Market-Orientation

- A discussion on sales vs. market-orientation in cluster companies and a development of a customer-centric Balanced Scorecard -

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Executive Summary

Companies today are facing high competition and it becomes increasingly important for the actors to stand out to their customer. This is especially important when looking at cluster companies since they face consumers who have a very hard time differentiating them from their competitors. This means cluster companies cannot sit back and do nothing – because then they will lose market share.
This thesis investigates what cluster companies can do to become more market-oriented.
A sample of cluster companies is used in a survey to clarify that there are areas within many of these companies where they can improve their market-orientation. Thus, an online-based survey with 41 international cluster companies is conducted to justify and illustrate that recommendations on how cluster companies can become more market-oriented are needed.
This thesis thus strive at answering the research question:

How can cluster companies become more market-oriented?

To answer this, this thesis develops a customer-centric Balanced Scorecard as a strategic tool for sales-oriented cluster companies to become more market-oriented. This is created since it is assumed and argued that a company that knows their customers' needs and preferences and use this knowledge in all aspects of the organization – from the costing method used, the role of marketing in the organization, the organizational culture to the skills needed etc. – will be able to create long term value. Consequently, it will increase the corporation's profitability. The customer-centric Balanced Scorecard developed in this thesis build on existing literature to come up with general recommendations on four perspectives; Customers, Internal Business Processes, Learning & Growth and Financial, for cluster companies to become more market-oriented. This should ultimately help cluster companies retain customers and create more value for the company in the long run.

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Acknowledgement

First and foremost, we would like to thank Per Østergaard for his guidance, insight and outmost encouragement and patience throughout the process of this thesis. Second, we would like to thank all the companies who participated in our survey, thank you for spending time on this. Furthermore, a big thank you to: Our workplaces for flexibility and genuine interest in this project. To our friends and family for listening, even though it made no sense to them, and for giving encouraging words when needed. And lastly to Mads and Rasmus for listening day and night and for everything.

1.Introduction

1.1 Introduction

In a time of recession, big corporations within highly competitive industries, such as telecommunication, banking, insurance, travel agencies, pension funds etc., also summarized as cluster companies, struggle to make themselves noticeable to the consumers. While most consumers become more and more explorative with tools as the Internet and sharing possibilities with Web 2.0 when choosing their preferred brand, this also means that the noise from corporations' communication and marketing effort are vastly increasing. The massive advertising noise makes it hard to communicate directly to the consumers. Cluster companies find themselves in a world where the customer has a hard time differentiating them from their competitors and thus retention and loyalty of customers is hard to gain and sustain. For these reasons, more and more companies should strive to become more market/consumer-oriented, since an understanding of the market and consumers can help them differentiate themselves and create both new and loyal customer and thus increase their competitive advantage (Østergaard, 2012). Being able to identify consumer needs and adapt the internal processes in this direction, understanding the value of customers and making sure learning and growth of the company goes in this direction are key for a cluster company to become market-oriented. Nonetheless cluster corporations still struggle with the fact that their perspective is inside-out focused, meaning they focus on internal optimization in the quest of reducing costs and improving productivity, hence a sales/product/production/transaction oriented strategy. This is a strategy where prices and costs for the corporation are in focus and where short-term goals are set and the customer relationship stops with a transaction. To become market-oriented a company needs to have an outside-in perspective, where their value creation starts with understanding their customers and thus translate this knowledge into initiatives that enables competitive advantage and built long-term customer relationship to retain customers.

This master thesis is an attempt to give recommendations on how cluster companies can become more market-oriented.

The need for such recommendations is justified by a literature review as well as a survey done with 41 cluster companies stating that there are definitely room for improvement within the majority of cluster companies to become market-oriented.
The aim is to develop a modified version of Kaplan & Norton's (1992) Balanced Scorecard (BSC); a version that is able to help corporations in this transition towards becoming more market-oriented. We are able to identify that cluster corporations act to some extent as sales-oriented creatures and lack steps such as measures, communication and segmentation to become market-oriented. Hence a customer-centric BSC is developed to make general recommendations on how cluster companies can become more market-oriented - not only with changes in the marketing department – but with a market-oriented strategy that is implemented throughout the whole organization.

1.1.1 Motivation

The overall motivation for this thesis arose from an article in the Danish newspaper Berlingske Tidende called: "Marketers Drown in Data" (Larsen, 2012) which points to the fact that there is so much data available in today's world and thus big opportunities for corporations to learn about and act on customer preferences and opinions. However, most corporations do not know how to handle this excess data and many marketing departments have a hard time handling this data overload. This means that the knowledge and data that the company gets about their customers are somewhat wasted, and the opportunity to understand key customers and loyal customer ends up reflecting internal resources rather than knowledge from outside opportunities. The lack of market-orientation and use of market-data was an interesting subject having learned that many scholars argue that market-orientation is the key to corporate success in highly competitive environments. This was something we thought was very interesting, and thus we started looking into the literature on this subject and found support for marketing data, strategy, activities etc. not being connected to an overall company strategy of being market-oriented. In the light of the past years' recession and increasing competition for cluster companies, it is even more interesting to research on the subject of sales vs. market-orientation.

1.1.2 Purpose

The purpose of this thesis is first and foremost to bring forward recommendations on how cluster companies can become more market-oriented.

To do this we needed to go through the existing literature on the subject and found that no such attempt was evident. Also we investigated the degree of market-orientation within 41 cluster companies to justify that there is a need for recommendations and discussions on how they can become more market-oriented. But the overall purpose of this thesis is to put forward a general solution to how a cluster company can adapt and implement a market-oriented strategy in the whole organization. Thus change from looking only inside out to become outside-in looking. To come up with a model for this solution we draw on the perspectives presented within the Balanced Scorecard (Kaplan & Norton, 1992).

1.1.3 Research Question

In order to fulfill the purpose of this master thesis, the study and paper will be designed to answer the following research question:

How can cluster companies become more market-oriented?

In order to successfully answer the above research question it is necessary for us to answer the following sub questions. These questions will to a great extent guide the literature review and lead to the construction of our thesis:

- Is there theoretical support for the fact that it is more profitable to be market-oriented rather than sales-oriented?
- What does the literature show about sales- vs. market-orientation?
- Can we empirically show that not all cluster companies, even though they work in a highly competitive environment, are market-oriented?
- How can we use the Balanced Scorecard as a framework for constructing recommendations on how the cluster companies can become more market-oriented?
- Can we use the Balanced Scorecard to present a balanced and adequate solution to present which areas a company shall change to put the customer in focus?

1.1.4. Why market-orientation?

That the overall goal for corporations is to become market-oriented is important for us to clarify early in the thesis, as it is the biggest assumption and the foundation for writing this thesis. The objective of the thesis is to come up with recommendations on how cluster companies can become more market-oriented. The reasoning behind this is that a market-oriented company puts the customer into focus and creates value by knowing their customers and collecting the right data about customers and competitors. This gives a company insight into how they can create value for their customers and thus differentiate themselves from their competitors in a highly competitive environment, by becoming more attractive to customers. The foundation for this thesis is that being market-oriented is more profitable for a company than being sales-oriented. This notion is supported by several authors such as Day 1994; Slater and Narver 2000; McGovern et. Al. 2004; Gupta and Lehmann 2005 etc.. This is because market-oriented means that the company, as a whole, and not just the marketing department, is engaging with the customers and understanding their needs and thus engaging in a relationship with them to built loyalty in order not to lose the customer to the competing companies, but retaining them. Building a stronger customer-corporate relationship is the focus point for the whole organization (Naver&Slater, 2000).

