade will most likely continue the next.

From the first adaptations of the ERP style solutions, we have seen new market entrants and new leaders, promoted by the consulting communities. Several of the systems providers have experienced severe problems in delivering promised functionalities agreed in the customer contracts. The new brands are continuously expected to solve the problems experienced by their predecessors.

The SCM technology market is a consequence of the fact that few industries have focused on and have the sincere willingness to invest in systems to manage outbound logistics. The income to the technology developers is then limited and the consequent funds available to system development insufficient to guarantee robust and solid solutions.

The customer of logistics management systems will in the next five to ten years experience the same instability as in the past.

2.3.2.1 Development In Supply Integration

Globalization, lead-time reduction, customer orientation and outsourcing are some major changes contributing to the focus and interest into logistics management. Integration of the supply chain has become an important way for the industry to gain

competitive advantages. As a result, the role of logistics providers is changing both with respect to contents and complexity. New firms from different fields are entering the market competing with the traditional transport and warehousing companies.

In today's global marketplace, individual firms no longer compete as independent entities with unique brand names, but rather as integral parts of supply chain links. As such, the ultimate success of firm will depend on its managerial ability to integrate and coordinate the intricate network of business relationship among supply chain members.

A supply chain is referred to as integrated system, which synchronizes a series of inter-related business processes in order to:

- Acquire raw materials, components and parts
- Transformation of these raw materials, components and parts into finished products
- Add value to these products
- Distribute and promote these products to either retailers or customers
- Facilitate information exchange between the supply chain partners

The main objective of the system integration is to improve the operational efficiency, profitability and competitive position of the firm and its supply chain partners. The ultimate goal is to improve the whole chain. Consequently we are talking about the growth and development of global competition between supply chains and partnership and alliances between the supply chain partners.

The growth of the supply chain concept has required logistics organizations to improve the flow of information both internally and externally. The increased information requirement have facilitated and integration of logistics and supply chain information systems in many companies. The increased use of electronic commerce and enterprise resource planning (ERP) and other tools and techniques, will shape the business process for foreseeable future.

Companies should understand their options their impact when making decisions to support their supply chain system.

2.3.2.2 Search For Outbound Logistics Management System

Assessing the market for logistics IT systems is a major challenge. The terminology and descriptions of the functionality of the applications have not reached global standardization. The market of system solution to outbound logistics has all characteristics of an infant industry. The marketing language being used seems to position every offer as being able to solve all problems for everyone.

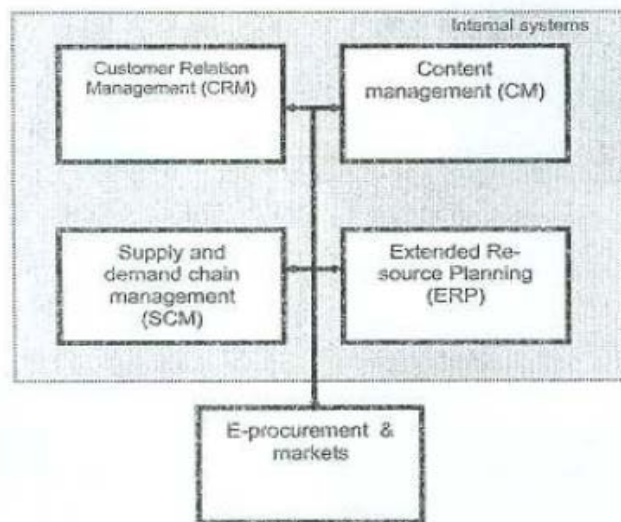
The conflict of interest between the software and consulting companies selling the system technology and the industries and service companies buying the intended solutions is evident. The sellers will normally try to identify the buyer's financial position and their willingness to invest. The offered solution is then priced accordingly. Often limited coherence between the functionality promised and the related price exists. The implementation success is often low, often leading to court cases between the seller of technology and the buyer of the intended solutions.

System Overview

In the search for logistics system the authors have made the following classification. All markets have a BUY-side and a SELL-side.

- The BUY-side is the customer buying a product from a supply chain, containing the systems visible to the buyer.
- The SELL-side is the part of a supply chain doing the actual selling process, containing systems visible to the seller

Seller side



Buyer side

Figure: 2.4 Applications Relevant For Logistics Management

Source: Bowersox, 1999

The figure 2.4 above presents a schematic overview of the application areas that are relevant for logistics, either directly or indirectly.

Content Management (CM) is in most cases an Internet web site on which the products and services offered are presented. The web site is an electronic catalogue and in many cases more than that. Although a catalogue offers “one-way”

communication only potential customers may also enter orders request for information,register his opinions,and all other types of information that in the old days was collected by a salesman through personal contact. Content management systems not only provide information but also gather information that can be processed into actions or analyses that are valuable fort he business.

Customer relation management (CRM), the increased interaction possibilities with customer has gained considerable importance. The Internet customer does not have to be anonymous and in most cases values a personal treatment. This is only possible if the business gathers information about these customers in an intelligent manner,processes this information and makes it available for next contact.

Enterprise resource planning (ERP) systems are aimed primarily at the internal integration of logistics within a single organization. The systems strongly support the efficient execution of various logistics processes, like customer order processing,production control,product sourcing and procurement and the planning and control of poduction schedules, inventory management and transport orders.These systems get less attention today because of the Internet revolution but are stil at the heart of the logistics operation.

E-procurement and e-markets are under very strong development which goes beyond the procurement functionality in ERP systems. This is not so much a business application (i.e for a single business) but (esp.with e-markets) a mechanism for organizing joint procurement facilities around databases accesible through the Internet. The focus is on crossing boundaries between individual organizations and the subsequent business processes.

Supply and demand chain management, including APS (Advanced Planning and Scheduling), are packages containing a series of functionalities aimed at planning, order entry and execution over the borders of individual businesses. It requires additional functionality on top of the ERP systems. Besides traditional ERP suppliers also new suppliers (for example; Manugistics) are active in this field.

2.3.2.3 Logistic Management Hierarchy

We can distinguish between three levels of systems:

1- Supply Chain Management systems organize the material flow between subsequent production stages of the same production process including the delivery of the produced product

2- Logistics Management Systems organize the distribution of a single type of good between subsequent production/distribution stages, including transport and warehousing

3-Transport Chain Management Systems organize the movement and handling of these goods between two specific points through the deployment of a (possibly) intermodal transport chain and involving added-value service.

2.3.2.4 The Next Generation Of Logistics Management System

ERP-style solutions(1980-1995)

Many SCM applications evolved from traditional ERP applications, referred to as “ERP style applications”, require that the supply chain solution’s underlying concept is chain oriented from the start. The ERP system will then integrate the services into

the overall planning and optimization process. ERP style applications lack a flexible planning structure. However, it should be possible to deal with transport services composed into multi-modal transport chains for which the planning, contracting, administrative duties and monitoring is organized with a single-mode simplicity. ERP style applications also lack integration between capacity planning and network planning.

ERP style applications are from their history back Office systems, which means that they are not primarily built for communication through the Internet. However a chain oriented solution requires an easy information exchange between the systems of subsequent nodes in the supply chain.

The next generation

The focus for B2B exchanges in today's capital environment is to achieve liquidity in their exchanges. Next generation exchanges (the first generation exchanges that survive) will be the ones that develop, acquire or partner to offer the value-added network services that will attract multiple trading partners and intermediaries throughout the supply chain.

One of the first industry segments to embrace the online trading exchange model was transportation and logistics. Logistics is inherently complex because of the multitude of trading partners involved in Supply Chain Management. The concept of a Web-based hub to act as a central information portal for the movement of goods

throughout the supply chain gained immediate support from carriers and shippers alike.

First generation logistics exchanges were focused on providing an online facility for matching loads between buyer and seller. While viewed as somewhat limited today, this functionality was the critical first step in establishing the online model as a viable one.

2.4 CHARACTERISTICS OF CRM IN TRANSPORTATION MANAGEMENT

2.4.1 Main Effects Of CRM In Transportation Management

2.4.1.1 Relationship Between Provider And Customer

Intengables are hard to describe and often high risk to buy but once a customer has received a serviced and been pleased with the outcome,he or she may start to feel a sense of loyalty the service provider. There are a number of formal and informal ways to build this relationship some that apply only in a few industries and others that apply to all service marketers. Lovelock uses a table to illustrate how this can work to a service marketer's advantage. In Tables 2.1.it shows four options some that tend to build loyalty more than others.

Table 2.1 Types Of Relationships Between Customers And Vendors

Nature of Service	Membership Relationship	No Formal Relationship
Delivery		
Continuous Delivery	Insurance Cable TV College enrolment Banking Automobile association	Radio station Police protection Lighthouse Public highway
Discrete Transactions	Long-distance service Series / season tickets Repair under warranty HMO member visit	Car rental Mail service Toll highway Restaurant

Source: Lazer and Barbera and Smith and MacLellan: 1990, 30

Lovelock has observed that within the Continuous Delivery / Membership quadrant, the time and bother associated with changing vendors, combined with the fact that delivery is continuous, help build loyalty. He has also observed that for purchases in the Discrete Transaction / No Formal Relationship quadrant, it is more difficult to build customer loyalty. Interestingly, companies can change the perceived quadrant in which they fit as part of their marketing strategy. Radio stations offer everything from contests and listener travel discounts to dating services, to make listeners feel like members. Car rental companies, airlines, hotels and other travel-related businesses offer frequent user programs, thus encouraging a feeling of membership and an opportunity to build loyalty. Programs like those described also help customers feel as though they have a continuous relationship with a vendor, even there is no formal contract between them, even when the services and careful positioning strategy,

service marketers can take advantage of the benefits of being in the continuous delivery / membership quadrant, even if their core service does not strictly meet that definition (Lazer and Barbera and Smith and MacLellan, 1990:30).

2.4.1.2 Degree Of Control Supply And Demand

Some types of services firms can predict demand and add staff when they know they will be very busy, increasing their ability to respond to high demand. Others can't predict demand from one day or month to the next, but can use adjustments to the marketing mix to alter overall demand. Museums don't always have a good idea of how popular an exhibiton will be so may face long lines and unhappy visitors from time to time. Amusement parks can't predict the weather any better than local weather forecasters, so they must rely on short-term staffing decisions to manage fluctuating attendance (Lazer and Barbera and Smith and MacLellan, 1990:31).

The nature of service business makes developing a stock or inventory difficult or impossible. Business can't inventory skills nor can they make the day longer than 24 hours, so there are physical limits to the ability to meet fluctuating demand in a service business.

There are, however, steps that service businesses can take to manage supply and demand effectively: The role of pricing in managing supply and demand and the role of the promotional mix in managing supply and demand is important in occurring those steps.

2.4.1.3 Rationale For The Service Marketing Mix

The differences between services and products can be only partly understood through an analysis of the service(s) being offered, pricing strategy, promotional / communications strategy and place or distribution strategy. For example, the interconnectedness of customers and providers (inseparability; simultaneity) is an inescapable element of services, so the role of all participants to any transaction must be addressed. Services are all or partly intangible so the role of physical evidence surrounding the transaction is important. The supporting process and infrastructure that are needed to allow a service transaction to occur must be addressed in the mix, so that marketing professionals can understand and refine these processes to improve service quality (Lazer and Babera and Smith and MacLellan, 1990:36)

2.4.2 The Role Of Communication And Technology Over Crm

2.4.2.1 The Role Of Communication Over Crm

The communications task is the same for services and goods-making prospects aware of what is being offered, telling them where to find it, how much to expect to pay for it, how it compares to competing offerings, etc. However, the messages and promotional tools used to accomplish these tasks differ, sometimes dramatically, for products and services.

2.4.2.1.1 The Communication Mix

The communication mix can be broken down into the categories of personal selling, sales promotion, public relations / publicity, and advertising. The following discussion important strategies that work for service providers.

- **Personal Selling**

Its by the far the largest component of the communications mix in terms of time spent and total effect on sales and profits, personal selling surrounds the staff who take telephone orders, outbound telephone sales, in-person selling, sales support (technical, customer service, etc.) and related labor- intensive interactions with customers and prospects. It also includes all professionals, crafts and trades workers, technicians, dlivery people, and other employees who have direct contact with customers. As you can see this is the hit of the services communications mix, as it includes the activities of everyone who sells and / or delivers services to customers.

Because personal selling is so important to service businesses it is necessary to handle this function well. There are several ways for service marketers to maximize the potentiol of their sales personal and build customer loyalty: training, incentives, corporate culture, understanding the sales process, and analysis / continuous mprovement. Training is the first action that service firms can take, by trainng employees in effective sales methods(Lazer and Barbera and Smith and Maclaclan, 1990:103). The focus of sales training is on listening to customers' needs, because only with a good understanding of what customers want and are willing to pay for, can the sales person respond with a description of how the service beeing offered satisfies those needs (if it does).

The second action service firms can take is to offer incentives that are customer oriented. It is eteremly importatnt to link sales advantage to measurable rates of customer satisfaction; but financial incentives alone do not cause to total customer orientation. The third step is corporate culture. It is closer to an orientation than an

action- to remind staff that services are performances, not objects. As such, every employee needs to operate in a customer-oriented style at all times. Most service firms find it difficult to explain to employees that they are cast members; but employers can provide training, support materials, and role models among upper management that support a total customer orientation that to help customers evaluate the service being performed, firms can develop training programs and institute policies that help professionalism or a certain image in look and behaviour. These policies and procedures help ensure a continuously high level of service delivery.

The fourth step in personal selling is, understanding the sales process. There are three major steps in the purchase process-pre-purchase information gathering and evaluations; and all three need to be addressed during personal selling interactions. They also need to be evaluated internally, to determine what potential competitive weaknesses exist, so that corrective action may be taken. Blueprinting charts and flow charts are helpful in evaluating and understanding the entire purchase process, as are the analytical processes used in strategic planning.

The last action in personal selling is, analysis / continuous improvement. Evaluating the purchase process on a regular basis has continuous benefits for a firm, particularly as it related to personal selling and activities that support selling. There may also be benefits throughout the communications mix, such as identifying ideas for changing the sales promotion campaign or the media mix. Firms who periodically evaluate the purchase process for their offering will most likely find that its greatest benefit is to help the sales force understand how to market its services more effectively. They are also likely to find the potential to improve other elements of the communications mix.

- **Sales Promotion**

Pencils, calendars, hats, shirts, sweepstakes, and other sales promotion devices are as effective for services as for products, and in some instances are the only form of tangibility or physical evidence of transaction that a customer can keep. Sales promotion devices need to be well thought out and separate to the service and its target market. They should be also be items that the target market likes. Which sales promotion tools are likely to be most effective for services? Part of the answer depends on the type of services business and part of it depends on the target market.

2.4.2.1.2 The Communication Model

Any type of communication requires a source a message, a means of transmitting the message, and a receiver. A basic communication model is presented in figure 2.5. the source determines the need for a message. For example, a manufacturer develops a new instant coffee with chicory and realizes that an advertising campaign is necessary to inform consumers of the benefits of the product. The manufacturer asks its advertising agency to develop a series of messages to inform consumers about the product and to persuade them to buy it because of its taste benefits. The manufacturer informs the agency of the products' characteristics, benefits, and the target segments that are most likely to buy it.

