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**Fall**



How to build an Empire through customer satisfaction

“What should Empire Import & Export N.V. change in their strategy to decrease the amount of inactive customers from thirty one percent to twenty five percent within two years?”

# Title page

Increasing customer retention: How Empire Import & Export N.V. can decrease its inactive customer base from thirty one percent to twenty five percent in Curacao within two years.

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# Foreword

First of all, I would like to introduce myself. My name is Sebastiaan Huib van Saane, student at the Hogeschool Utrecht. I am graduating for the bachelor International Business and Management Studies, also known as IBMS. To graduate, Empire Import & Export N.V. has given me the opportunity to do my final internship in Willemstad, Curacao.

In front of you lies my graduation report on decreasing customer inactivity within the company through raising customer satisfaction. I have been working on this research since September 2012, getting to know the company and its customers through and through.

Before starting my internship I had no knowledge on the ad specialty business, or how dynamic it is. I had also never gained first hand experience the import/export. Empire has given me both and for that I would like to thank the company and its CEO Rene Boutmy for that.

Initially, the research project was divided between huub Klepper and myself. During the research period however, Huub decided to leave the company and the project. This resulted in a problem for me, which took quite a few brainstorming sessions with my company supervisors to resolve.

In supporting me during the internship as well as help resolve problems that arose during the research, I would like to thank both my company supervisors Barry van Eeden and Sharina Mutiara van der Boom. Also Robert Bos, sales representative at Empire Promotions N.V. deserves a word of thanks for his part in helping me deal with the ad specialty business and its customers.

Last but not least I would like to thank my school supervisor Mr. Edwin Weesie for his help and guidance during the research.

Sebastiaan van Saane

Table of Contents

Title page 2

Foreword 3

Executive summary 7

Glossary of terms 9

Chapter 1 – Introduction 10

1.1 The company 10

1.1.1 Organizational structure 11

1.1.2 Recent Company History 12

1.1.3 Mission/Vision 12

1.2 Research 12

Chapter 2 – Literature review 14

2.1 Role of customer satisfaction in customer defection 14

2.1.1 Customers 14

2.1.2 Customer satisfaction 14

2.1.3 Customer Relationship Management 14

2.1.4 Product requirements 15

2.1.5 Services 15

2.1.6 Value Disciplines 15

2.1.6 Segmenting 16

2.1.7 External factors 17

2.1.8 Internal factors 17

Chapter 3 – Methodology 18

3.1 Orientation 18

3.2 Data Collection 18

3.3 Data Analysis 19

3.4 Population and Sampling 20

3.5 Limitations 21

3.6 Delimitations 21

Chapter 4 – Findings 22

4.1 Company profile 22

4.1.1 STP Model 22

4.1.2 Marketing Mix: 6P model 23

4.1.3 SWOT Analysis 27

4.1.4 Confrontation matrix 27

4.2 Market profile 29

4.2.1 Market size 29

4.2.2 Market Growth Rate 29

4.2.3 Market trends 30

4.3 Customer profile 31

4.3.1 Types of customers 31

4.3.2 Past ordering patterns 31

4.4 Customer Needs 32

4.4.1 Non responsive customers 32

4.4.2 Outdated contact information 33

4.4.3 Not interested 34

4.4.4 Interviews 35

4.4.5 Other 39

4.6 Value Discipline model 40

Chapter 5 – Discussions & Conclusions 41

Chapter 6 – Recommendations 45

6.1 Recommendation 1. Update customer database 45

6.2 Recommendation 2. Improve communication 47

6.3 Recommendation 3. Change customer perception 48

References 50

Appendixes 53

Appendix 1; Empire customer location table. 53

Appendix 2; Marketing Mix: 7P model 54

Appendix 3; SWOT analysis 59

Appendix 4; Empire Revenue per customer 2011 61

Appendix 5; Curacao GDP 2003 - 2010 62

Appendix 7; Empire customer segmentation 64

Appendix 8; telephone interview results 65

Appendix 9; Customer visit files 66

Appendix 10; Customer potential 68

Appendix 11; New customer interview results 70

Appendix 12; Loyal customer interview results 72

Appendix 13; Total sales results 74

# Executive summary

Currently, Empire Import & Export N.V. has roughly 1400 customers in its customer base. These customers are divided over 65 different segments. Of these customers, a total of 442 customers are inactive, meaning that these customers have not ordered products for at least 4 years. Due to the extra cost of obtaining new customers, as well as losses in revenue from its current customers, this inactive customer base has to be decreased.

Through a company analysis, consisting of several models, an overview of the company’s strategies and the way it wants to be set into this market is created. The company would like to position itself as a service oriented company with every possible product and a lot of experience.

A market analysis indicates that the local economy is suffering from the financial crisis since 2008 and this is affecting the spending capability Empire’s customers.

A research pool of 117 inactive customers has been created to research reasons for this growth in defection. Also two control groups have been created, one group of new customers and one group of loyal customers, providing a total research group of 220 customers. These 220 customers were all researched through a telephone interview, dividing them into different customer satisfaction zones. These five different zones are; not interested, non-responsive, outdated contact information, interview, and other.

The “not interested group” contains 46 customers. Roughly half of these customers indicate that the reasons for not returning to do business have nothing to do with the company-customer relationship

There is also a group of 46 customers that are non-responsive. These customers have been contacted but there was no response. This is probably due to outdated contact information, but to constraints this has not been confirmed.

A large group of 52 customers have confirmed outdated contact information, which is 21 percent of the research pool. This is a large issue for the company, which should be solved through a CRM system and one centralized customer database.

Interviews were held with 82 customers of the research pool. These customers have been assessed, resulting in data that has been sorted on inactive customers, new customers who have stopped ordering and loyal customers.

Inactive customers are mainly the smaller companies, and provide two distinct reasons for not returning to do business with Empire. The first is communication, and the second is price. Price is due to the economy always an issue and it is key for Empire to explain the added value of its products to the customers. Secondly, communication to these smaller customers is low. The interviewed customers indicated that they are looking for a promotional supplier that provides usable options for the company instead of letting them figure it out for themselves and only handling orders.

Customer potential the inactive customer group is high, with 70 percent of the researched customers being medium to high potential. Sales to these customers, after one visit is only 3 percent, indicating that it is difficult to sell to customers after they become inactive.

The control group of new customers provides the same reasons for not returning yet. These customers are more aware of product prices and this is the main issue for them. It is also important for these groups to become aware of the added value Empire products have to their business. Secondly, also for this control group, communication is an issue. Sales to these customers were 22 percent, indicating that it is easier to sell to active customers than it is to sell to inactive customers.

Loyal customers are mainly the larger customers. These customers are indicating that reasons to remain loyal are price and force of habit. It is interesting that these customers find Empire’s prices a reason to stay. This is due to the fact that these companies are aware of the added value Empire products have and therefore the fact that it is higher than regular products is not an issue. It also indicates that if customers are treated well, force of habit will have them returning for business. Sales to loyal customers are easily made, as is indicated in a sales result of 44 percent to this group.

This information is linked to the value chain model of Treacy and Wiersema, where it is important for a company to be sufficient at two of the dimensions, and excel at one. The different dimensions are operational excellence, product leadership and customer intimacy.

Product leadership is high for Empire, as it provides a wide range of products and is able to provide the latest products as well. Operational excellence needs to become better by updating the customer information database and implementing a CRM system.

Customer intimacy however, is the strategy that Empire has chosen. This strategy is working well for the large customers, as can also be seen in the interview and sales results. For small customers however, this is not sufficient enough and needs to be increased. This is accomplished by contacting every customer at least once a year. Also customer perception of the company and its products need to change. This can be done through informing customers of the added value of ad specialties, and making them aware of the cost-efficient marketing tool that Empire is providing them.

# Glossary of terms

Actual product The actual product that a company is offering its customers.

Ad specialties Other word for promotional products.

ASI The Advertising Specialty Institute is the largest for profit organization serving the advertising specialty industry.

Augmented product The augmented product is build around the core and actual products by offering additional customer service and benefits.

Core product The core product are the problem solving core benefits of a product.

CRM Customer Relationship Management.

Customer defection Customers that have defected to competitors or have stopped using products in this market all together.

Customer satisfaction Customer satisfaction is a measure of how products and services supplied by a company meet or surpass customer expectation.

Inactive customers Customers that have stopped buying promotional products from Empire Import & Export N.V. for over four years.

PPAI The Promotional Products Association International is a trade organization for suppliers and distributors in the promotional products industry.

Promotional products Products that are useful and/or decorative articles of merchandise that are used in marketing and communication programs.

Segmentation segmentation is a marketing strategy that involves dividing a broader target market into subsets of customers who have common needs.

Stratas Plural of Stratum; One of a number of layers, levels, or divisions in an organized system.

# Chapter 1 – Introduction

## 1.1 The company

The internship company, Empire Import and Export N.V. (henceforth referred to as Empire), is a distributor of both school supplies and promotional products for the B2B market. It is a relatively small company with its 21 employees; however, access to 3.000 suppliers in combination with 25 years of experience has made the company market leader in promotional products in Curacao. Besides this, the company is active throughout the Caribbean area, as well as parts of South America, as can be seen in the Table 1. (Bos, 2012a).

|  |  |  |
| --- | --- | --- |
| **Country** | **Amount of customers** | **Percentage of total customer base** |
| Antigua | 1 | 0.07% |
| Aruba | 40 | 2.90% |
| Bonaire | 72 | 5.22% |
| Curacao | 1208 | 87.54% |
| Mexico | 1 | 0.07% |
| The Netherlands | 4 | 0.29% |
| Puerto Rico | 1 | 0.07% |
| Sint Maarten | 46 | 3.33% |
| Suriname | 2 | 0.14% |
| Trinidad | 1 | 0.07% |
| USA | 2 | 0.14% |
| Venezuela | 2 | 0.14% |

As the table indicates, most of Empire’s customers are located on the island of Curacao. With 87,54 percent of its customer base, this is the main operating area of the company. Even though customer amounts and sales are low in other parts of the Caribbean and South America at the moment, there is a future growth plan to expand these markets.

Empire also has memberships in both the Advertising Specialty Institute (ASI) as well as the Promotional Products Association International (PPAI), the two largest promotional trade associations in the world. Through these trade associations, Empire has guaranteed access to 3.000 suppliers with a total of over 800.000 products in the USA alone (Advertising Specialty Institute, 2012; Bos, 2012b; PPIA, 2012).

Because of the memberships in both associations, roughly 70 percent of all products sold by Empire are imported from the US. Besides this, 15 percent is produced in Europe and 5 percent comes from China. The other 10 percent is divided over different parts of the world (Boutmy, 2012).

Empire has split its company activity into three different areas;

1. *Promotional items*
2. Clothing
3. School supplies

Each of these activities has their own characteristics. For this project, only Empire’s promotional activity has been researched, as experience has shown the company that this activity has the most unstable customer base (Boutmy, 2012).

### 1.1.1 Organizational structure

The organizational structure that Empire uses is a functional structure. The company has different departments, each with a specialized set of tasks. An obvious advantage of this structure is that every department is focusing on one set of tasks. This structure is aiding Empire to achieve operational excellence as division of tasks result in a more efficient manner of targeting customers as well as dealing with logistics and financial issues (Treacy & Wiersema, 1992).

Graph 1. Organizational Structure Empire Import & Export N.V.

A disadvantage of this type of structure however, is that communication between functional groups of the organization can be lacking, which makes the organization slow and inflexible (Davoren & Media, 2013). This is also the case for Empire. Communication between departments is low which results in information being lost, and work that has to be done several times instead of once and shared with all departments.

### 1.1.2 Recent Company History

Empire has been in business since 1984, and has remained small with little growth for most of its earlier life. However, after Mr. Boutmy became CEO in 1997, a more aggressive growth strategy was adopted and from 2001 to 2012, Empire’s revenue has grown year-over-year with an average of 15,56%. (*Quickbooks*, 2012). This growth over a longer period of time indicates that the number of customers and market share has grown as well.