A company can be efficient on the market, meaning knowing the market and acting according to this and a company can be internally efficient – e.g. good at optimizing processes, cutting costs etc. (West, 1975). If being a market-oriented company, one can assume that a company can actually face dual efficiency since the company will become effective on the market, but at the same time become more effective internally - since by knowing their customers the company will know the routines for the customers and their behavior and thus be able to optimize the processes with the customers as well (Østergaard, 2012). One can question if it is possible to actually have this dual effectiveness of being both effective on the market and internally but one can say it is a precondition for the market-oriented strategy to fully work. You need to use your internal resources to understand and collect external data, but you need to analyze and understand the external information in order to transform, adapt and implement the right internal changes and the overall strategy.

Being market-oriented means less costs of constantly trying to acquire new customers, which is assumed to be a lesser cost than retaining the ones the company already have. (Østergaard and Ringberg, 2011; Verhoef and Leeflang, 2009) So having a market-oriented strategy through-out the organization is of key importance, especially in the world of cluster companies where customers are a scarce resource and loyalty of them a fight.

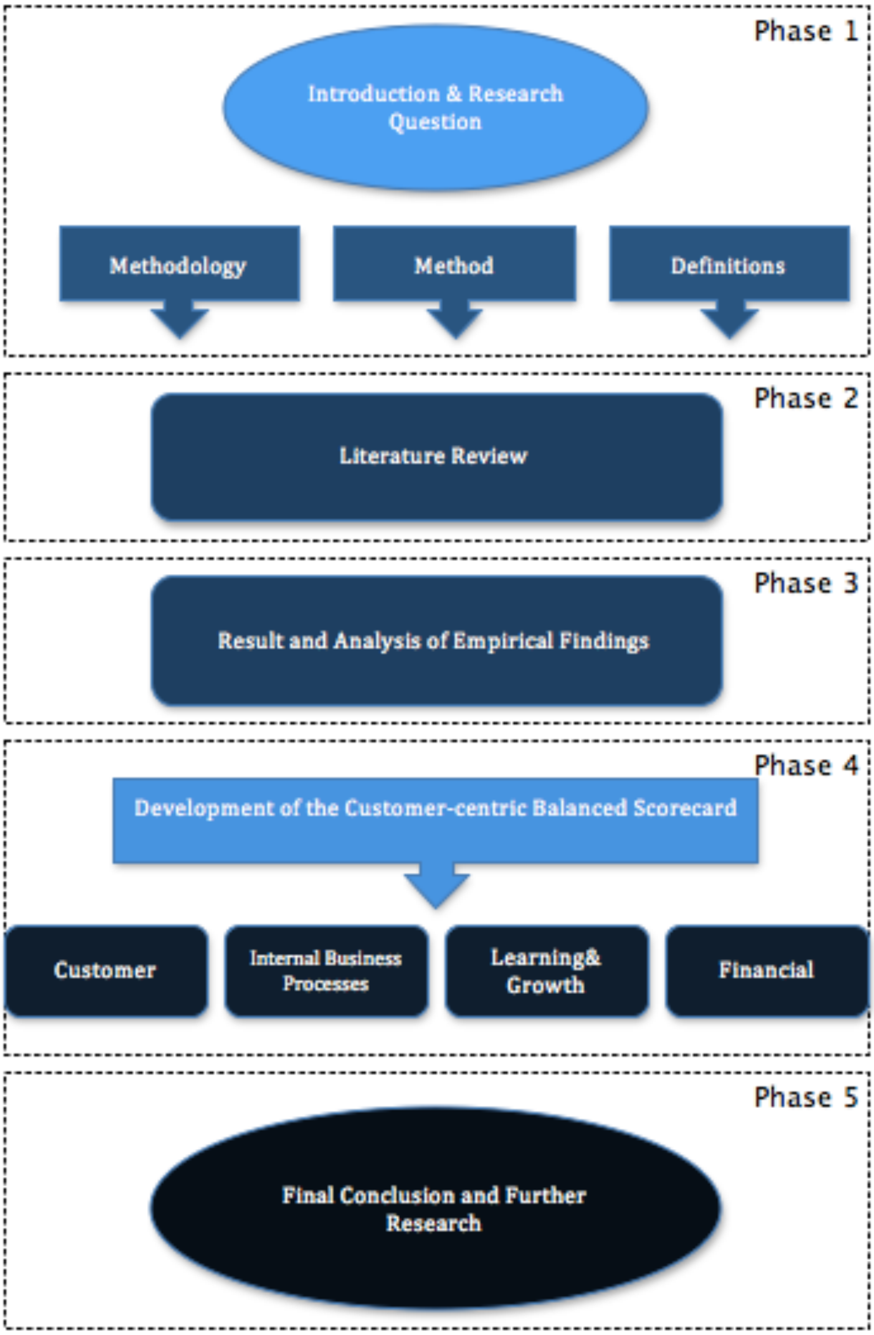
A simple example of market- and sales-orientation within the same company in their communication with customers is to show the communication shift that Scandinavian Airlines (SAS) made. They changed their communication and strategy towards their clients, which are primarily business clients, greatly inspired by Inter Continental, to “SAS – we land on time”. This is very customer-centric, we must assume they know their customers are business clients primarily and it is important for them to land on time (not to leave on time).

With the financial crisis SAS have changed their focus. They have taken in a new measurement, which is the use of fuel. By doing this they are changing to become more inside-out looking instead of outside-in. This is because if they are behind on time, they could speed up the flights to get their customers to the destination on time. When being fuel conscious this is not possible as the flight consumes more fuel at higher speed. So SAS have changed from being focused on their customers’ needs to being focused on cost cutting, which is a switch from outside-in to inside-out[1]. This is an example on how a company that was actually pursuing a market-oriented strategy can lose sight of the bigger picture and change focus on the short term financial goals, but if this means a loss of customers it makes no business sense in the long run (Østergaard, 2012).

1 Off course there is some environmental concerns as well as a CSR strategy, but we have assumed these out for the sake of the argument.

2. Method

2.1 Thesis Structure



2.2 Methodology & Research Method

This paragraph seeks to depict the methodology of this master thesis. The first part of the chapter elaborates on the epistemology, research approach, design and strategy. Afterwards, the focus turns towards the data collection method for our empirical evidence, issues concerning the sample and the method of the survey.

Moreover an overview of validity and reliability of the research is given. Finally, limitations of the study are formulated as well as critical points about the main theory used for the recommendations of this thesis.

2.2.1 Epistemology

Generally authors can have different ways of viewing the world, which will affect the way empirical material is approached and a thesis is done. It is very essential for the reader to be familiar with how the material is approached, as it reflects whether the author has strived to find the absolute truth in a realistic manner or a social subjective interpretation of reality.