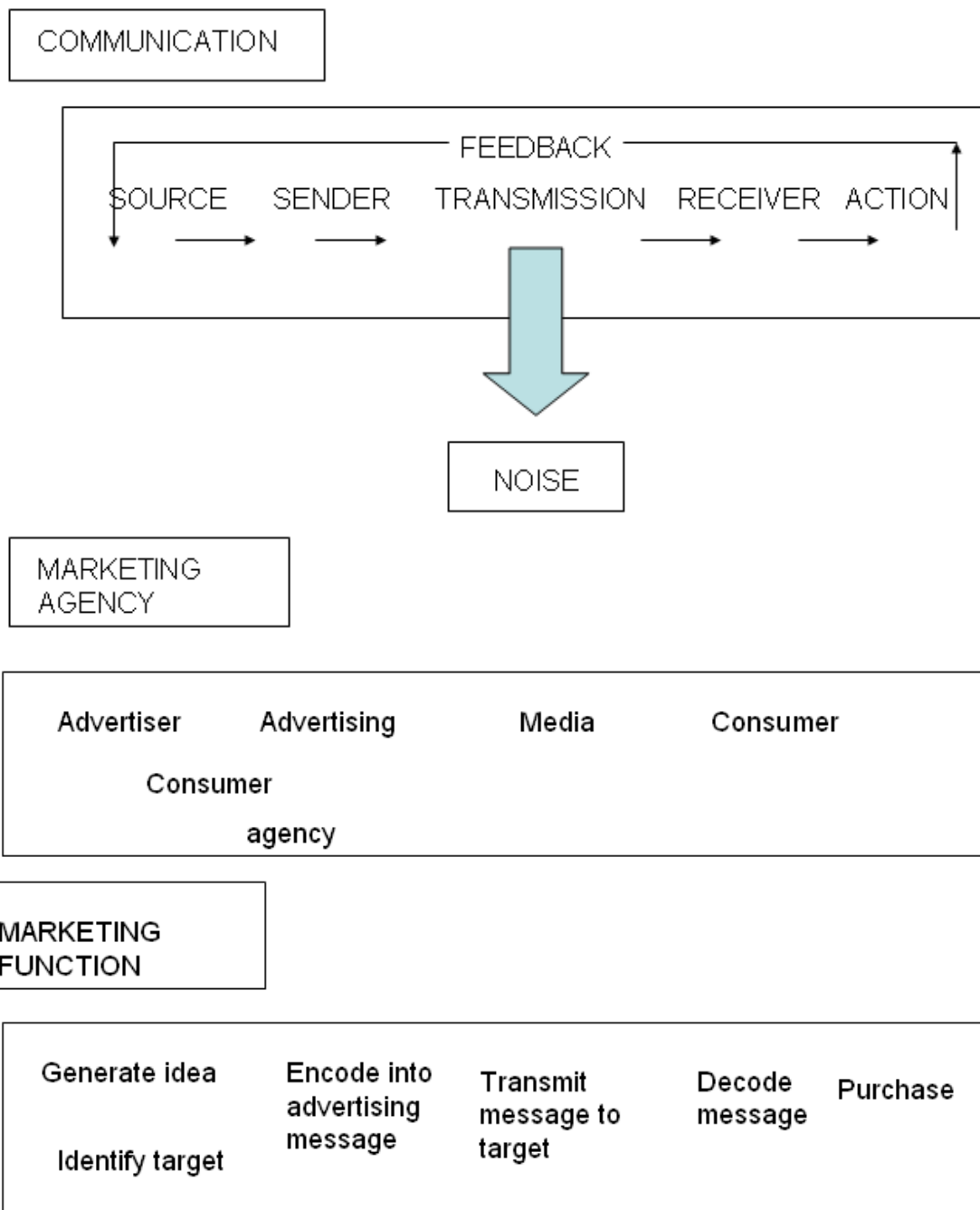


Figure 2.5. A communication model

Sorce: Assael, 1984

2.4.2.2 The Role Of Technology

Technology affects all business. Technology includes cash registers at fast food restaurant that are actually sophisticated computers; CAD (Computer- Aided Design) software used by engineers, architects, and designers, video conferencing for

meetings; as well as cellular telephones. The Internet is completely changing the way companies, individuals, researchers and government officials communicate. The internet is completely changing the way companies, individuals, researchers, and government officials communicate. Video technology, satellites, and miniaturization combine to allow instantaneous news report from anywhere in the world. (Lazer and Barbera and Smith and Maclaclan, 1990;85). Advances in medicine allow faster and more accurate identification of many diseases and more effective treatment of others. Even apparently worldly parts of our lives, such as ATM transaction and the use of credit cards, exist only because of the advanced technology surrounding us.

Technology is constantly changing and being used in new ways, and even the most advanced technology will become go out of fashion over time. Also this is particularly true for services where employee productivity is one of the keys to profitability. Whenever advanced technology is available, business should at least consider its adaption, particularly if it will save employee's time servicing customers or if it will make their work less boring or more suitable. Technology used by customers should be modernized whenever new offering allow customers to complete transactions more easily, in less time, for lower transaction costs, with a higher degree of reliability, and /or at more convenient locations or times.

2.4.2.2.1 Pressures For Implementing The EDI Process

One of the complex parts of managing EDI change is that the pressures for change can come out from a variety of sources. Rapid change can be encouraged when a key customer announces that: "electronic invoices cost us \$ 40 to process and paper invoices \$2.00. we will continue to take a paper invoices from those vendors who can

not provide us with electronic invoices, but there will be a \$ 2.20. surcharge on the paper invoices” (Londe and Cooper and Noordewier, 1988:123). Rapid change can also be wanted when a customer informs without notice that its firm “will only do business with companies who can provide EDI business communication”. Thus one source of change is “customer driven” and this type of change go towards to require rapid response on the part of staff MIS and the Divisional personal most directly affected.

A second type of change that can occur from staff an/or line functional areas. For example, senior NAPC management can decide that the time is right for starting EDI in purchasing, or that transportation should more actively join in EDI options. This is a type of “functionally driven” change and frequently requires cross- Divisional cooperation and pilot project prototyping. It is “cooperate driven”, and develops from either senior management at NAPC and/N.V. Philips ordering change in the internal or external communications network. Such changes to make it easy of communication. A fourth source of change is “external driven” change and come from an international standarts group or from U.S Customs.

EDI change must be properly managed since there are multiple sources of change and different set of priorities for each change management process. A great deal of pressure was placed on NAPC’ s staff EDI roup to provide timely and suitable response to EDI research. The staff group often acts as a marketer or enterepreneur of the EDI process. It has to remain current on changes in hardware, software, new third party products. And shifting internal and external needs. MIS management noted that EDI change was difficult because most of the costs were at the end and the benefits

were long-run benefits. This situation makes it sometimes difficult to market the benefits of EDI internally to the organization. In fact, it sometimes leads to a situation where change was “forced” on an organization in crisis mode by their customers.

2.4.2.2.2 Managing The EDI Process

Over the past three years a type of standardized format has developed effectively working either the Divisions or a corporate function. It is, of course, not standardized to the point that staff MIS cannot respond to an emergency on the part of the Division or to modify the process if the situation warrants such a modification. This change process has been developed within the concept of “co-management”, and it positions the staff function. Except for required technical support, system management is transferred to the Division after implementation.

Step 1- Situation Analysis

An analysis of the background of the request- what is driving the change request? Is the response to customer needs? How broad based is the request? What resources will be required? What is the time frame required for response?

Step 2-Problem Approach

Develop an approach to the problem- how much time will be required for customer (NAPC) education? What type of education will be required? Are sources available to address the problem? Should third party product or support be considered? What is a realistic timetable for problem solution? Can the problem solution be used by other

divisions or other end user customers? Who should the players be? From NAPC customer Divisions?

Step-3 Initial Meeting with Division

Set date for initial meeting- Who should attend the meeting? Representatives from MIS (Division and Staff, Customer Service, Finance, EDI Staff, and Staff System Support usually attend. At this meeting the needed orientation takes place, a specific problem approach evolves, and a timetable is adopted. Most of these meetings last one to one and one half days.

Step-4 Problem / Solution Clarification

If the solution requires more input, than additional input can occur at Step 4 in the process. This step might require more strategy input from the Division, a visit to the Division's customer or meetings with a third party representing the Division's customer, or possible source of hardware or software for problem solution.

Step-5 Divisional Implementation

The Division is responsible for implementation of the change management program. Most of the projects take from three to six months; and they frequently use one or more pilot projects for start up testing.

Step-6 Progress Monitoring

Staff MIS –Electronic Business Communications meets with Divisions on a monthly basis to monitor progress against plan. Included in this meeting are discussions of:

- Scheduling problems,
- Resource problems,
- Customer problems, and
- Special implementation problems

Next Steps

There are variety of changes, enhancements, and new products being considered by the EDI staff group. In an area where the technology is moving so rapidly, an important part of management's responsibility is to keep current of change. Existing new demands will be placed on them for support at all levels in the organization. A number of the enhancements considered are designed to make the support function more efficient by making wide the base of "experts" and providing a better level of communications within the organization. The decisions about the enhancements currently being considered are:

- Standardized Educational "Package":

Provide a starker kit of for EDI users which includes a video on applications, slides, hard copy applications information, and a list of other corporate users.

- EDI Newsletter:

Inaugurate an EDI Newsletter to be sent to all of the individuals interested and / or using EDI within NAPC. Discuss new, products and new applications within NAPC.

- Periodic User Meetings:

Bring together all EDI users within NAPC on a periodic basis to facilitate networking and to efficiently provide information (Londe and Cooper and Noordewier, 1988:126).

CHAPTER 3

SUNEXPRESS AIRLINES AS A CASE STUDY

3.1 BRIEF HISTORY AND INFORMATION ABOUT SUNEXPRESS AIRLINES

3.1.1 Foundation and Partnership Structure

SunExpress was founded in October 1989 due to an agreement between Turkish Airlines and Lufthansa. Initially started serving Turkish tourism with charter flights, SunExpress carried out its first flight from Frankfurt to Antalya in April 1990.

3.1.2 Fleet

SunExpress is operating a fleet of 13 airplanes, with a 2.607 seat capacity and an average age of 8 years. After a new Boeing 737-800 that will be added to the fleet in 2007 summer, number of aircraft will reach to 14 and seat capacity to 2.796. All Boeing airplanes leased by SunExpress are equipped with blended winglets installed by THY Maintenance Center. Also, two of the Boeing 757s in the fleet are equipped with cinema seats, which enable passenger to move easier inside the cabin.

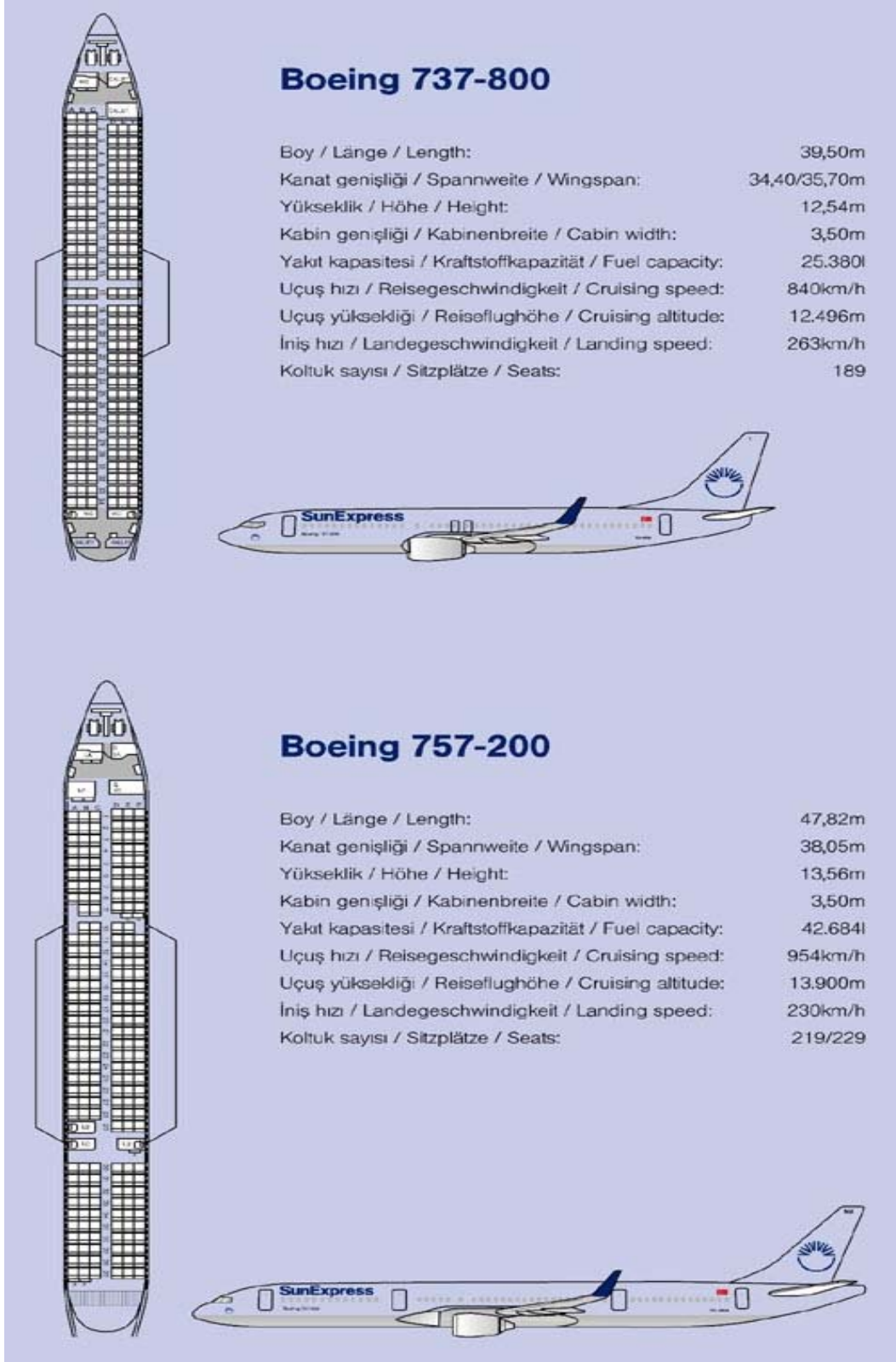
Table 3.1 : Sunexpress' fleet and passengers capacity by the years

Source: www.sunexpress.com.tr

Fleet	Registration	Year of Production	Passenger Capacity	Fleet	Registration	Year of Production	Passenger Capacity
B737-800	TC-SUV	2001	189	B737-800	TC-SUO	2001	189
B737-800	TC-SUG	2002	189	B737-800	TC-SUM	2001	189
B737-800	TC-SUH	2002	189	B757-200	TC-SNA	1993	219
B737-800	TC-SUI	2002	189	B757-200	TC-SNB	1994	229
B737-800	TC-SUJ	2003	189	B757-200	TC-SNC	1994	229
B737-800	TC-SUL	1999	189	B757-200	TC-SND	1994	229
B737-800	TC-SUU	2001	189				

Figure 3.1: SunExpress-Boeing 737-800 and Boeing 757-200

Source: www.sunexpress.com.tr



The company currently has ISO 9001:2000 quality, ISO 14001: 1996 environmental and OHSAS 18001:1999 Occupational Health and Safety Management Systems certificates, which covers new generation Boeing 737 airline operations, maintenance and Type Rating training requirements.

3.1.3. Employees

With its staff of 761 people, 460 of which are flight crews, SunExpress is the largest employer of Antalya. SunExpress employs 159 staff at its Izmir headquarters.

3.1.4 Flights

- ***International:***

With its Antalya-Frankfurt flight in 2001, SunExpress became the first private airline company, which has scheduled flights from Turkey to abroad. The company also expanded its international network with its Izmir based flights, which has started in 2005.

In the context of 2007 summer schedule, SunExpress operates scheduled international flights from Antalya to London-Stansted, Frankfurt, Munich, Vienna, Zurich, Basel and Ercan, and from Izmir to Amsterdam, Basel, Berlin, Düsseldorf, Ercan, Frankfurt, Hanover, Cologne London-Stansted, Munich, Stuttgart and Zurich.

- ***Domestic***

SunExpress connected Izmir, the 3rd biggest city of Turkey, to Antalya, Adana, Diyarbakir, Erzurum, Gaziantep, Kayseri, Trabzon and Van with direct domestic flights on March 26,2 2006. So, SunExpress has been provided to fly from a center except Istanbul or Ankara to the other cities of our country directly as the first time in Turkey. By the 2007 summer schedule, the company also started direct flights from

Izmir to Malatya and Sivas. SunExpress' direct domestic flights, which have started in Izmir and reached to high occupancy rates in a very short time, showed many cities had similar potential. First, direct flights between Antalya and Diyarbakir were operated. Then, SunExpress started to fly directly from Antalya to Adana, Trabzon, Erzurum and Van.

SunExpress serves scheduled flights from Antalya (since 2001) and Izmir (since 2005) to the major cities of Germany and passengers are able to fly to London, Paris, Brussels, Madrid, Milan, Amsterdam, Zurich, Copenhagen, Oslo, Stockholm, Warsaw, Moscow, Prague and Helsinki by taking a connection with Lufthansa in Frankfurt and Munich. Munich, Berlin, Hamburg, Cologne, Bremen, Düsseldorf, Stuttgart, Leipzig, Nurnberg, Dresden, Hannover and Muenster are among the destinations in Germany that can be reached via Lufthansa connection.

