Customer retention: Recipe for success in SaaS industries

Case study on leading B2B SaaS provider

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by

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Abstract

Purpose: The purpose of this study is to examine how changes to the business model of a leading SaaS solution provider by way of altering customer experiences could prevent further customer attrition and instead promote customer retention. This study also aims to clarify the root causes of customer attrition existing within the current customer journey and suggest efforts aimed at increasing customer retention.

Method: The methodology used in this study is qualitative in the form of semi-structured interviews and has used a deductive approach to research. The approach has been conducted as interviews serving two perspectives: Internal and External. Internal perspective is comprised of interviews conducted with the case phenomena such as employees and managers, whilst the external perspective is comprised of customer insights. Both perspectives have been used to answer the main research questions, just as theoretical literature proposes it a necessity when analyzing customer experiences.

Conclusion: The conclusion derived from this study suggests that despite all customers appreciating the product/service provided by The Corporation, customer dissatisfaction stems from activities later on in the customer experience. These activities are perceived as inefficient due to long lead-times when managing advanced software issues as well as perceived information asymmetry within different departments in The Corporation towards the customers. This has implications on the business model as it is directly related to the capture of value from customers later on in the customer journey. Business processes currently used to maintain and service customers represent both the main source of value for The Corporation as well as the root causes of customer dissatisfaction. Efforts aimed at preventing customer attrition and increasing customer retention involves more efficient advanced issue management either by contingency planning or re-allocation of resources to prevent long-lead times of issue management. Multiple main points of contact towards the customer and increased interdepartmental customer-centric communications within The Corporation would increase information symmetry as well as improve customer satisfaction, customer experience and finally and promote customer retention.

Keywords
Customer retention, attrition, business model, innovation, customer journey
List of Figures

- Figure 1: Value creation, delivery and capture that define a Business Model (Kaplan 2012)
Definitions

AM: Account Manager

BM: Business Model

CJM: Customer Journey Map

SA: Solution Architect, belonging more to the “Consultant” department

SaaS: Software-as-a-Service

The Corporation: Anonymous name of the company studied as a case in the thesis

VP: Value Proposition
Table of Contents

1 Introduction...................................................................................................................... 1
  1.1 Background.................................................................................................................. 1
  1.2 Problem background: The Corporation........................................................................ 2
  1.3 Research Aim and Research Question ........................................................................ 3
  1.4 Delimitations............................................................................................................... 3
  1.5 Disposition................................................................................................................. 4

2 Literature Review.............................................................................................................. 5
  2.1 Customer retention ..................................................................................................... 5
  2.2 Business Model .......................................................................................................... 7
  2.3 Customer journey mapping ....................................................................................... 9
  2.4 Summary ..................................................................................................................... 10

3 Method.............................................................................................................................. 11
  3.1 Research Paradigm .................................................................................................... 11
  3.2 Research Approach ................................................................................................... 11
  3.3 Research Method ....................................................................................................... 12
  3.4 Data ........................................................................................................................... 12
  3.5 Reliability & Validity ................................................................................................. 13
  3.6 Case Study Design .................................................................................................... 13
    3.6.1 Phase 1................................................................................................................. 13
    3.6.2 Phase 2................................................................................................................. 13
    3.6.3 Phase 3................................................................................................................. 14
    3.6.4 Phase 4................................................................................................................. 14
    3.6.5 Phase 5................................................................................................................. 14
    3.6.6 Sample/Respondents ......................................................................................... 14
  3.7 Theoretical Application ............................................................................................. 15
  3.8 Limitations ................................................................................................................ 15
  3.9 Ethics and Sustainability .......................................................................................... 16

4 Findings............................................................................................................................. 17
  4.1 Internal - Customer Journey Map .............................................................................. 17
    4.1.1 Value Creation ...................................................................................................... 18
    4.1.2 Value Delivery .................................................................................................... 18
    4.1.3 Value Capture ..................................................................................................... 19
  4.2 External - Customer Input .......................................................................................... 19
    4.2.1 Prices .................................................................................................................. 19
    4.2.2 Inconvenience .................................................................................................... 19
    4.2.3 Core service failure ............................................................................................ 20

5 Analysis & Discussion ..................................................................................................... 21
  5.1 External - Customer Input ........................................................................................ 21
    5.1.1 Prices ................................................................................................................ 21
    5.1.2 Inconvenience .................................................................................................... 22
    5.1.3 Core service failure ............................................................................................ 22
  5.2 Internal - Customer Journey Map ............................................................................. 23
    5.2.1 Value Creation .................................................................................................... 23
    5.2.2 Value Delivery .................................................................................................... 24
    5.2.3 Value Capture ..................................................................................................... 25
    5.2.4 Customer Journey Map ..................................................................................... 25
5.3 Discussion ............................................................................................................................................. 31

6 Conclusion & Future Research ................................................................................................................ 33
6.1 Implications and Contributions ............................................................................................................. 34
6.2 Future Research ..................................................................................................................................... 35

7 References .................................................................................................................................................. 36

8 Appendix.................................................................................................................................................. 40
8.1 Appendix 1 – Internal functions interview frameworks ................................................................. 40
8.2 Appendix 2 – Customer interview framework .................................................................................... 41
1 Introduction
In this chapter, the author will present the scientific background within this field of academia as well as the empirical foundations for this master thesis. The problem background will further detail the case study in question, through which this thesis aims to produce further academic insight to the field of customer retention.

1.1 Background
In order for businesses to survive, they not only need to know how to attract customers but also how retain them. Consequently, in order for companies to retain customers they have to satisfy them by providing a good customer experience (Bloemer and Kasper, 1994). As the intricacy of factors defining customer retention and the details within them increase, the deeper and more precise the perspective becomes. Factors such as customer satisfaction, trust, switching barriers and value proposition (VP) components such as price and service have all been identified as important factors ultimately influencing customer retention (Ullah, Khan and Shahzad, 2015).

The relationship between customer satisfaction and retention have even been studied and proven to differ across industries (Gronholdt, Martensen and Kristensen, 2000). The same study even concluded a negative relationship between market share and customer retention due to the increased need of customization and customer segmentation in relation to the increased organizational size and need for standardization of business processes (Ibid.). However, the fact remains that business need not only develop capabilities to attain customers but also retain them in order to survive, especially in a global and technological context where opportunities as well as competition constantly increase. As there is a link between the inherent business model (BM) and the customer retention, this link does indeed vary depending on what industry the business operates in i.e. characteristics, is it a mature or growing industry etc. (Reichheld and Markey, 2011). Despite technology overall growing exponentially the last 10-15 years, one industry or rather market in particular showing great growth is the Software-as-a-Service (SaaS) segment (Report, 2017). According to statistics the SaaS industry has grown almost 20-fold between 2008 and 2016 and is projected to grow even more in the years to come (Statista, 2017).

Nonetheless, as the industry is growing so is the customer attrition rate among growing businesses within the SaaS industry (PayPro, 2014). As the main revenue models in SaaS businesses usually are subscription-, licensing- and the less common pay per-use based, keeping customers as long as possible is the main goal of generally most SaaS providers (Ojala, 2012, 2013). Furthermore, just as there is a relationship between customer satisfaction and retention (Ullah, Khan and Shahzad, 2015), there is also a distinct relationship between customer dissatisfaction and attrition (Bloemer and Kasper, 1994; Vera and Trujillo, 2017).

As customer retention can be seen as a necessity for most businesses from a long-term perspective, some revenue models are even purely dependent on the fact that customers keep coming back or rather stay as customers (Ojala, 2012), which SaaS businesses mainly are. Because customer retention efforts affect customer relationships and thus the way companies do business overall, it would not be illogical to presume that it also affects the inherent BM of a company (Weinstein,
Changes that create positive financial result as an effect of changes made to the BM or VP offered to the customers are consequently called innovations (Michel, Brown and Gallan, 2008; Brands, 2011). Although BM innovations are much more comprehensive both in practice and concepts, the specific innovations discussed in this thesis pertain specifically to customer experience and customer retention.

The goal of increasing customer retention therefore promotes certain efforts that creates chain-like reactions across a company’s BM that affects the overall strategy, business processes and department’s the day-to-day operational activities (Buttle, 2009; Ylinen, 2014).

These statements thus present the focal point if not the nexus that give rise to the purpose of this thesis; what changes to inherent BM would prevent further customer attrition increase customer retention?

1.2 Problem background: The Corporation

The Corporation is a business software company, mainly involved in developing and delivering multiple modules within Enterprise Resource Planning (ERP) systems to some of the world’s largest corporations. It is headquartered in the Europe and has subsidiaries in 26 countries divided in mainly four geographical regions: Continental Europe, UK, Asia Pacific and smaller regions in Africa. The Corporation has around thousands of employees’ worldwide and annual revenue of 600< million EUR. The core service provided by The Corporation are software solutions both off-and online as well as maintenance, workshops, software upgrades and licensing.

Key industries that The Corporation is involved in include Accounting, Architecture, Consultancy, Engineering, IT Services and Legal. This thesis focuses mainly on the Nordics Office located in Stockholm. The Sweden office currently holds a majority market share of the public sector in Sweden and offers approximately 200+ software solutions to not only Swedish municipalities but also larger domestic- and international corporations located in Sweden. This thesis is in collaboration with the sales division and thus has the golden opportunity to gain key insights from within The Corporation.