During history, philosophers have discussed how to view the world analytically, and roughly two contrary disciplines have arisen. First realism or positivism, which accepts only one reality and believes that things are as we perceive them, independently of our observation. The assumption is that the social world is inherently knowable and that we all can agree on the nature of social reality. (Esterberg, 2002:10) Oppositely, in social constructivism it is believed that all social reality is to be constructed by social actors. (Esterberg, 2002:15)

Constructivism provides a standpoint that can be interpreted and understood differently and which radically has questioned the idea about the objective fact. (Burr, 1998:14) Setting up concrete questions as in our problem formulation, it could seem as if we are seeking to find the absolute truth as the purpose of this thesis in formulating and researching for answers for these questions. Nonetheless, we find it out of our reach and too narrow minded to believe that there is only one truth. So, this thesis is therefore based on the interpretive paradigm, which believes that people's opinions, behavior and ways of viewing the world are very subjective and data should therefore be interpreted in that way. So this means, there is room for many truths, and we are merely seeking to uncover one, or a part of what could be one truth to how cluster companies can become more market-oriented.

2.3 Research Method

For this thesis we have used both primary and secondary data. Primary data, which is data observed or collected directly from first-hand experience, was collected through our survey interviews with 41 cluster companies. (Blumberg et. Al., 2008) Further details about the approach and strategy to successfully gather this data will be described in the following sections. Secondary data is on the other hand, existing primary data that was collected by someone else or for another purpose. Secondary data has been found through literature search at the library and on online scientific databases and indexes. Secondary data is used both as the ground for writing this thesis, as the literature review will show, but also as our main source in constructing Balanced Scorecard recommendations where we draw on literature from many different fields of study – Human Resource Management, Finance (cost analysis), Marketing, Organizational theory etc. In this we have used secondary data from books, scientific articles as well as the Internet in our search. It is important to mention that one has to be aware that theory and other secondary data could be biased in some cases. This could be caused by subjectivity or from contextual matters, but also other kinds of sources to errors. Therefore we have all through the thesis been very careful and critical when utilizing this secondary data, and will underline this criticism during the thesis when we find it relevant or in the paragraph on critical assessment to theory.

2.3.1 Research Approach

The literature suggests two contrary research approaches, namely, deduction and induction (Saunder, Lewis, & Thornhil, 2009). Following the deductive approach, a theory and a hypothesis must be previously developed before being tested. So, researchers deduce hypotheses from theoretical considerations in the appropriate domain of research. On the contrary, the inductive approach proposes to collect data first, while theory is developed as a result of the collected data (Saunder, Lewis, & Thornhil, 2009).

You can say that we apply both deductive and inductive approach in this thesis, as we first, deductively collected secondary data in the literature review, and from that developed the hypothesis that there is a need for companies working in competitive environments to become more market-oriented and customer focused rather than inside-out focused. We then conducted a survey to either confirm or reject whether this problem of inside-out/sales-orientation could be found empirically as well. Then we inductively collected different existing literature in a new construction to bring forward a solution of the problem. A deductive survey that tests whether or not these solutions is also valid empirically and not just in theory, should be conducted in the future to validate the solution put forward and show the suggested cause-effect empirically - this have not been possible to include in the scope of this thesis and is cause for further research.

2.3.2 Research Design

The main research design of this thesis is *exploratory* as we seek to explore how existing literature can bring together a model of recommendations on how cluster companies can become more market-oriented.

Nonetheless this thesis will still carry elements of descriptive research as well, since it is almost inevitable as we need throughout the thesis to describe and explain our choices, as well as the secondary data and primary data needs description for it to be interpreted and used to explore a solution to the problem.

2.3.3 Research Strategy

The research strategy for this thesis's first step was to undertake an in-depth secondary literature review from a wide variety of sources to establish if our initial though from the article in Berlingske Tidende (Marketers Drown in Data, Larsen, 2012) could be supported in the literature, and thus if there was any ground for us to go on with this research. This literature review provided us with a foundation – not only for establishing that the literature supports the notion of a lack of market-oriented behavior, but was also extremely useful for us in defining and preparing the primary data collection. Thus the literature review served as a building block for further focus, especially the model by Homburg, Kuester and Krohmer (2008) formed as a notion and reference for us throughout the rest of the research.

A small-scale quantitative research of 41 companies was conducted to gather the primary data. Quantitative data was collected to be able to analyze the relationship between the different variables, and to uncover if the companies in question were truly market-oriented, even if they believed so themselves. The data was gathered through a survey (more about the survey in the next paragraph), by using an online questionnaire.

2.4 Conducting the study

2.4.1 Data Collection & Sampling

For our primary data we did a survey with 41 marketing directors (or similar level) from 41 different international cluster companies. It was done in the period 25th of September – 20th of October 2012. We send our e-mail out to 168, and 41 agreed to answer of questions, which gives us a response rate of 24%.

The people chosen to participate in the survey had to be marketing directors or similar as we needed them to have insights into the managing level of the company and know how the decisions about everything from budgets to everyday marketing decisions are taken as well as how the organization they work in operates. The reason for choosing marketing directors (or similar) as our interviewees were also to make sure that the answers were comparable, meaning they had to be at the same organizational level in the company. A critical notion on the questionnaire is that when we only interview one person within the organization and not several from different departments there is the chance that the survey will paint a picture as much of the person's opinion/knowledge as of the organizations which should be kept in mind.

2.4.2 The choice of cluster companies as our survey focus

We have chosen to focus our survey on international cluster companies. We define cluster companies according to Per Østergaard's (2012) definition: *"Cluster companies are companies where customers often have a hard time differentiating the different competing companies from each other"* [2](Østergaard, 2012: 8)

This definition is a more contemporary version of Michael Porter's definition, which in 1998 described cluster companies as companies that are in a very competitive environment and where the companies often strategically get "*stuck in the middle*" (Porter, 1998b: 16). He argues that the profitability of firms depends, not only on the typical rates of return in the industry; it depends more importantly on the firm's position and competitive advantage in that industry. He argued that competitive advantage derives from one of two strategies: Cost leadership or Differentiation of product/services. The problem, Porter argues, is when companies try to do both and thus do neither well. (1998b:17) Porter puts this notion forward in a time where production companies were dominating (the 90s), but his notion is still valid.

[2] Translated from the sentence: *Klyngevirksomheder* (er virksomheder) hvor kunderne ofte har svært ved at skelne de forskellige virksomheder fra hinanden

Many companies still work in industries were it is difficult for them as well as for the customer to see the difference between competitors (and not just production companies) – hence what can be called cluster companies. The market for these types of companies today calls for more market-orientation, meaning to build long-term relationships with the customers, in order for the customers to become loyal customers and for the company to offer the customers something that differs them from the competitors by knowing their customers' needs (Østergaard, 2011). It is the companies from the industries that include the banking industry, insurance industry, telecom industry to television provider industry etc. that we have chosen to focus our thesis on. As it is these companies that really needs to be market-oriented, and thus have a big need for their marketing department to be a part of the boardroom, since this would give the company insight into their customers and how they can create value for them and thus differentiate themselves from their competitors, not on their price but on customer attractiveness.

Our reason for choosing this type of corporations is to be able to use our findings to state something more general about this type of companies, and for our solution to work for more than just one specific industry/company, but work for the whole international industry of cluster companies.