### 1.1.3 Mission/Vision

Empire’s mission is to “Become market leader on the Caribbean promotional market with a 100 percent customer satisfaction rate”. This mission is an expansion of the success the company has had on the Curacao market, and is based on the company’s value that customers are king (Bos, 2012b; Boutmy, 2012).

The vision of the company is to “Provide the tools to build ever-lasting relationships with your customers through promotional products”. This is based on the true belief that Empire’s products work and provide the relationship service it is meant to be providing (Boutmy, 2012).

## 1.2 Research

Currently, Empire has a customer base of roughly 1400 customers that are segmented over 65 different branches. The company is dealing with a growing amount of inactive customers, currently 442, as well as a large group of potentially inactive customers (Boutmy, 2012; van Eeden, De Vries, Robert, & Boutmy, n.d.). It is very important for the company to research this, and turn the trend around. This will lead to Empire decreasing unnecessary costs in retaining unwanted customers, but mostly in obtaining new customers and missed income (Kotler, Armstrong, Saunders, & Wong, 2005).

Therefore, the research is aimed at the following research question;

**“What should Empire Import & Export N.V. change in their strategy to decrease the amount of inactive promotional customers on Curacao from thirty one percent to twenty five percent within two years?”**

To be able to answer this main question, several sub-questions have to be answered first. These sub-questions are;

1. What type of customers does Empire have?
2. Which of the different customer types do not return within four years?
3. What is the ordering pattern of promotional products on Curacao and within the customer base of Empire in the last ten years?
4. What are the reasons for these ordering patterns?
5. Which reasons are there for inactive customers, as well as potentially inactive customers of Empire not to return?
6. What methods does Empire currently use to retain customers?
7. What types of changes can be made within the strategy of Empire to increase customer retention?
8. How should these changes in strategy be implemented in the company?

These sub questions form the structure of the research as well as this report. Chapter 2 consists of a Literature Review, which explains what research has already been done on customer satisfaction in relation to customer retention. In chapter 3, the methodology is explained. This provides the reader with a clear understanding of the research project as well as the methods used to reach an answer to the research question. Chapter 4 is the main chapter of this paper, and provides the reader with results on the research. This chapter consists of a company profile, a market profile, a customer profile, as well as customer needs. Customer potential is mentioned here as well, referring to appendix 10, to create an understanding of the missed income on inactive customers. All findings are then implemented in the Value Discipline Model creating a summarized understanding of the current strategy on customer retention as well as changes that might be needed in this strategy. Chapter 5 concludes as well as discusses the findings, and in Chapter 6, three recommendations are made on how to improve customer retention.

# Chapter 2 – Literature review

## 2.1 Role of customer satisfaction in customer defection

### 2.1.1 Customers

Customers are the most important aspect of a company. Without customers, a company has no revenues, no profits, and therefore no market value (Gupta & Lehmann, 2005). Due to the fact that customers are so important it is vital to keep them satisfied. In a buyers’ market, a company’s customers can choose from a wide array of goods and services, and therefore, if the product and service is not of an acceptable standard, it is easy to lose customers to competitors (Kotler et al., 2005).

### 2.1.2 Customer satisfaction

Customer satisfaction is defined by different people, however Oliver’s (1999) definition is: “the consumer's sense that consumption fulfills some need, desire, goal, or so forth and that this fulfillment is pleasurable” (Oliver, 1999). In order to fulfill this need, the value of the products acquired needs to exceed the money that has to be paid for it. This is called customer value or perceived value (ACSI, 2012). Superior customer value and customer satisfaction are therefore inextricably linked to the rate that customers return in (Kotler et al., 2005)(Oliver, 1999).

Satisfying customers however, is according to Oliver (1999) not enough to assume high customer retention, as it is common that customers are satisfied with more than one supplier (Oliver, 1999). For satisfaction to affect loyalty, frequent or cumulative satisfaction is required (Oliver, 1999).

Rustenburg (2007) confirms this by stating that with measuring customer satisfaction and loyalty, all aspects that a customer experiences as pleasurable or displeasurable need to be taken into account. For retention to improve and loyalty to rise, customers must be highly satisfied on all of these aspects (Rustenburg, Gouw, Geus, Buurman, & Smal, 2007).

### 2.1.3 Customer Relationship Management

A good way to monitor and adjust marketing efforts to increase customer satisfaction is a CRM system (Mithas, Krishnan, & Fornell, 2005). A CRM system will enable the company to manage contacts, and integrate your accounting software, customer contact in one program, diminishing the chance of double entries and longer lead times. Faster and better service will increase customer satisfaction (“Method CRM,” 2013).

An opposing argument to CRM systems according to Coltman (2007) is that many CRM efforts fail to meet initial expectations of the companies implementing them. The reason for this is often that practitioners frequently associate CRM with technology based solutions (Coltman, 2007).

### 2.1.4 Product requirements

What aspects in customer satisfaction need to be taken into account differs per business as well as geographical location. According to Kano however, all of these customer satisfaction aspects can be distinguished into three types of product requirements (Sauerwein, Bailom, Matzler, & Hinterhuber, 1996). These product requirements are standards that a product needs to meet in order to increase customer satisfaction. “The first requirements are the must-be requirements. If these requirements are not present in a product, the customer will be extremely dissatisfied. The second type of requirements is the one-dimensional requirements. With regard to these requirements, customer satisfaction is proportional to the level of fulfillment - the higher the level of fulfillment, the higher the customer’s satisfaction and vice versa. And finally, there are the attractive requirements. These requirements are the product criteria which have the greatest influence on how satisfied a customer will be with a given product” (Sauerwein et al., 1996).

The Kano model focuses on the quality of the product, however later studies conducted by i.e. the ACSI and Treacy and Wiersema agree that customer satisfaction is depending on more than product quality (ACSI, 2012; Treacy & Wiersema, 1992, 1997).

### 2.1.5 Services

The American Customer Satisfaction Index agrees with the Kano Model fundamentals, however they believe that in the current business world, service is as important to the customer as the product itself. Therefore, they have added the service aspect to build three components that determine customer satisfaction. These components are; customer expectations, perceived quality and perceived value. A customer expectation is a measure of the customer's anticipation of the quality of a company's products or services. Perceived quality is a measure of the customer's evaluation via recent consumption experience of the quality of a company's products or services. Perceived value is a measure of quality relative to the price paid. (ACSI, 2012).

This additional value of service is also important in the ad specialty business. A study done by the Advertising Specialty Institute indicates that customer service is gaining importance and the standards are getting higher. The percentage of distributors who have clients asking for extra services has jumped from 36% in 2005 to 59% in 2011 (Vagnoni, 2012).

### 2.1.6 Value Disciplines

In addition to product quality and customer services, on which Kano and the ACSI focuses, Treacy and Wiersema (1992) believe that the logistical aspects of production and delivery are vital to the growth of a company and decreasing customer defection as well. Their point is that a company must have a high standard in all three of these values, and excel in one. (Treacy & Wiersema, 1992). Treacy and Wiersema have called these three values; Product Leadership, Customer intimacy and Operational excellence.

Companies that pursue product leadership strive to produce a continuous stream of state-of-the-art products and services. Being creative and commercializing new ideas quickly is key. While companies that focus on product leadership focus on superior products, companies that strive for customer intimacy continually tailor and shape products and services to fit the wishes of the customer. This can be expensive, but customer intimate companies are willing to spend now to build customer loyalty for the long run. This is a strategy that Kotler (2005) agrees on. According to him it is costly to generate satisfied and loyal customers, however it will prove to be profitable in the long run as it is five times more expensive to gain new customers then it is to retain them (Kotler et al., 2005).

Companies can also use an operational excellence strategy. The objective of this strategy is described as “to lead its industry in price and convenience. Companies pursuing operational excellence are indefatigable in seeking ways to minimize overhead costs, to eliminate intermediate production steps, to reduce transaction and other “friction” costs, and to optimize business processes across functional and organizational boundaries to deliver their products or services at competitive prices” (Treacy & Wiersema, 1992).

These strategies are very useful in reacting to the market place and competitive pressures. The company has to act consistently with the value discipline strategy chosen (Treacy & Wiersema, 1992). To monitor whether the company’s decisions are in line with the chosen strategy, the company needs to do market audits. These are periodic and systematic analysis of the market segments and external as well as internal factors (Rustenburg et al., 2007).

### 2.1.6 Segmenting

Market segmenting is a strategy used by most companies. In segmenting the market, a company is viewing the total market as a number of smaller markets, responding to the different preferences and desires of customers (wedel & Kamakura, 1999). In the business-to-business market many companies use industry as a segmentation criterion, since it is a good indicator of the products and services that the customer will value and the type of sale process that will be successful. Also, almost all companies consider account size when segmenting accounts, as large accounts demand special attention. Companies, can segment by almost endless criteria, and make their customer segmentation more powerful by investing in ways to measure account potential. Whatever segmentation criteria are chosen however, the best segmentation strategy is a combination of multiple criteria (Zoltners, Sinha, & Lorimer, 2009).

However, a survey done by the Advertising Specialty Institute indicates that within the promotional market segmenting is low. This indicates that not all businesses are agreeing on the importance of segmenting. Only 23% of distributors in this market segment their clients and offer enhanced services to certain segments. This percentage has declined from 28% five years ago. The researchers at the Advertising Specialty Institute however, agree that this is a negative trend, and an increasing number of distributors may be holding onto customers that are doing them more harm than good (Cummings, 2012).

Not only is a lack of segmenting harmful for the company in missed income, it also decreases customer satisfaction as customers will not be targeted with appropriate and specific marketing and sales efforts. This decrease in customer satisfaction will in turn lead to a higher defection rate (Cummings, 2012).

### 2.1.7 External factors

To increase customer satisfaction and analyze the decisions the company is making, external factors should also be taken into account. These include economic, political as well as cultural factors but also customers and suppliers (Rustenburg et al., 2007). The most useful way of making an external analysis is to use the Opportunities and Threats part of a SWOT analysis. During this analysis, these factors should be placed in the Value Discipline model and scored on performance.

### 2.1.8 Internal factors

Besides these external factors, internal factors are of vital importance to customer satisfaction as well (Rustenburg et al., 2007). The way the company targets their customers and positions the company, the expectations that are created in the customers minds and meeting these expectations is what determines customer satisfaction (Kotler et al., 2005). This provides the company with a customer perspective which is critical to understanding the needs of the customer (Lauterborn, 1990).

These internal factors are captured in analyzing the strengths and weaknesses of the company, completing the SWOT analysis (Rustenburg et al., 2007). These factors can also be placed in the Value Discipline Model and when this is done periodically, the company will keep sight on the strategy it has chosen, as well as keeping customer satisfaction high.

Because customer satisfaction is directly linked to customer loyalty (Kotler et al., 2005; Oliver, 1999), when customer satisfaction is high, customer loyalty will increase as well and customer defection will decrease.

# Chapter 3 – Methodology

## 3.1 Orientation

The question of lowering customer defection is a practical problem as it influences Empire’s business and therefore a practical research strategy will be used during the research.

This practical strategy results in answering the sub-questions stated in chapter 1, and eventually provides solutions to the main research question. The first three sub-questions are of a quantitative nature, as they mainly entail customer types and ordering patterns.

To answer sub-questions four and five, practical research is conducted using an interpretive strategy, gaining mainly qualitative data through observation, interviews and sales pitches. This way, customer opinions as well as company perspectives are clearly defined. To process this qualitative data however, it has to be converted to quantitative data. By converting the data back to numbers, a clear overview is created. Sub-questions six, seven and eight are answered by analyzing all data acquired during the previous research, consisting of a mixture of both quantitative as well as qualitative data (Verhoeven, 2011).

## 3.2 Data Collection

Data collection is conducted through several methods. During the course of the research, desk research, interviews and observations are used to collect data. What types of data collection are used is explained per sub-question.

Data on customer types, which is used to answer sub-question one and two is collected through desk research using the customer database as well as sales records. This will provide insight in the different types of customers Empire has, as well as the types of customers that are more likely to defect. The reason for choosing this type of research for the first sub-questions is to gain knowledge on the business and its clients, as well as gaining knowledge on defection rates within a short timeframe. Qualitative data through interviews with customers and management has been kept to a minimum at this point, as it does not fit the timeframe.