According to annual reports from 2008 to 2015, The Corporation has been experiencing great revenue growth (“The Corporation”, 2008, 2009, 2010, 2011, 2012, 2013, 2014, 2015). Although sales and profitability remain high, revenues in general have been decreasing since 2015. When investigating further into how this situation came about, it becomes evident that existing customers that have been loyal and provided the recurring revenues have started to switch to the competitors. Deriving from the annual reports, the reality that the customer attrition rate has been on the rise since 2015, becomes evident.

Although informal indications within The Corporation point to the fact that the merger that took place in 2013 may have affected key business processes, affecting customer relationships negatively and thus laid the foundation for the increased attrition rate, they are factually baseless and cannot be taken into actual consideration without further investigation. To investigate the current cause of customer attrition, 5 business customers that have expressed dissatisfaction but also agreed to be interviewed will be included in this study.
Whether the increase in customer attrition rates stem from the industry in general or internally from the company, remains unknown. Therefore the need to investigate and draw conclusions on what and why this increased customer attrition rate has been on the rise, as well as produce key insights as to what changes to the current BM could remedy it, arises.

1.3 Research Aim and Research Question
This study aims to investigate how changes to the inherent case-specific BM of a company within the SaaS industry could prevent further customer attrition and instead promote customer retention. Furthermore, the empirical findings will be measured and compared to contemporary literature regarding customer retention through the perspective of the customer experience.

By interviewing potentially defecting customers as well as studying the case-specific BM and comparing them to existing literature studies on customer retention, this study aims to produce effective and knowledgeable insights that are based both on theory and empirical facts. In summary, by answering the stated research question(s) this study will be able to draw conclusions regarding what the sources of customer attrition in a case-specific SaaS BM are and subsequently how to increase customer retention. The author’s intent is that these conclusions will provide the indication and insight as to why current customer attrition is prevalent in SaaS industry today.

The primary research question consists of one main question followed by two sub-questions:
1. What changes to The Corporation’s business model would prevent further customer attrition and increase customer retention?
   a. What is the source of customer attrition and where is it located in the current business model?
   b. What innovations across the business model would promote customer retention?

1.4 Delimitations
This thesis will only involve certain aspects of the BM that are directly related to the customer experience and not include other aspects related to the BM such as key resources, infrastructure management or financial aspects etc., as that perspective far exceeds the scope of this thesis. The BM perspective used in this thesis will only look at the total customer experience within which certain aspects of the BM will be presented such as the creation, delivery and capture of value. Also an overall study of the global industry and how market-specific trends might create factors that could be a promoting factor for the current customer attrition within The Corporation will not be conducted. More specifically, external technological innovations that might promote customer retention will also not be included in this thesis.
1.5 Disposition

Introduction
- Introducing chapter of the thesis provides the reader with the initial overview of the phenomena being studied. Concluding the chapter with main research questions and delimitations.

Literature Review
- Theories as well as earlier research within the subject areas relevant to the purpose and aim of the study is presented as well as the theoretical application to the thesis.

Method
- Main research paradigms are presented and frameworks used by the author to collect, analyze, and discuss data are presented. The study design describing the different steps by which the author has conducted the study is presented so as to grant the reader a full overview of the research process.

Findings
- The data collected by the author, using the earlier presented methods, is presented. The data collected will further be analyzed in the following chapter.

Analysis & Discussion
- Using earlier stated theories, the collected data will be measured and analyzed together with earlier research conducted within this field of research. This chapter concludes with a discussion, summarizing and discussing the relevance of the analysis conducted.

Conclusions & Future Research
- The data collected and the literature review as well as the methods chosen are used to answer the main research questions stated in the introduction chapter and serve the purpose of the study. The chapter is summarized by the implications the study has on this field of entrepreneurship and innovation. Ideas and suggestions for future research conclude the chapter and thesis.

References
- The bibliography used in this thesis as sources for the background, literature review and methods is disclosed.
2 Literature Review

In this chapter, literature reviews as well as theories and concepts that will serve as the scientific basis for this study’s analysis and perspective will be presented.

As this study aims to investigate customer retention strategies in an industry characterized by both high levels of service as well as technology, the scope and depth of this thesis prerequisites a certain level of academic literature. Concepts relevant to customer retention as well as customer journey and BM will be the central themes of this chapter.

2.1 Customer retention

When discussing customer retention, different explanations or concepts are introduced with the intention of identifying, categorizing and establishing what the necessary factors that constitute customer retention are (Grönroos, 1990; Reichheld and Kenny, 1990; Buttle, 2001). Ahmad and Buttle (2001) summarize in their article that customer retention is whenever a customer does not leave or switch to other competitors. Traditionally, the 4Ps marketing theory Price, Product, Promotion and Place, otherwise known as traditional marketing or classical marketing approach (Jerome, 1964) emphasized the acquisition of new customers as opposed to retaining them. However, the perspective that customer retention is more profitable and delivers more value for business has grown (Christopher, Payne and Ballantyne, 1991; Berry and Parasuraman, 1992; Peck et al., 1999) and is still much prevalent in contemporary business literature (Rahman and Masoom, 2012).

Dawkins and Reichheld (1990) were the first to publish the actual tangible effects of customer retention in the form of higher profitability. Although the benefits of customer retention differed depending on which industry was looked at (Payne and Frow, 1999), the main idea was that acquiring customers costs more than retaining existing customers (Reichheld and Kenny, 1990; Gallo, 2014). The acquisition cost however, always declined the longer a customer stayed as a customer due to recurring revenues (Ibid.). This principle of declining costs as revenue accumulates would therefore promote more profits i.e. higher profitability. Even from a value-derived perspective, customer retention has been proven to provide more long term value for the business rather than the initial acquisition (Vandermerwe, 1996). This value could be in the form of marketing and attracting new customers as well as promote beneficial partnerships that could lead to increasing market share etc. (Ibid.)

For businesses in the SaaS industry, where the main revenue model is more akin to the subscription-based model as opposed to the transactional (Ojala, 2013), customer retention is therefore increasingly important for the survival of the business. As customer retention promotes increased long term profitability as well as declining initial costs (Dawkins and Reichheld, 1990; Buttle, 2001), its significance becomes paramount for incumbents. Considering the primary revenue models used in SaaS businesses, customer retention presents an opportunity to attain a key competitive advantage (Dawkins and Reichheld, 1990).

Bloemer and Kasper (2014) found in their research that there is a direct link between the level of customer satisfaction and whether or not a customer defects or stays.
Therefore just as customer satisfaction promotes customer retention, customer dissatisfaction promotes customer attrition (Bloemer and Kasper, 1994; Vera and Trujillo, 2017).

Keaveney (1995) specifically studied the reasons for customer defection by looking at what promoted customer dissatisfaction among businesses in service industries and found 8 motives that were the most recurring motives for customer attrition. These were:

1. **Pricing**
   Things like prices, rates, and extra charges made to the customers were often too high or created customer discomfort. Within the pricing category there are four sub-categories relating to the discomfort related to prices; (1) generally high prices, (2) price increases, (3) unfair pricing as in comparison to standard prices in the market and lastly (4) deceptive prices where hidden charges usually surface post-purchase or decision to purchase.

2. **Inconvenience**
   Customers felt too often inconvenienced by the location, hours or lack of availability by the service provider. The inconvenience noted in her study was divided into three sub-categories: (1) location and hours of operation, (2) the inconvenient too long time to schedule an appointment and (3) too long of a waiting time for the actual delivery of the service.

3. **Core service failures**
   This is where the main value proposition was lacking according to customers who left for competitors. This was the largest category of motives for why customers defect. Sub-categories within this motive were; (1) mistakes in the value proposition/service, (2) billing errors i.e. the customer gets billed for other things than the actual value proposition not accounted for and (3) service catastrophes where the service where the value delivered caused damage or increased costs to the customers.

4. **Service encounter failures**
   Service encounters entail events where the service providers met with the customers. The personal interactions were perceived as lacking and therefore not satisfactory and contributed to actual defection. The motives within this category of source of customer dissatisfaction were divided into four sub-categories. These were; (1) lack of caring by the employee towards the service failure, (2) impolite behavior that had a certain negative attitude towards customers, (3) unresponsiveness or inflexibility which led to uncommunicative responses that increased customer frustration and (4) unknowledgeable employees where employees simply did not know how to solve the customer’s issue(s).

5. **Employee responses to service failures**
   In this category, the main source for customer dissatisfaction was the employee’s response to the actual service failure. The service itself was below satisfactory but not as big as how employees handled the situation towards the customers. This type of failure was divided into three sub-categories; (1) reluctant responses where the service failure was noted and corrected by the employees but in a way that was perceived by the customers as forceful and
thus negative. (2) Failure to respond was the second category where customers felt that they were left to “deal with” the service failure independently as employees simply did what they had to do and nothing more, which gave a sense of discomfort to the customers. The third subcategory was (3) patent negative responses where the customer perception was that the service provider attributed the service failure to the customer(s) and instead of taking responsibility for the failure, blamed the customer.

6. Competitor attraction
Competitors attracted the customers with a value proposition that met the customer’s needs much better. Customers then felt no need to stay with the initial service provider. Moreover, some customers felt that the service was much more positive with competitors as they were greeted and serviced in a much more welcoming way.