The argumentation put forward by Østergaard (2012) about cluster companies' difficulties in facing a consumer that have a hard time knowing the difference between the competitors were underlined by the consumer research from 2010 made by the Danish Competition and Consumer Authority.

This showed that the companies in the cluster industries (banking, insurance etc.) were ranked as the lowest in the FFI (Forbruger Forholds Index/Consumer Opinion Index). The FFI is an index that shows the consumers' opinion about three factors which shows if a market has a good environment for the consumers. It takes in the consumers' trust in the market and its actors, the transparency on the market and complain options. The FFI takes in these three factors by asking several questions to consumers that have experience on the investigated markets. The FFI shows on a scale from 1 -10 the ranking of the companies, 10 being the best possible score. Hence the FFI is an expression of the consumers' evaluation of the consumer experience on the B2C markets, the FFI shows details about the different factors for 49 different industries. (Forbrugerstyrelsen, 2010). The overall conclusion of the FFI supports this (See Appendix 1), and shows the lowest ranking from 22-49 of the industries.

The FFI shows that insurance companies, banks, real estate companies, retirement fund companies, telecom companies, television companies etc. all rank among the 9 lowest scoring industries. This underlines Per Østergaard's (2012) definition of cluster companies. Based on these findings and definitions of cluster companies we have chosen to include companies within these lowest scoring cluster industries in our survey, as we believe and assume that they operate under similar circumstances and face similar difficulties overall as highly competitive markets.

2.4.3 An International take on cluster companies' issues

Since this is a thesis made within an international MSc we make no differentiation between the complications cluster companies in different geographical location faces, as the theories used are general and not localized. Thus our study can be considered international, since the companies in questions are all either working internationally or of another Nordic origin than Denmark though questionnaires are only conducted with local-based MNCs. Off course the fact that our sample only consists of Nordic corporations should be included as a bias. Though, we have yet to find any literature that point towards that the difficulties in being market-oriented has anything to do with the origin of the company.

This means our research should be more or less similar to a sample that e.g. consisted of primarily North American companies or Southern European. Though we will not rule out the option that geographically specific details are issues could appear if a more substantial survey with corporations from several countries and continents was conducted, this should be subject for further research.

2.5 Survey tool

We conducted our survey using a tool developed by Østergaard and Ringberg (2011) which is built in Survey Gizmo – an online survey program that allows us to get statistics on the answers from our questionnaire; this is of key importance to us, as we want to use answers to make general conclusions on the companies' market-orientation. The survey-tool was developed by Torsten Ringberg and Per Østergaard (2011) and has a build-in algorithm and is an approved tool for making sales vs. market-oriented research, which is the reason for choosing this survey tool. It has been used to make market-orientation surveys with over one thousand companies by Østergaard and Ringberg (2011).

We initiated the interviews through direct contact to the marketing director of the given company through telephone presentations. We introduced ourselves, our aim of including them in an online survey and presented them with the opportunity of receiving a link to the survey and the opportunity of staying anonymous in the survey and thesis.

We believe this created a safer space for them to answer as close to the reality as possible. Nevertheless this means the marketing director filled the questionnaire himself/herself, leaving out the possibility for us to explain the answers it they had any questions. Also, a very important point about the questionnaire is that it is in some of the questions obvious which is the “right” answer, meaning the most desirable for the company, which might have skewed the answers to be slightly more positive – meaning more market-oriented – than what reality is. Hence, the marketing director might want to make the company seem more market-oriented to not present the marketing department as less important for the company or for them to seem inadequate in their job.

It was crucial for us to get answers from different industries that could all be defined as cluster companies industries for us to be able to say something general about the degree of market-orientation in cluster companies. From this approach we ended up with 41 answers from different cluster companies.

2.5.1 The Survey & Survey Questions

The survey was designed to take no more than 15 minutes, as concise, short surveys are acknowledged to help keep participants interested and avoid incompletion. The linear structure of the survey consisted of the following sections**:**

1. Customers
2. Competitors
3. Company

Within each of the three sections there were several questions asked to explorer the company’s perspective and approach to customers, competitors and how the company works. Nine questions were asked about the customers and the way the company measure on the customer loyalty, profitability, lifetime etc. Then four questions were asked about competitors, how the competitors are defined and measured and the last section was about the internal relationship in the company with a total of nine questions asking about the marketing director's own experience of the organization being sales or market oriented in the culture, segmentation, marketing channels used, performance reward systems and other interesting aspects that could reveal either a sales- or market-oriented behavior in the interviewed company and a detachment of the marketing strategy in relation to the overall strategy (See Appendix 2).

The questionnaire consists of only closed-ended questions, so this means there is a fix set of answers to all questions. This means the questions and answers have to be very well crafted to ensure all options are available and that as little as possible is left out. This is to insure an accurate reflection of the real situation, rather than biased answers towards what we want to find. To endorse this aim we have built our frame of questions on questionnaires within sales / market-orientation done by Østergaard & Ringberg (2011). The downside of this is that we might have been biased from the influence of Østergaard & Ringberg's (2011) survey and thus lacking out some questions of important for our research. The structured interviews entail tight control and little flexibility during the interview, which means the interviewed person might have other interesting points for the research which does not become evident due to the chosen method of doing structured interviews, but we needed to do structured interviews to be able to see the statistics on their answers and draw general conclusions from the answers.

In the questionnaire we ask the marketing directors directly if they believe their company is market- or sales-oriented (see Appendix 2), but we are aware that there is a risk many will answer "market-oriented" as that sounds like the "proper thing to be", this is why all other questions can help us reveal if the company is truly sales- or market-oriented in different aspects of the organization within the areas of consumers, competitors and the company situation.

The questions are all there for us to explore the different areas of marketing and how the organization, and for us to reveal if the interviewed firms have the same problem of not being sufficient market-oriented as found in the literature review, which was the primary mission of making the survey.

We found that a personal (because we contacted them) but still standardized survey (online) was the best way to get the knowledge needed for this research. One could argue that it would have been more fulfilling if we had backed it up with on one side, a larger more likert-scale general survey of a larger amount of companies and with different managers within the company and on the other hand with more in-depth interviews allowing the marketing managers to go into depth with their answers to the question giving us more detailed and organizational specific knowledge. Nonetheless we found that a survey of this kind was sufficient for the purpose of what we wanted to uncover, and the in-depth as well as a larger questionnaire should be part of further research within this topic, which we did not found reachable with the limits of this thesis.

2.6 Critical Notions to the Literature and Theory Used

In this paragraph of the methodology we would like to put forward some critical notes to some of the theory and literature we are using in our recommendations to construct the modified Balanced Scorecard. This is done to let the reader of the thesis know that we are being critical to the theory and literature used and which pitfalls are connected to the literature used in our construction of the Balanced Scorecard, again to underline our constructivist approach as the epistemology behind this thesis.
The Balanced Scorecard framework recommendations that we put forward in this thesis are constructed by us – the authors of this thesis but with great inspiration from the Kaplan and Norton (1992) version. We build it on existing theory where we found the existing theory to be helpful on both the consumer, internal business processes, learning & growth and financial parameter of the Balanced Scorecard (ibid.). This means we draw on literature from many different areas reaching from Human Resource Management for the learning & growth parameter, to budget methods and economic measures for the financial perspective etc. All were used as building blocks for our version of the Balanced Scorecard to end up being able to give a holistic solution to how cluster companies can become more market-oriented and customer focused. The bottom line of this is that there are potentially some areas of theory that could have been taken in. Other not included literature might have been able to enlighten us to an even better recommendation, which the reader should be aware of – building on the fact that we are not positivists but constructivists trying to uncover one of many truths. Though we have focus our thesis on scholars presented within our 5 years curriculum and highly acknowledged authors and theories well used in recognized journals and academic literature.