Market data, used for sub-question three, as well as customer ordering data is collected through desk research as well. This type of research is chosen because it is the most efficient way of gaining information on a market as well as the local economy. Ordering patterns of customers will first be generally researched through observation and interviews within Empire, providing a good idea on average ordering rates and patterns within the customer base.

Reasons for these ordering patterns, as well as reasons for not returning are the main area of focus during this project, and given the large timeframe in which these sub-questions are being researched. Data was first collected from inactive customers through telephone interviews. Afterward semi-structure face-to-face interviews were held with a selection of the research population, using the angle of a sales pitch. The decision for interviews was made because as Verhoeven says, “Figures can not reveal the information underlying them” and therefore, a survey is less informative than interviews (Verhoeven, 2011). Furthermore, the interviews were based on customers that voluntarily do not return, as they are the main focus. Research in this way is qualitative, but to make it measurable and enhance the validity of the research results, triangulation was used, making the data quantitative (Verhoeven, 2011).

These interviews were held at the local companies, providing a non-threatening environment as well as the opportunity to observe the state of the customer’s business and customer satisfaction. At first, it was chosen to have two people interviewing these customers, however, halfway through the project, this was decreased to one.

Company policies on how Empire is currently marketing its products and retains their customers is analyzed though observation as well as interviews. During the research, work will be done at the marketing department where the day-to-day activities on customer contact will be experienced.

## 3.3 Data Analysis

Data that is collected through desk research has been analyzed using several theoretical models.

First, a company profile is created through analyzing different theoretical models. The first model used is the Segmentation, Targeting and Positioning (STP) model. This model is the foundation of a company’s marketing strategy, describing the customer segments, the targeting strategies of the company and the way the company presents itself to their customers (Kotler et al., 2005). It indicates how the company sees itself and how it wants its customers to experience the company. Secondly, a marketing mix analysis is conducted, providing more insight in how well the chosen marketing strategy is working in the current market. Lastly, a SWOT analysis and Confrontation matrix are made and analyzed. The SWOT provides insight into the position of the company within the market (Rustenburg et al., 2007). Together, these three models will provide a complete company profile as all aspects and perspectives of the company will be clear.

Secondly, a market profile is created using several of the dimensions set by Mr. David A. Aaker (Gurun, Starnes, Wang, & Barton, n.d.). Creating a profile on the market will provide data that can be compared to the sales records of Empire, to see if changes in the market have resulted in changes in customer defection. The first dimension is the market size. This will indicate the market share of Empire and the amount of customers that are available. Secondly, market growth is very important. This can be compared to the amount of customer defection over the past years and will possibly result in a link between the two. Market trends are an addition to the market growth, and will indicate what trends are visible within the market.

The customers are then researched directly through interviews and observation. During semi-structured interviews, the following points are discussed; promotional activities throughout the year, choice of suppliers, reason for not returning and customer information. Besides gaining information, sales are trying to be made using a sales pitch on specific customer related products.

Processing and analyzing the content of the interviews is done through interpretation and the information is stored in an Excel database. This database stores all data collected during the interviews using data reduction to produce quantitative data to identify repeated ideas within the large pool of information gained throughout the interviews (Namey, Guest, Thairu, & Johnson, 2007). This provides a clear overview of the opinions of a larger group of customers on Empire, its products and its services.

To indicate the potential of the inactive customers, a customer potential is constructed using the Customer Relations Assessment Matrix (Rustenburg et al., 2007). This matrix distinguishes customers into four types according to relation strength towards Empire and Buying quantity/frequency.

Finally, all data is processed in the Value Discipline Model (Treacy & Wiersema, 1992). This model describes three generic value disciplines of which a company must choose one that it wants to excel at, while the other two need to at least be of a high standard. The three disciplines are; operational excellence, product leadership and customer intimacy.

## 3.4 Population and Sampling

The research population is a database consists of 442 inactive customers from all 1400 customers. This research pool however, is too large due to the type of data collection and time constraints. To keep an even spread over the different branches and get a proportional representation, stratas are created. This means dividing customers over their branches and randomly selects the samples from these branches (Verhoeven, 2011).

Eventually, a random research group of 117 customers (26 percent) is selected. This is above the 111 customers that represent the lowest amount for getting reliable results with the margin of error set at 7 percent. An estimated proportion of 75 percent will provide the same results due to the local culture as well as the small area, giving the research with 117 customers a confidence level of 95 percent (“Sample Size Calculator | Pivotal Research Inc. - Invest in Knowledge,” 2012).

Also, to crosscheck results from inactive customers with active customers, two control groups were created. These two control groups consist of 43 loyal customers and 60 new customers. Loyal customers have been ordering for at least 5 years and are still active; where as new customers have started ordering within 4 years. These two control groups together with the research pool of inactive customers will cover almost all types of customers in Empire’s customer base. Within this total research pool of 220 customers sampling was conducted through telephone interviews as well as face to face interviews, as is explained in data collection.

## 3.5 Limitations

The research is restricted in several ways. First, the decision has been made to only research promotional customers. Schools and clothing customers have been left out of the research pool due to time constraints, as well as the fact that these customers have a very steady and reliable ordering pattern, and therefore very low defection rates. This will therefore not affect the validity of the research.

Secondly, the choice has been made to restrict the research to a specific area. Curacao is the main operating area of Empire, with 87.50 percent of its customers located in this area. This, as well as financial and time restraints made that the research area was brought back to only the island of Curacao.

Due to the amount of time between interviews/sales pitches and order moment there will be a differentiation in the calculated sales percentage after a sales visit.

## 3.6 Delimitations

As mentioned before, there are delimitations to this research, of which one is time. Due to the fact that the research is scheduled for only five months, it is impossible to interview every customer in the research pool and certain assumptions will have to be made.

Money is also a delimitating factor for the research. The company is based on Curacao, however there are also customers located in other countries in the Caribbean as well as South America. Due to the type of research as well as the cost involved in researching these customers makes it impossible to do so.

Responding rate and willingness to participate in the interview is, as it is in every research project, lower than 100 percent. This delimits the project in the fact that it will increase the margin of error slightly, however due to the culture and area, these missed results will most likely correspond with the results of the responding customers.

# Chapter 4 – Findings

These findings provide specific information about the company, its customers, suppliers and the market it operates in. Only information relevant to the research is admitted.

## 4.1 Company profile

In order to understand the company-customer relationship, as well as customer satisfaction reasons it first has to become clear what type of company Empire is. By using several analyses a profile of the company is constructed. The models used are; STP Model, Marketing Mix, SWOT Analysis and Confrontation Matrix.

### 4.1.1 STP Model

The STP Model is the basis of the marketing strategy of a company. This model indicates the **Segmentation, Targeting** and **Positioning** of customers and the company.

The segmentation of customers is done through the branches that the customers are active in. Empire is currently segmenting its customers into 65 different branches, which can be found in appendix 7. The main reason for this segmenting is to create segmented ads and marketing communications (Goldstein, n.d.; Zoltners et al., 2009). The amount of segments within Empire is high, and because of this only the larger segments are targeted separately. Besides this segmentation in branch and need of the customer, segmentation is made in the size of the customers to target prospects with the greatest profit potential. There is a distinction between small and “Top” customers.

Targeting of these different segments is done based on numbers. For large segments, promotional mailings are created, which are sent to every customer in a specific segment. Through these mailings, ideas for customers are shown and specials are offered. These ideas and special offers are the same for each customer in the branch due to the common need of a branch. For “Top” customers, a separate mailing is conducted, which is specific to the customer.

Besides mailings, sales representatives visit customers regularly, offering ideas for each customer, and pulling in the orders. The goal is to do this for every customer; however, small customers are visited less often.

Positioning is the way a company presents itself to its customers as well as the way customers see the company. Empire recognizes the value of customers as its most important assets. Therefore, customers are king and the company will go to great lengths to meet their needs.

### 4.1.2 Marketing Mix: 6P model

Customer satisfaction is largely dependent on the marketing strategy of the company. The basis of this marketing strategy can be seen in the STP model, and is further identified through the Marketing Mix Model. This model is a set of tactical marketing tools that the company blends to produce the response it wants in the target market (Kotler et al., 2005). These marketing tools are gathered into seven groups of variables known as the “seven P’s”; Product, Price, Place, Promotion, People, Physical evidence and Process. Process and place are not relevant to this research however, so only five will be discussed in short. The full marketing mix analysis can be found in appendix 2.

**Product**

Empire sells ad specialties, which are classified as semi-durable industrial products. This means that they have a medium to long lifetime and are sold in the business-to-business market. Promotional products however, are much more than most people think. To fully understand the products provided by Empire, products have to be looked at on different levels.

The first level; **core products**, show what problem solving core benefits the customers are really buying when they obtain a product. The main reason for customers to buy promotional products is as a marketing tool to gain brand awareness (Kotler et al., 2005).

The second level is the **actual product**. This is where the core benefit turns into an actual product. A product can be categorized into five characteristics; quality level, product and service, features, styling, brand name and packaging. Although it is impossible to define every of the 800.000 products that are available to Empire individually, these characteristics in general can be named for Empire promotions (Kotler et al., 2005).

The quality level of products sold by Empire has to be of a high standard. As for the other four characteristics; product and service, features, styling, brand name and packaging, the customer is king. At Empire, a lot of time is spent linking the right products to the needs of the customer, taking into account all of these characteristics.

Finally, there must be an **augmented product** build around the core and actual products by offering additional consumer services and benefits (Kotler et al., 2005). This is already present in the flexibleness of products/packaging/brands etc. but is mainly present by providing services in the form of personal quotations, flexible delivery times and places and personal attention. Besides this, complaints handling is dealt with in a professional matter. 9 out of 10 times, when a valid complaint or problem occurs, the product is replaced free of charge (Boutmy, 2012).

**Price**

Empire is well aware of the type of market it is operating in, which is a monopolistic competition market. This means that there are many buyers as well as seller of similar products but there is a difference in the products each company sells (Boutmy, 2012; Verhoeven, 2011). For Empire, direct competition in promotional products is not a danger, as the company is by far the largest in the Curacao market. There are however, numerous companies selling similar products without the personalization. This type competition is dangerous for Empire, as prices of personalized items are usually higher than non-personalized items.

Currently, Empire’s pricing strategy to deal with this type of competition as well as the economic situation is profit maximization through customer-segment pricing. This means that the company has a formula to set a basic price that is then adjusted to each specific customer. The formula can be found in the appendix.

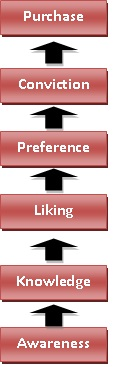
Through this type of pricing strategy, Empire is not offering the lowest prices, but is trying to change the customer perception on the value of the products. When customers compare Empire prices to prices of non-personalized products of their competitors they will notice that Empire products are more expensive but are also worth the higher price.

**Promotion**

Empire obviously realizes the importance of promotion, as it is the market they’re operating in. However, due to its relatively small company size there is no specific marketing department or manager, and promotion is conducted by most of the employees.

This research indicates that the company is aware of the fact that there are different target audiences with regards to promotion, and reacts differently to each. In the case of Empire, customers are divided into loyal “top” customers, normal customers and inactive. Then there is the target audience of potential customers, providing a total of four different target audiences.

Each target audience needs a different type and amount of communication as customers can be in one of the six buyer-readiness stages shown in graph 2 (“Buyer Readiness Stages,” 2013; Kotler et al., 2005). Currently, Empire realizes at what stage each customer is, however the research has shown that corresponding reaction to each of the situations is sometimes lacking. This is mostly the case with customers that are at the beginning phases of the buyer-readiness stages.

The customers that Empire is communicating with are mainly the loyal customers, as these are furthest along the buyer-readiness stages. Most of these customers are already convinced of Empire’s products and only need a little push to make the last step to purchase.

The group of normal customers are also quite far up the decision making process. These customers have already bought products, however interviews have indicated that many of these customers have not build up a relationship with Empire that makes them prefer Empire products to other products. In these cases the customer needs more attention to make the final three steps; preference, conviction, purchase.