3.1.5 Reservation

SunExpress which provides online tickets and reservations in its websites **www.sunexpress.de** and **www.sun-express.co.uk** also uses electronic tickets since 2005. SunExpress tickets can also be booked via Call Center and sales agencies.

3.1.6 Market share

SunExpress has carried 16.059.528 passengers through more than 145,400 flights since its establishment. The company became the 3rd biggest airline with 1,760,000 passengers in Turkey in 2005, in terms of the number of passengers carried at international flights. In 2006, SunExpress sustained its leadership in Antalya with a market share of 12%. It also attained a share of 21% in the Izmir market and achieved the leadership, where it has started to operate only in November 2005. Through the domestic flights, the company also carried 314,000 passengers in/out of Izmir (13%

market share) and 126,000 passengers in/out of Antalya (5% market share) from March 26 to the end of 2006.

3.1.7 Current Situation

SunExpress supports Golden Orange Foundation, Antalya Piano Festival, International Izmir Festival, Ayvalik International Music Academy, Antalya Arts Festival, Youngenc Orchestra and Antalya Youth Education Association in order to contribute to the social and cultural life of Antalya and Izmir. The company also provides education scholarship for 100 girls in the context of “Baba Beni Okula Gonder” project and is the official carrier of the Antalya Metropolitan Municipality Basketball Team.

SunExpress also voluntarily uses its effort contributing to the growth of Turkish tourism. Being an active member of Antalya Promotion Foundation (ATAV) and Destination Izmir project, which was established for promoting Izmir’s tourism attractions in Europe, SunExpress also supports TUROFED (Turkish Hotels Federation) in order to contribute promoting hotels in Turkey, which are considered one of the most important component of tourism.

3.1.8 Sunexpress quality system its relationship with customer service

SunExpress does not design or develop products. Instead, customers specify all product characteristics. The company engineering activities is limited to developing methods and means of service, training, installation or maintenance. The company has established, documented, implemented and maintaining a Quality Management System and continually strive to improve its effectiveness in accordance with the requirements of the standard. SunExpress Quality Management In below figure, system is based on process approach and continual improvement model as explained.

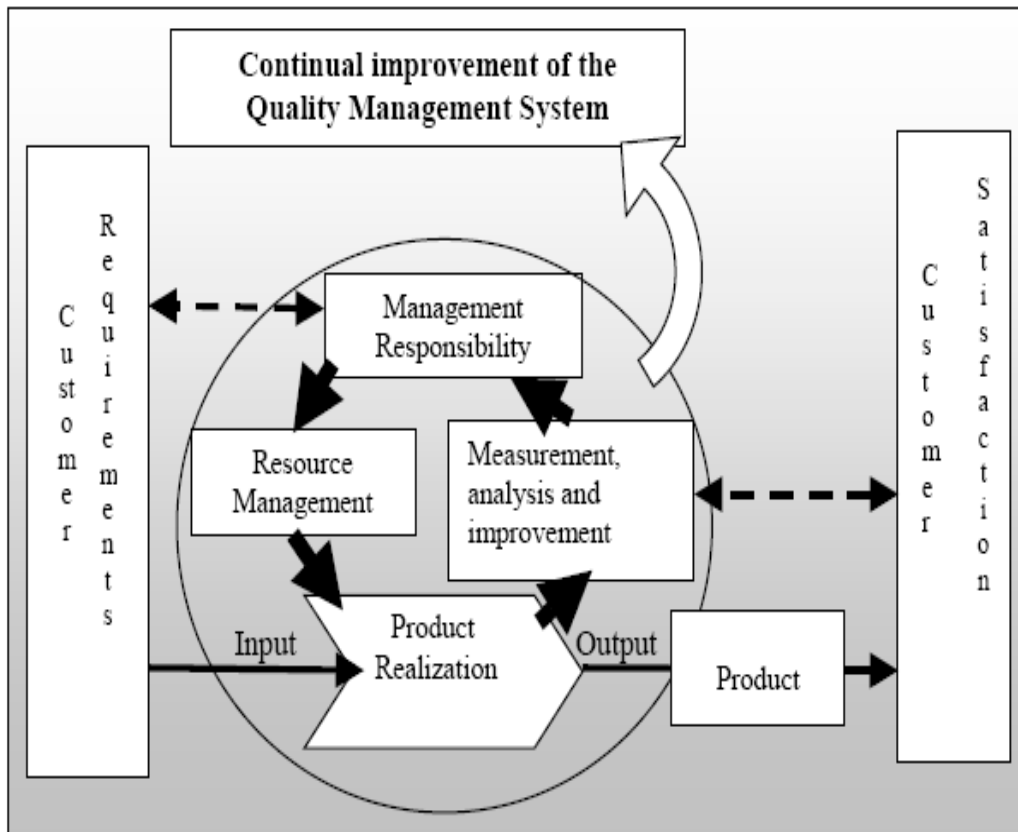


Figure 3.2 : Model of a process-based Quality Management System.

Source: www.sunexpress.web.tr

The company's process based Quality Management System describes how SunExpress formulates, deploys, reviews its policy and strategy and turns it into plans and actions. Based on Scope section of this, the above diagram can be applied by the below definitions of Customer and Product.

Table 3.2: Sunexpress describes customer and product its point of view.

Source: www.sunexpress.web.tr

Each process shall further be divided in sub-processes and their interaction and relation with other processes shall be determined.

being	customer is	product is
an Airline operator	Individual passengers, tour operators, other airline operators that the company provide sub-charter service	a safe quality flight orflights including all ground and in-flight service in accordance with applicable standards
as a Maintenance provider	Airplane operators including Sunexpress requesting maintenance	a quality amd timely maintenance action in accordance with applicable standards
a type Raining Organization	First Officers and Captains of Sunexpress and other airlines	a quality training and licensing in accordance with applicable standards

3.2 CUSTOMER SERVICE AT SUNEXPRESS AIRLINES

The airline that turned derogatory slurs on the little bags of peanuts that it traditionally served passengers into a culture that believes in going out of its way to serve people in the everyday details of flying has a great deal to teach the airline industry and any other “service” industry about customer satisfaction. While the no-frills, single seating product offered by Sunexpress is not everyone’s ideal of airline service, the Sunexpress belief that customers deserve respect, dignity, and a little fun has won them many loyal customers. The simplified pricing structure and operational reliability have won over many of the coveted domestic business travelers who have

found it increasingly difficult to justify the high fares of traditional carriers, particularly in the face of cost-cutting declines in amenities such as meals. Ticket-less travel, simplified boarding, self-service kiosks, and limited amenities do more than reduce costs, they allow Sunexpress employees to devote time to “getting to know” the needs and concerns of customers. Strictly speaking, professors Kevin and Jackie Freiberg summarize the keys to success for an airline company are as follows:

- Defend your people. The customer may not be right all the time.
- Make service a way of life, not just a business technique.
- Give people the flexibility to transcend rules and regulations to better serve the customer.
- Ask yourself, “Whom can I serve today?” Then do it.
- When it comes to serving others, make sure that “good enough” is never good enough.
- Treat your friends and family like your most valued customers (p. 281).

Even more astonishing is the fact that Sunexpress employees are evaluated on their ability to demonstrate “Sunexpress Spirit” in customer service with a system that requires superior performance ratings to be documented with actual examples of this behavior in action. The employees who do provide the kind of service that Sunexpress expects are also celebrated in the pictures and stories that appear in the company hallways and the corporate newsletter, Sunny News. Imagine what can happen when a company hires individuals for “people skills” and then rewards them for demonstrating those skills. Of course, Sunexpress makes no secret of the fact that “customers come second”; employees come first in this culture where they believe

that you treat your employees the way you want them to treat your customers. It is hard to argue with success!

CHAPTER 4

SWOT ANALYSIS RESEARCH METODOLGY AND ANALYSIS

4. SWOT ANALYSIS OF SUNEXPRESS

4.1 STRENGTH

- The Company has flyied since 1990 as a partner of Lufthansa and Turkish Airlines. Backround of Lufthansa and Turkish Airlines give well experience and standards to Sunexpress related with safety and customer relationship.
- Sunexpress is the only company in Turkey which has three Bases which has established Antalya, İzmir and İstanbul.
- The company became the 3rd biggest airline with 1,760,000 passengers in Turkey in 2005, in terms of the number of passengers carried at international flights.
- In 2006, SunExpress sustained its leadership in Antalya with a market share of 12%.
- It also attained a share of 21% in the Izmir market and achieved the leadership, where it has started to operate only in November 2005.
- The company also carried 314,000 passengers in/out of Izmir (13% market share) and 126,000 passengers in/out of Antalya (5% market share) from March 26 to the end of 2006 , throught the domestic flights.
- SunExpress is operating a fleet of 14 airplanes, with a 2.796 seat capacity. All Boeing airplanes leased by SunExpress are equipped with blended winglets installed by THY Maintenance Center. In addition that company has got four boing 757-200 , the seats capacity for three are 229, one of them has got 219

seats capacity. This fleet capacity make possible to carry 16.059.528 passengers.

- SunExpress has been provided to fly from a center except Istanbul or Ankara to the other cities of our country directly as the first time in Turkey.
- The company currently has ISO 9001:2000 quality, ISO 14001: 1996 environmental and OHSAS 18001:1999 Occupational Health and Safety Management Systems certificates,

4.2 WEAKNESSES:

- The company has got Boing 737-800 and this aircraft has got 189 seats for passangers so seating comfort is reduce. This situation creates cost saving advantage , however passangers want to seat enough space for moving and they think when they decide the flighing company.
- The company has not got their ground operation which it is bought from “Çelebi”. They give the ground operation, cleaning service, chek-in service, bus from airport to plane, fueling service.

4.3 OPPORTUNITY:

- The Company has got three bases in big cities, thats give the company make their operation directly and also cost saving advantage.
- Another advantage is that the company has operated their flights more than 18 years that gives to the company well experience in this sector against their competitors.
- SunExpress’ direct domestic flights, which have started in Izmir and reached to high occupancy rates in a very short time, showed many cities had similar

potential. That's why company obtained and increase their profit very short time.

- İzmir base gives to company direct flight advantage against their competitors.
- The company has got their own instructors who educate employees related with service standards, safety and emergency and also dangerous goods transportation. In this opportunity, company is not need to pay for training every year and obtain cost saving opportunity.
- SunExpress which provides online tickets and reservations in its websites also uses electronic tickets since 2005. In this way, Passengers can make their booking easily whenever they want. In addition that they make their booking before long time ago their flights so they can get chance to buy their ticket cheaper price. The company has got advertisement advantage in this way and also company doesn't need to pay commission to the agencies and also it obtain cost saving advantage.
- The company has got 761 staffs, 460 of which are flight crews, SunExpress is the largest employer of Antalya. In addition that, SunExpress employs 159 staff at its İzmir headquarters. It enjoys well-trained flight crew who are experienced in international operations and services. It own most updated fleet and competent repairs & maintenance expertise. Growing way of the company creates employment volume for Turkey airline sector.

4.4 THREATS:

- Sunexpress faces imminent aggressive competition from airlines company and price wars triggered by domestic players. All of the airline company reduce their ticket price for advertisement purpose. Airline sector opens its

doors in order to competition. All of other companies use different marketing policies.

- The growing bus firms and rail road threat the airline companies.
- Turkey face with different problems to avoid turistic transportation. Not only terrorism but also eartquakes effect number of international flight's passengers .

5. SURVEY ANALYSIS & FINDINGS

5.1 METHOD OF ANALYSIS

In this research, SPSS (Statistical Package for Social Sciences) software, Version 15.00 was used for the analysis and evaluation. Descriptive statistics were conducted. These descriptive statistics included MEAN which shows the percentage of choosing answer. Valid N will tell the readers and researchers that how many passengers replied to each question in the survey that provide a general idea. (Pallant, 2003, p.51-63).

5.2 DATA COLLECTION PROCEDURE AND SAMPLING

In this study, which is based on a descriptive research model, the population is selected from 250 passengers of International Flight of Sunexpress from Turkey to Germany and only 50 passengers of flights were answered survey with a 20 percent return rate which is near the world standard for return and, thus acceptable. The participants are different age groups, businessmen or women, travelers, students.etc.

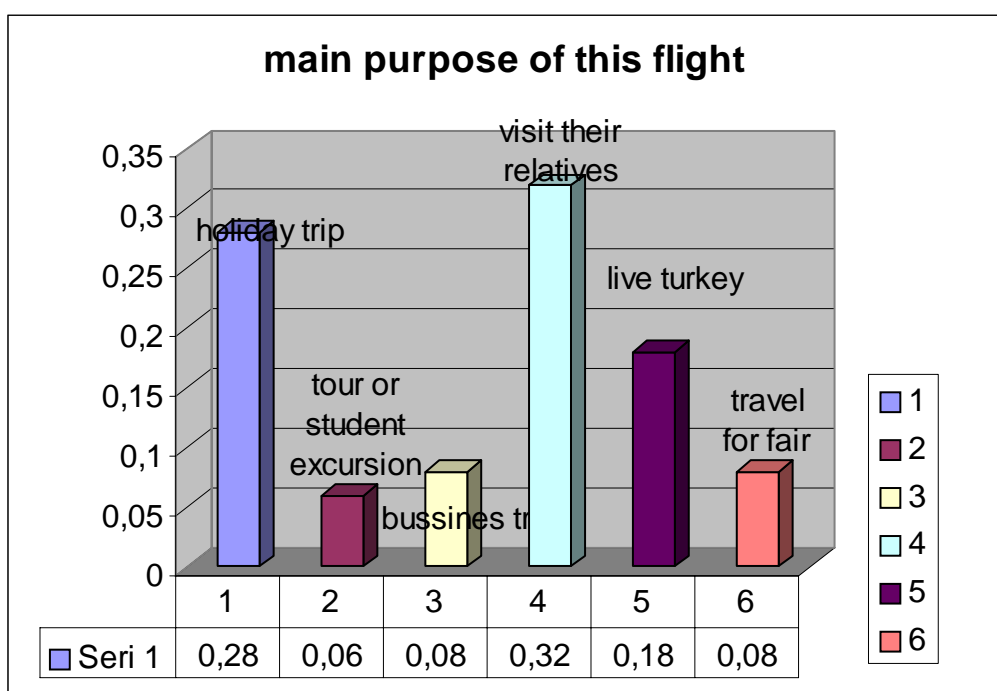
5.3 FINDINGS OF THE SURVEY

The findings of the survey are presented in 4 parts. First parts show the participant purpose of flight, travel alone or with a company, their package program. The second part of the survey is related with the passengers' satisfaction with check in counter such as check in personnel behavior, airport announcement clearance, boarding speed, and difficulty of check in. Third part is about their assessment of the overall condition of the plane, the flight crew for friendliness and helpfulness, service quality, announcement on board. Last part of the survey is related with residence, nationality, and age group of the passengers.

5.4 PART I OF THE SURVEY:

Q1 : Table 4.1: In this question the main purpose of this flight were evaluated.