For the first part of the BSC we go into what the company can change and focus on within the Customer Perspective (section 6.2.1). One interpretation danger that should be considered in regards to the segmentation theories is in regards to knowledge about current customers preferences and attitudes towards the brand/product/service. As this is argued to be the fundamental for the top-management to know, in order for them to make better decisions on product differentiation, market opportunities, challenges etc. Grouping individual customers in to specific segments of ”commons” also gives room for misinterpretation and simplification danger. So, though psychographic is the key to understanding consumers or merely capture some truth about real people’s lifestyle, self-image, attitudes and aspirations, it is still weak at predicting purchasing behavioral traits and future usage (Yankelovih & Meer, 2006).

Relationship marketing is widely recognized as a new way forward for marketing (Egan, 2008) but critics’ state that this is just an ‘emperor’s new clothes’ (Petrov, 1997). The critics point to the fact that relationships has always been a part of marketing and that relationship marketing’s themes are based on the longstanding marketing theory and practice of marketing of services, so they claim that relationship marketing is simply restating existing marketing concepts (Petrov, 1997). This aside, we will, as Egan (2008) argues, view relationship marketing as a new marketing direction since the focus is no longer on the purchase but on the customer, thus implying a different practice and activities than traditional marketing.

Also within the Internal Business Processes perspective recommendations (section 6.2.2), we put forward a solution referred to as the Dashboard Solution, this might seem as there is only this Dashboard solution as presented by McGovern et. al (2004) but there are several Dashboard solutions available in the literature which could also have been used, but we chose McGovern et. al.’s due to the fact that we believed it is the best suited solution on how the processes of communication between the top management and board and the marketing department can be optimized so that there is more effective knowledge sharing and control. Also it is to be taken as an inspiration, where a specific company looking into solutions on being more market-oriented can include what seems proper and important for them – as a tool. This is a notion to be made for all of the recommendations and for the model for marketing planning presented in the Internal Business Processes perspective which it is a general model for marketing and corporate planning. This means it has to be adjusted to fit the specific company in question, and that the specific models parameters and measures is not necessarily useful for all companies. This should be kept in mind. Another important thing to flag about the dashboard in general is that McGovern assumes the board contents the right people with the right attitude. They should be willing to make the changes and take in the knowledge presented to them and use it in the organization. If the board consists of people that have worked with a sales-oriented and inside-out view in ages then they might gain the knowledge from this but nothing might actually change in the organization.

In the Learning & Growth parameter of the Balanced Scorecard recommendation (section 6.2.3), the 7p's are presented as a framework to evaluate whether the marketing/corporate objectives can be meet with the current human resources and Varnes & Østergaard (2009)'s notion on information technology to whether investments in these directions should be undertaken and when the investments should be made to reach these goals evaluated. The concept of 4Ps has been criticized as being a production-oriented definition of marketing, and not a customer-oriented and it is referred to as a marketing management perspective (Goi, 2009). But as we use the 7Ps are only using it as way of incorporating all different aspects of skills needed in the marketing department, we find that the orientation of the parameters become irrelevant. Some of the most common critiques include the notion that the marketing mix does not consider customer behavior but is internally oriented and that the marketing mix regards customers as passive; and does not allow interaction and cannot capture relationships (Goi, 2009). In addition to using the 7Ps instead of the 4Ps we also add the relationship-based Touchpoint wheel to insure the customer focus in this L&G BSC parameter.

In the Financial parameter of the Balanced Scorecard recommendation (section 6.2.4), Activity Based Costing (ABC) is presented as the solution on how to more accurately allocate cost to the customer segments by using different cost pools and cost drivers. One critical notion to make to this is that the more cost pools you add the more accurate cost allocation you get, but adding more cost pools is not free. Separate cost pools for each cost driver must be developed and data on each cost driver must be collected. At some point the cost of adding more cost pools and cost drivers exceeds the benefit in terms of better decision making from the additional accuracy (Zimmerman, 2009) which should be kept in mind.
A similar critique in regards to CRM systems can be mentioned. With CRM investments' promises of better customer understanding and retention, leading to profit in the long-run examples of failure, and CRM is then on a number of occasions been described as a fad and put in the prosecution box where critics have readily passed failure verdicts (Jopline, 2001).

Critiques of this critique argue that failure is due to wrongful implementation and/or use. Although Jopline (2001) fail to provide figures to back his claim, several other studies have also highlighted the failure of CRM. Brian and Co. reports in 2001 that as many as 1 in 5 CRM investments have actually destroyed customer relationship (Knox, 2003). Actually one in every five user reported that their CRM initiatives not only failed to deliver profitable growth but also damaged longstanding relationship with customers according to researchers of Cranfield School of Management (Shaw & Merrick, 2005).
Customer lifetime value (CLV) has also been subject to critique. Malthouse & Blattberg (2005) uses a Niels Bohr quote to sum up their empirical research of four companies attempting to accumulate accurate CLV estimates "*prediction is very difficult, especially about the future*." (ibid,:14). They conclude that CLV to some extent always is subject to a prediction of the future whether based on historical values or current and emphasis the problem with having to include such in this decision tool. *"..an organization that invests a disproportionate amount of marketing resources in historically valuable customers may be investing in the wrong customers*." (Malthouse & Blattberg, 2005:14) This misinterpretation danger could lead to wrongful classification of customer and if the predictions are inaccurate and valuable customers are treated as invaluable, consequences could be substantial. As major drivers to the value of a customer might unavailable as appropriately structured data, and thus not included in the formula. Thus it could be argued that CLV should not be used to drive significant business decisions do to the high risk of misinterpretation (Humby et al., 2003).

The last general critical note to our recommendations is that this solution is built solely on theory and not on empirical evidence. Of course our research showing that there is a need for a solution build on what we found in our interviews, but the solution builds only on theory which affect the validity (more on this in the next paragraph) of the solution put forward, so it should definitely be a subject for further research to test the solution and recommendation in practice.

2.7 Assumptions

We are making some underlining assumptions in this thesis. One is that a company being market-oriented is, for a cluster company, a much better deal than being sales-oriented. This is because market oriented means that the company as a whole, and not just the marketing

department, is engaging with the customers and understanding their needs and thus engaging in a relationship with them to build loyalty in order not to lose the customer to the competing companies, but keeping them. This means less costs of constantly aiming at acquiring new customers, which is assumed to costs less than retaining the ones the company already got.
Another assumption is made on the companies used for the interview. We assume that, since these can be defined as cluster companies, they are representative for all cluster companies. We have taken out the fact that many of these international working companies have Denmark as their home country, and instead we assume that this goes for all cluster companies, no matter which origin the company has, as the basis for the recommendations we make are not national specific.