7. Ethical problems
Ethical problems relate to immoral or illegal behavior perceived by the clients. The lack of transparency intensified this perspective or immoral behavior and made it all more reasonable for the clients to switch service provider. Four sub-categories were found to be relevant; (1) plainly dishonest behavior in which promises were made but not fulfilled, (2) intimidating behavior, (3) unsafe or unhealthy behavior and (4) conflicts of interest.

8. Involuntary switching and seldom-mentioned incidents
Customers who expressed this motive for defecting attributed the switch because of factors beyond their control. Factors such as re-location of the service provider or customer or indirect changes of business actors in the supply chain etc. were the main reason for switching and thus not actual motivation or discomfort behind it.

Sources of customer dissatisfaction that might lead to a customer potentially leaving, are many and can vary in importance depending on what industry that is studied (Reichheld and Markey, 2011). Customer relationships have also been shown to have a fundamental impact and is an integral part of a company’s BM, especially in an online environment (Osterwalder and Pigneur, 2003). Therefore, there is a need to investigate the current BM when looking to improve customer relationships.

2.2 Business Model
A BM is in universal terms a concept, model or story that describes what a business is and how it operates. Despite sharing the commonality in the concept there are many definitions of what a BM in detail actually is (Ropo, 2014).
In his dissertation, Osterwalder (2004) gives a clear and distinct of what he perceives as the concept of the BM. The importance lied in the areas he defined as fundamental to what a BM should entail; Product, Customer Interface, Infrastructure management and Financial management.
Osterwalder together with Pigneur and Tucci (2005) further describe the BM as the core logic of how a business uses its resources and operates in order to generate revenue.
More in line with this thesis as well as Pigneur and Tucci (2005), is Kaplan’s (2012) version of the BM that provides another more holistic and simplified perspective on the concept as a whole. Important to note is that this thesis will only discuss parts of the BM that pertains to the total customer experience and specific customer interactions as opposed to the BM as a whole.

Consequently, the nature of this thesis is more compatible with Kaplan’s (2012) definition of what a BM is. He defines the BM as a story with three main parts that in some cases can be chronologically arranged as a holistic business process; value creation, value delivery and value capture (see Figure 1)

<table>
<thead>
<tr>
<th>Business Model Phases</th>
<th>Description</th>
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| Value Creation        | - For whom is the value created?  
                          - How is the value created?  
                          - Which/how are the resources and processes used to create intended value? |
| Value Delivery         | - How does the company operate to deliver the value proposition?  
                          - How does the customer receive the value?  
                          - How does core capabilities relate to each other in order to deliver value successfully? |
| Value Capture          | - How does the company capture the value?  
                          - Which revenue model is used to sustain the company?  
                          - How/when does the customer pay the company? |

Figure 1 – Three parts that define a Business Model (Kaplan 2012)

Value creation
It is in this stage of the BM, that the company creates value for the customer. Regardless if it is a product or a service, it is the way that the business arranges its resources, financial, human and technological etc., in a way that creates the value the customers are willing to buy. The main key points at this early stage, is that the value that the BM proposes to create, directly reflects the need or job-to-be-done that the customers have. (Kaplan, 2012)

Value delivery
When a business delivers the value, the building components of the inherent value created has already been aligned and “operation-ready” as it is here that the value proposition itself is present. In other words what make a business unique or gain competitive advantage, however fundamental the value creation stage is, is mostly in the value delivery as this is usually the point where the customer experiences peak. In summary, this is the stage where the main operative model by which the business actually delivers the value as well as when the customer experience peaks, is presented. (Ibid.)

Value capture
The capture of the value generated by the business, focuses more if not solely on the financial aspect of the BM. This stage explains how the business or organization captures the economic value of the value created and delivered to the customer. Revenue models are a great example as they show how the business generates revenue and thus profits. In SaaS BM’s, the subscription model is mostly used whilst
a more transactional revenue model is present when looking at supermarkets or barbershops. (Ibid.)

2.3 Customer journey mapping
When looking to increase customer retention, especially among dissatisfied customers, it is very important to investigate what you already have to work with i.e. existing customer journey. A customer journey is the holistic experience, from the customers point of view, that starts when a customers first meets the supplier to after the customer has bought and used the product/service offered (Lemon, 2016; Bern and Hermansson, 2017; Opanasenko, 2017).

Consequently, in order to improve customer experience throughout the customer journey, it is imperative to first identify what the customer journey in its entirety actually is. By mapping out the customer journey, a customer journey map (CJM) is created. According to Edelman et al (2017), the significance of the customer experience and thus the customer journey has grown to the point of being central to the competitive advantage of a business. Although this thesis will not pursue the same methodology, Schneider and Stickdorn (2011) mention in their book This is Service Design Thinking that the customer journey is a collection of various touch points that are activities or events that have an impact on overall customer experience. These touch points can vary in type, length of time etc. and have different levels of significance. In order to properly improve the customer experience, the importance of these touch points need to be verified by the customer much like in an interview but in a way that is not too structured so as to not stifle the mindset of the customer.

Much like this thesis, Lemon and Verhoef (2016) proposed that the CJM could be divided in smaller but more comprehensive phases; Pre-, Actual- and Post-purchase phase. Furthermore, these phases all exist within an inherent BM but viewed from the customer’s perspective (Norton and Pine II, 2013; Lemon, 2016; Weber, 2017) and therefore provides the tools necessary to enhance the customer experience by way of refining the BM. Even though the BM of a company extends far beyond the customer journey (Kaplan, 2012; Ropo, 2014; Opanasenko, 2017), one can capture the holistic customer experience by investigating customer interactions throughout the BM (Howard and Sheth, 1969; Neslin et al., 2006).

Therefore, instead of dividing the customer journey in different phases of purchase, this thesis will focus on the customer journey from the perspective of the BM. By focusing on the creation, delivery and capture of value, as it is more relevant to the inherent BM, this thesis aims to capture the holistic customer journey and the business processes aimed towards the customer(s). It is within CJM that key touch points exist and thus need to be identified and focused on in order to optimize customer experience and finally improve customer retention (Stickdorn and Schneider, 2011; Lemon, 2016; Rosenbaum, Otalora and RamÎrez, 2016; Edelman and Singer, 2017; Opanasenko, 2017).

In her master thesis, Opanasenko (2017) studied the main touch points in the customer journey for B2B customers to SaaS companies and revealed that among them were: first phone contact, the first meeting and presentation of proposed
solution(s), actual on-boarding process of implementing the software solution(s),
customer workshops/trainings and lastly inquiry and implementation of customer
feedback on reported issues or suggestions for improvement.

According to Rosenbaum et al (2016) and Norton et al (2013), there are risks of mis-
modeling the customer journey map. In their research (Ibid.) they argue that the
customer perspective is not uniform for all customers and therefore some touch points
or attributes within the journey are valued differently among customers. They
therefore drew the conclusion that managers responsible for internal business
processes should look over how they model customer journey maps more in line with
what the customers want. By including information gathered from customers, they
could more easily translate these inputs into cross-functional measures that reflect the
holistic customer experience.

2.4 Summary
In summary, customer dissatisfaction might in aggregate result in customer(s) looking
to switch supplier or simply leave as the customer relationship in general is lacking
(Chrstopher, Payne and Ballantyne, 1991; Keaveney, 1995; Buttle, 2001; Ylinen,
2014; Bern and Hermansson, 2017).
As the BM describes the logic of a business and how it operates (Kaplan, 2012),
efforts in enhancing and maintaining good customer relationship(s) should be a
priority that is included in the BM (Osterwalder and Pigneur, 2003; Norton and Pine
Furthermore, customer interactions that affect customer relationships can be
visualized and summarized in a CJM. However, as BM is a concept that provides a
scope wider than a CJM as well as the purpose of this study, not all aspects of the BM
will be discussed in this thesis. Only factors within the BM pertaining to the activities
relevant to the CJM will be highlighted and discussed, as these activities are
important parts of the customer experience.
3 Method
In this chapter the methodology used in this study will be introduced, as well as the concepts and research design that are relevant to the quality and integrity of this study. The aim is to create an understanding for how the study is conducted in a way that is presentable to the reader.

3.1 Research Paradigm
There is a wide spectrum of research paradigms that have a variety of different paradigms within two extremes, usually residing within the dichotomous academic field of literature and philosophies. The two main research paradigms on either extreme side are Positivism and Interpretivism. However, this study will only focus on research paradigms within these two extremes, more likened to the Interpretivist school of thought called Ethnography and Case study.

The research paradigms or methodologies used in this study are closer to the interpretivism side of the ‘spectrum’ called Ethnography and Case study. Ethnography, aims to understand social knowledge shared within a certain set of group(s) by closely engaging the phenomena studied. The phenomena in this case can range from both social groups, but also systems and processes. Case studies is a methodology more focused on studying a single phenomena such as specific processes, people or contexts (Collis and Hussey, 2014). Given the main research question and purpose in this thesis, the combination of these paradigms effectively capture the essence of the research question within the context it is studied (Eisenhardt, 1989; Ying, 2009). By interpreting the data collected during the course of the study such as sets of data in the form of processes and group’s collective assumption or perception of the world, it will be easier to draw conclusions that is reflective of that specific social reality and context (Boyle, 1994; Collis and Hussey, 2014).