The result is as follows;

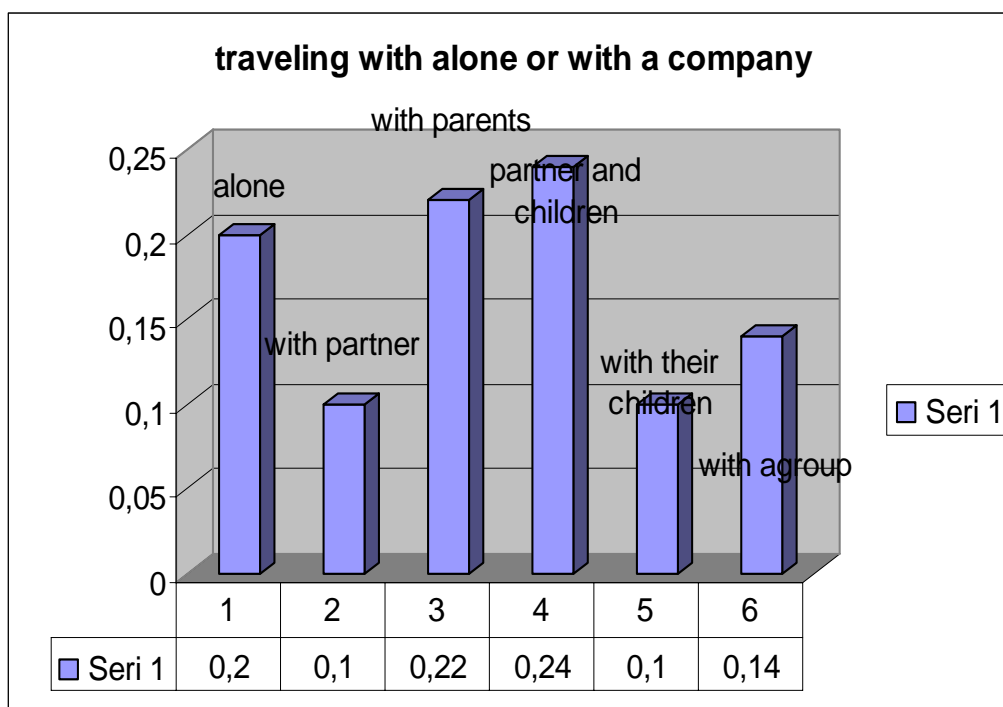


From the Table 1, it is seen that 32 % of the Sunexpress' passengers visit their relatives, 28 % of the passengers are on a holiday trip, 18 % of passengers live in

Turkey, 8 % of the passengers aim are bussiness/official trip, 8 % of the passengers travel for fair, exhibition, meeting, and the rest 6 % of the passengers travel for tour or student excursion.

Q 2: Table 4.2 : The passengers were asked if they were travel alone or with a company.

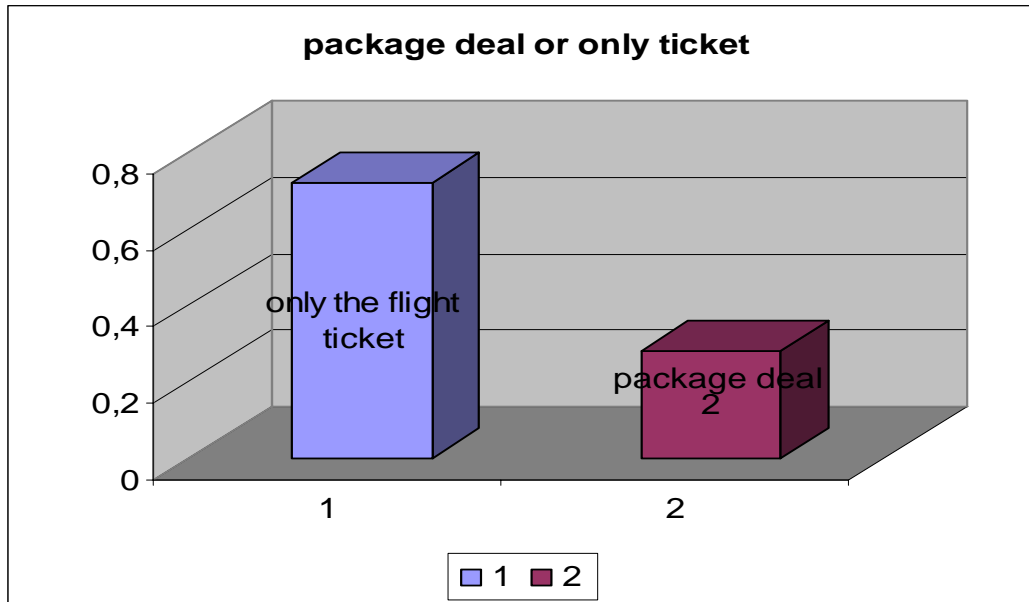
The result is as follows,



From the Table 2, it is seen that in Sunexpress' flight, 24 % of the passengers travel with partner and children, 22 % of the passengers travel with parents, brother or sisters, 20 % of the passengers are alone, 14 % of the passengers travel with a group, other 10 % of passengers travel with partner or husband/ wife, another 10 % of passengers travel with their children.

Q 3: Table 4.3: The passenger were asked if they bought a package deal with hotel, transfer etc. Or only the flight ticket for this trip.

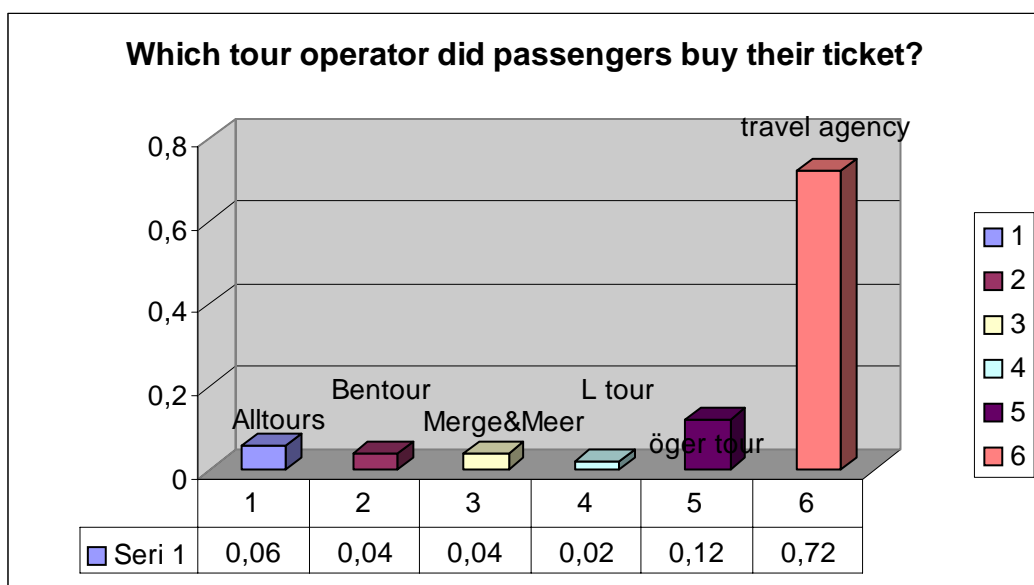
The result is as follows,



72 % of passengers of Sunexpress buy only the flight ticket, rest of them buy a package deal.

Q 4: Table 4.4: In this question passengers were asked if they had taken a package program and from which tour operator they bought their ticket.

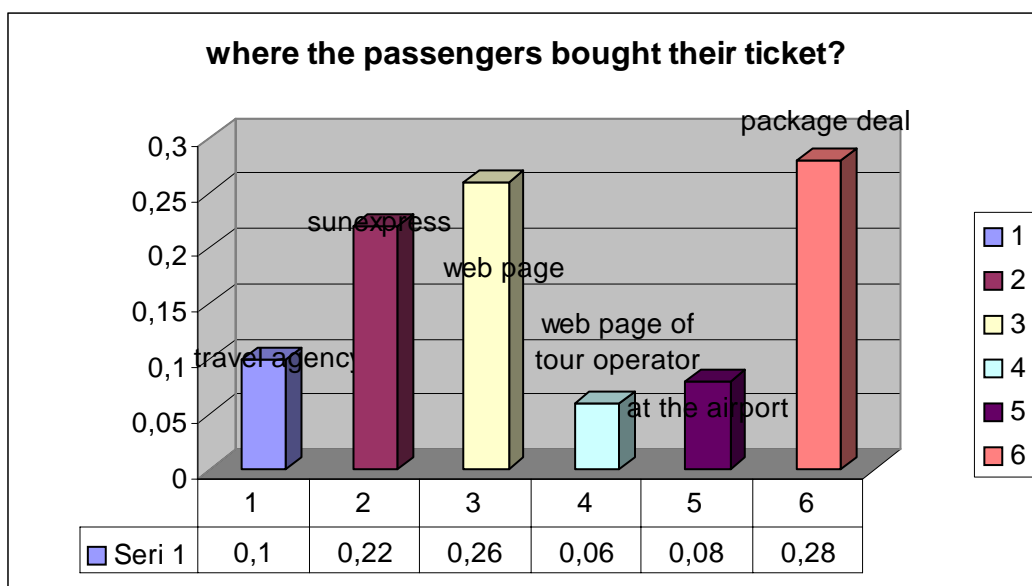
The result is as follows,



72 % of the passengers are not take their ticket from travel agency, 12 % of the passengers take a package program from Öger tour, 6 % of the passengers take from Alltours, 4 % of the passengers buy from Bentour and Berge & Meer tour, the rest of the passengers take from L'tur.

Q 5: Table 4.5: The passengers were asked where and how they bought their ticket.

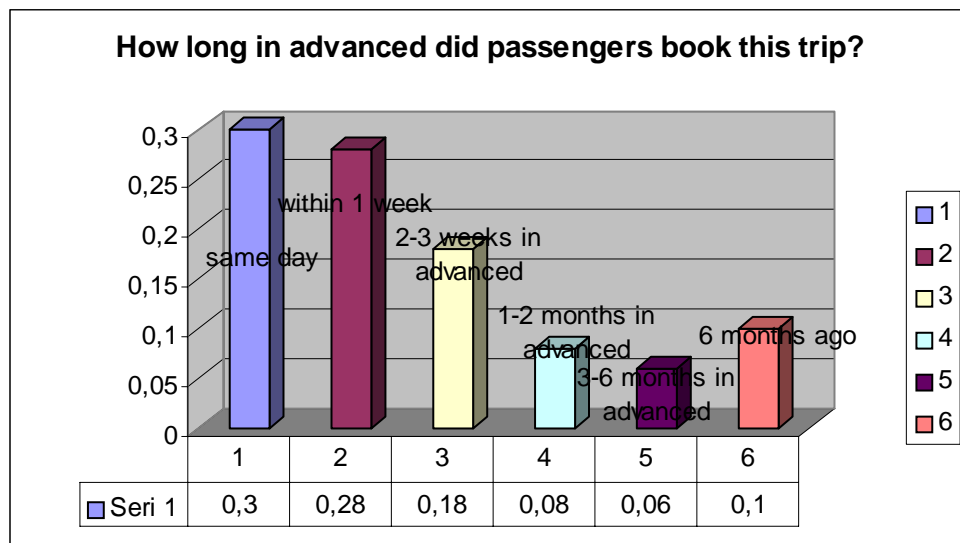
The result is as follows,



26 % of the passengers purchase an airline ticket through Sunexpress web page, 22 % of the passengers buy their ticket directly from Sunexpress, 10 % of them take it from travel agency, 8 % of them take it at the airport, 6 % of them buy their ticket through web page of the tour operator, % 28 of the passengers do not only purchase airline ticket.

Q 6: Table 4.6: The passengers were asked how long in advance they booked this trip.

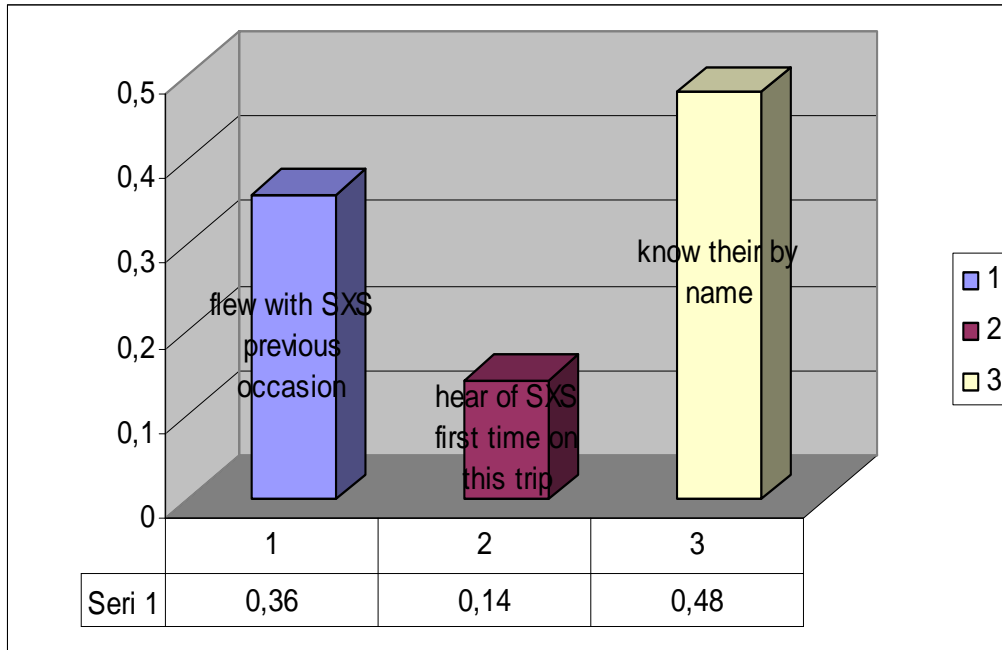
The result is as follows,



30 % of the passengers of Sunexpress book their trip at the same day, 28 % of them book within 1 week, 18 % of them book their trip 2-3 weeks in advance, 8 % of them book it 1-2 months in advance, 6 % of te passengers book their trip 3-6 months in advance and % 10 of them book more than 6 months ago.

Q 7: Table 4.7 : In this question the passengers were asked if they have any experience with Sunexpress prior to this trip.

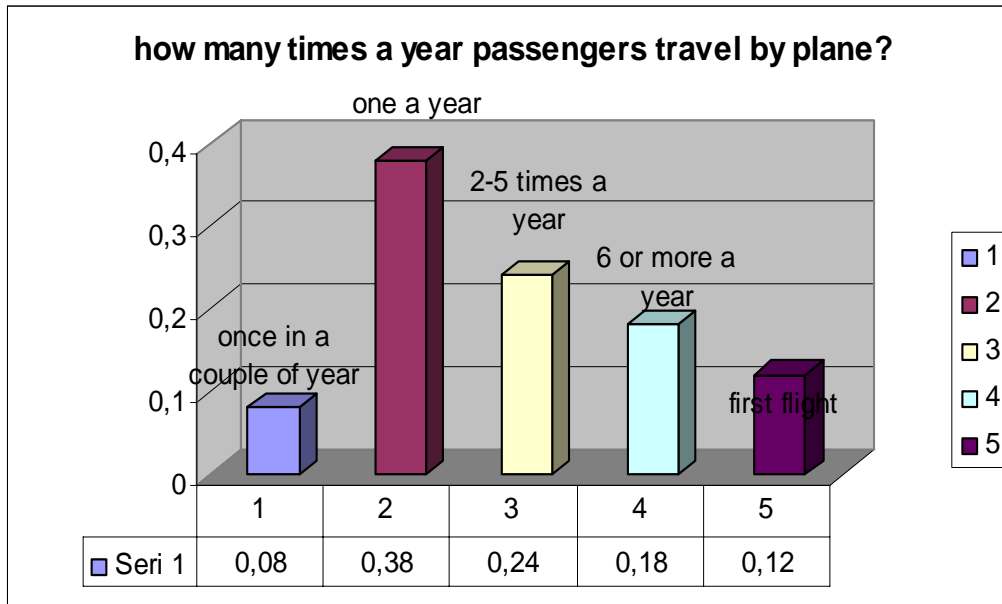
The result is as follows,



48 % of the passengers know to their by name, 36 % of them flew with Sunexpress on previous occasion, 14 % of them hear of Sunexpress for the first time on this trip.

Q 8: Table 4.8: the passengers were asked how many times a year they travel by plane.