2.8 Validity and reliability

When establishing the quality of a study research, four commonly used tests are suggested. These tests are: construct validity; internal validity; external validity; and reliability (Yin, 1994).
Construct validity is when correct operational measures for the concepts being studied are established. There are three ways to increase construct validity: To use multiple sources of evidence; establish a chain of evidence; and to have key informants review the draft report. In this research, we have used literature and interviews as sources of evidence. A total number of 41 company interviews were conducted, within the research for data collection, which has increased the construct validity. The interviews were conducted in Danish when the origin of the asked person was Danish and then translated into English, since this thesis is in English, it represents a risk of translating errors. To establish a chain of evidence we have throughout the study made references to all the sources from which evidence has been collected and has made an effort to back up claims from different sources.
Internal validity is the approximate truth about inferences regarding cause-effect or causal relationships. Since this study is not made to prove a cause-effect relationship the internal validity will not be considered.
External validity is the degree to which the conclusions in a study would hold for other companies in other places and at other times. Hence, external validity refers to the approximate truth of conclusions that involve generalizations. It is for this study not certain if the same answers would have been found if other cluster companies' marketing managers

were asked the same question. Sample testing should thus be conducted in further research, but the length limitation of the paper has limited us from doing this. This does however *not* mean that the thesis will not try to generalize from the answers given in the interviews, as they are used to justify the need for a solution on how to become market-oriented. It should though, be kept in mind that the conclusion would not necessarily have been the same if other marketing managers in cluster companies were asked, thus affecting the external validity of this assignment.

Reliability refers to stability and consistency of the results derived from the research, hence the conclusions made. (Yin, 1994). It refers to the extent to which another researcher can repeat the exact same procedures and research, and arrive at the same findings and conclusions. Reliability is concerned with consistency, accuracy and predictability of specific research findings (Yin, 1994). Throughout the paper, we have tried to explain the rationale of argumentation of the findings and recommendations in a consistent and unbiased manner, increasing the reliability. We have further organized the report in such a way that any reader should be able to retrieve any desired material or sources of information.

2.9 Generalizations

We will make generalizations from the interviews, and our recommendations on how to overcome the issue of becoming market-oriented are meant as general recommendations, for all cluster companies, and not to be seen as specific recommendations for a specific company. This means, on the other hand, that for the purpose of a company wanting to change their mindset and become more market-oriented and outside-in looking it might not be all our recommendations that should be taken into considerations, and the company should suit the suggested recommendations to their specific company situation and environment and their degree of market-orientation.

2.10 Definition of Terms and use of interchangeable words

This section is included as a clarification of any terminology in the thesis that may not be commonly known or could by differently perceived and understood; and provides a similar interpretation for all readers of the study.

Our aim is to include all-important “general” academic terms used which are not directly explained in depth within the thesis and might not be considered self-explanatory. The definition might not be the general or most commonly accepted or used definition, but is subject to our interpretation and use of the terms and theories within the thesis.

Market-oriented (strategy/company):

An organization that is considered being market-oriented is in this thesis, directly equivalent to a company being Customer-oriented or Customer-focused, Market-driven, Customer driven and all are used interchangeably. The term is understood as a strategic orientation or focus of a company that is opposite to being Sales/Product oriented (Grönroos, 1989). Corporations that have successfully implemented this strategic orientation identify customer wants and tailor all business towards those wants/needs (in an efficient manner), thus the customer and knowledge about the customer is highly in focus for a market-oriented company. The key feature of market orientation is the collection and dissemination of customer information throughout the business. Being market-oriented is putting the customer first, and basing strategic decisions on customer knowledge, market knowledge and measures. *"…concept means finding out the needs and wants of a particular group of customers, finding out what price they would be willing to pay, and fitting the organization's activities towards meeting those needs and wants at the right price*" (Blythe, 2005; 5).We also draw a link between these terms and the notion of looking outside-in (Naver & Slater, 1990).

Outside-in (perspective):

Decision and strategy of corporation that has an outside-in perspective is primarily based on external knowledge and research. Value starts with the customer research and understanding and works from there back into the company. An Outside-In perspective is understood as a perspective that requires continuously investments in learning about and from customers and the translation of this into initiatives that will enable competitive advantage, improve market position, build customer relationships and ultimately improve shareholder value. A long-term perspective is thus considered incorporated when talking about Outside-in perspective in this thesis and this is very strongly connected with being a market-oriented company.

Sales-oriented (strategy/company):

An organization that is considered as sales-oriented is in this thesis directly equivalent to product-oriented and transaction-oriented and both are used interchangeably though some might argue that sales-orientation is progressed from product-orientation (Blythe, 2005). A classic example of a known theory that is in line with this type of strategy is the notion about 4Ps, and thus reliance on promotion activity to sell products/services key, in a corporation with this orientation. This business orientation assumes that people will buy if the *right* sales techniques are used. A general believe that sales prices of high value equate to substantial profit. The perspective supports the notion that the *perfect* product will suit all consumers (Blythe, 2005). Sales-oriented companies think about customers in the short term – from transaction to transaction. We also draw a link between these terms and the notion of looking inside-out and a general focus on short-term goals rather than long-term.

Inside-out (perspective):

Decision and strategy of corporation that has an inside-out perspective is primarily based on internal knowledge and competencies. Corporations with an inside-out perspective will be focusing on internal knowledge, looking for ways to reduce costs and improve productivity. Thus differentiating themselves on price.

CRM – Customer relationship management:

Customer Relationship Management (CRM) programs are increasingly being used by companies to support the type of customer understanding required to effectively executing of a customer strategy. The work of contemporary researchers and writers such as Gummerson (2002), Woodcock (2000), Grönroos (1997) among others have been significant in establishing the importance of customer relationship management and business performance. "*According to Prof. Payne of the Centre for Relationship Marketing, Cranfield University, consumer relationship management (CRM) has developed into a major element of corporate strategy for many organizations' and it is known by other terms as relationship marketing and customer management*" (Kubi & Doku, 2010: 37).
Customer Relationship Management (CRM) covers methods, strategy, management and technologies used by companies to manage their relationships with clients on a strategic level. Information stored on existing customers (and potential customers) is analyzed and used to this end. Automated CRM processes are often used to generate automatic personalized marketing based on the customer information stored in the system. But the systems and

technologies are merely means to incorporate an overall customer centric strategy across all of the organizations departments. Paul Greenberg, the Author of "CRM at the Speed of Light" (2004), defines CRM as *"…CRM is a philosophy and a business strategy, supported by a system and a technology, designed to improve human interactions in a business environment. It is also a continuing business initiative that demands a dynamic, ongoing strategy of customer engagement*" (Greenberg, 2004). CRM is first and foremost a corporate level strategy, focusing on creating and maintaining relationships with customers and keeping the customer the point of departure in all decisions. This is where the software comes in, and several commercial CRM software packages are available which vary in their approach to CRM. Although authors argue that CRM is not a technology itself, but rather a holistic approach to a corporations' philosophy, placing the emphasis firmly on the customer. We use the term CRM in this paper as some sort of software system and measurement tool. The aim is long-term relationship building and value-creation for both customer and the corporation (Østergaard, 2000: 12). We will use CRM as a customer centric perspective that includes customer measurement tools, software, strategy, systemic measurements etc., all with the goal of building customer relations and value for both customer and corporation.