As ethnography promotes interpretation that usually involve analysis of human actions, both individual but also on a collective level as a group, the conclusions derived tend to have a certain level of ambiguity (LeCompte and Goetz, 1982; Werner and Schoepfle, 1987). The level of quality in the data this study aims to generate therefore lies in the interpretation and active participation of the author as well as the understanding of the groups of individuals and processes observed. The author will look at both the theoretical field of customer retention and BM and study these in relation to observed internal business processes as well as attitudes and insights from current but potentially defecting customers. However, in line with Collis and Hussey’s (2014) statement, there is the difficulty to balance between case-specific results that benefit the thesis and the field of research that should have a certain level of generalizability.

3.2 Research Approach
There are mainly two approaches when discussing what approach to take when writing a thesis or study. These are namely Induction and Deduction (Andersen, 1998).
In this thesis, a deductive approach will be used in the meaning that the author will first look at contemporary research regarding customer retention and BM. Subsequently, existing business processes within The Corporation specifically those related to the customer journey and experience that are a part of the BM will also be studied. Furthermore, customers will be interviewed and the insight generated by that data would be analyzed and translated into actual proposed changes to existing business processes. In the fourth and final step the findings generated will be reflected and compared to the literature review in order to provide beneficial insights to the contemporary field of academia within customer retention.

To summarize, this thesis will compare earlier research and theoretical claims regarding the specific field of customer retention within a high technology industry in order to produce, besides case-specific, knowledge and draw conclusions that can provide insights that can benefit both industry and academia.

3.3 Research Method
The main paradigms used in this thesis, in order to answer the main research question(s), are ethnography and case study that in turn yield more unique and qualitative results. Therefore, it is intended as well as more appropriate to use a qualitative method when collecting and analyzing data. The qualitative aspects of this study are the semi-structured interviews with questions aimed towards respondents providing two different but complimentary perspectives: Internal and External. The internal perspective consists of employees and managers in respective functional department within The Corporation whilst the external perspective consists of the business customers of The Corporation.

In summary, the author will first collect data regarding the case studied and analyze the existing research within the field of customer retention in order to measure it against empirical findings. The author of this study will then conduct an analysis that will yield results relevant to the theoretical field of customer retention within high technology SaaS industry. These results will then help the author draw conclusion(s) that is both case-specific but also holds value to the more general and contemporary scientific field of customer retention in a high tech industry.

3.4 Data
There are mainly two different types of data according to Andersen (1998) and Collis et al (2014), which are primary and secondary data. Primary data is data that has been gather directly from the source by the researcher during the course of the study. Primary data is in a sense more original in the fact that it has not been “processed” or altered in an earlier study. Primary data thus gives the reader a more just and specific perspective of the phenomena studied as the conclusions derived from the data directly reflect contemporary research questions earlier stated by the author.

Secondary data, however still highly relevant for the quality of a research papers, is usually collected from already established sources i.e. not collected directly from the source. According to Bryman et al (2013), secondary data is data collected from an existing source that is already established as is
This thesis will mainly use primary data, such as interview with employees and management as well as business customers, as source of analysis, besides using secondary data in the form of literature review and academic theories.

3.5 Reliability & Validity
Reliability measures the accuracy and precision in a report, in other words how reliable the content, results and conclusions are (Johannessen and Tufte, 2003; Collis and Hussey, 2014). More specifically, reliability refers to how universal or uniform the measurements of the results and the results themselves are i.e. if the same measurable results would be able to be produced again if another study on this topic was re-taken. As this study’s reliability rests on case-specific factors relevant to The Corporation as an organization and their customers as well as already established research and conceptual theoretical knowledge within customer retention within the SaaS industry, the level of reliability is satisfactory.

Validity is another factor that also determines the quality of data collected, analyzed and represented in a study (Johannessen and Tufte, 2003). The more precise the content of a study is, the higher the validity.

Given how validity is measured (Johannessen and Tufte, 2003) and how the author of this study aims to investigate the specific case of The Corporation, the level of validity is satisfactory. The analysis in this study will assume the perspective of using existing research and business concepts relating to customer retention to theoretically alleviate the challenge of customer dissatisfaction and thus attrition within The Corporation.

3.6 Case Study Design
The phases of research conducted in this study consist of data collection from both internal as well as external sources in order to arrive at a conclusion that in turn will give direction for further alternatives, all of which answer the main research questions. For further details, please see a more descriptive overview of the phases in question down below.

3.6.1 Phase 1
In this stage, information is gathered from earlier research that will provide direction in regards to which stakeholders are significant for increasing customer retention at a corporation. Subsequently, non-disclosed internal documents at The Corporation specifying which important customers are at risk as well as historical logs providing the whole scope of customer dissatisfaction and possible attrition will be used as basis for conducting further research. After mapping out customers that are to be interviewed, internal stakeholders such as employees and managers will be contacted for interviews.

3.6.2 Phase 2
At this stage, existing literature review has been established as relevant for this study, customers that are to be interviewed as well as important internal stakeholders have been mapped out. At this stage planning interviews as well as sending out interview requests to both customers and employees of The Corporation will be key. Interview
questions for all relevant internal functional departments will be created (see Appendix 1).

3.6.3 Phase 3
Going forward, internal stakeholders will be interviewed in order to map out the existing process i.e. customer journey map that exists within the current BM. After visualizing and establishing an as-is image of the existing customer journey i.e. the internal perspective, together with sufficient background information on the customers, effective semi-structured interview framework with relevant questions can be created (see Appendix 2). Subsequently, interviews with existing customers are conducted and information accumulated. The data derived from the interviews will be divided into smaller mutually exclusive but collectively exhaustive categories and arranged accordingly represented as the external perspective.

3.6.4 Phase 4
The data from interviews with customers will first be connected to respective stage in the customer journey map where the customer perspective will be included. This is key as different functional departments are relevant for each stage, which would indicate the possible need for change of business processes at respective stage. After connecting the data regarding customer dissatisfaction and possible attrition to certain stages in the customer journey map, the cumulative information will be compared to the literature review. It is from this analysis that the author will draw conclusions relevant to answer the main research questions.

3.6.5 Phase 5
After analysis of collected data from all sources, literature reviews, employee interviews in The Corporation and its customers, conclusions can be drawn. The aim is to provide conclusion specifically aimed at The Corporation but also generate more general and possibly new insight to the current academic field of customer retention strategies for SaaS BM’s. Conclusively, implications for the contributions made by this study as well as possibilities for further research will be presented.

3.6.6 Sample/Respondents
The interviews and data collection intended to answer the main research question and sub-questions, require both an internal as well as external view. The internal view pertains to the different departments within The Corporation whilst the external view focuses on the customers. Both perspectives are therefore necessary in regards to the aim and purpose of this study.

3.6.6.1 Internal Perspective
As the company studied in this thesis will retain anonymity, it will be addressed as “The Corporation”. The interviews conducted regarding the internal perspective will be comprised of different departments interviewed at The Corporation by using the semi-structured frameworks see Appendix 1. The departments in question all have a direct relationship with the customers and are therefore suitable as respondents for this study. The 5 different departmental functions interviewed are: Sales, Project management, Consultants, Product development and Customer support. Each function
may have different types of employees, however as they work under a specific phase and department they will not be further categorized into each specific working title.

3.6.6.2 External Perspective
Due to an agreed upon and signed Non-Disclosure Agreement between me and The Corporation the specific name of these companies will not be disclosed in this thesis. In general, 5 customers that have expressed dissatisfaction will be interviewed for this thesis. However in order to separate between different customers, each customer will be assigned an alphabetical letter from A to E.

3.7 Theoretical Application
It is only part of Kaplan’s (2012) definition of what a BM is, through the perspective of a customer journey, which this thesis will use when investigating the BM of The Corporation. However, as Gordijn et al (2000) emphasizes, there is a clear distinction between a BM, a concept that provides the logic of how the business works to create, deliver and capture value, and a business process model. As a business process model mainly describe the business processes within a BM (Ibid.), this thesis uses a different perspective as it also looks at the holistic customer journey and the interrelationship between and its customers in regards to the creation, delivery and capture of value(s).

The BM in this thesis does not provide an exhaustive description of the BM of The Corporation, but rather analyzes the business processes involved and directly relevant for the CJM. Therefore, the empirical findings will be presented in a table depicting the different business processes but segmented into the three value-significant phases of the BM. The analysis will include the customer perspective as well as stated areas of customer dissatisfaction.

Also in line with findings from Rosenbaum et al (2016), this study first examines the actual internal processes at The Corporation that are done in contact with the customers in order to set the scope for the customer experience. Subsequently, interviews with the customers are conducted in order to find sources of dissatisfaction as well as provide a brief overlook of the CJM to reveal any potential discrepancies. This dissatisfaction will then be translated and targeted to the relevant phases and departments within The Corporation in order to lay the foundation for further business process improvement intended to enhance the customer experience and ultimately increase customer retention.