Then there is the target audience of inactive customers. These customers have also purchased with Empire before but have not done so in at least four years. When a company is not actively trying to keep customers at the top of this ladder, customers will take steps backwards. At a certain point, all inactive customers were at a purchase stage, however, most are moved back to liking, or even further to the knowledge and awareness phases. This means that it will take more work to get these customers back to being active customers.

Graph 2. Buyer readiness stages

Lastly, there is the potential customers target audience. This group of customers is promoted heavily as they are selected for maximum profit but these customers usually are not on any of the buyer-readiness stages yet. Empire is using different techniques to get these customers climbing the ladder fast. For example, when one of these potential customers is selected and contacted, personalized samples as well as quotations of the products are made and promoted during the sales visit. Promotional products are left behind, and if possible the sale is made at the spot.

The message that Empire is trying to provide through its various promotional techniques is that ad specialties are a good, inexpensive method of promoting that works better than most marketing tools, and for a fraction of the price. During the research term however, customers have indicated that the added value of personalization is not always clear, and more emphasis needs to be put on this during the promotion/ sales pitch.

**People**

The people aspect of the marketing mix is divided in both customers and employees. Customers will be discussed in detail throughout the report so this part in mainly about the employees at Empire.

It is important for Empire, and any company, to recognize the value of its employees. Currently, the company has a large separation in its employee base. Part of the company’s employees are students and part-time workers, the other part consists of self-employed sales representatives. Even though the sales representatives are the main face of the company, customers are also dealing with a constantly shifting employee base of students and part-time workers.

**Physical evidence**

Providing physical evidence of products to the customers before a sale is happening to a certain degree. Obviously, with over 800.000 products available it is impossible to have every product in stock thus not all products can be physically shown. When it comes to more standard products, for example a pen, the company has samples that can be shown to the customer. For high-end and expensive products, the option is available to create a personalized sample for the customer, which provides the opportunity to review the end product before a purchase. This is not the standard as it costs money to have these samples produced most of the time blank samples or virtual samples are shown.

### 4.1.3 SWOT Analysis

Using the STP analysis as well as the Marketing Mix, a SWOT analysis is conducted. This will identify both internal and external factors that are favorable as well as unfavorable to the company. This is partly linked to the Marketing Mix; however it also shows the external factors that influence Empire. It is important that, within the SWOT Analysis, the business model of Empire can be seen from a customer perspective and ranked in the market (Rustenburg et al., 2007). The detailed SWOT analysis can be found in Appendix 3, as the part that is relevant is implemented in the confrontation matrix directly.

### 4.1.4 Confrontation matrix

The confrontation matrix uses the results of the SWOT Analysis. The internal strengths as well as weaknesses are compared to the external opportunities and threats, as can be seen in the matrix below.

Table 1. Confrontation Matrix

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
|  |  | Opportunities | | | Threats | | |
|  |  | O2 loyal culture | O3 limited competitors | O4 Growth customer potential | T1 politics | T2 unstable economy | T4 possibility of new entries |
| Strengths | S1 Customer base |  |  |  |  | 1 |  |
| S2 supplier amount |  |  | 1 |  | 3 |  |
| S3 low prices |  |  |  | 5 | 5 |  |
| S4 experience | 1 | 5 | 3 | 1 |  | 3 |
| S5 high service |  | 3 | 5 | 3 |  |  |
| S6 high quality |  | 1 |  |  |  | 1 |
| Weaknesses | W1 Product amount |  |  |  |  | 1 |  |
| W2 Employee turnover |  |  |  |  |  |  |
| W3 Communication | 5 |  |  |  |  | 5 |
| W4 Old customer info. | 3 |  |  |  |  |  |

Each combination is graded, with 5 being the most important. As can be seen, there are several points that can be used in Empire’s marketing strategy to strengthen the company. These points are focus points that are formulated in the following questions:

1. How can Empire use its experience in a market with little competition?
2. How can Empire use its high service in a market that has a growing customer potential?
3. How can Empire strengthen its communication towards customers to use the loyalty of the market?
4. How can Empire use low prices to deal with an unstable political situation?
5. How can Empire use its low prices to deal with an unstable economical situation?
6. How can Empire strengthen its communication to deal with the threat of new entries?

Part of these focus point are automatically tackled already. The first focus point is one of these, as experience in the market is important and used on a daily basis to stay ahead of any potential competition which makes it difficult for new entries to successfully take over market share. The same can be said for high service in regards to a growing customer potential since the target market on curacao is relatively small and high service and the good company image is well known throughout the market.

There are, also focus points in this confrontation matrix that need attention. Communication towards customers is one of the weaknesses that need to be strengthened to deal with both the loyalty of the market as well as the threat of new market entries. Also, low prices can be used more to deal with defection due to the unstable political and economical situation. Further explanation on how to use and strengthen these two points will be provided in chapter 5.

## 4.2 Market profile

To determine the attractiveness of the Curacao market, as well as understanding its evolving opportunities related to the strengths and weaknesses of Empire, a market analysis in conducted following several of the, dimensions set by Mr. David A. Aaker (Gurun et al., n.d.). These outlines will provide a structured way of comparing the market with the defection rates of Empire. Emphasis is put on the period from 2006 to 2009 because during this period recent customers have switched from being active customers to inactive customers (Boutmy, 2012).

### 4.2.1 Market size

The first dimension is market size. Market size of the promotional market on Curacao however is difficult to determine. However, research previously conducted by Empire indicates that the company has a market share of approximately 70%, with annual revenue in 2012 of Nafl. 4,834,296.87 which can be found in appendix 4 (Boutmy, 2012; *Quickbooks*, 2012). This indicates that the total promotional market in Curacao is roughly Nafl. 4.843.296,87 / 70 \* 100 = Nafl. 6,906,138.39.

### 4.2.2 Market Growth Rate

The growth rate of the Curacao market is fairly easy to determine by comparing the overall economy of the region to the number of companies new companies registered and company cancelations. The overall state of an economy can be measured in several ways, however for this research, GDP and registered companies are analyzed.

Graph 3. Economic growth of Curacao

In Graph 3 (CBCSM, 2011; Vierbergen, 2009) the Curacao economy is shown through the real GDP rate. This shows the actual growth in spending capabilities of people and businesses on Curacao, a detailed overview of this can be found in appendix 5.

It is visible that the spending capabilities from 2005 until 2007 has been rising, every year more than the year before. In the second half of 2007, the global financial crisis started, showing a slowing down of the GDP Growth in 2008, and by 2009, the GDP Growth has dropped below 0% (meaning spending capability decreased compared to the previous year). In the years after that, GDP has remained around the 0% level, indicating stagnation in spending capability in the Curacao economy.

This can be compared to the number of newly registered companies on Curacao (indicated in blue). Graph 4 shows both the new registrations as well as bankruptcies of companies (indicated in red) as stated by the local Chamber of Commerce as can be seen in appendix 6 (Vierbergen, 2009).

Graph 4. New registered companies and bankruptcies

It is interesting to see that as is shown in the Real GDP growth, businesses have noticed the financial crisis. The trend on Curacao is that more businesses registered than that are going out of business, however, in 2008, the amount of bankruptcies exceeded the amount of new businesses due to the global economic crisis. Notice that companies that survived the crisis year of 2008 would most likely also get through 2009, with a spectacularly low amount of bankruptcies. After 2009, spending capability stagnated which is visible in the GDP graph, and people started opening up businesses again. Overall, the number of businesses is in line with the economic ups and downs of the region, and the market is steady, but not growing rapidly.

### 4.2.3 Market trends

A current trend in the promotional market is, and has always been that in financially difficult times, that companies defect to similar but cheaper products (Bohlen, Carlotti, & Mihas, 2009), which is also proven through interviews conducted with inactive customers.

## 4.3 Customer profile

Customers are the heart of any corporation, and Empire is no exception. Without customers, there is no business, thus the company needs a steady customer base. It is important to gain new customers, but it is at least as important to retain customers, as it is several times more expensive to gain new customers then to retain them (Kotler et al., 2005). For customers to return, customer satisfaction needs to be high (Rustenburg et al., 2007). Researching the different types of customers, as well as looking at past ordering patterns provides a clear view of Empire’s customers.

### 4.3.1 Types of customers

Currently, Empire has a total customer base of 1208 customers in the research area of Curacao. This includes all customers that have ordered in the past and have not specifically requested to be taken out of the active customer base or that have been taken out for other reasons such as bankruptcy. As said before, these customers have been segmented over 65 different segments.

Of the total customer base, a group of 31 percent (442 customers) is inactive, meaning that those customers have not done business with Empire for at least 4 years (before 2008). This inactive customer base is evenly spread over the segments.

### 4.3.2 Past ordering patterns

Past ordering patterns of customers hold valuable information. It shows quantities bought and money spent, which provides a good indication on future sales. Besides this, it is a tool that can/ and is used every day, ordering patterns describe defection patterns.

Previous ordering records of the 117 inactive customers in the research group indicate defection rates per year, as can be seen in Graph 5. This table shows a clear increase in amount of customer defection within the research group in 2003, which continues to rise up until 2006, where it stays constant at ±85 customers per year for 2007. The table only indicates customer defection up until 2007, as the four-year mark for inactive customers means that companies ordering until 2008 are not inactive yet.

Graph 5. Customer defection within Empire

## 4.4 Customer Needs

Meeting customer needs is what will make the difference between returning customers, and losing market share to the competitor, and is therefore a factor that needs to be known to the company (Kotler et al., 2005). This has been researched by interviews held over the telephone, as well as sales visits/interviews face to face.

Telephone interviews were held with each of the customers in the research group. This resulted in placing the customers in different customer satisfaction zones. This second selection is important, because due to time constraints, it is impossible to interview all customers in the research pool. Besides this, the sales function of the interviews would be lost to customers that are not interested at all in promotional products. An overview of this selection per customer type can be seen in the table below. Each individual result from these telephone interviews can be found in Appendix 8.

Table 1. Selection per Customer Type

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | Inactive | New | Loyal | Total |
| 1. Non-responsive | 20 | 13 | 15 | 48 |
| 2. Outdated contact information | 17 | 6 | 3 | 26 |
| 3. Not interested | 32 | 7 | 7 | 46 |
| 4. Interview | **36** | **31** | **15** | **82** |
| 5. Other | 12 | 3 | 3 | 18 |

\*Each of these customer responses is explained in this section of the report.

### 4.4.1 Non responsive customers

A group of 48 customers were unavailable for a telephone interview. This is due to both the fact that people were not present to answer the telephone multiple times, and because the telephone was not answered.

The results of this can be seen in Table 3, which indicates that there is a group of 10 customers of which the contact person within the company, or anyone with the same type of function, was not available multiple times. It also shows that there is a large portion that is non-respondent in both the inactive customers as well as the new customers, which is probably due to outdated contact information, but this is not confirmed and needs future research.

Table 3. Non-responsive

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | Inactive | New | Loyal | Total |
| Not present | **4** | 1 | 5 | 10 |
| No response | **15** | 12 | 9 | 36 |
|  |  |  |  |  |
| Interested via E-mail | **1** | - | 1 | 2 |

It is decided that E-mail contact is the best way to approach these customers and try to verify the contact information. However, due to set constraints as well as the fact that non-responsive customers are probably due to outdated contact information, this group will need future research to update the customer details and contact them in a proper way. Besides these customers, there is a group of two customers that is interested in Empire’s services, but prefers contact via E-mail, which were sent an informational package. Empire is currently awaiting their response.

### 4.4.2 Outdated contact information

A group of 52 customers turned out to have outdated contact information; all of these customers are crosschecked with Internet, previous orders, the customer database and the Curacao Yellow Pages. This resulted in finding the correct customer details for half of these customers. These customers were contacted, and divided over the different selection types. The other 26 customers however, were not found and need future research. As said before, due to several constraints this has not been done during this research.