Corporate strategy:

Corporate strategy is in this thesis understood as the direction an organization takes with the objective of achieving business success in the long term. The development of a corporate strategy involves establishing the purpose and scope of the organization's activities and the nature of the business it is in, taking the environment in which it operates, its position in the marketplace, and the competition it faces into consideration. Corporate strategy is decisions made for the whole corporation or organization to gain the better of adversaries or attain ends (Porter, 1980).

Relationship Marketing:

This definition implies that there has to be a *"belief in the other partner's trustworthiness that results from the expertise, reliability or intentionality of that partner"* (Grönross, 2004:9). Long-term perspective in focus. It is also important to note that we use the phrase „loyalty marketing‟ interchangeably or in the same understanding as with relationship marketing

(Egan, 2008:54). The main relationship enablers for the corporation are; trust, commitment, cooperation, dependence and information exchange (Johnson & Weinsstein, 1999).

Transactional Marketing:

As transaction marketing means that the firm focuses on single transaction at a time the timeline is short and is connected to the company being sales-oriented.

Customer Equity (CE)

Customer Equity is in this thesis understood as "*the combined lifetime values of all current and future customers*" (Bayón et al., 2002; 213). And is thus closely correlated to Customer Lifetime Value (explained in the thesis). Where CE can be used and is explained as an aggregated CLV measure (See figure "Measuring Customer Equity" – Appendix 3)

Customer Lifetime-Value (CLV)

In this thesis the term Customer Lifetime Value (CLV) is understood as "*the present value of the future cash flows attributed to the customer relationship*." (Pfeifer et al, 2005:17). Customer Equity (CE) models measure the value of the customer portfolio on an aggregated basis, these models are not applicable when the goal is to be able to differentiate between profitable and unprofitable customers over time (Hansen & Øland, 2011).

Customer Profitability (CP):

Customer Profitability is "*the difference between the revenues earned from and the costs associated with the customer relationship during a specified period*." (Pfeifer et al, 2005;14).

Retention vs. Churn:

The reason for the focus on retention rather than churn is that an outside-in focused corporation would rather focus on strengthening the customer relation with existing customers rather than simply focusing on attracting new. This can be compared to the bucket with wholes metaphor. If the water is customers, and the holes in the bucket symbolizes the fail in customer retention letting the customers slip out of the bucket (corporation). There are two ways of keeping the level of the water up at a certain height. Either makes sure more water is constantly added or fix the holes in the bucket. Sales-oriented corporations would focus on keeping the water coming neglecting to fix the wholes (churn focused), being focus on the short-term. While a market-oriented company would fix the wholes so that the water was kept safe in the bucket focusing on retention, relationship and long-term strategy.

Customers & Consumers

Though some differentiate Customers (who buy product/services) from Consumers (who consumer the product/service), we will use the two words interchangeably as we do not find substantial reason to differentiate between the two.

The Organization, Corporation, Company, Firm and Business

Though some differentiate between Organization, Corporation, Company, Firm, Business, we will use the five terms interchangeably as we do not find substantial reason to differentiate between them in this thesis, when no mater what word used we refer to the same.

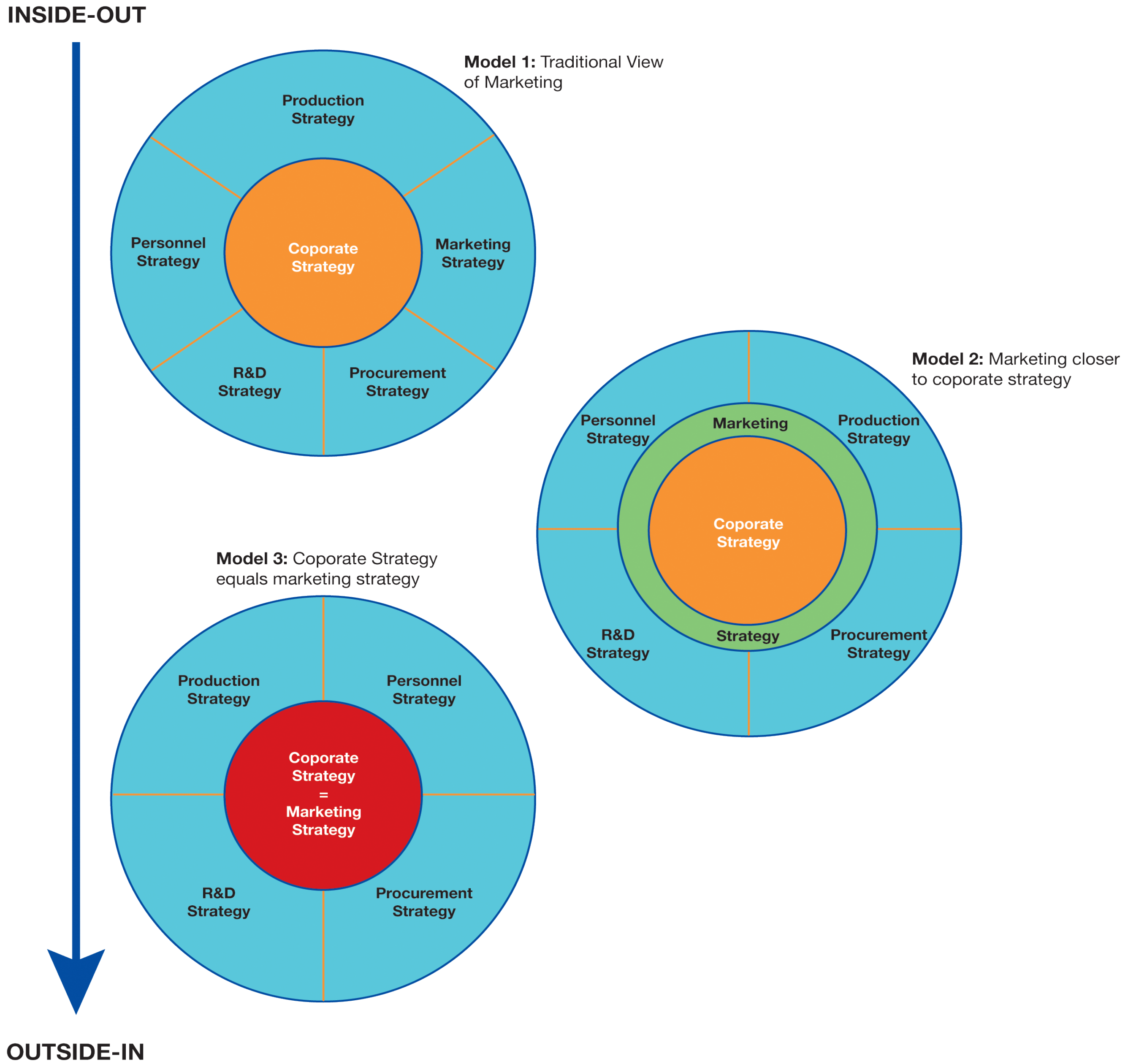
3. Literature Review

This section of the thesis has the objective of showing what issues the existing literature presents in the discussion of sales- (inside-out) vs. market-orientation (outside-in). Thus enabling us to establish why we believed that there is a possibility for us to contribute with a new angle to this field of study.
This section will thus show that several authors have put forward that today's highly competitive market presents a need for companies to take in information from the market and act from this. It will also discuss that marketing is detached from the top management and problematize that their knowledge is not shared throughout the organization. This section will also show that no full attempt has been done, so far, to our knowledge, in coming up with recommendations on which initiatives a company should undertake in order to become more market-oriented.