3.8 Limitations
Due to time restrictions, an overall detailed exploration of all of The Corporation’s customers will not be possible to conduct. A contributing factor is the fact that the global scope of customer portfolio is very wide and international which creates further challenges logistically. Also, the possibility of financial, legal and cultural factors that might have contributed to the current customer attrition will not be included in the study. Furthermore, the possible effect the presented conclusion might have on The Corporation financially, legally and culturally will not be included in this thesis.
3.9 Ethics and Sustainability

There does not seem to be any specific ethical concerns regarding the nature of this study or in the way it is being conducted. In order to ensure the level of ethics in this study, the author preemptively discussed the anonymity with both employees as well as customers before interviewing them in order to ensure complete transparency and full disclosure. Beside the names of customer and specific employees not being disclosed, a NDA has been signed and agreed upon before initiating this research topic. However, there is the moral dilemma in the possibility that the author could be biased. In order to mitigate this risk, the author will keep a close communication with KTH faculty and thesis supervisor in order to “stay” the course and remain unbiased and uphold a certain level of academic value in producing this thesis.
## Findings

In this segment, empirical findings will be presented. The main structure is as follows; firstly the internal view that is the interviews conducted internally at The Corporation will be accumulated and presented visually in a customer journey map with further details at each value phase, secondly the input from customers will be accumulated and presented according to notified discomfort.

### 4.1 Internal – Customer Journey Map

<table>
<thead>
<tr>
<th>BM</th>
<th>Activity</th>
<th>Description</th>
<th>Actors</th>
</tr>
</thead>
</table>
|        | Customer Acquisition          | • Customer engagement via phone or email, meeting and presentation  
|        |                               | • Contract negotiation and agreement  
|        |                               | • AM is assigned to client  | Sales  
|        |                               |                                                                 | Customer                      |
| Value Creation | Project Team selection    | • AM hands over project to PM  
|        |                               | • SA/Consultants work together to measure and select resources and consultant team | AM  
|        |                               |                                                                 | PM  
|        |                               |                                                                 | Consultant manager  
|        |                               |                                                                 | Customer                      |
|        | Project Planning              | • PM, SA and consulting team work together to plan project with customer  | PM  
|        |                               |                                                                 | SA  
|        |                               |                                                                 | Consultants  
|        |                               |                                                                 | Customer                      |
| Value Delivery | Project Planned & Implemented | • Project is planned and scope of project is established  
|        |                               | • Project’s standard features are implemented by the consultants  
|        |                               | • Specific customization according to customers needs are agreed upon and further implemented by the consultants | PM  
|        |                               | • Usually, the need for extra features, configurations or “extra-tuning” arise as a result of in-field testing | SA  
|        |                               |                                                                 | Consultants  
|        |                               |                                                                 | Customer                      |
|        | Project Delivered             | • Project is delivered and signed between The Corporation and customer  | AM  
|        |                               | • Customer is handed back to AM that maintains customer relationship | Customer                      |
| Value Capture | Customer care & upsell | • Customer user support are handled by customer support dpt.  | AM  
|        |                               | • AM’s are indirectly involved as customer’s main point of contact | Customer Support  
|        |                               |                                                                 | Customer                      |
### Value Creation

At this stage, the salesperson is in contact with customer and establishes a relationship based on the needs that the customer has. After initial presentation of The Corporation’s value proposition, the customer agrees to buy The Corporation’s products and services and signs an agreement that outlines what the customer aims to buy, at what price and further project details. Typically the product is a software solution that will work as an ERP system with functions depending on the contemporary needs of the customer. The AM has now the sole responsibility of engaging internal actors such as project managers, solution architect and consultants in order to structure the project of implementing the product and planning of services towards the customer.

### Value Delivery

After planning and outlining the scope and aim of the project, the AM hands over the project to the project manager, solution architect and consultants that will further manage the project onwards. The project is managed by the project manager with a team of consultants that will implement the product is at customer site. The basic features are included in the product as well as specific customizations detailed by the SA. During this process, the customer is always informed and works together with the assigned consultants to enable effective implementation of the software as well as

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<table>
<thead>
<tr>
<th>Category</th>
<th>Description</th>
</tr>
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<tbody>
<tr>
<td>Minor difficulties</td>
<td>such as delays might arise if problem has no specific documentation. Possible upgrades can be purchase/implemented.</td>
</tr>
<tr>
<td>Customer issue arises</td>
<td>Customer turns to AM, AM turns to relevant departments earlier involved with customer project. Specific software issues are handled by developers. If issue is sustained, issue is escalated to product developers currently located abroad.</td>
</tr>
<tr>
<td>Customer waiting in line</td>
<td>The developers have a central global queue for escalated errands. Highly trained program developers resolve issue efficiently.</td>
</tr>
<tr>
<td>Customer issue is resolved and registered</td>
<td>Software issue(s) is resolved and registered with customer support. Registered issues are up for review with customers once resolved in order to gain insight and promote and enhance customer relationship.</td>
</tr>
</tbody>
</table>

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<thead>
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<th>AM</th>
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<th>Product developers</th>
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educating the employees of the customer in regards to how this software works and is to be used. After successful implementation, the project is signed as delivered as well as handed over back again to the AM, whom in turn regains the position as the main point of contact towards the customer.

4.1.3 Value Capture
At this stage, the project has been delivered and the foundations of a long-term relationship have been established. The main points of contact towards the customer include customer support and AM. These two types of actors are responsible for the customer relationship management, all of which functions such as issue resolving, software support, license upgrades and purchases fall under their area of responsibility. Usually, the value that The Corporation captures at this stage are based on the main revenue model typically used by B2B SaaS providers which are the initial revenue of the product bought as well as the recurring revenue of services, licenses and server/software maintenance as well as workshops and upgrades.

4.2 External - Customer Input
The main areas of dissatisfaction for the customers have varied to some level but still revolve around the same theme or rather activity. These sources of dissatisfaction have been accumulated, grouped and categorized into different MECE components.

4.2.1 Prices
When interviewed, customers feel that the product delivered satisfied their operational needs and that the prices charged do reflect the value they paid for. However, in response to extra charges or separate prices for services they think should be included, most of them think that those charges in aggregate are too high. Customer A, B and D think that if there is some unaccounted for configuration needed to the product, the price for that configuration should not be as high as it is. Also, as there might be some delay or new features that are needed post-implementation, the original prices should be lower or at least some rebates be applied on future costs. Customer C and E however, do not feel there is anything wrong with prices charged by The Corporation in general.

4.2.2 Inconvenience
All of the customers feel, to varying degrees, that the first version of the product or upgrade needed to be re-launched or modified before finally be used within their respective organization. Despite The Corporation delivering on all that they promise, customers feel that the inconvenience in installment happens due to insufficient testing within The Corporation. Also, customer A and D express that the value proposition The Corporation presented in the first meetings sometimes promised really good product and service features that The Corporation indeed could deliver but, to the customer’s surprise unfortunately could not afford. The feeling they expressed was in line with a little but relevant disappointment. Also, when issuing a complaint to The Corporation, customers often felt that the employees at The Corporation sometimes did not know of all activities earlier conducted with the
customer. In this sense, customer often felt the need to ask for specific employees that they have had contact with earlier or else need to explain earlier engagements to “new” employees. This however is more prevalent when discussing across departments within The Corporation i.e. Customer support or Project management.

4.2.3 Core service failure
Customers A, B, D and E expressed that when registering a complaint or issue to The Corporation, the administrative time to solve that issue could take a lot of time. It is during this time that all customers express substantial discomfort to some extent. However customer C did not experience that they needed to report many issues besides the initial ones directly after a completed project, all of which were resolved within days if not in the following weeks. Customers divided between issues that were minor, and thus resolved much faster, and if an issue was to be escalated. Customer A, B, D and E mentioned that this type of delay could result in higher costs and longer administrative time, something all claimed was the biggest reason for choosing an external SaaS or ERP provider in the first place. The customers (A, B, D and E) felt that when reporting an issue, it usually is resolved within the week, which is regarded as very efficient. However when an issue did get escalated, then the delay took considerably longer time, which presented an issue for most customers (A, B and D).

Although the software solutions provided by The Corporation are above normal standards in terms of quality and functionality, the fact that the product in question is not perfect is well understood and expressed by the customers. However, it is the process or service of issue management encountered/perceived by the customers that all customers feel is lacking and should be improved. Customers A, B and D refer to instances where there have been issues or features that need fixing in the software but due to the nature of the issue at hand the issue(s), got escalated. During the course of this escalation, customers felt frustrated due to a couple of factors. First, the time it took for The Corporation to get back to the customers was, according to the customers, too long. Second, customers felt that when in contact with the different departments of The Corporation, whether it is customer support or project managers, there seemed to be different perspectives as to what respective customer situation actually was. Furthermore, when in contact with The Corporation regarding issue handling most customers (A, B and D) experienced that not all employees knew about the customer’s issue or historical activity equally.
5 Analysis & Discussion

This chapter will measure and compare initial findings from both The Corporation and its customers to established literature studies. Differences and similarities will be highlighted as they can indicate solutions that answer the main research questions and propose suggestions for further research.

The structure of this chapter is as follows; firstly, key points in customer inputs will be analyzed and then compared earlier research in order to find both similarities and differences. After analyzing the empirical findings from customer inputs in relation to earlier research, both from an external as well as internal perspective, affected parts of The Corporation's CJM that are in need of change as a result of customer input will be highlighted and discussed accordingly. In conclusion, this chapter will end with a discussion on the significance and possible relevance that the analysis might have.

5.1 External - Customer Input

According to earlier research, there are typical areas that act as source of customer discomfort. Some of these areas have correlated with the empirical findings of this study. Likewise, there are sources of discomfort that have been found in earlier research but have not been expressed in the findings of this study.