The result is as follows,



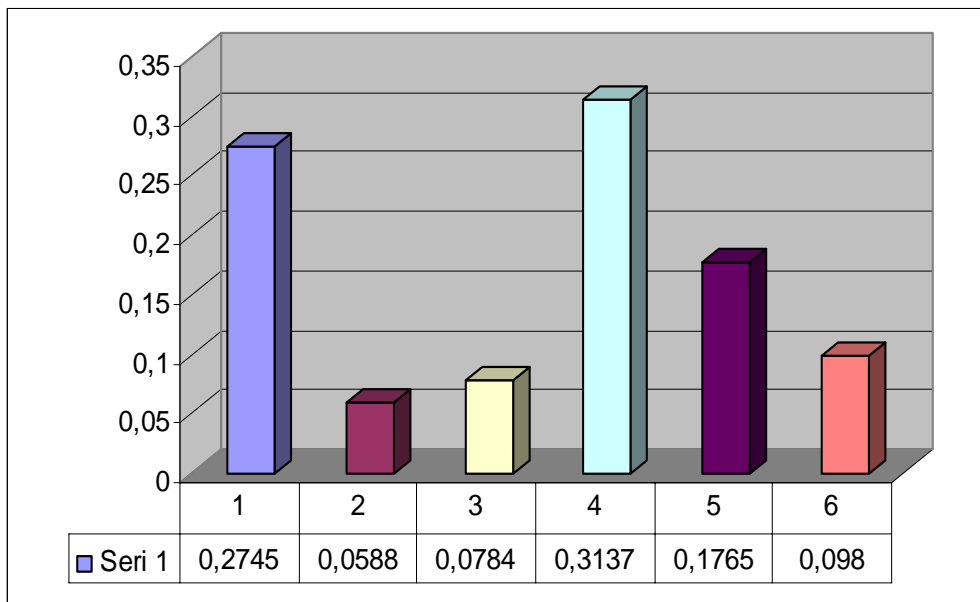
38 % of the passengers travel by plane one a year, % 24 of them travel by plane 2-5 times a year, 18 % of them travel 6 times or more a year, 12 % of them answered that this is thier first flight, 8 % of the passengers travel by plane once in a couple of years.

5.5 PART II OF THE SURVEY:

Customer satisfaction at the check in counter has been evaluated in this part of the survey. Passengers are asked to point their satisfaction from point 1 to 6 in which 1 means fully satisfied to the lowering point 6 which means dissatisfied.

Q 9: Table 4.9: The passenger were asked if personel at the check in counter were friendly and helpful.

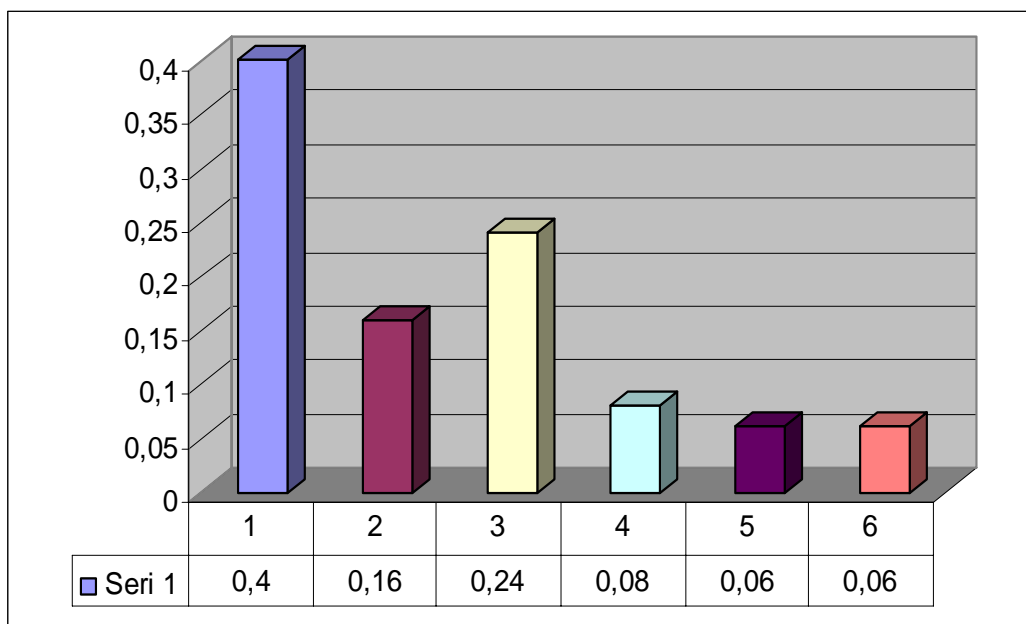
The result is as follows,



From this point of view as seen on the Table 13, 27 percent of the passengers are fully satisfied with service at the check in counter and found the personnel very friendly and helpful. On the other hand 9 percent of the passengers are not satisfied with personnel service at the check-in counter. However, a great amount of the survey of 31 percent has a moderate satisfaction which means that the company should examine check in counter's personnel behavior to passengers and improve themselves in a more friendly and helpful way.

Q 10: Table 4.10: The passenger were asked if personel at the check in counter were competent.

The result is as follows,

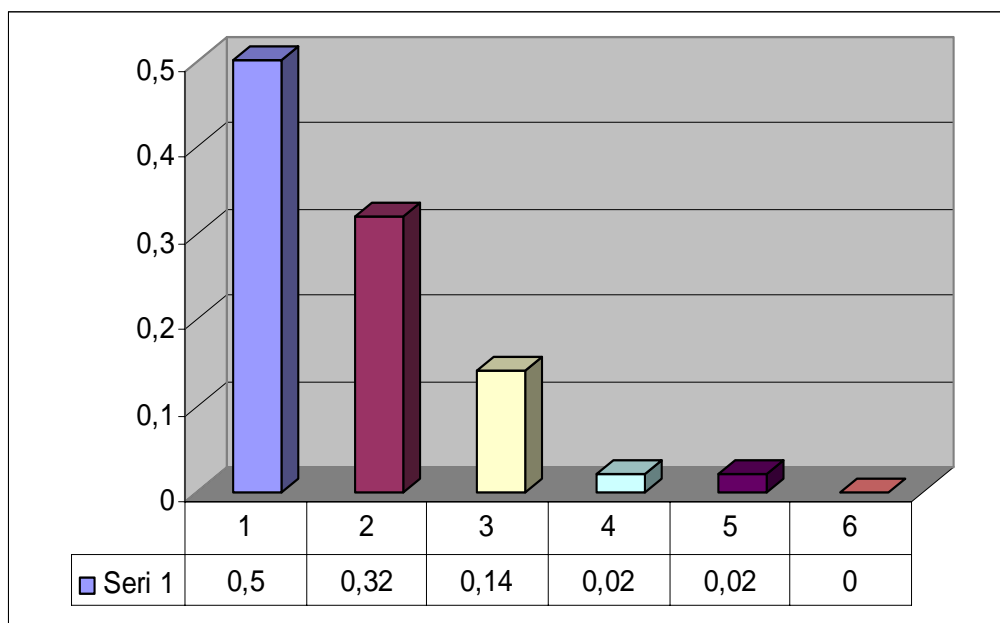


From the Table 14, in this questionnaire check in counter personnel has been pointed according to their level of proficiency. From the Table 10, it is seen that 40 percent of the passengers evaluate the personnel at the check in counter by competent, while 6 percent of them think that they are not competent fully. In other means a great percent

of the passengers such as 54 percent are more or less satisfied with competency of the personnel.

Q 11: Table 4.11: the passengers were asked if check in counter was handled quickly and without difficulty.

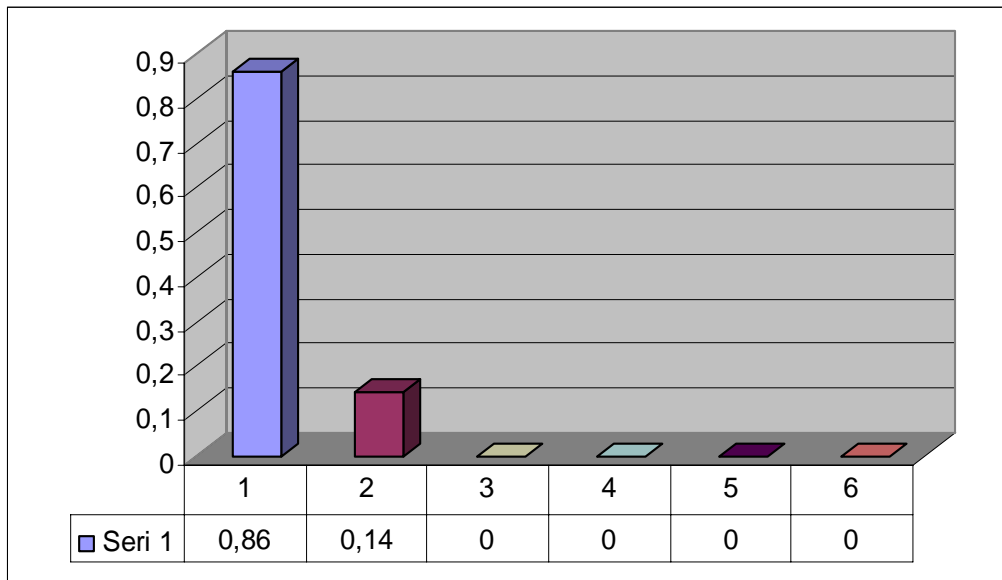
The result is as follows,



From the Table 15, it is seen that 50 percent of the passengers was handled quickly and without difficulty at the check in counter. No one was dissatisfied and 50 percent has moderate satisfaction.

Q12: Table 4.12: the passengers were asked if airport announcement for the departure were clear and understandable.

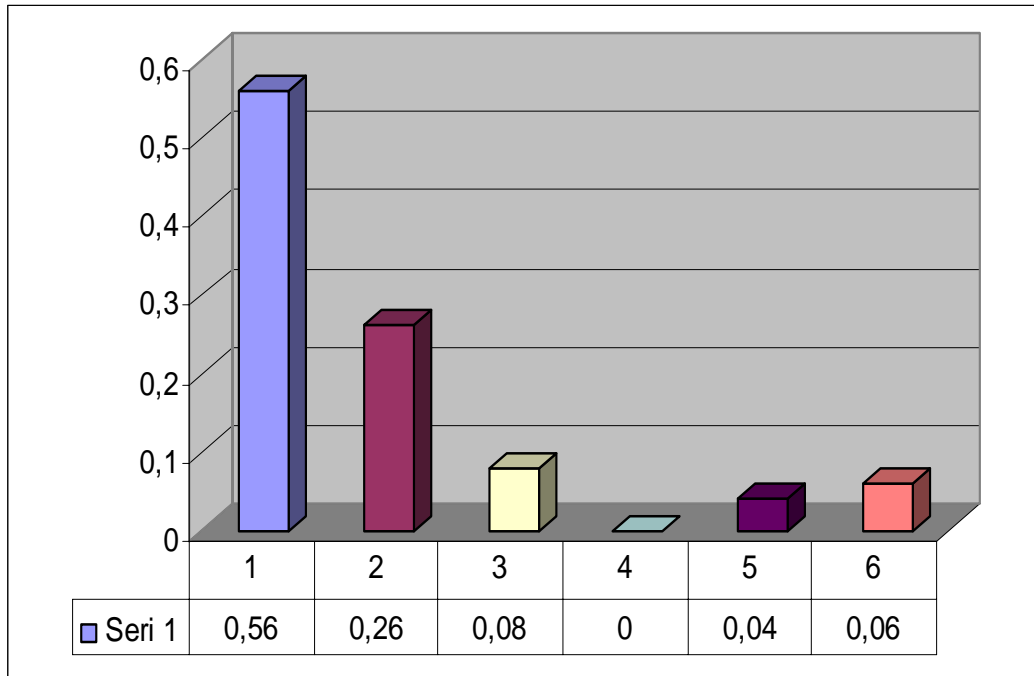
The result is as follows,



This questionnaire in the table 12 evaluates the airport clear and understandable announcements for the departure. 86 percent of the passengers can easily and clearly understand the announcements. The rest of them pointed level 2 and nobody has complainer about the announcements.

Q 13: Table 4.13: The passengers were asked if boarding went quickly and smoothly.

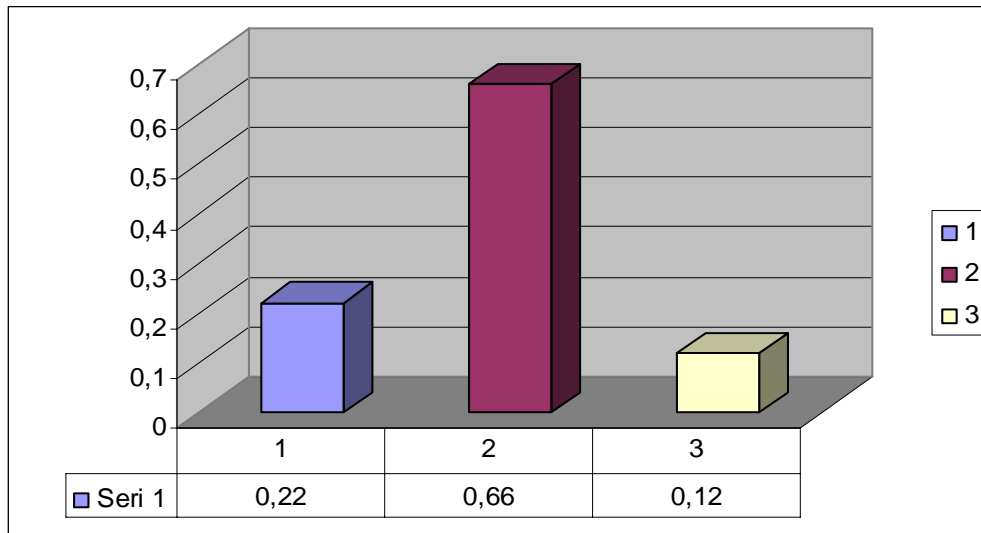
The result is as follows,



The boarding proces has been evaluated in this section. 56 percent of the passengers mentioned that the boarding went quickly and smoothly. 6 percent was dissatisfied and 38 percent has lowering satisfaction.

Q 14: Table 4.14: The passengers were asked if their seats request was fulfilled at the check in.

The result is as follows,



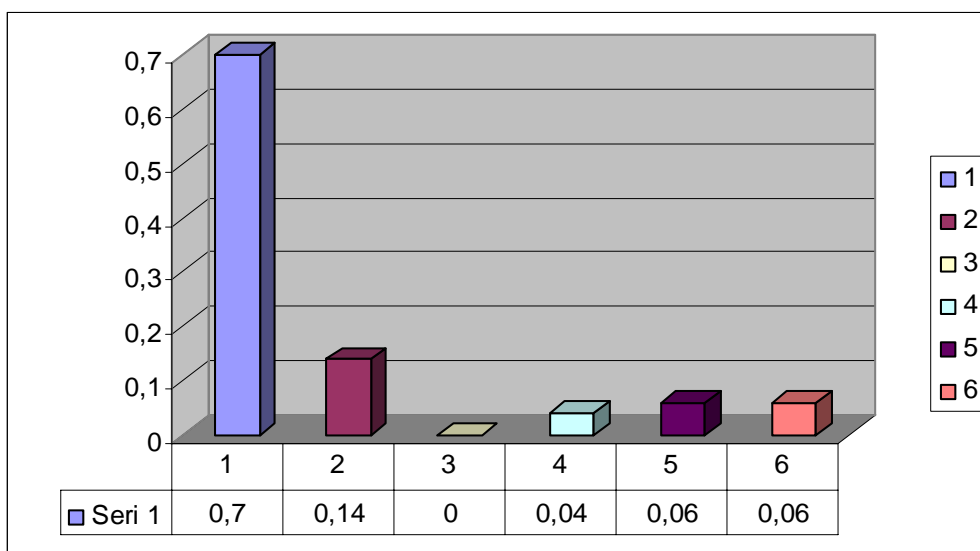
In this questionnaire passengers were asked if they requested a special seat and their request was fulfilled or not. 66 percent did not request any seat, 22 percent of the passengers request has been fulfilled and 12 percent were denied.

5.6 PART III OF THE SURVEY:

Customer satisfaction at the flight and on board service has been evaluated in this part of the survey. Passengers are asked to point their satisfaction from point 1 to 6 in which 1 means fully satisfied to the lowering point 6 which means dissatisfied.

Q15: Table 4.15: In this question the passengers were asked what your assesment of the overall condition of the plane.