Table 4. Outdated contact information

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | Inactive | New | Loyal | Total |
| Outdated contact information (Contacted) | **11** | 9 | 6 | 26 |
| Outdated contact information  (Not contacted) | **3** | 6 | 17 | 26 |

It is noteworthy at this point to indicate that of the 220 customers in the research pool, 26 customers have confirmed outdated contact information. That is 11.8 percent of the customer base. The other 26 customers in this group most likely have outdated contact information as well. This however, is not confirmed through the customers as a five-minute limitation has been set on crosschecking fraud contact information. This means, that ***23.6 percent*** of the original contact information is outdated, making communication between the company and customer fairly difficult.

If the 36 no response customers are added to this list it will provide a total of 62 customers of which the contact information is presumably outdated. This is 28.2 percent of the research group.

### 4.4.3 Not interested

Table 5. Division of customers that are not interested.

Within the research group, there is also a selection of 46 customers that has no interest in promotional products for different reasons. A distinction is made between customers that are involuntarily not returning, and ones that do not return voluntarily. This distinction is made due to the fact that involuntary defection is not something that is caused by the company, or can be affected by the company. Voluntary defection can be affected though.

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | **Inactive** | New | Loyal | Total |
| **Involuntary (37%)** | | | | |
| Bad Economy | **11** | 1 | 2 | 14 |
| Merger | **-** | - | 1 | 1 |
| Politics | **2** | - | - | 2 |
| **Semi-voluntary (11%)** | | | | |
| Head office | **1** | 1 | - | 2 |
| No use for promo | **3** | - | - | 3 |
| **Voluntary (47%)** | | | | |
| Not interested | **15** | 4 | 3 | 22 |
| **Other (4%)** | | | | |
| Sufficient stock | **-** | 1 | 1 | 2 |
| **Total** | **32** | **7** | **7** | 46 |

There are various reasons for companies not to return for business that have nothing to do with the company-customer relationship, and is therefore beyond Empire’s control. These reasons are specified as involuntary and make up 37 percent of customers that are not interested. As can be seen in Table 5, by far the largest involuntary reason for companies not to be interested in return business with Empire is a bad economy and a lack of budget. Others are mergers of companies, due to this the company has no money available for marketing and promotional products. Another factor is Curacao’s political instability.

**Semi-voluntary:**

Furthermore there are semi-voluntary reasons for a customer not to return, which could be influenced by Empire but will cost time and money to change. The main reason is that there is no perceived use for promotional products. As a company that sells products this should not be a valid reason, because everyone needs your products, but it will take time and effort to convince customers of this fact, which will not always be beneficial. The same is true for the other semi-voluntary reason. There were only two customers for whom this was the case, and the question should be asked if it is worth the time and money to get these customers back.

It is noteworthy that semi-voluntary defection within new-active customers is very low. In this research group, only one customer handed over the decision making process to its head office. For loyal customers, there were no defections. Inactive customers defected four times due to semi-voluntary reasons, three of which due to the fact that no more promotional products are used within the company.

**Voluntary:**

As was expected, there is a group of 22 customers that have not provided a reason for not returning. This group of customers was to be expected, and will probably be a mix of the reasons stated before, as well as reasons that will come forth in the interviews. Therefore, it has been decided that these customers will just get an own segment and have no effect on the overall percentage of defection reasons.

**Other:**

Lastly there is the group of “Other” customers. These are customers that have enough stock on hand and therefore do not need Empire’s services at the moment.

### 4.4.4 Interviews

Because face-to-face interviews give a clear view of the customers as well as their needs, this is a large, and time-consuming part of the research. It is also the most important, because it shows the group of customers that do not return due to the company-customer relationship instead of involuntary reasons like the bad economy.

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | Inactive | New | Loyal | Total |
| Interviews | **36** | 31 | 15 | 82 |

Table 6. Interviewed customers

A total of 82 customers have been interviewed on a semi-structured basis using a guideline of subjects, and were at the same time used as sales pitches. Every interview was added into a database using customer forms, which can be found in Appendix 9. Using the interviews as sales pitches, potential profit as well as gathering information was targeted at the same time. This group consisted of 36 inactive customers, as well as customers from both control groups, as can be seen in table 6. Due to the small area of Curacao, some contact persons are the same for different customers, being able to target more than one customer at a time in some occasions.

The division of interviews over inactive, new and loyal customers has been made due to the fact that it is very important to see if reasons for defecting in 2008 and earlier are still the case now. Because of this, there is an almost equal control group of new customers compared to the inactive customers.

**Inactive customer interviews**

A group of 36 inactive customers was selected for interviews and a sales visit. This was done during the course of the research, and lead to the following results. Note that interviews were held in a semi-structured fashion, and not all interviews resulted in answering and covering every research topic.

Interviewed customers are first assessed on their size and promotional budget. Company size for inactive customers is shown in graph 6, which indicates that the largest defection in Empire is in small size companies with less then 10 employees. Possible reasons for this are that these are the low value customers and receive less attention, or that these customers react first to a change in economy. The second largest defection is from large companies, which is due to the promotional budgets available to these customers. Companies that defect the least are middle-sized companies.

Graph 6. Customer size through employee amount

Company size is in general linked to the promotional budget a company has as a larger revenue means more money to spend on marketing. In the research pool however, medium size promotional budgets are the largest group due to small and large companies having medium amounts of promo customers. This can be seen in graph 7.

Graph 7. Customer size through promo budget

The researched customers state that there are multiple reasons for not returning to do business with Empire, which can also be linked to company size. Inactive customers find Communication, Price, Quantity and Quality very important. This is indicated in Table 7.

Table 7. Defection reasons for inactive customers

|  |  |
| --- | --- |
| Reasons | Number of time this occurred |
| Communication | 13x |
| Price | 13x |
| Quality | 3x |
| Quantity | 2x |
| Other reasons | 2x |

These results show that there are two main reasons for not returning to do business with Empire, which are communication and price. During the interviews it became clear that customers want good communication with the company all year round. This means keeping the customers up to date, and providing these customers with innovative promotional ideas that suit the company. A personal approach in this process is key. Secondly, prices are important. The inactive customers think the prices of the products are too high. This is due to the fact that many products can be bought in stores without the personalization for less, and the added value that Empire adds to these products are not worth the extra money.

A few customers have very high standards as to quality of the products. This is in every case linked to pricing, because customers would like to get the best quality for the lowest price. Empire can supply every type of quality. However, the price of high quality products is not worth the high cost, and again, the added value of Empire is not noticed.

Especially small companies have indicated that offered quantities are too high. There is no use for high amount of promotional items for these companies. Empire is bound to minimum quantities both because of the fact that low quantities are not profitable, and because suppliers set minimum quantities.

Other reasons for not returning exist as well, such as personal relations with promo suppliers, or force of habit ordering at a different supplier.

The interviews were used as sales pitches at the same time. Using different types of samples, as well as quotations for the shown products it was investigated how willing inactive customers are to buy products again. Of all inactive customers, only ***3 percent*** has placed an order after the interview/sales pitch, which shows that it is difficult to regain customers after a longer period of time. The amount of customers that indicated to return for business when issues would be resolved is further indicated in the customer potential, which can be found in appendix 10.

**New customer interviews**

A control group of 31 new customers is selected for interviews to be compared to the inactive interview results to see if past issues are still present with current customers. Note that this is a summary of the interview results. Full interview results on this control group can be found in appendix 11.

In recent years, the group of customers that did not return for business has made a slight shift in size. The same is true for the customer’s promotional budget. It also indicates, that since these customers are all tending towards inactiveness and defection, small companies defect the most if customer loyalty is not present yet.

These customers have been asked the same question that was asked to the main research group of inactive customers as to what the most important aspect of a promo supplier is and why these customers have not yet returned to do business with Empire. The table in the appendix shows all results, however, it can be concluded that price is now the main reason for inactiveness, which indicates that promotional budgets are still shrinking and/or a larger amount of customers do not see the added value of promotional products versus the same products without the promotional aspect.

Besides price as a reason for inactiveness, communication turns out to be an issue in recent years as well. With 13 customers in this control group explaining that providing innovative ideas as to promotion influences the choice of supplier.

The interviews were also in this case used as a sales pitch. Out of all interviewed customers, seven placed an order, which is ***22 percent*** of customers visited. This was after only one visit, and by just providing some interesting ideas for these customers. It shows a clear link between number of years without sales and the willingness to buy.

**Loyal customer interviews**

Also, a control group of 15 loyal customers was selected for interviews and a sales visit to see whether issues of inactive customers as well as new customers would also present with customers that are considered loyal. Also for this control group, the full results of the interviews are available in appendix 12.

Company size of this control group indicates that returning customers are mainly medium to large size companies. This has several reasons, both related and unrelated to Empire. Factors that have to do with Empire are that there is good communication between the sales representatives and these larger companies, as it is these customers that generate the highest profits. Other factors for loyal customers to return are that economic stability of these companies during an economic crisis.

Surprisingly, research shows that even though these customers are medium to large, the size of the promo budget as well as promo customers within these companies is low. This indicates a shift of attention from companies to aim promotion at a more select group of customers.

This group has also been asked what they think the most important reason is in choosing your promotional product supplier. Remember that these customers are active and loyal, meaning that these reasons reflect positively on Empire.

The research indicated that pricing is also for this group the most important factor. However, these customers are active and have ordered up until at least a year ago. During the interviews it became clear that the perception on price and added value to these customers is different from the perception of inactive customers. Whereas inactive customers do not experience the added value of promotional products and Empire’s services, active customers that use promotional products and have more active contact with Empire.

Loyalty is very important among these customers as well, and it is interesting to see that out of these active and loyal customers, only two found communication worth mentioning. This is due to the fact that these customers get more attention from their customer representative. Communication is not a service that is noticed when it is present; it is only missed when it is not there. This is in contrast to the inactive customers, which indicated that communication was lacking.

The sales pitch aspect of the interviews worked best on these loyal customers. Out of all interviewed loyal customers, six have placed an order. This is a ***44 percent*** sales rate on only one round of sales visits.

### 4.4.5 Other

The group of other customers is mainly customers that have just ordered, or requested a quote from Empire without the influence of the research or interviews. This is a four percent group over the total research pool, divided in two new active, four inactive and two old active customers. Before the research started, it was expected that customers would end up in this group, as there are always a few customers that decide to order again unexpectedly. The interviews will most likely cover the opinions of these customers as well, and are therefore disregarded.

## 4.6 Value Discipline model

The Value Discipline Model by Tracy and Wiersema looks at the three different value disciplines; product leadership, operational excellence, and customer intimacy, that a company can focus on (Treacy & Wiersema, 1992, 1997). It is a strategic tool to help companies establish what they want customers to value them for as each of the three areas results in customers valuing the company in a different way. Each of these values is discussed in short and linked to Empire.

Product leadership is characterized by high quality products as well as innovation, and is recognized by the high value customers give tot these products. For a company to base a strategy on operational excellence, it needs to be constantly improving its products (Treacy & Wiersema, 1992, 1997). Since Empire is a distributor of promotional products it has a choice in quality products, however it is not actively searching to provide the most high-tech products or superior quality.

Operational excellence is characterized by leading the market in price and convenience. Using this strategy, a company focuses on efficiency and minimizing overhead costs (Treacy & Wiersema, 1992, 1997). Empire is trying to set a good price for its customers, as well as make its processes as streamlined as possible, however this is not the main strategy of the company. Prices are not extremely low, and rather than decreasing prices the company likes to raise awareness on the added value of their products. This discipline needs work, as can be seen in the interview results. Customers find prices too high and the added value of the products is often not seen. Also, the operational processes within the company have been analyzed through observing and these could be more efficiently streamlined, mainly in customer relationships and the databases through the use of a CRM system. This is not directly part of the research, however it indicates a possible problem in customer relationships and therefore needs to be improved.

Customer intimacy is characterized by understanding the individual customers, excelling in customer attention and tailoring products and services to fit the customer (Treacy & Wiersema, 1992, 1997). For Empire, this is the strategy that is chosen. Customer intimacy is already a part of the local culture, and Empire is taking advantage of this, providing individual service in the form of mailings and sales visits. The company is proud that it provides a custom solution to each of their customer’s marketing needs.