5.1.1 Prices

The findings suggest that the current prices offered by The Corporation, are well accepted by its customers. However it is the prices for additional activities that, according to customers A, B and D, should be lowered. Given that software installments usually require testing both internally but also at customer-site, some unforeseen extra features might become relevant. It is not uncommon that some functional changes at customer site or subsequent add-ons become needed. However it is the fact that some changes require extra consultant hours, which translate to extra charges that affect customer experience negatively. In contrast to what Keaveney’s (1995) findings propose, a part of customer’s discomfort related to prices is not due to higher or increasing prices but rather to the extra activities that result in higher aggregate costs. Furthermore, as minor functional changes or add-ons at customer site is not uncommon within the software industry, the extra charges made cannot be perceived as unfair in comparison to industry standards nor a substantial source for customer dissatisfaction specific to The Corporation. However, as the extra charges made are not deceptive, quite the contrary as the conditions are stated in the contract and communicated during the agreement phase of the CJ, they do surface after the decision to purchase has been made which would nonetheless liken it to the fourth sub-category of “Prices” as stated by Keaveney (1995).

Furthermore, some customers did mention that the price felt too high in relation to the time it took for some customer issues to get resolved. This indicates that too long of a time to solve customer issue(s) affects the customer perception of solutions provided by The Corporation as a supplier, negatively.
5.1.2 Inconvenience
One of the factors mentioned by most customers, are the repetitive iterations needed for the software to “operationally fit” customer needs at customer site during the implementation phase. Keaveney (1995) has listed inconvenience as a result of mismatch between opening hours and/or locations where the service is available. However, in the case of this study, customers felt more inconvenience by; “too-good” marketing pre-installment, perceived information asymmetry within different departments at The Corporation and increased iterations at customer site. Therefore the findings are in line with the one sub-category of inconvenience mentioned by Keaveney (1995); the time it took for the service or solutions to customer issue(s) to be delivered. 

In contrast to the findings in literature review, customer perception was slightly negatively affected by the value proposition The Corporation offers in the sense that it sometimes is more than what customer(s) could afford. This suggests that the presentation and/or marketing skills at The Corporation’s sales force exceeds customer expectations but could result in negative customer perception as the holistic value proposition offered is bigger than what customer(s) actually could afford. However, as this pertains to attribute(s) that lie with specific customer(s) in question, it is difficult to effectively draw conclusion(s) as to what is lacking within the current VP that The Corporation offers.

Although not mentioned by Keaveney (1995) as a specific factor contributing to customer dissatisfaction, perceived information asymmetry between the different departments within The Corporation actively affected the company brand negatively. This information asymmetry was more prevalent at the later stages when customer issues a complaint and it needs to be resolved. However as it was only being mentioned by the customer(s) as a smaller nuisance when compared to the whole picture of issue management, it is difficult to draw the connection that the information asymmetry perceived by the customer itself is a significant contributor to customer dissatisfaction.

Increased iterations are also a factor that leads to customers feeling inconvenienced. However, as any software installment typically requires a certain number of iterations before finally being launched at customer-site, it did not affect customer satisfaction too negatively when compared to the discomfort relating to issue management i.e. core service.

5.1.3 Core service failure
The biggest cause or source of customer dissatisfaction was the fact that the increased time to solve a customer issue not only costs time but also money as external consultants need to come in to resolve said issues. The core service failure was also the most significant source of customer dissatisfaction according to Keaveney (1995) and the biggest reason for customer defection. Customer perception in regards to this subcategory is that issue management by The Corporation has declined in terms of increased lead-time to solve customer issue(s), which ultimately increases customer dissatisfaction. Issue management can effectively be divided into its two constituent parts; basic issue management and advanced issue management.
As the core service offered by The Corporation is partly based on software solutions as well as service activities, issues pertaining to these two products/services will have a direct and substantial negative effect on customer satisfaction. In line with Keaveney’s (1995) findings, most discomforts experienced by the customers were due to too long lead-time to manage advanced issues regarding the software solution. Although the software solution itself was praised as very good by the customers and that The Corporation indeed delivered on its promises, it was the fact that when something did not work properly or was missing that made the overall service lacking. Regardless if the root cause of the issue experienced by the customer was rooted in new features within their respective organizational structure or within the software, customer dissatisfaction remains. Furthermore, as long as the issue was not escalated to the developers within The Corporation i.e. basic issue, then the issue could get resolved in relatively short time. If however, the issue was escalated i.e. advanced issue, then customer(s) claim that the long lead-times increase significantly. Customer(s) in this scenario usually mentioned the information asymmetry in combination to the longer lead-time as it directly affected their perception of The Corporation negatively. Although “core service failure” as categorized by Keaveney (1995) is not completely in line with the core service failures experienced by customers of The Corporation, there is a resemblance to the sub-category of “mistakes” that fits the context of The Corporation. 

What further inflamed the situation according to the customer(s) and in line with the findings of Keaveney (1995), is the fact the customer(s) pays an annual fee to The Corporation that entails the maintenance and service, which should enable the customer(s) to conduct their respective business but that the longer lead-times might counteract.

5.2 Internal – Customer Journey Map

As external factors derived from customer inputs have been brought to light by analyzing empirical findings in relation to earlier literature review, this sub-chapter will focus on the possible implications earlier analysis might yield towards the internal processes within The Corporation. In line with earlier statements made, a brief overlook of the CJM to the customer always preceded the interview as there are risks to miss-modeling the customer experience throughout the CJM (Rosenbaum, Otalora and Ramírez, 2016).

5.2.1 Value Creation

As earlier literature review suggests (Opanasenko, 2017), customers valued the first initial contacts very much as it gave them the impression of the level of professionalism. Usually, it is here where the customer is presented with the whole scope of what The Corporation can deliver, but to the dismay of some customers not always be able to afford. Also, customers A, B and E really enjoyed the initial presentation as they felt it thoroughly showed how the software solution(s) would promote internal operational efficiency. By the end of the first meeting, customers felt encouraged to enter into an agreement with The Corporation as important points of contact were also presented. According
to all customers, the successful implementation of a software solution at their respective organization requires excellent project planning with clear ways of communication between all stakeholders and operative counterparts from The Corporation as well as customer organization, which is a capability The Corporation successfully conveyed.

In summary, this stage was second most important or rather valued by the customers at it gave them a sense of security as The Corporation gave an impression as a reliable, technologically capable and customer oriented partner.

However, most customers (A, B, D, E) expressed in hindsight that it would’ve been much more appreciated if possible internal delays or activities such as issue management could’ve been disclosed at the very first meeting. As the same customers mentioned that it would probably not have hindered an agreement, a preceding disclosure of such possible delays and a mitigating operational plan would most definitely lessen the potential dissatisfaction when it actually occurs. Also, such an endeavor could have a positive long term impact as it would increase transparency and promote ethical values as well as lay the foundations of trust, which would counteract another source of customer dissatisfaction (Keaveney, 1995).

5.2.2 Value Delivery
All of the customers expressed that the activities conducted at this stage were the most important out of the whole CJM. As it at this stage that the planning of the specific project together with other functions at The Corporation commences which gave the customers a more in-depth look into their newfound partner. Furthermore, all customers express that both the level of service as well as operational efficiency were that of satisfactory if not above satisfactory level. Despite a few occasions where necessary iterations were needed to fit the exact customer organization, which all of the customers have an understanding for as it is not uncommon in this industry, the overall impression of The Corporation at these stages were most satisfactory.

However as most customers (A, B, E) expressed a certain level of nuisance derived from information asymmetry in the later stages in the process, the need for a customer centric solution becomes apparent. One customer expressed the need for more than just one main point of contact, which is usually the AM. Efforts aimed towards establishing clear and effective flow of communication between the customer(s) and internal departments at The Corporation seem to be needed especially in times of issue management post-implementation and would thus improve the overall customer experience significantly (Keaveney, 1995; Stickdorn and Schneider, 2011; Opanasenko, 2017).

This phase of the CJM was the most important according to all customers as the activities conducted here, sets the stage for further contact with The Corporation as a software solution provider. In agreement with empirical findings, the analysis indicates that this stage seems to be the most intense in terms of frequency and content in the context of customer relationship(s) as any contact hereafter would depend on the results of the activities that are conducted at this phase.
5.2.3 Value Capture

Despite the value delivery phase of the CJM being the most important, most of the customer dissatisfaction derives from this last phase of the customer journey. In line with Keaveney’s (1995) findings, most of the customer dissatisfaction according to all customers comes from core service failure, which in this case is in the last phase of the CJM. This phase is also here where The Corporation is the most profitable as the customer relationship is mainly comprised of recurring revenues and low costs in the form of software and cloud maintenance. Also, in line with earlier research this phase has one of the main, in the case of this study most important, contact points where all customers have expressed advanced issue management as the biggest source of customer dissatisfaction. The locus of customer dissatisfaction is at this part of the CJM and is mostly comprised by factors related to issue management which ultimately makes the annual fee as well as the extra consultant hours, if needed to solve the said issue, seem all too high. Basic issue management however, is usually resolved in a timely fashion and does not seem to contribute to customer dissatisfaction in general.

The customer perception here was that the annual fee as well as extra charges made of various upgrades, workshops etc., was perceived as too high when compared to the long lead-times in advanced issue management which further decreased the customer experience.