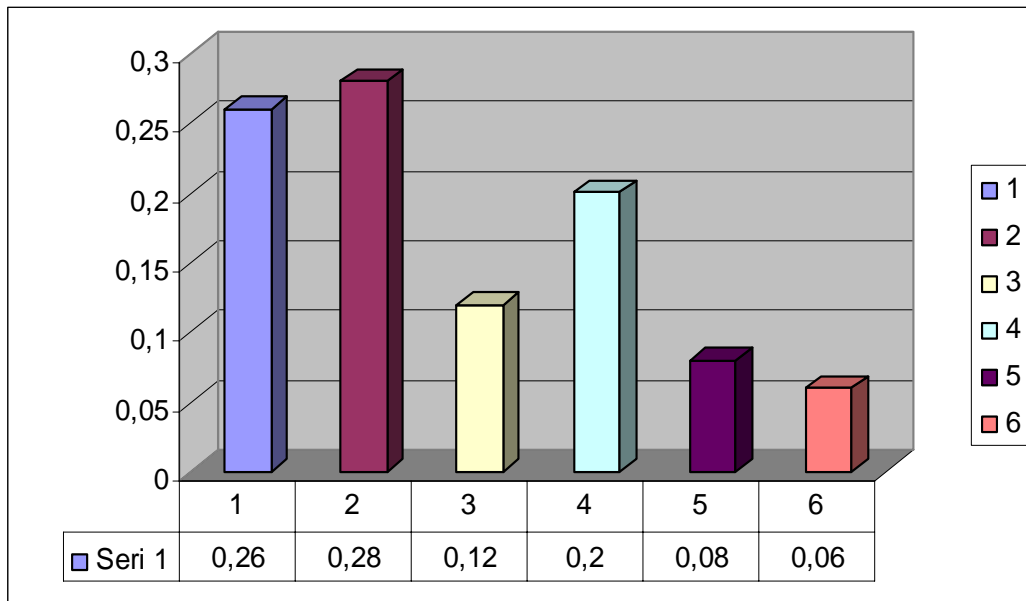
The result is as follows,



70 percent of the passengers are fully satisfied with the over all condition of the plane. Only 6 percent were dissatisfied and the rest of the 24 percent were more or less satisfied.

Q 16: Table 4.16: The passengers were asked how they rate seats for comfort.

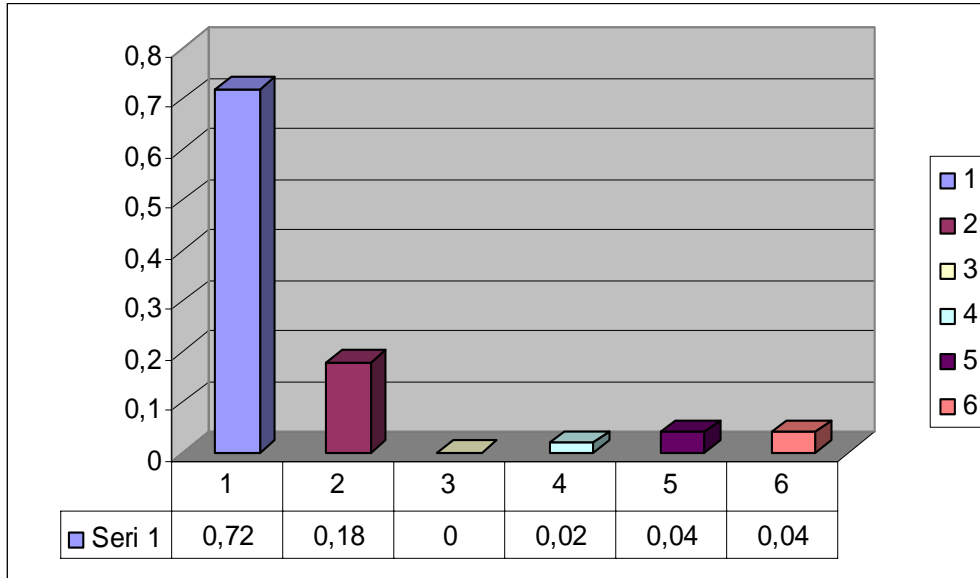
The result is as follows,



When the seats of the plane were rated for comfort 26 percent of the passengers found the seats fully comfortable. 28 percent of them pointed 5 which means they need some more comfort. 6 percent were fully uncomfortable with the seats and the rest 40 percent had moderate comfort.

Q17: Table 4.17: The passenger were asked how their rate the flight crew for friendliness and helpfulness.

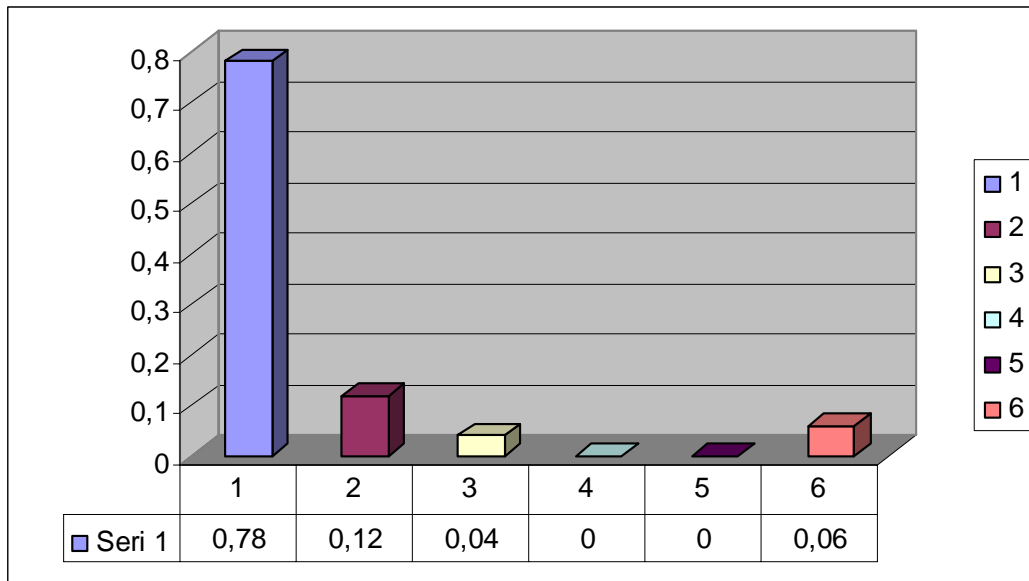
The result is as follows,



In this questionnaire flight crew were assessed for friendliness and helpfulness. A great amount of the passengers as 72 percent were pleased about the behavior of the flight crew. 4 percent were dissatisfied.

Q18: Table 4.18: The passengers were asked how they rate the meal.

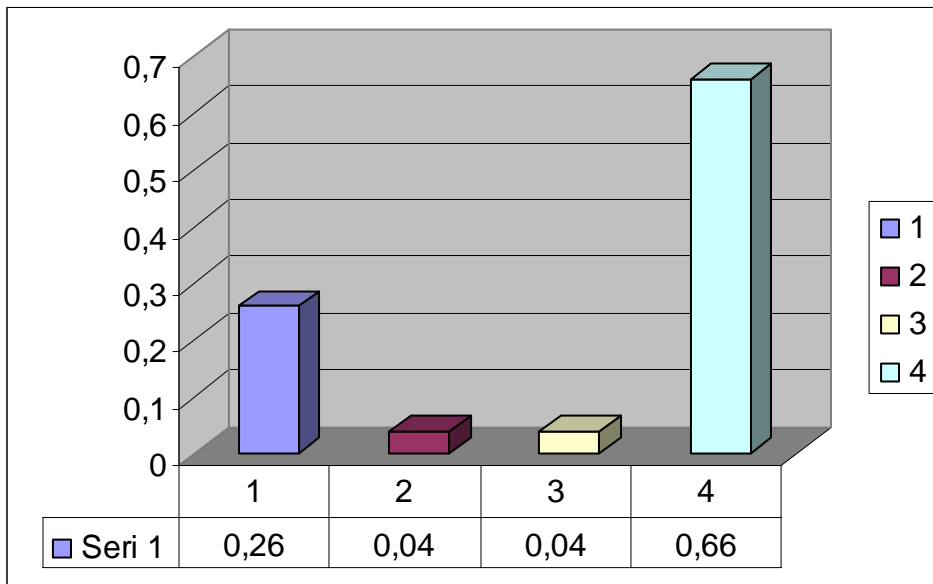
The result is as follows,



78 percent of the passengers were happy with the meal served in the aircraft.

Q19: Table 4.19: the passenger were asked if they were not satisfied with the meal, what the company can improve.

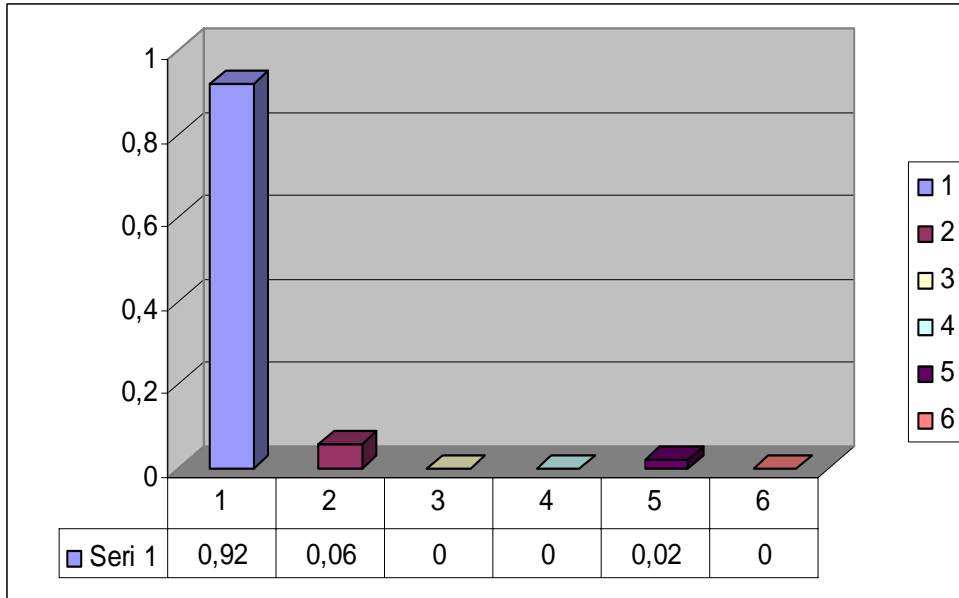
The result is as follows,



66 percent of the passenger enjoyed the meal. In addition that 26 percent of the passengers who were not satisfied with the meal offered improvement in the main course and 4 percent in salad and 4 percent in dessert.

Q 20: Table 4.20: The passengers were asked how they rated the selection of drinks.

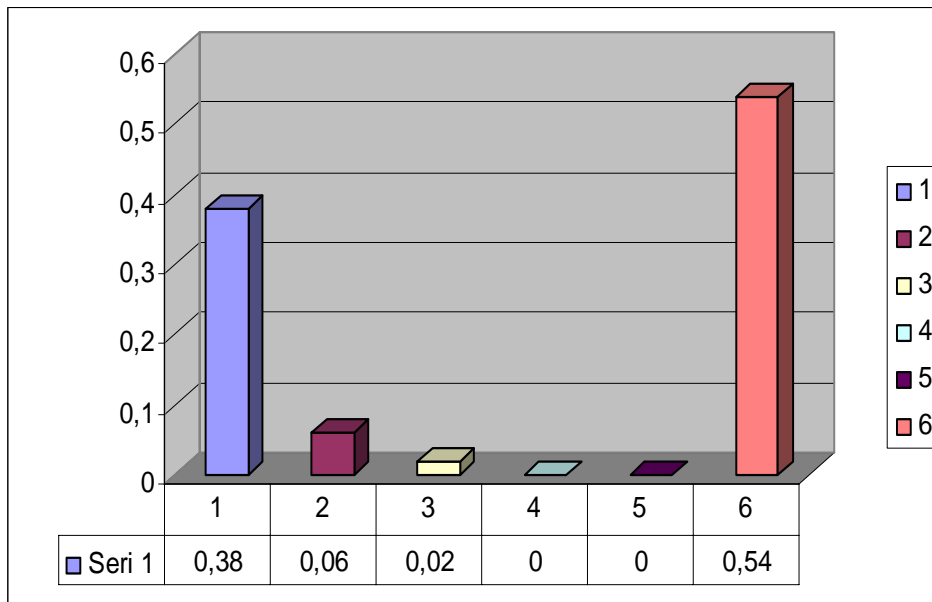
The result is as follows,



The selection of drink were rated 92 percent evaluated the drinks excellent.

Q 21: Table 4.21: The passengers were asked if they are travelling today with children, how they rated Sunexpress for family friendliness.

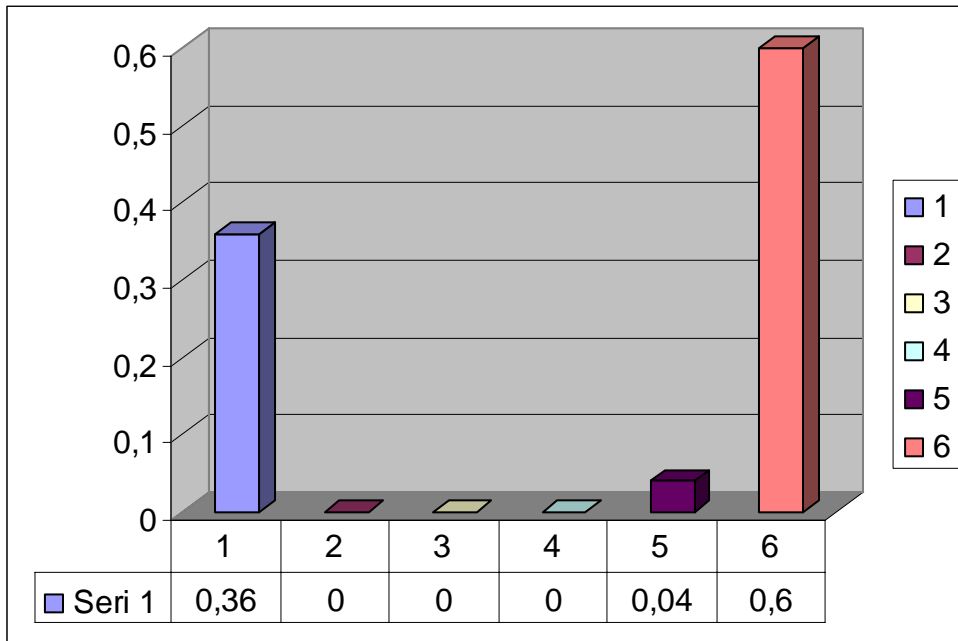
The result is as follows,



Passengers traveling with children were asked to rate sunexpress for family friendliness. 54 percent did not have children and 38 percent, who were traveling with children, were fully satisfied with the flight.

Q 22: Table 4.22: The passenger were asked if they purchased the head phones how they liked the film.

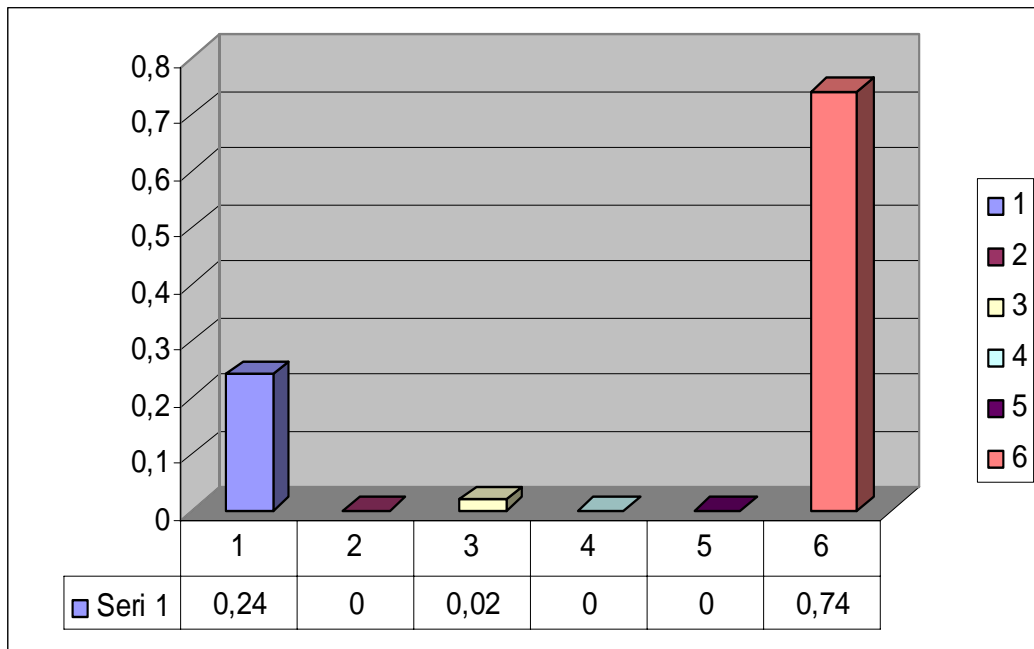
The result is as follows,



Passenger who purchased head phones evaluated the movies. 60 percent of them did not buy a head phones. 36 percent enjoyed the film and 4 percent did not like the movie.