During the research however, customers have indicated that communication should improve. This shows that, even though Empire is striving to excel in this discipline, some customers do not think it is of a high standard. In customer relationships and communication customer information is of vital importance, and needs to be stored in a dedicated CRM system (“Method CRM,” 2013). Research has also indicated however, that for other customers this discipline is very high, which means that there is a separation in customer intimacy between customers.

# Chapter 5 – Discussions & Conclusions

This chapter provides a summary of the findings, as well as conclusions to these findings. Furthermore, the separate findings will be linked together, guiding the reader to a clear understanding of the company and its current strategy, as well as how the current strategy can be changed to decrease inactive customer numbers.

The way the company wants to position itself in the market is to provide the best service possible to its customers. This is indicated in the company profile. Empire provides a high standard of services through personal contact, mailings and advice on what products are best for the customer. When this is entered into the Value Discipline Model of Treacy and Wiersema (1997), the company is aiming for the customer intimacy strategy.

The products that Empire is offering are very diverse, fitting to every need the customers might have. These products consist of a range of standard as well as high –tech top of the line products that can be used as marketing tools by the customers to create brand awareness. This large product range is accomplished through the vast collection of over 800.000 products that are available to Empire through its memberships of the PPIA and the ASI. With these memberships, the company is scoring well on the product leadership value of the Value Discipline Model. That product leadership is of a high level was expected, since the amount of products available through a large amount of suppliers inevitably means a choice in high quality products as well.

To provide the best service possible to its customers, the company has divided the customers over different segments. This fits the operational excellence value of working as efficiently as possible. It gives the company the option to target its customers more efficiently and market relevant products to the customers. With its 65 industry segments however, only the larger segments are actively targeted where as the rest of the different segments is targeted as one group. Literature dictates that segmentation is used because it is a good indicator of the products and services that the customer will value and the type of sale process that will be successful (Zoltners et al., 2009). This means that every segment should be targeted separately, or segmentation is of no use. In the case of Empire, only 10 of these 65 segments have been targeted as a segment over the past year. This means that segmentation on industry needs to be done more intensively, or the amount of segments should be reduced to create fewer segments that can all be targeted with the marketing efforts of Empire. Changing the segmentation to become more efficient is not a large change, and can be done relatively easy. When this problem is tackled it will provide the company with a more structured way of targeting its customers, which will result in more sales. Besides this, certain aspects of operational excellence in working efficiently are not up to standard. The main issue is the customer database but also educating customer on their products and communication need to be improved for certain customer groups. This will be discussed later in this chapter.

Aiming at customer intimacy, the company prides itself on its experience, service and pricing as can be seen in all models of the company profile as well as their website and company mentality. That not all customers experience Empire’s service as effective and in accordance with the chosen strategy of customer intimacy however, is indicated in both the telephone interviews as well as the face-to-face interviews held over the course of the research. Since most interviewed customers were smaller companies and not belonging to the “top” segment, most of the marketing has not been customer specific. The experiences of a large part of the inactive customer research group, as well as the control group of new customers indicate that the company-customer relationship is not excellent, and in many cases there is no frequent communication let alone customer loyalty.

The opinion of these customers came from a research group of 220 customers of whom 117 are inactive customers, 60 are new customers and 43 are loyal customers. All of these customers have gone through the same researching method of telephone interviews and, in some cases, a face-to-face interview. The telephone interviews provided a good indication on the company and its customers, however the face-to-face interviews, provided insight in the customer’s experiences and will therefore is discussed first.

|  |  |
| --- | --- |
| Reasons | Frequency |
| Price | 29x |
| Communication | 26x |
| Quality | 5x |
| Quantity | 5x |
| Quantity | 7x |
| Availability of products | 2x |
| After sales service | 1x |
| Other reasons | 5x |
| Total | 80 |

Table 8. Defection reasons

82 customers have been interviewed face-to-face, of which 36 were inactive customers. All of the inactive customers, as well as the new customers have provided reasons for not (yet) returning to do business with Empire, which can be found in Table 8.

These results indicate that of all reasons for not returning, price and communication are the main two by far. Because these are both inactive and new customers, communication as well as price have been an issue over the past years, and is still an issue now.

That price is an issue is understandable and was expected before the research. Most customers indicated that due to the bad economy they try to find less expensive options, in many cases normal products without personalization. This however, also means that the customers do not realize the added value of the products that Empire supplies. The fact that customers do not see the added value of Empire’s products indicates that the operational excellence of the company needs improving. Within this value, the company wants to offer good prices and educate their customers on the added value of the products so the prices do not have to be the lowest in the market. This is done through different marketing tools such as mailings and sales pitches, however is not reaching the entire group of customers. This leads to the next issue that came out of the research; Communication.

In any business, and especially those that have customer intimacy as their main strategy, good communication between the company and the customers is vital. Without communicating, no sales will be made and no money will be earned. The company needs to know what contact person each customer has, what area of business they’re in and what their wishes are. During the research and telephone interviews, a search through different customer databases with different customer information was needed to find the correct customer information, as there was not one single system. Research has shown that there are simple CRM systems that can solve these problems, by having a central system with all customer information a click of a button away. During this search for customer information, a group of 52 customers or 23.6 percent of the research pool turned out to have outdated contact information. This makes proper contact between the company and its customers difficult. Also, during this part of the research, a group of 48 customers have been unresponsive multiple times. This most likely contains outdated contact information, however this is not confirmed and needs future research.

Table 9. Retention reasons for loyal customers

|  |  |
| --- | --- |
| Reasons | Frequency |
| Price | 7x |
| Loyalty / Force of habit | 6x |
| Communication | 2x |
| Quality | 1x |
| Quantity | 1x |
| Other reasons | 1x |
| Total | 19 |

During the face-to-face interviews, communication came forth quite often as well. Customers requested that Empire presented them with relevant products for their business, and would continue doing so in the future. 26 times in 67 interviews, customers indicated that communication has been low in the past, and that it is one of the main reasons for not returning to do business with Empire. These customers do not feel they get the attention they deserve which leads to defection.

On the other hand, the control group of loyal customers who are frequently returning to do business with Empire have indicated several factors that made them come back. It is interesting to see, as can be viewed in table 9, that these customers find Empire’s prices a reason to return. This means that the loyal customer’s perspective on the added value of the products compared to ordinary products is completely different. These customers realize the marketing tool of ad specialties and are most likely using the products in a different manner. Since most of the customers in this control group are medium to large customers, they get more attention from Empire’s sales representatives, resulting in a good realization of the value of promotional products. This is in line with the fact that loyal customers do not mention communication as a reason, because this is a service that is not noticed when it is present; it is only noticed and mentioned when it is not.

Lastly, this control group indicated that they return out of loyalty/force of habit. This is very interesting and in line with the sales aspect of the visits, as 44 percent of the loyal customers have bought products after one visit. This indicates that the customers trust Empire, and are much more willing to buy products without looking at other options. Obviously, this is the reason it is so important to strive for customer loyalty. When this is compared to the 22 percent sales success on new customers, it can be seen that it takes a lot more effort to sell to customers that have not yet grown in company-customer relationship. These customers however, are still willing to buy when communication, in this case in the form of a visit, is improved. Finally, the sales results to inactive customers is only 3 percent, indicating that it is very difficult to sell to customers that have decided to take their business elsewhere. This is a shame and is costing the company a lot of money; as of these customers 70 percent has a medium to high potential, which can be seen in appendixes 11 and 12. It also shows that it is easier to retain customers than to get them back after a longer period of time.

When you compare these two very different groups of inactive/new customers and loyal customer, it shows that inactive and new customers are mainly smaller companies. These companies will receive less attention from Empire than the loyal and “top” customers because of the simple reason that it is more difficult to sell to them and it will take more effort. This means that Empire is excelling in customer intimacy for the large customers, but this needs to be brought to the same level for smaller companies as well. It is understandable that the large customers receive more attention, however it should not mean that small customers should be neglected. These customers need attention as well, and if it is impossible to visit them, use different ways of marketing or it will result in customers switching to competitors. This is costing the company money, as can be seen in the sales results of 82 visits. These visits have provided a total of Nalf. 49,131.26 in revenue.

# Chapter 6 – Recommendations

This chapter will provide recommendations to solve the main issues. And this will get operational excellence to a sufficient level, as well as excel at customer intimacy for both small and large customers. When these issues are resolved customer satisfaction will increase, resulting in a decrease in the inactive customer base.

## 6.1 Recommendation 1. Update customer database

The main issue with operational excellence in relation to inactive customers is the outdated contact information. This influences the communication; especially to small and inactive customers and results is loss of sales. To solve this issue, the customer database needs to be updated.

Updating the customer database needs to start with implementing a proper CRM system. The company is currently using customer information from three different sources when trying to contact its customers. Firstly, they use a customer database made from a simple excel sheet. This sheet however, is not up-to-date, and differs from the other sources. The second source is the accounting system Quickbooks. This system however, records previous sales and therefore does not include new customers. The problem with this method is also that the contact information in the accounting system is on the person paying the bills, not the person in marketing that makes the decisions on buying items. Lastly, old quotations are used to find customer information. This works, unless the person has changed jobs in the time between the previous quotation and the current situation. It takes more time however, and does not provide the information necessary to manage customers efficiently

To solve this, a CRM system needs to be implemented. Since Empire is a small business, it is understandable that this system cannot be too expensive, however there are CRM systems that are tailored for such businesses. After superficial research on CRM system, I found that there are systems that work in sync with the accounting system that Empire is currently using, Quickbooks. An example is MethodCRM (“Method CRM,” 2013), which can be used for $25 per month. Such systems provide a portal that saves contact information, previous contact, and marketing campaigns and provides customer reports on sales potential and much more, all in one place.

When such a system is implemented, the customer information needs to be checked because the system can be highly efficient, however if the data that is entered is not correct, the system will not work. The best way of checking the customer data is to do it in one sweep. Contact all you customers and explain that your working on improving customer relationships, and that you would like to verify the contact information you have. When doing this, the company needs to start with the inactive customers since this is the group that most likely has outdated contact information. After this, the information of the customers needs to be kept up-to-date.

Implementing such a system and updating the customer information will cost some effort, however since Empire is working with interns on a regular basis, I recommend using an intern to clean up the customer database. This will result in more efficiency in contacting these customers, and more mailings will reach its intended customers. This will improve customer retention and decrease the inactive customer base.

This method will take some time to implement, as contact needs to be made with every customer, and all employees of Empire need to learn to work with the new system. However in doing so, the company will be taken to the next level, and is prepared to continue growing in the future, while increasing customer satisfaction and reducing customer defection.

## 6.2 Recommendation 2. Improve communication

When a CRM system is implemented and the customer information is up-to-date, communication to customers will improve automatically. Mailings will reach the customers more often and more efficiently. This by itself is not enough to get customer intimacy to an excellent level. The company must set guidelines for communication to its customers that need to be met every year. A good guideline would be that every customer, even the small customers have to be contacted at least once a year.

This too can be controlled through a CRM system, which can provide dates and times for when it is most beneficial to contact each customer. This is a very important step in raising customer satisfaction, as 39 percent of the researched customers have indicated that communication in the form of a sales call, mailing or sales visit is not sufficient. This costs the company money and customers.

It is understandable however, that with only 4 sales representatives and over 1400 customers it is very difficult to visit every customer each year. Especially considering that the large customers bring in the majority of the revenue, and therefore need a lot of time. Empire is working with interns frequently, and a good step would be to have interns contact and visit customers. They will be making sales at very low cost, as well as keeping the customer information up-to-date. It will also give every customer the feeling they are important, while the focus can stay on the big customers. Through this manner, the guideline of contacting every customer once a year can easily be met, which will be beneficial to both the relationships with the customers as well as being a marketing tool for Empire.

If every inactive customer is visited over the coming year the goal of decreasing inactive customer numbers will be met as well. Research indicates that 3 percent of these customers will return to do business with Empire, decreasing inactive customers from 31 to 28 percent in the first year. If this is continued over the following year, another 3 percent will return ending with 25 percent of customers being inactive after two years.