In summary, customer(s) valued the phase of value delivery the most and it is coincidentally in this phase where the root causes of customer dissatisfaction and possibly the biggest motivator for customer defection is (Keaveney, 1995; Opanasenko, 2017). This analysis together with earlier research suggests that it is also at this stage, the locus of customer dissatisfaction, where the opportunity to improve customer retention is at its biggest (Stickdorn and Schneider, 2011; Lemon, 2016; Edelman and Singer, 2017).

5.2.4 Customer Journey Map

<table>
<thead>
<tr>
<th>BM</th>
<th>Activity</th>
<th>Description</th>
<th>Actors</th>
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<tbody>
<tr>
<td>Value Creation</td>
<td>Customer Acquisition</td>
<td>• Customer engagement via phone or email, meeting and presentation  • Contract negotiation and agreement  • AM is assigned to client</td>
<td>Sales  Customer</td>
<td>• Engaged and interested  • Slight disappointment due to holistic VP offered &gt; financial capabilities</td>
</tr>
</tbody>
</table>
| Project Team selection | • AM hands over project to PM  
  • SA/Consultants work together to measure and select resources and consultant team | • AM
  • PM
  • Consultant manager
  • Customer | • Customer is introduced to other functions at The Corporation
  • Customer meets the assigned project and consultant team |
|------------------------|------------------------------------------------------------------------------------------------|---------------------------------------------|--------------------------------------------------------------------------------------------------|
| Project Planning       | • PM, SA and consulting team work together to plan project with customer | • PM
  • SA
  • Consultants
  • Customer | • First hand look into how The Corporation plans to implement agreed upon features gives customer a sense of security, reliability and technological capability
  • Customer satisfaction is high as initial interactions exceed expectation |
<table>
<thead>
<tr>
<th>Value Delivery</th>
<th>Project Planned &amp; Implemented</th>
<th>Project Delivered</th>
</tr>
</thead>
</table>
| • Project is planned and scope of project is established  
• Project’s standard features are implemented by the consultants  
• Specific customization according to customers needs are agreed upon and further implemented by the consultants  
• Usually, the need for extra features, configurations or “extra-tuning” arise as a result of in-field testing | • PM  
• SA  
• Consultants  
• Customer | • Customer satisfied at this point due to good service and operational efficiency in planned results of implementation  
• Product iterations were perceived as necessary but with minor nuisance moments  
• Customer pay initial fee for implemented software |

<p>| | | |
| | | |</p>
<table>
<thead>
<tr>
<th>Value Capture</th>
<th>Customer care &amp; upsell</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>• Customer is handed back to AM that maintains customer relationship</td>
<td>• AM</td>
<td>• Customer reaches out to AM or customer support first depending on what need or issue arises</td>
</tr>
<tr>
<td></td>
<td>• Customer user support are handled by customer support dpt.</td>
<td>• Customer support</td>
<td>• Customer(s) register a complaint regarding software usage with customer support dpt.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Customer</td>
<td></td>
</tr>
</tbody>
</table>

At this point, project is finalized and finished. The Corporation takes a step back and customer(s) can go back to mainly focus on their business.

Customer satisfaction is still relatively high as The Corporation has delivered on all of its promises.
| Customer issue arises | AM’s are indirectly involved as customer’s main point of contact | • AM maintains contact mainly with AM during the issue-resolving process  
• Customer discomfort begins to grow as the time to solve issue increases | • Customer maintains contact mainly with AM during the issue-resolving process  
• Customer discomfort begins to grow as the time to solve issue increases |
|----------------------|-----------------------------------------------------------------|-----------------------------------------------------------------|
| AM                  | • Minor difficulties such as delays might arise if problem has no specific documentation  
• Possible upgrades can be purchase/implemented | • Minor difficulties such as delays might arise if problem has no specific documentation  
• Possible upgrades can be purchase/implemented | • Minor difficulties such as delays might arise if problem has no specific documentation  
• Possible upgrades can be purchase/implemented |
| Customer            | • Customer turns to AM, AM turns to relevant departments earlier involved with customer project  
• Specific software issues are handled by developers  
• If issue is sustained, issue is escalated to product developers currently located abroad | • Customer turns to AM, AM turns to relevant departments earlier involved with customer project  
• Specific software issues are handled by developers  
• If issue is sustained, issue is escalated to product developers currently located abroad | • Customer turns to AM, AM turns to relevant departments earlier involved with customer project  
• Specific software issues are handled by developers  
• If issue is sustained, issue is escalated to product developers currently located abroad |
| AM                  | • AM  
• Customer support  
• Product developers  
• Customer | • AM  
• Customer support  
• Product developers  
• Customer | • AM  
• Customer support  
• Product developers  
• Customer |
| Customer            | • Customer talks to AM, consultants and customer support in order to resolve the issue  
• Customer dissatisfaction on increases and begins to turn into frustration as the lead-time to resolve said issue increases | • Customer talks to AM, consultants and customer support in order to resolve the issue  
• Customer dissatisfaction on increases and begins to turn into frustration as the lead-time to resolve said issue increases | • Customer talks to AM, consultants and customer support in order to resolve the issue  
• Customer dissatisfaction on increases and begins to turn into frustration as the lead-time to resolve said issue increases |
| Customer waiting in line | * The developers have a central global queue for escalated errands | * AM  
  * Customer support  
  * Product developers | * Customer waits but further expresses discomfort  
  * Software issues are resolved and customer is satisfied |
|-------------------------|-------------------------------------------------|-------------------------------------------------|-------------------------------------------------|
| Customer issue is resolved and registered | * Highly trained program developers resolve issue efficiently | * AM  
  * Customer support  
  * Customer | * Customer is relieved once issue is resolved  
  * Customer(s) conclude registered complaint in a process with The Corporation  
  * Earlier discomfort results in total customer experience lacking  
  * Customer pays annual fees to The Corporation for maintenance and service upgrades  
  * Customer satisfaction is decreased as there is residual dissatisfaction from earlier issue resolve process |

5.2.4.1 Key problem areas
Already in the first phase of customer contact, the need to focus specific marketing efforts on respective customer’s financial capabilities, could according to customers enhance the perspective of the value proposition relevant for them i.e. attainable value
proposition. However, the trade off for such an endeavor might not be that attractive to pursue from the perspective of The Corporation. Such an effort to further acquire due diligence specifically about respective customer’s financial capabilities might yield more costs only to achieve a less disappointing response from the customer which does not necessarily translate into increased revenues per se.

There is a necessity to disclose important stakeholders from respective function at The Corporation specifically for each customer as well as a contingency plan for scenarios with advanced issue management. An idea is to further look into The Corporation’s processes more in detail in order to measure current processes and capabilities in order to propose process changes that would enable more efficient advanced issue management.

Analysis further indicates a need to establish more points of contact towards the customer in order to mitigate the risk of potential information asymmetry. Specific stakeholders from the different departments at The Corporation should have been established as respective customer’s main points of contact instead of simply just being handed over to one i.e. the AM. Furthermore, increased in-house testing of the developed software solution as well as mapping of potential extra features that might become needed at customer-site would decrease the need for iterations when at customer site as well as increase efficiency in the implementation phase. According to customer findings, the implications of such mapping of potential extra features could be disclosed to the customer and “sketched” before the actual implementation.

The main source of customer dissatisfaction is still in the last phase of the CJM i.e. in cases where complex issues arise that require advanced issue management. However, as earlier analysis indicate that the remedy of such customer discomfort lies in the first phase of value delivery. First and foremost, by establishing multiple points of contact from different departments within The Corporation towards the customer(s), the customer is enabled to directly get in touch with a specialist in a specific function related to the issue at hand. Secondly, by establishing a customer center with local developers managing a local instead of a global queue, it is more likely to speed up the lead-time for advanced issue management. By creating a more locally focused customer center with program developers that forwards inquires more efficiently with a de-centralized local queue, as opposed to a centralized global queue, The Corporation could substantially decrease the lead-time for advanced issue management.

5.3 Discussion
Although some points have not been mentioned as critical or source for customer dissatisfaction, they do present the scope of the CJM within which the holistic customer satisfaction and relationship can be enhanced albeit to varying degrees (Stickdorn and Schneider, 2011; Edelman and Singer, 2017). In order to fully understand the scope of proposed changes, both the internal as well as external perspective have been needed. The external perspective i.e. customer inputs have been translated into different parts of the CJM and thus highlighted in order to efficiently visualize where the exact sources for customer dissatisfaction and possible customer attrition currently is.
Several areas of customer discomfort have been mapped out, analyzed and put into comparison to findings from earlier research. However, as displayed by these findings the level of customer dissatisfaction, that directly- or indirectly might promote customer attrition, varies significantly depending on what specific phase of the CJM that the customer experiences. Likewise, the internal perspective of the CJM has been presented and measured together with the insights from existing customers to The Corporation. This measurement has yielded insight in regards to which necessary areas are in need of change. As these areas have also been highlighted and discussed, it becomes apparent that changes to the current BM more specifically a shift in how resources and functions are used in order to improve the overall customer experience and ultimately promote customer retention.

It is important to note that such proposed changes to current BM are at this stage still theoretical as such recommended changes would still need further investigation as to what implications such changes would have on The Corporation financially, operationally, culturally and legally.
6 Conclusion & Future Research

Conclusions answering main research questions and purpose will be presented and discussed. Conclusively suggestions for further research will be presented.