Q 23: Table 4.23: The passenger were asked if they made a special reservation for this flight how they rated this service.

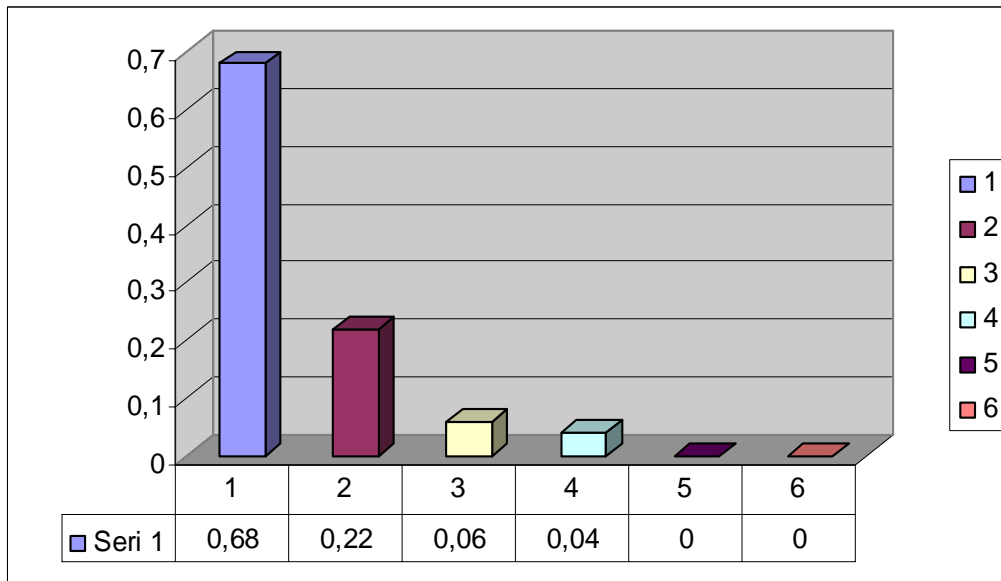
The result is as follows,



Passengers were asked if they made a special reservation such as a special meat, a special seat or an extra luggage for this flight. 74 percent did asked any special reservation. 26 percent made a special reservation and 24 percent were fully satisfied with their request.

Q 24: Table 4.24: The passengers were asked how they liked their duty free range.

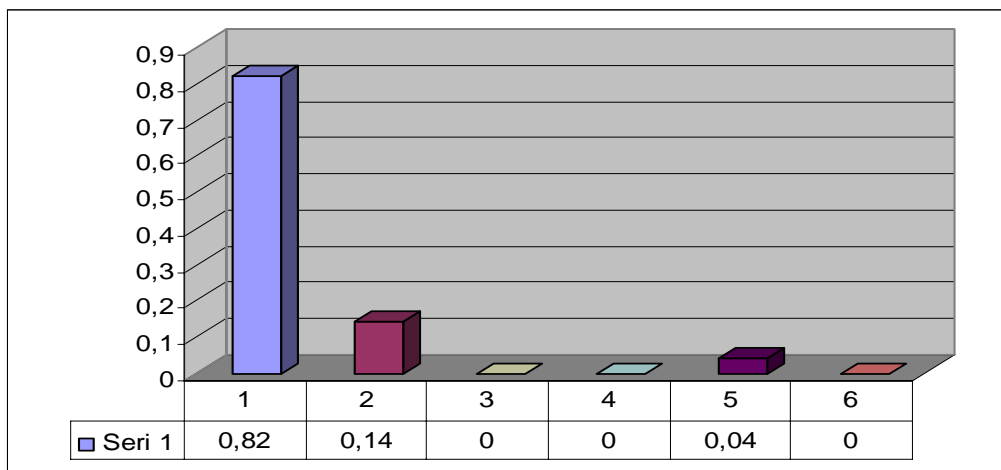
The result is as follows,



In this questionnaire, duty free range was evaluated 66 percent of the passengers found the duty free range satisfactory. Nobody had fully complaint about the duty free range.

Q 25: Table 4.25: The passengers were asked if the on board announcement were clear and understandable.

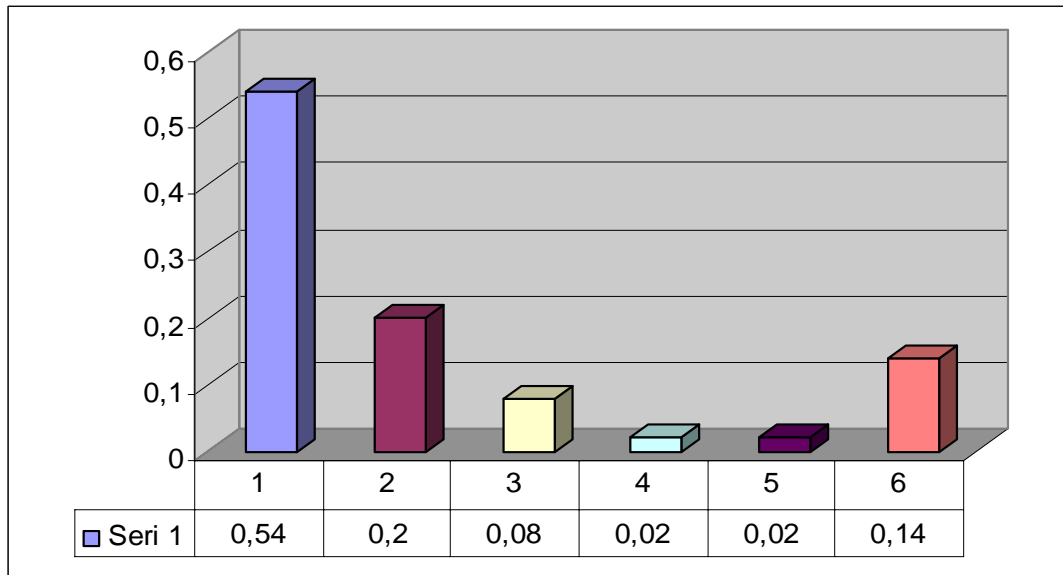
The result is as follows,



82 percent of the passengers clearly understand on board announcements.

Q 26: Table 4.26: The passengers were asked how they rated on board magazine “Sunny Times”.

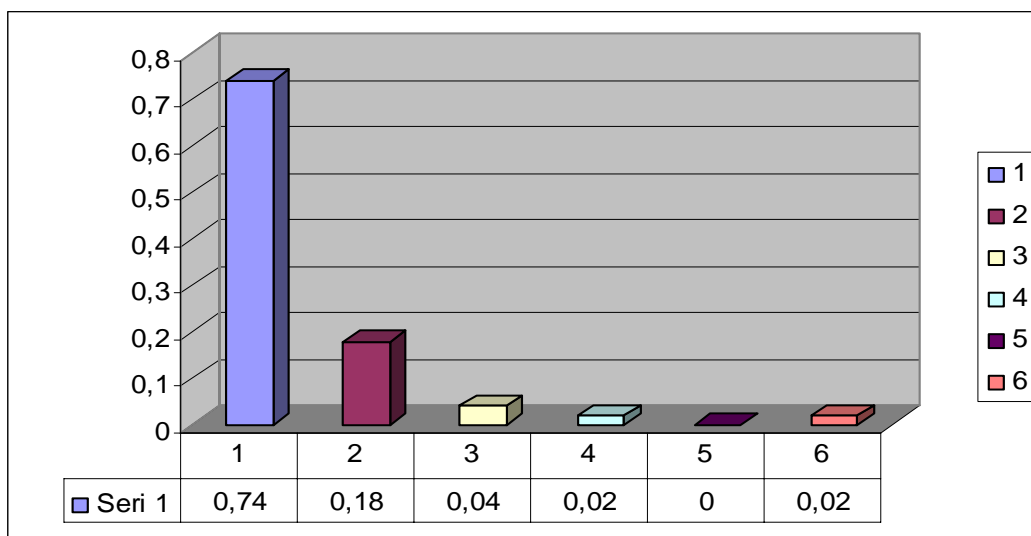
The result is as follows,



The on board magazine “Sunny times” was rated in this questionnaire. 54 percent of the passengers evaluated the magazine excellent. 14 percent found it insufficient.

Q 27: Table 4.27: Passengers were asked to award overall mark for on board service as whole.

The result is as follows,

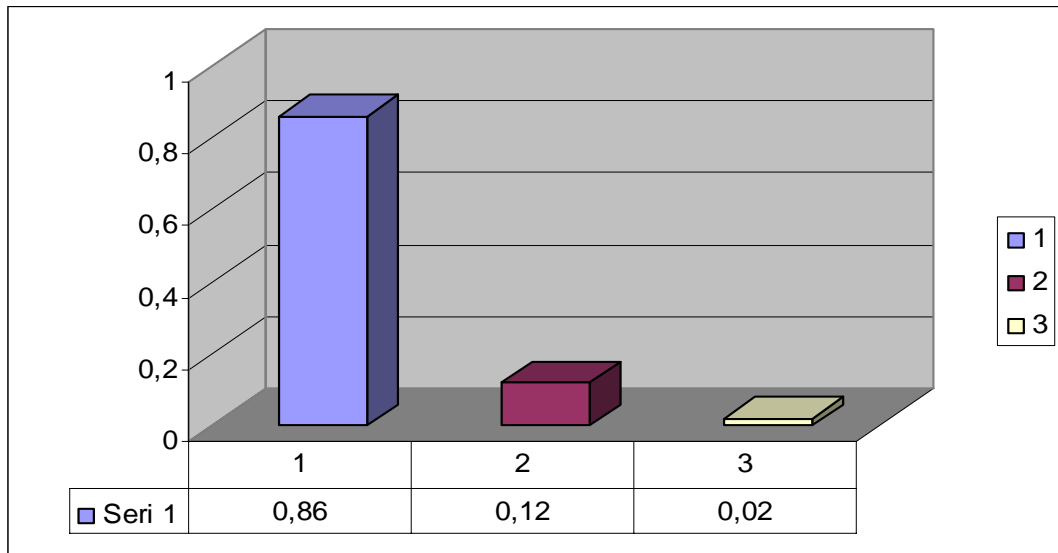


74 percent mentioned excellent observation. Only 2 percent were dissatisfied.

5.7 PART IV OF THE SURVEY

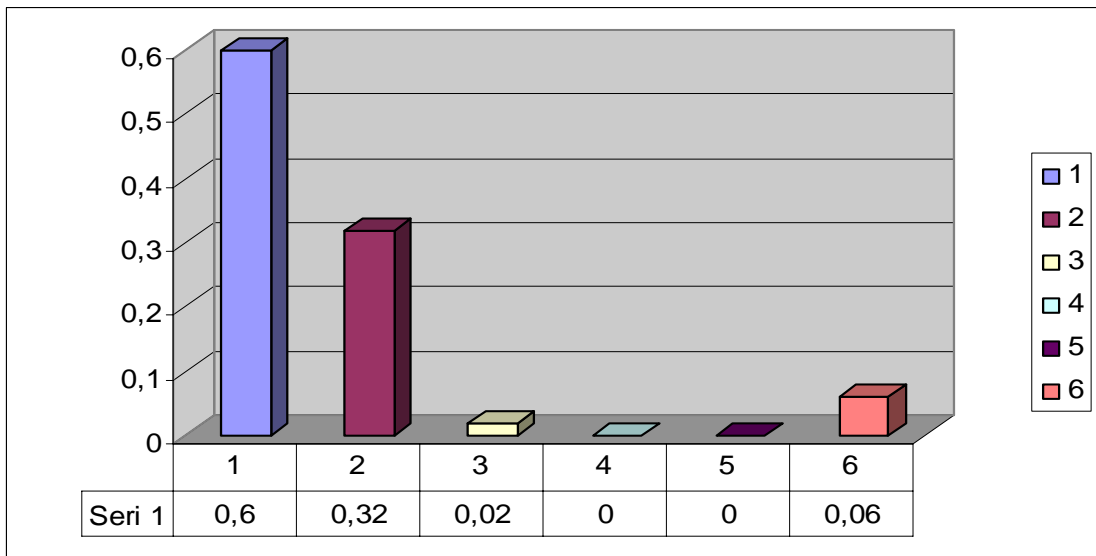
Q 28: Table 4.28: Passengers were asked if they would fly again with Sunexpress and recommend the airline to others.

The result is as follows,



86 percent of the passenger would recommend to other. 12 percent of the passengers did not has any idea about that. Only 2 percent of the passengers did want to fly again with Sunexpress.

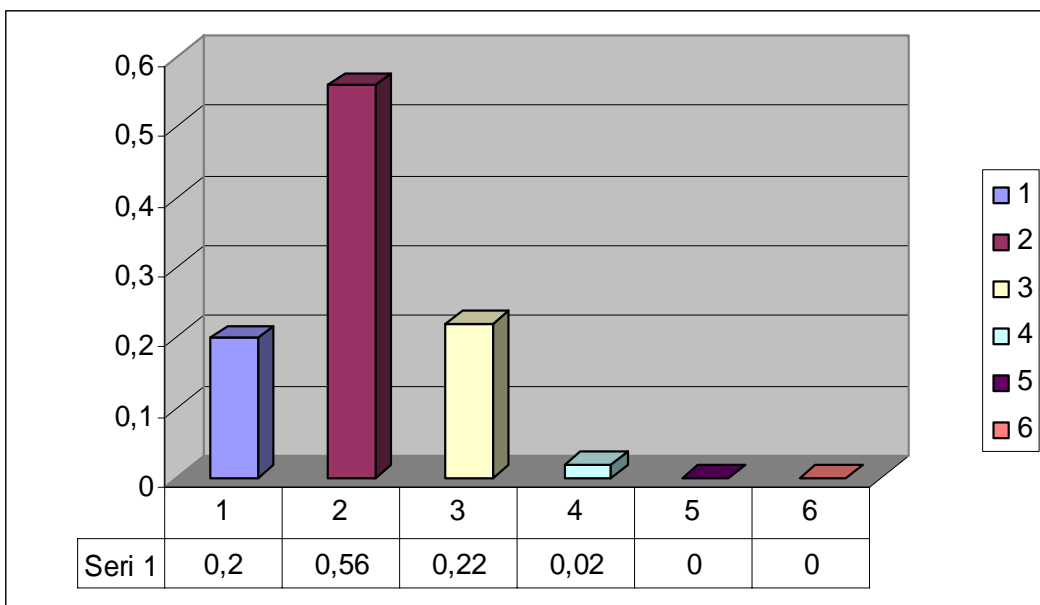
Q 29 : Table 4.29: The place of residence of the passengers were asked.



60 percent of the passengers were from Germany, 32 percent of them were Turkey, 2 percent of them were Switzerland and 6 percent were from other countries such as Holland, Belgium and Austria.

Q30: Table 4.30: In this question nationality of the passengers were asked.