A condition to meeting this target is that the current active customers will receive the proper attention from Empire so that this will not counteract the efforts made to decrease inactive customers. Part of this communication needs to involve asking for feedback on improving the products and services.

## 6.3 Recommendation 3. Change customer perception

Most of the marketing techniques that Empire uses at the moment are aimed at the fact that customers understand the added value of promotional product over normal product. Customers are offered new and attractive products, however most of these items are also available in stores across the island without the personalization, for a better price. These techniques do not put emphasis on “why” customer should buy Empire items and what these products can do for the customer’s business. It is all about the message the company is sending through its marketing and should only partly be about the, and largely about what the customer can do with these products.

In order to change customer perception on ad specialties and have them acknowledge the added value of this relatively cheap marketing tool, changes first have to be made in the manner that Empire is promoting its own products.

The best way to accomplish this it to take each marketing technique that is used by Empire, and evaluate what message it is sending to the customer. Analyze these evaluations and compare them to the message the company wants to send. This needs to be researched further before it can be implemented, however these are the two main areas of improvement that came forth in the research.

The first assessment that should be made should focus on the mailings. These are sent to different customer segments depending on what mailing it is. A portion of the customers targeted during these mailings will already understand the added value, however, not all do. Especially the customers that do not use ad specialties on a regular basis need further education. Therefore, with each mailing, explain the benefits. For example the BIC pen mailing that is send every year should include a message that these pens are usable within the own company to create synergy, but are also a perfect marketing tool for the customers to use. Proof that it works and make the customer feel that “this is a perfect and cheap way to promote my company”. That way, the price issue that customers have at the moment will decrease, and retention will become higher.

Secondly Empire makes sales calls. This is a good way of marketing because it can be very effective and takes little effort. Currently however, the company has no guidelines that are systematically used to help Empire guide its customers through the buyer readiness stages as discussed in the company profile of chapter 4. To make sales calls more effective, Empire need to become aware of the different stages, recognize in what stage each customer is and guide them through it. Most customers will be aware of the product, however are not yet convinced, so the last push to “I want this product, I need this product” is needed to change the customers’ perception on the product.

It is important to keep explaining and reminding customers that promotional products are an inexpensive marketing tool that, especially in financially difficult times, are perfect to boost up sales. These benefits should be explained and repeated during every sales visit, sales call, and mailing raising awareness of the added value Empire’s products have.

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# Appendixes

## Appendix 1; Empire customer location table.

|  |  |  |
| --- | --- | --- |
| Country | Amount of customers | Percentage of total customer base |
| Antigua | 1 | 0.07% |
| Aruba | 40 | 2.90% |
| Bonaire | 72 | 5.22% |
| Curacao | 1208 | 87.54% |
| Mexico | 1 | 0.07% |
| The Netherlands | 4 | 0.29% |
| Puerto Rico | 1 | 0.07% |
| Sint Maarten | 46 | 3.33% |
| Suriname | 2 | 0.14% |
| Trinidad | 1 | 0.07% |
| USA | 2 | 0.14% |
| Venezuela | 2 | 0.14% |

## Appendix 2; Marketing Mix: 7P model

Customer satisfaction is largely depending on the marketing strategy of the company. The basis of this marketing strategy can be seen in the STP model, and is further identified through the Marketing Mix Model. This model is a set of tactical marketing tools that the company blends to produce the response it wants in the target market (Kotler p 34). These marketing tools are gathered into four groups of variables known as the “Four P’s”; Product, Price, Place and Promotion.

**Product**

Empire sells promotional products, which are classified as semi-durable industrial products. This means that they have a medium to long lifetime and are sold in the business-to-business market. Promotional products however, are much more that most people think. The first thing in people’s minds when in comes to promo is “a pen”, but even this simple pen fulfills an important function that is overlooked by most. To fully understand the products provided by Empire, products have to be looked at on different levels.

The first level; **core products**, show what problem solving core benefits the customers are really buying when they obtain a product. The main reason for customers to buy promotional products is as a marketing tool, both through giveaways and items for own use. It is a relatively cheap and easy way to get a company well known on the island. Therefore, the customer is not buying “a pen”, but he is actually buying the tools to gain brand awareness.

The second level is the **actual product**. This is where the core benefit turns into an actual product. A product can be categorized into five characteristics; quality level, product and service, features, styling, brand name and packaging.

Although it is impossible to define every of the 800.000 products that are available to Empire individually, these characteristics in general can be named for Empire promotions.

The quality level of products sold by Empire has to be of a high standard. This is achieved by mainly ordering products from a list of top 35 suppliers. Also, all products are ordered through the ESP System. This is a system that provides a link between Empire and all suppliers who are member of the ASI. Being a member of the ASI however, is not enough for Empire to ensure good quality. As an extra control suppliers must have a supplier rating of at least 4.5 out of 5.

As for the other four characteristics; product and service, features, styling, brand name and packaging, the customer is king. At Empire, a lot of time is spent at linking the right products to the needs of the customer, taking into account all of these characteristics. If a customer wants a specific brand, Empire makes sure it can offer that brand. Does a customer want a specific kind of packaging it is not a problem.

Finally, there must be an **augmented product** build around the core and actual products by offering additional consumer services and benefits. This is already present in the flexibleness of products/packaging/brands etc. but is mainly present by providing services in the form of personal quotations, flexible delivery times and places and personal attention.

Besides this, complaints handling is dealt with in a professional matter. 9 out of 10 times, when a valid complaint or problem occurs, the product is replaced free of charge.

**Price**

Empire is well aware of the type of market it is operating in, which is a monopolistic competition market. This means that there are many buyers as well as seller of similar products but there is a difference in the products each company sells. For Empire, direct competition in promotional products is not a danger, as the company is by far the largest in the Curacao market. There are however, numerous companies selling similar products without the personalization. A good example is personalized office supplies with for example a company logo versus ordinary office supplies or personalized apparel versus normal clothing. This type competition is dangerous for Empire, as prices of personalized items are usually more expensive then non-personalized items.

The economic conditions are also taken into account while pricing their products, as the unfavorable economy at the moment is leading customers toward these non-personalized and cheaper items. This is visible in sales results as well as in the interviews held throughout the research period.

Currently, Empire’s pricing strategy to deal with this type of competition as well as the economic situation is profit maximization through customer-segment pricing. This means that the company has a formula to set a basic price that is then adjusted to each specific customer.

The formula to set the basic price in Nafl. is; Purchasing price ($) \* 1.35 (freight and import duties) \* 1.6 (profit margin).

The adjustment to this basic price is made due to the fact that pricing of the products must be buyer-orientated, as the customer perception of the value of the products must meet the price that has to be paid for the product. This perceived value of the product depends on; cost, value as a tool, marketing purposes and many other factors and is therefore very difficult to determine and different for every customer.

When adjusting product prices to each individual customer, the low limit of pricing due to cost and competition is kept in mind. Also, customer wealth, demand and environmental factors are also taken into account, which sets the high limit of pricing. Since it is a small company the sales representative that has the account adjusts prices to the specific customer.

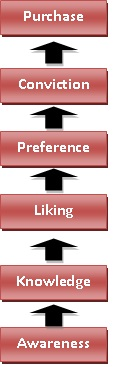
Through this type of pricing strategy, Empire is not offering the lowest prices, but is trying to change the customer perception on the value of the products. When customers compare Empire prices to prices of non-personalized products of their competitors they will notice that Empire products are more expensive but are also worth the higher price.

**Promotion**

Empire obviously realizes the importance of promotion, as it is the market they’re operating in. Due to its relatively small company size there is no specific marketing department or manager, and promotion is conducted by most of the employees.

This research indicates that the company is aware of the fact that there are different target audiences with regards to promotion, and reacts differently to each. In the case of Empire, customers are divided into loyal “top” customers, normal customers and inactive customers. Then there is the target audience of inactive customers, providing a total of four different target audiences.

Each target audience needs a different type and amount of communication as customers can be in one of the six buyer-readiness stages shown in table x. Currently, Empire realizes at what stage each customer is however, the research has shown that corresponding reaction to each of the situations is sometimes lacking. This is mostly the case with customers that are at the beginning phases of the buyer-readiness stages.

The customers that Empire is communicating with the most are the loyal customers, as these are furthest along the buyer-readiness stages. Most of these customers are already convinced of Empire’s products and only need a little push to make the last step to purchase.

The group of normal customers are also quite far up the decision making progress. These customers have already bought products and however interviews have indicated that these customers have not build up a relationship with Empire that makes them prefer Empire products to other products. In these cases the customer needs more attention to make the final three steps to purchase; preference, conviction, purchase.

Then there is the target audience of inactive customers. These customers have also purchased with Empire before but have not done so in at least four years. When a company is not actively trying to keep customers at the top of this ladder, customers will take steps backwards. At a certain point, all inactive customers were at a purchase stage, however, most are moved back to liking, or even further to the knowledge and awareness phases. This means that it will take more work to get these customers back to active customers again.

Lastly, there is the potential customers target audience. This group of customers is promoted heavily as they are selected for maximum profit but these customers usually are not on any of the buyer-readiness stages yet. Empire is using different techniques to get these customers climbing the ladder fast. For example, when one of these potential customers is selected and contacted, personalized samples as well as quotations of the products are made and promoted during the sales visit. Promotional products are left behind, and if possible the sale is made at the spot.

The message that Empire is trying to provide through its various promotional techniques is that promotional products are a good, inexpensive method of promoting that works better than most marketing tools, and for a fraction of the price. As indicated earlier in the price section of this analysis the company needs to promote the added value of personalization compared to standard products. During the research term however, customers have indicated that the added value of personalization is not clear, and more emphasis needs to be put on this during the promotion.

There are countless types of media that can be used to promote products and businesses. Empire is using a selection of these both through non-personal communication channels as well as personal communication channels. The non-personal channels that are used are mainly the Empire website; <http://empire-promo.com/> as well as the Facebook website; <https://www.facebook.com/EmpirePromotionsnv?fref=ts>. On these sites items are promoted. These non-personal channels are however limited as the culture on curacao is of a personal nature. Therefore, personal channels are the main way of promoting. Empire is currently using; sales calls, sales visits, personalized mailings, segment specific mailings and general mailings. It is depending greatly on the size and attractiveness of the customer what type of media and frequency is chosen.

The last step of collecting feedback is a crucial step in the promotion process, as this will show the effects of the message on the target audience. Currently, this step is not conducted in enough detail, which makes it difficult to establish what steps need to be improved to reach a larger group.

When for example a mailing is sent, and 20 percent of the customers purchase a product, it is important to know where the other 80 percent are in the buyer-readiness stages. I.e. how many are aware of the mailing, how many like the products in the mailing and so on. This will provide the focus points in these mailings to get more customers to purchase items.

**Place**

The place aspect of the marketing mix is relating to the marketing/distribution channel. In the case of Empire, this is a fairly simple structure. Through its memberships in the ASI and the PPIA the company has access to a wide range of producers. Via this membership, products can be ordered easily and will be produced according to the specifications set by Empire. Then the products are sent to the company, which will distribute them to the end customers. Transportation options of the products are variable, depending on the deadline of the order. Mostly, products are transported by truck from the manufacturer anywhere in the United States to Miami due to lower transportation costs. Then, the products are sent by ship or plain to Curacao.

**People**

The people aspect of the marketing mix is divided in both customers and employees. Customers will be discussed in detail throughout the report so this part in mainly about the employees at Empire.

It is important for Empire, and any company, to recognize the value of its employees.

**Process**

The process part of the mix is about how easy it is to do business with the company. Empire is customer orientated and therefore the customer is king. If communication before an order is taken out of the picture, it is easy to do business with Empire. When an order comes in, Empire is providing every service possible to make the customer happy. This is however, not part of this research thus will not be included in the main report.

**Physical evidence**

Providing physical evidence of products to the customers before a sale is happening to a certain degree. Obviously, with over 800.000 products available it is impossible to have every product in stock thus not all products can be physically shown. When it comes to more standard products like for example a pen, the company has samples that can be shown to the customer.