The main purpose of this study revolves around the concept of customer retention and BM innovation from the perspective of customer journey mapping. Furthermore, the study of these concepts is set in the context of a case study, more specifically how the leading ERP solution provider The Corporation can prevent further customer attrition and promote customer retention by way of enhancing customer experience.

In this segment, the two sub-questions will first be answered followed by an answer to the main research question.

- What is the source of customer attrition and where is it located in the current business model?

There are multiple minor sources of customer discomfort throughout the current BM utilized by The Corporation. Perceived information asymmetry and product iterations at customer site represent minor but valid sources of customer discomfort that could, in aggregate and in combination with other discomforts mentioned, promote motives for customer attrition.

However, the main source of discomfort that could potentially lead to customer attrition is located in the last phase of BM: Value Capture. Displayed in the CJM, the source of customer attrition is rooted in advanced issue management post-implementation of software. The long-lead time as well as prevalence of issues with installed software experienced by customer(s) in the last phase of the CJM is the main reason customer(s) leaving and thus the main source of customer attrition in the current BM.

- What innovations across the business model would promote customer retention?

An increase in efficiency of flow of information both internally within The Corporation as well as externally with customers, would increase customer satisfaction and thus promote customer retention. Internally, a central communication or data platform accessible to all The Corporation departments would counteract information asymmetry towards the customer. Externally, by establishing and disclosing multiple points of contact towards customer(s) early in the phase of Value Creation, The Corporation would enable customers to effectively reach out to respective department on demand which would enhance customer relationships and promote customer retention.

By increasing in-house testing and simulating software solutions internally right before the Value Delivery i.e. the implementation phase, The Corporation would substantially decrease the need for iterations at customer-site. Such a decrease would result in less customer dissatisfaction and instead encourage further software purchases and thus promote customer retention.
Furthermore, The Corporation could increase customer retention by establishing a local customer center with on-site program developers that are immediately available post-implementation i.e. in the Value Capture phase. The close-at hand programmers would be able to effectively solve advanced software issue in a timely fashion without further escalation or delays. Such an effort would substantially decrease lead-time for advanced issue management and thus promote long-term customer retention.

- What changes to The Corporation’s business model would prevent further customer attrition and increase customer retention?

Instead of simply pursuing and acquiring the customer, the BM could further create added value by including a pre-study of the customer(s) aimed at producing specific marketing strategies when first engaging the customer. Targeted marketing efforts aimed at specific customer needs and actual financial capabilities as well as establishing main points of contact within respective department within The Corporation would serve to increase customer satisfaction and in aggregate, promote customer retention. Full transparency and disclosure of multiple contact points and contingency procedure(s) in case of advanced software issue(s) would further promote trust and promote customer retention.

Increased in-house testing of built software solutions would decrease the need for iterations at customer site. Such changes to the current BM would thus counteract further customer attrition and instead strengthen customer relationship and promote customer retention.

Finally, by establishing a more local customer-centric department with available programmers able to successfully manage advanced software issues, would most effectively counteract current customer attrition and instead promote long term customer retention if not encourage further purchase of updates.

6.1 Implications and Contributions

The significance of the results produced in this thesis provides a clear insight as to the importance of customer retention the SaaS industry, both for businesses as well as customers. As customers are continuously paying for a product or service provided repeatedly over a certain period of time as a service, the importance of establishing, maintaining and improving customer relationships become paramount. As earlier stated, customer relationships differ across industries in general but when discussing business models prevalent in SaaS solution providers, certain aspects are emphasized more than others.

The human factor such as first contact, maintenance of products/services provided as well as customer support become more and more fundamental for the success of established incumbents as well as the up- and coming startups wishing to enter the SaaS markets.

This study shows that increased transparency of perceived issues or contingencies not only softens the impact of a possible service failure, but the customers appreciate it. The business model of future SaaS providers should therefore include if not prioritize
the customer perspective when starting out. In that way different customer journeys, depending on the expected scenario or contingency, can be accounted for with pre-emptive processes and efforts as well as communicated dearly on in the customer relationship to the customer. In this way the foundation for important factors such as trust, loyalty and security, all of which are important factors promoting good customer relationship(s) and ultimately customer retention, can be established early on and secure a steady-fast growth of the business.

As the SaaS industry grows with the increasing need for innovative solutions based on existing needs within customers and develops in parallel the high customer attrition rates, large established incumbents need to pay more attention to customer relationships and how to enhance them or risk losing them.

6.2 Future Research
The fact that customer retention strategies need to be implemented for all businesses is not new (Ullah, Khan and Shahzad, 2015). Furthermore, the need for customer retention has been established as fundamental for companies within the SaaS industry due to the typical subscription based revenue model (Ojala, 2013). Just as the value proposition of a company can be altered by customer retention strategies (Weinstein, 2002), this study has shown that efforts aimed at increasing customer retention can affect the inherent business model of a company by altering the customer journey and enhancing customer experience.

Therefore a study that further focuses on the implication of such proposed efforts, from other perspectives such as financial, cultural etc., would further increase the understanding of how customer retention strategies operatively affects an organization as a whole. As this study mainly focuses on the case of The Corporation, it has not studied how the financial, legal and cultural factors can affect the outcome of such customer retention efforts. It was earlier mentioned that The Corporation has been through an acquisition, which may or may not have had an effect on internal business processes and thus customer relationships. Therefore, future research would benefit from studies that focus on how organizational changes such as M&A could affect existing customer relationships.
7 References


Stickdorn, M. and Schneider, J. (2011) This is Service Design Thinking.


8 Appendix

8.1 Appendix 1 – Internal functions interview frameworks

Sales

1. Which actors do you have contact with when engaging new and existing customers?
2. What does the typical process look like when acquiring a customer?
3. What part(s) of this process falls under your area of responsibility and oversight?
4. What steps do you work through with new and/or existing customers directly?
5. Which internal functions are you in contact the most regarding existing customers?
6. If a customer has a complaint or discomfort, how does that process look like? Who is in charge of what, is that process uniform?
7. Looking at it from a process view, where is your main point of activity?

Project Management

1. When a new customer is acquired, which actors do you have contact with the most?
2. What does the typical process look like when a new customer is acquired?
3. What specific activities or customer contact fall under your area of responsibility in the acquisition process?
4. What steps do you work through with new and/or existing customers directly?
5. Which internal functions are you in contact the most regarding new and existing customers?
6. If a customer has a complaint or discomfort, how does that process look like? When is your input usually needed, is that process uniform?
7. In summary, looking at it from a process view, where is your main point of activity?

Consultants

1. When a new customer is acquired, which actors do you have contact with the most?
2. What does the typical process look like when a new customer is acquired?
3. What specific activities or customer contact fall under your area of responsibility in the acquisition process?
4. What steps do you work through with new and/or existing customers directly?
5. Which internal functions are you in contact the most regarding new and existing customers?
6. If a customer has a complaint or discomfort, how does that process look like? When is your input usually needed, is that process uniform?
7. In summary, looking at it from a process view, where is your main point of activity?
Product development

1. When developing the software solutions, do you have any contact with the customers directly or indirectly?
2. If indirectly, which actors do you primarily have contact with?
3. When a new customer is acquired, which actors do you have contact with the most?
4. What specific activities or customer contact fall under your area of responsibility in the acquisition process?
5. What steps in the purchasing process do you work through with new and/or existing customers directly?
6. Which internal functions are you in contact the most regarding new and existing customers?
7. If a customer has a complaint or discomfort, how does that process look like? When is your input usually needed, is that process uniform?
8. In summary, looking at it from a process view, where is your main point of activity?

Customer support

1. At what point in the acquisition process do you have direct contact with the customers?
2. How does the customer interaction process look like when a new customer is acquired, what is the “usual” type of interaction (introduction, complaint etc.)?
3. What specific activities or customer contact fall under your area of responsibility in the acquisition process?
4. When a customer puts forth a complaint, how does that process look like?
5. Which internal functions are you in contact the most during this process?
6. Which internal functions do you have the most contact with regarding existing customers?
7. Do you have a log where all you customer interactions are recorded/registered? Is this information available to other internal departments?
8. In summary, looking at it from a holistic process view, where is your main point of activity?

8.2 Appendix 2 – Customer interview framework

Questions to each specific customer did vary as the interviews went on, but nonetheless there was a more standardized framework for the line of questioning. Down below is the framework used for the interview(s).

- How long have you been a customer to The Corporation?
• Did the product or service provided by The Corporation meet your initial expectations?

• When first signing with The Corporation as a service supplier, did you experience any challenges and what were they?

• How did you experience The Corporation to have solved these challenges?

• Who was your first point of contact and how did you perceive that initial interaction?

• What were your main issues throughout the relationship with The Corporation?

• How did The Corporation handle these issues?

• Who at The Corporation was/is your main point of contact and did you feel that they had all the information necessary to accommodate your needs?

• Whenever experiencing an issue with the service/product, did you feel that that issue was resolved in an effective and timely fashion? If not, what made you feel that?

• [Showing the internal business process map] Where do you feel that expectations and needs have been met?

• [Referring to the steps not chosen] What specifically did you feel could have been better?

• In conclusion, what do you feel could improve the relationship between you and The Corporation not only as a supplier, but also as a partner?