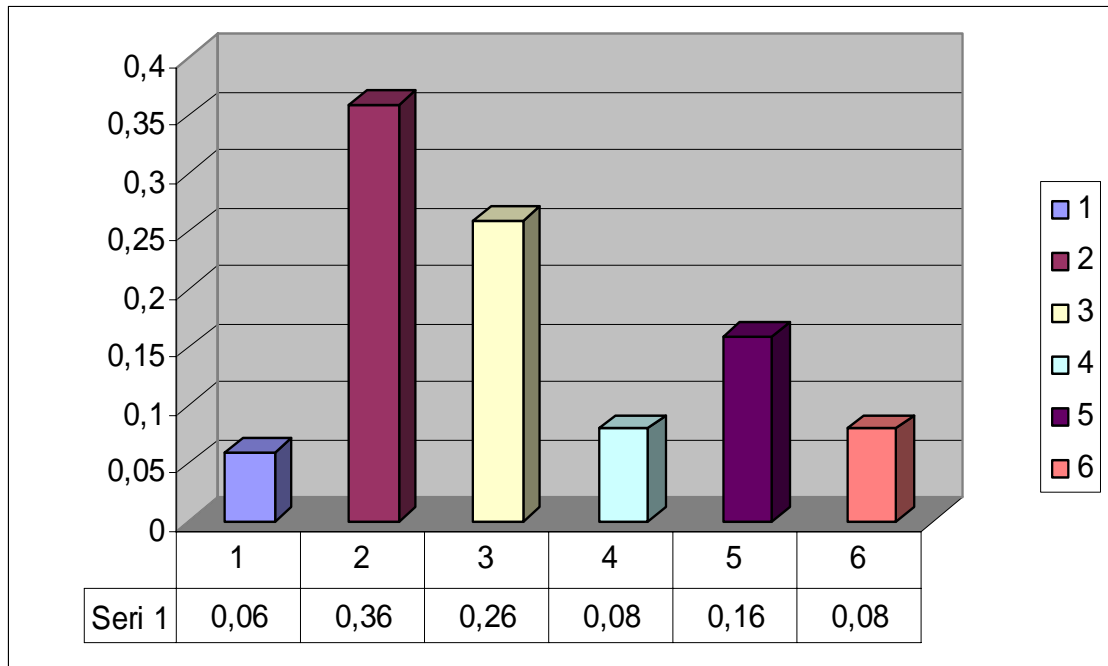
The result is as follows,



20 percent were German, 56 percent were Turkish, 22 percent were Turkish and German, 4 percent were Swiss.

Q 31: Table 4.31: In this question age group of the passengers were evaluated.

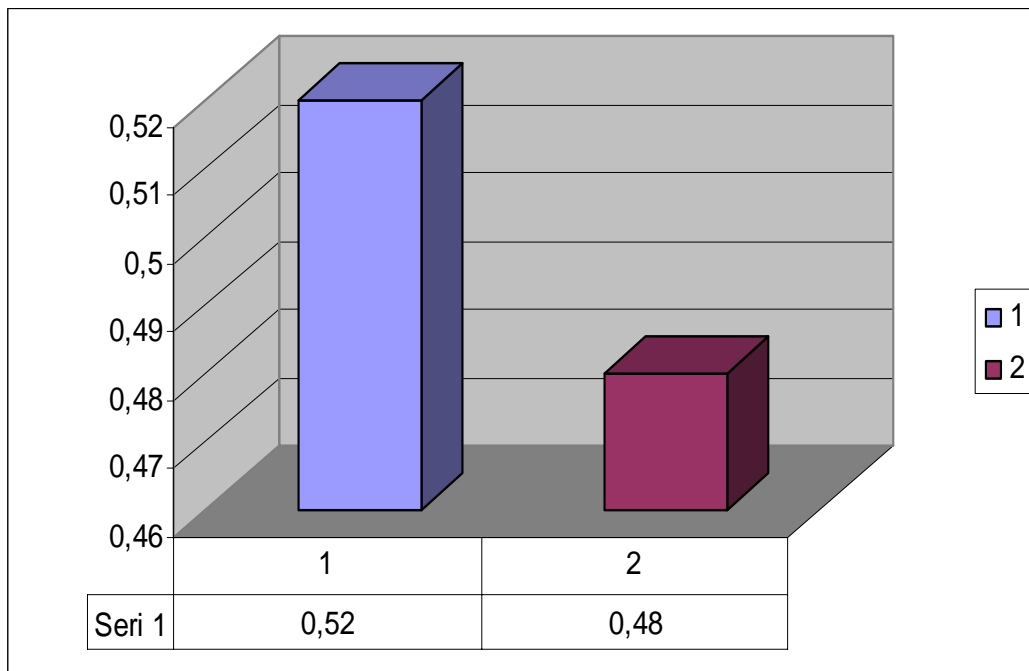
The result is as follows,



6 percent of them were 20 years and under, 36 percent of them were 21-30 years, 26 percent of them were 31-40 years, 8 percent of them were 41-50 years, 16 percent were 51-60 years, 8 percent of them were over 61 years.

Q 32: Table 4.32: Passengers were asked if they are female or male.

The result is as follows,



52 percent of the passengers were female and others were male.

CHAPTER V

CONCLUSION

6. RECOMENDATION AND CONCLUSION

The company should defined business activities from the passenger points of view. Passengers travel process is divided into six phases as shown in Figure 1, starting from passenger enquiry and ending up with passengers being out of operations. Around passenger travel process and satisfaction drivers, the company could identified key business activities:

- flight service;
- people management;
- Supply network management;
- information and integration;
- passenger requirement management; and
- customer satisfactions measuring .

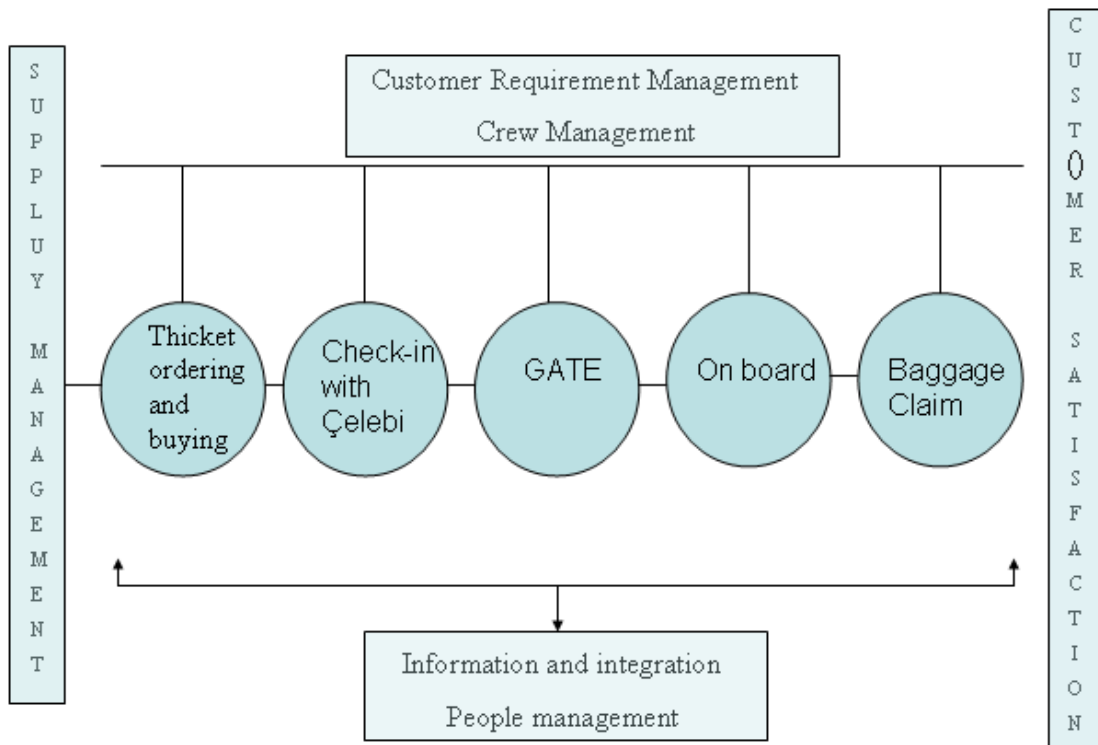


Figure 5.1: Key bussines activities in the passanger travel process.

Source: This is my own decine for process of boarding

In flight service; The company could classify customer satisfaction drivers according with the degree of obtainig services to individual passenger. The basic needs that the company has to deal with are safety, getting the luggage to the right place, and punctuality. The services must meet the basic requirement first before climbing the into higher satisfactions stage.

In order to become more competitive, the services must focus on qualifier drivers, i.e. providing more available choices on food menus, or enhance seating comfortability. Just meeting customer requirements is not enough; delighting passengers is only the way to differentiate business from other competitors. For cost saving opportunity, The company could use standart meal for each flight. If a passanger did not want to eat

standart meal, the passanger could choose meal when buying their ticket and they had to pay extra money for it.

In addition that company can give to card to its constant passangers who can easily make their check-in with priorly established computer in the airport. For example Lufthansa uses quick check-in system. Moreover, this card obtained passangers information and their recuirement and opinion about the flights. In this way the company can take opportunitiy in order to meet customer satisfuction.

For people management; People satisfaction is premise to achieve customer satisfaction. Quality should be seen to start from the top. The leadership of the organization must be intimately involved to see that the quality paradigm is planted into the minds and hearts of all staff. Senior managers made conscious efforts to reinforce the customer-driven focus and quality-orientation conveyed in vision; emphasised the program success is totally depends on people, no Technologies can work as replacement; and clarified objectives is to make all people satisfaction. All these messages communicated through kinds of channels such as company newsletter (), meetings, e-mail, more often in every informal occasions.

Team building is a key to successful leadership behaviour in a TQM organisation (Puffer and McCarthy, 1996). Sunexpress management required the company should be organised around processes, and be run by cross functional teams. They worked in teams, building role model for whole company. They not only encourage teamwork style, but also provide facilitating supports: defining processes, providing methodologies of team formulation, and empowering to teams. Cross-functional teams are bringing together people with different expertise. Such teams share responsibility and credit. Teamwork enhanced service quality in two examples. First, check in staffs

managed the queue by “seeing”, the available staff moves to busy counter when he/she sees the busy scene and queue. Only focus is clearing off queue before all the counters. (Puffer, S. and McCarthy, M. (1996), “A framework for leadership in TQM context”, Journal of Quality Management.)

The company should long term relationship with their supplier in order to achieving cost saving advantage. Because choosing new supplier and elimination creates additional cost avoiding this situation long term relationship is beter way. Some of the suppliers such as cathring servis in İzmir (Setur in flight service) is monopol firm. This monopoly are cause in reducing customer satisfaction. The company has operated as a partner of Turkish airlines. Avoiding this monopoly, the company could give their cathring service in THY’s cathering. Moreover, company uses Ablaş taşımacılık a.ş. to transport crew from home to airport. This is well for company because if they choose the paying Money to crew , it would be more expensive that outsource.

Information is the most important thing to make beter operatin. That’s why company uses web site for the all off cabin attendents. Every crew can reach the update information about their procedure and flight operation. This creats time and cost saving advantage and reduce paperworks.

In conclusion, company has got strong ability to make operation in order to customer satisfaction and requirements. As a partner of Lufthansa and Turkish airlines gives to the company well experience and knowlage about flight safety and emergency. Moreover, the company’s experience in this sector more than 18 years creat strong and long term relation with their customers.

Customer satisfaction, customer loyalty, and such related areas as service quality have received significant attention in the marketing literature. The key to customer loyalty and retention is customer satisfaction. A highly satisfied customer:

- Stays loyal longer
- Buys more as the company introduces new service and upgrades existing services
- Talks favourably about the company and its services
- Pays less attention to competing brands and advertising and less sensitive to price.
- Offers service ideas to the company
- Costs less to serve than new customers because transactions are routinized.

Thus a company would be wise to measure customer satisfaction regularly. There are different kinds of customer information and tools to find out “ what the customer wants”. One of them is collecting customer complaints and analyzing. In this thesis, customer complaints are handled for the customer satisfaction of the most profitable customer for the company.

In order to reach to this aim, companies apply many different business strategies. One of these strategies is Customer Relationship Management (CRM). As the accelerating trends towards Customer relationship Management (CRM) becomes more important.

Customer service is the most important factor in transportation and logistics. But it is not easy to control because everyone in the supply chain is responsible from the whole action. You can do everything right in business or fail if you do not care customers’ needs and wants. Moreover, when a consumer considered as a revenue, the customer

service could not be provide sufficiently. It has to be humanized. Current CRM systems can not improve customer relationship. Nowadays, the customer service is considered as only a marketing tool rather than a tool to manage customer relationship. Customer want from the company to understand their needs. Customer relationship must be the fundamental goal, not tool, for achieving customer satisfaction. The real goal for the marketing strategies must not be profit, customer relationship must be close. You can achieve profit with the right customer service operations, examing the satisfaction of the customer after the operartion is finished any by trying to compensate the false action. After you manage the customer relationships succesfully, you can evaluate service levels from their contribution to profit. I mean that profit must be the second reason, and if service levels increased by your good CRM than your profit will be increased.

The importance of technology and communication over CRM should be considered by the transportation companies. New Technologies such as internet, are increasing demands upon customer service to new levels. As customers embrace these new Technologies, their expectations for support and service are evolving. Some of the web-pages of the air transportation companies in the internet for learning the complaints and desires of consumers from their company. Companies that are using Customer Relationship Management systems will be at an increasing competitive advantage. The future of CRM is e-relationship management or CRM that will synchronize cross-channel relationships.

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www.supply-chain.org

www.sunexpress.web.tr

www.sunexpress.com.tr

APPENDIX A : QUESTIONNAIR

Your flight today
Date:
Flight number:
Airport of departure:

Please answer the following questions by marking “X” in the appropriate box.

1. what is or was the main purpose of this flight?

Holiday trip

Tour/student excursion

Business/official trip

Visit relatives

My house is in turkey

Other.....

2. Are you traveling alone or with company?

with partner/ husband or wife

with parents/ brother / sister etc.

with partner and children

with my children

with a group

3. Did you buy a package deal with hotel, transfer etc. Or only the flight ticket for this trip?

bought a package deal

bought only the flight ticket

4. If taken a package program: from which tour operator (not travel agency)
amongst the below did you buy?

alltours

bentour

berge& meer

L' tur

Öger tour/att

Not travel agency

- 5.If only purchased an airline ticket for today's trip: where and how did you buy
your ticket?

Travel agency

Directly ffrom Sunexpress

Throug Sunexpress web page

Through web page of the tour operator

At the airport

Not only purchies airline ticket

6. How long in advance did you book this trip?

same day

within 1 week

2-3 weeks in advance

1-2 months in advance

3-6 months in advance

more than 6 months ago

7. Did you have any experience with Sunexpress prior to this trip?

sunexpress was known to me by name

I flew with Sunexpress on a previous occasion

I heard of Sunexpress for the first time on this trip

8. How many times a year do you travel by plane?

this is my first flight

once in a couple of years

once

2-5 times

6 times or more

- Check in assessment at the airport today.

Please give your assessment below of today's check in for the Sunexpress flight at the airport by giving points between 1 and 6. you just have to mark the point you want to give. Point "1" means fully satisfied and your satisfaction lowering down to point "6" which means dissatisfied. Please award a mark on the basis of your personal impression.

9. Personnel at the check in counter were friendly and helpful

10. Personnel at the check in counter were competent

11. Check in was handled quickly and without difficulty.
12. Airport announcement for the departure were clear and understandable
13. Boarding went quickly and smoothly
14. Was your seat request fulfilled at check in?

Yes

No

I did not request a special seat

- Assessment of the flight and on board service.

Once again, please award marks from “1” (fully satisfied) to “6” (very dissatisfied)

15. What is your assessment of the overall condition of the plane?
16. How do you rate the seats for comfort?
17. How do you rate the flight crew for friendliness and helpfulness?
18. How did you rate the meal you were served?
19. If you were not satisfied with the meal, what can the company improve?
Main course
Salad
Dessert
I like the meal
20. How did you rate the selection of drinks?
21. If you are traveling today with children: how do you rate Sunexpress for family friendliness?
22. If you purchased headphones: how did you like the film?

23. if you made a special reservation for this flight, e.g. a special meal, a special seat, extra luggage: How do you rate this service?

24. How did you like our duty free range?

25. were the on board announcement clear and understandable?

26. How do you rate the on-board magazine "Sunny Times"?

27. If you were asked to award an overall mark for on board service as a whole, how would you decide?

28. would you fly again with Sunexpress and recommend us to others?

29. Where is your normal place of residence?

- Germany
- Turkey
- Switzerland
- Austria
- United Kingdom
- Other country

30. what nationality are you?

- German
- Turkish
- German and turkish
- Swiss
- Austrian
- Benalux Countries
- British
- Other nationality

31. to which age group do you belong?

- 20 years and under
- 21-30 years
- 31-40 years
- 41-50 years
- 51-60 years
- over 61 years

32. Are you female or male?

- Female
- male