## Appendix 3; SWOT analysis

|  |  |
| --- | --- |
| Strengths   1. Wide range of customers and thus a safe customer base. 2. Large amount of suppliers and products. 3. Price agreements with suppliers, therefore low selling prices. 4. 25 years of experience. 5. Providing service in the form of helping select the right products. 6. Provides high quality products. 7. Flexible delivery times due to good   shipping resources. | Weaknesses   1. Overwhelming number of products. 2. High turnover in employees. 3. *Communication to “small” customers.* 4. *Keeping customer database up to date.* |
| Opportunities   1. Local currency is pegged to the USD, which provides stability since most suppliers are in the US. 2. *Local culture is loyal.* 3. No real competitors. 4. Amount of companies (potential customers) is still growing. | **Threats**   1. Unstable local politics. 2. ***Unstable local and global economy.*** 3. Possibility of new entries. |

Empire’s strengths are what give the company a competitive advantage over competitors, as well as safety in a changing market. The customer base in combination with the large supplier base is what provides solid ground that the company can rely on. This is combined with competitive pricing and good service makes the company market leader in the promotional market of Curacao.

The most important weakness, which is caused by the company’s success with major customers, is that the little fish are sometimes forgotten. Communication and service is what adds value to the products that Empire is offering, and it is easy for customers that do not receive this service to defect. Resulting from this lack of communication between Empire and small customers is that the customer database is not up to date. Old customer contact information is still being used, which results in not reaching customers and making communication between the two even more difficult.

Opportunities for Empire are mainly the local culture. It is a close community where people look out for each other, and when customers are treated right, it is easy to gain a loyal customer. After 25 years of doing business on this small target area, with a good reputation and a loyal culture to begin with, this is both a strength as well as an opportunity. Besides loyalty, an opportunity is that there are no large competitors for promotional products on the island.

The main threat that is facing Empire at this moment is the economy. Sales are decreasing for every business, and less money can be spent on marketing and promotion, which influences the sales of Empire as well.

## Appendix 4; Empire Revenue per customer 2011

The complete file can be found at; [www.dropbox.com](http://www.dropbox.com), signing in with email; [bas.vansaane@student.hu.nl](mailto:bas.vansaane@student.hu.nl), password; Empire.

|  |  |
| --- | --- |
|  | Jan - Dec 11 |
| 24-7 wegenwacht | 3,950.00 |
| A.B.C. Busbedrijf | 3,350.00 |
| A.D.C. | 7,795.40 |
| A.R.G. | 2,067.50 |
| ABVO | 78,577.01 |
| ACS Curacao | 2,370.00 |
| Ad Interim N.V. | 1,740.00 |
| Adequate Financial Services | 2,185.00 |
| ADM embroidery | 20,899.38 |
| Advent Sending | 1,540.00 |
| AIC | 894.00 |
| Akkerman's Auto Supplies N.V. | 8,393.82 |
| Alivio Car Rental | 1,375.00 |
| All West Diving | 1,047.90 |
| AMICORP CURACAO BV. | 22,260.65 |
| … | … |
| … | … |
| … | … |
| UTS - Communication Dept - A. Arrudamassa | 78,164.76 |
| UTS - Data & Fixed - Maideline Rosa | 2,150.00 |
| UTS - Residential Market - Raul Manotas | 4,563.75 |
| UTS - SXM - Sales - Ivy Lambert | 32,417.39 |
| VanEps Kunneman VanDoorne | 5,880.00 |
| Varia | 970.00 |
| Venequip Venezuela (CAT) | 16,516.08 |
| Villa Park Fontein N.V. | 1,904.80 |
| VW Zone | 1,051.90 |
| W.T.C. | 5,677.50 |
| WEB Bonaire N.V. | 9,905.93 |
| Wit Gele Kruis | 9,210.14 |
| World Olympians Association | 1,918.41 |
| Youth Explosion | 8,778.50 |
| Yuda Bo Yu | 4,055.20 |
| Zenitel | 24,361.95 |
|  | **4,834,296.87** |
|  |  |
|  |  |
|  |  |
|  |  |
|  |  |

## Appendix 5; Curacao GDP 2003 - 2010

## 

**Appendix 6; New registrations/cancellations Curacao**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **1. Registered Companies, Curaçao** | | | | | |
| **New registrations**  Offshore Companies Local Companies  **Total**  **Cancellations**  Offshore Companies Local Companies **Total**  **Registered Companies per Dec, 31**  Offshore Companies Local Companies **Total** | **2004** | **2005** | **2006** | **2007** | **2008** |
| 520  1931 2451  1130  1552  2682  16135  15693  31828 | 582  1775 2357  753 1449 2202  15444  16114  31558 | 573  1964 2537  812 1819 2631  14776  16371  31147 | 631  1968 2599  799 1804 2603  14191  16642  30833 | 632  2089 2721  643 2128 2771  13870  16642  30512 |
| **Source: Chamber of Commerce and Industry** | | | | | |

## Appendix 7; Empire customer segmentation

|  |  |  |
| --- | --- | --- |
| Music | Dentist | Medical Institution |
| Architect buro | Employment Agency | Oil Industry |
| Air Conditioning Company | Event Organizations | Office Supplies |
| Accountant Firms | Electronics Retail | Pest Control |
| Advertising Graphic | Food/ Beverage | Paper Printers |
| Air Way  Company | Financial Institution | Real Estate Agents |
| Banks | Foundation | Resorts |
| Beverage Company | Food Industry | Retail Other |
| Bookstore | Funeral Service | Restaurants |
| Casino | Government | Shipping Agent |
| Computer Company | Golf Resort | SCHOOLS |
| Car Dealers | Garden Suppliers | Supermarket |
| Cafetaria | Health Center/sport | Security Service |
| Clothing | Hairdresser/ Nails | Travel Agent |
| Church | Hotels | Trust Company |
| Clean Services | Hardware Stores | Telephone Companies |
| Contractor | Industry | Tourism Retail |
| Car Rental | INSURANCE | Utility Companies |
| Car Service | Information Technology | Wholesaler |
| Consultant | Law Firm | Blanks |
| Dive Shop | Maintenance |  |
| Drugstore | Media |  |

## 

## Appendix 8; telephone interview results

The results from the telephone interviews are in the separate file “Nieuwe Bellijst”. The five different tabs in this file provide an overview of the different selections that were made in the research pool. This file can be found at; [www.dropbox.com](http://www.dropbox.com), signing in with email; [bas.vansaane@student.hu.nl](mailto:bas.vansaane@student.hu.nl), password; Empire.

## Appendix 9; Customer visit files

This is an example of the customer visit file form that has been used for every customer that has been interviewed. All customer visit files can be found in the separate document titled “Customer Visit file”. This file can be found at; [www.dropbox.com](http://www.dropbox.com), signing in with email; [bas.vansaane@student.hu.nl](mailto:bas.vansaane@student.hu.nl), password; Empire.





## Appendix 10; Customer potential

Customer potential of both the inactive research group and the new customer group is assessed. This assessment is meant to give an indication of customers returning if earlier explained reasons for defection are resolved. This is based on past sales, as well as growth of the company and willingness of customers ordering again.

**Inactive customer potential**

As can be seen in the chart, 21 percent of the interviewed inactive customers have a high potential of returning and buying high amounts of products again. This means that Empire is losing a substantial amount of money on these inactive customers.

A group of 50 percent has a normal potential, which will most likely return for business with Empire, but does not need the high quantities that high potentials will generate. Also with these customers, money is lost on unmade sales.

There is also a group of 25 percent low potential customers. These inactive customers are customers that have bought products on occasion in the past, or have very low budgets and will not be worth investing time and money in.

Lastly, there is the no potential group. In the interview pool, there is only one inactive customer (4%) that has no potential at all. The reason for inactive customers to be placed in this type is if the customer is having severe financial problems. There is no need for promotional items for a long time, and therefore these customers will cloud the customer database.

**New customer potential**

This control group is rated on customer potential as well, which can be seen in the chart. A quick overview shows that there is a large portion that has medium-high potential, however, there is a larger percentage of low-no potential here then in the inactive customer base.

There is a 21 percent group of high potential customers in this group. These customers, as for inactive customers, are assessed on previous orders, as well as company size and likelihood to buy again. Also on these customers, Empire is losing money by missing sales.

There is a 35 percent group of normal potential customers. These customers will most likely return to do business with Empire.

A group of 41 percent is assessed as low potential. These are customers that are not worth investing time and money in, as this group will generate little money. In comparison to the no potential inactive customers, these should be kept in the customer base. It is possible for these customers to order again, and with the timeframe of four years, these are still active customers.

## Appendix 11; New customer interview results

Figure control group New Customers company size

Figure 2 Control group New Customers promo budget

Figure Control group New Customers Defection reasons

Table 1. Defection reasons for new customers

|  |  |
| --- | --- |
| Reasons | Number of time this occurred |
| Price | 16x |
| Communication | 13x |
| Quantity | 3x |
| Quality | 2x |
| Availability of products | 2x |
| After sales service | 1x |
| Other reasons | 3x |

Figure 5 Control group New Customers potential Pie chart

Figure 4 Control group New Customers potential Bar Chart

The interviews were also in this case used as a sales pitch. Out of all interviewed customers, seven placed an order, which is ***22 percent*** of customers visited. This was after only one visit, and by just providing some interesting ideas and samples for these customers.

|  |  |  |  |
| --- | --- | --- | --- |
| Provided samples: | Quantity: | Value per item: | Total value: |
| Spec sample | 2 | $100.00 | $200.00 |
| Random imprint | 31 | $10.00 | $310.00 |
| Self promo item | 30 | $0.00 | $0.00 |
|  | 63 |  | $510.00 |

Table 2 Control group New Customers provided samples.

## Appendix 12; Loyal customer interview results

Figure 2 Control group Loyal Customers promo budget

Figure control group Loyal Customers company size

Figure Control group Loyal Customers Retention reasons

Table 1. Retention reasons for loyal customers

|  |  |
| --- | --- |
| Reasons | Number of time this occurred |
| Price | 7x |
| Loyalty / Force of habit | 6x |
| Communication | 2x |
| Quantity | 1x |
| Quality | 1x |
| Other reasons | 1x (most went to Loyalty/force of habit) |

Figure 5 Control group Loyal Customers potential Pie chart

Figure 4 Control group Loyal Customers potential Bar Chart

The sales pitch aspect of the interviews worked best on these loyal customers. Out of all interviewed loyal customers, six have placed an order. This is a ***44 percent*** sales rate on only one round of sales visits.

|  |  |  |  |
| --- | --- | --- | --- |
| Provided samples: | Quantity: | Value per item: | Total value: |
| Spec sample | 3 | $100.00 | $300.00 |
| Random imprint | 18 | $10.00 | $180.00 |
| Self promo item | 11 | $0.00 | $0.00 |
|  | 32 |  | $480.00 |

Table 2 Control group Loyal Customers provided samples.

## Appendix 13; Total sales results

These are the sales results from the customer visits. All of these orders have been made after the visit has been made, and are directly linked to the sales visit. Due to the last sales visit being close to the ending of the research, there is the possibility that more sales are actually made then illustrated here.

|  |  |
| --- | --- |
|  | Revenue (Nafl) |
| Botika Plasa | 6,508.40 |
| Manege Societe Hippique Curacao | 1,287.90 |
| Botika Brievengat | 7,682.40 |
| Dijk Transport N.V. | 526.03 |
| Domicilie Real Estate | 883.78 |
| Exotic Furniture (Living green) | 999.05 |
| Global Paint Products | 1,245.50 |
| Linde Gas Curacao NV | 3,123.70 |
| National investment bank | 2,247.20 |
| Wimco | 3,923.51 |
| DCSS | 2,867.30 |
| Treston Insurance Company N.V. | 3,583.41 |
| Farmipex N.V. | 2,431.43 |
| Miami Diver | 2,395.60 |
| Total Services | 5,362.01 |
| Beton Maatschappij Brievengat | 2,252.50 |
| Botika Sta. Maria | 1,181.90 |
| Huize Meerzorg | 629.64 |
|  |  |
|  |  |
| Total | **49,131.26** |