Research indicates that in many businesses there is no overall strategic focus for the company to be market-oriented. This viewpoint is supported by several authors such as Verhoed & Leeflang (2009), Nath et. Al. (2008), McGovern et al. (2004) and Martensen & Mouritsen (2010) and Masterman & Wood (2006).
The same authors also agree that this view desperately needs to be changed in order for marketing to gain a strategic position within the company and in the eyes of top-management (Martensen & Mouritsen, 2010).
"Over the past three decades marketing academics have raised their concern with marketing's decreasing influence at the level of corporate strategy" (Nath et. al., 2008: 65).
Homburg, Kuester & Krohmer (2008) deal with the issue of creating a marketing strategy and in their presentation of how marketing strategy is connected with corporate strategy they present three different models showing how different marketing can be positioned within a company going from an inside-out perspective to an outside-in perspective (See Figure 1). We will use this model as a reference throughout the paper, and the third stage in the model as the optimal way of being organized to achieve market-orientation, since it shows a completely

aligned marketing strategy and corporate strategy – thus putting the customer in focus of the whole company. The first model is the Traditional Model where marketing is functioning as one of many functional strategies. In the most traditional approach marketing is seen as one several functional strategies. This means that it is perceived in line with other functional strategies as the production strategy, the R&D strategy etc. The corporate strategy is, in this case, centered and the marketing strategy is considered at the same strategic level as the other functional strategies. The second model gives the marketing a higher focus in the company, and the third equals the corporate strategy with the marketing strategy. Overall the first model gives marketing a much more peripheral role whereas the two latter puts marketing into focus in relation to the overall corporate goal, vision and strategy (See Figure 1). This can be connected with the inside-out vs. outside-in perspective which we have added to the model in Figure 1. When marketing and thus its knowledge is viewed as just another functional strategy the knowledge about customer and the customer is not in focus for the company. Thus this can be connected with the inside-out perspective. The second model in Homburg, Kuester and Krohmer's model puts the marketing more in focus, and the last model shows the outside-in perspective as it puts the marketing and thus the customer in focus of the company and the corporate strategy becomes equal to the marketing strategy, hence the market is the focus for the strategy.

Figure 1: Homburg, Kuester & Krohmer: Model of marketing strategy (2009)



Verhoed and Leeflang (2009) support this notion, and in their article they claim that there is a lack of respect for the marketing function and their knowledge in many companies, which is grounded in the fact that many *"misguided marketing strategies have destroyed more shareholder value, and more careers, than shoddy accounting or shady fiscal practices have"* (McGovern et al. 2004: 79). According to these authors, marketing has lost it strategic role in many companies and very few companies involve marketers in the strategic planning of corporate strategy and instead marketers are focused on more short-term, actionable activities, such as sales support, advertising and public relations (Verhoef & Leeflang, 2009: 14). This means sales-oriented strategies where marketing is viewed as a sub-function and its knowledge is not taken to the overall strategic level. The fact that the marketing functions are not included as a strategic partner and in the boardroom has important consequences; it means that marketing is perceived as a cost and not an investment (McGovern et al., 2004). Another group of authors find that there is an increased interest in marketing's changing role within the firm but no empirical evidence of a changing role (Homburg et al, 1999).

Lastly there are those authors who argue that the overall orientation and strategic focus of the corporation and whether this is market-oriented or not, is directly correlated with the performance and profitability of the company (Slater and Narver, 2000). Narver and Slater (1990) found a significant positive relationship in testing the hypothesis that: "Market-orientation and business profitability are positively related". This market-oriented strategy is primarily concerned with learning from various forms of contact with customers and competitors in the market (outside-in), raising the importance of the marketing division's capabilities and effectiveness in the company (Narver and Slater, 1990). For a company to be successful with the market-oriented strategy, it is argued that it requires that the company focus on *"superior market-sensing, customer-linking, and channel-bonding capabilities*" but lacks the ability to measure them (Day, 1994 :41). In section 6.2.4.2 on CLV in this thesis we try to use customer lifetime value as a measure on how good the company is in retaining their customers, as an example.

Masterman and Wood (2006) also suggested that companies lack knowledge on how marketing is proper planned. According to this literature the marketing activities should be strategically planned, with long-term goals and strategic considerations about customer, so that every activity is part of an overall strategic goal to become market-oriented. But it is argued that in many companies the marketing communication is developed in an ad-hoc, fragmented manner, which makes it difficult to monitor in terms of objectives, strategic alignment, budget and return (Masterman&Wood, 2006).

Martensen and Mouritsen (2010) find in their empirical research on Danish companies' way of doing marketing that financial success is only a direct success if the effort is put into core marketing. On the other hand they find, that there is a more clear indirect and stronger effect if the marketing function is given enough attention to make sure the whole organization is more market-oriented instead of just focusing on the marketing division (Martensen & Mouritsen, 2010).

It is argued that companies need a strong and strategically integrated marketing function in order for the firm to be market-oriented (Harris, 1998) hence being able to meet customer needs and preferences, thus creating more shareholder value. Also, if the marketing function is strong and strategically integrated it makes it possible to hold CMOs responsible for their marketing activities' revenue consequences by their ability to connect the customer knowledge into customer solutions, which increase market performance (Verhoef & Leeflang, 2009). This boils down to the fact that marketing in practice needs to be profitable – create markets, grow market shares and retention. In short marketing should be profitable. As according to McGovern et al. (2009: 72): *"When marketing activities are tightly aligned with corporate strategy, they drive growth".*

The marketing strategy may perform well in a company, say by standard performance measurements for marketing activities as e.g. repeat purchases, but if the goal is to build market share it is not necessarily enough to get a higher degree of repeat purchases.

In McGovern et. al.'s (2009) article in Harvard Business Review they argue that marketing exists far from the boardroom and that in many companies within highly competitive industries the marketing managers are not held accountable on how their marketing activities contribute to a certain market-oriented strategy, they are not being "forced" to share their customer knowledge with the rest of the organization and no attempt is done to enhance this sharing. The problem is, according to McGovern et al. (2009), that this requires attention from the highest level of the organization, and they are not aware of this problem or not focused on taking the initiatives needed to become a market-oriented organization.

This problem of companies not being market-oriented is not just rooted in skeptical authors concerns, it is also empirically shown in a survey with large U.S. companies, which showed that more than 33% of the participants answered that they spend less than 10% of their time in their boards on discussing marketing or customer-related issues (McGovern et al. 2009). Few CEOs have marketing experience and few boards have included customer management or marketing people in their discussions. In many boardrooms discussions about customers were not even a part of the agenda (ibid.).

With the emergence of a chief marketing officer (CMO) in many companies, one should expect that marketing would then be efficiently consolidated. But McGovern et al. (2009) argue that CMOs are generally lacking overarching strategic responsibility and have no profit-and-loss accountability. CEOs expect their CMOs to drive marketing decisions, but no one is made accountable for the results, which makes it difficult to track the financial impact of marketing investments. Thus marketing ends up becoming abstract to the board and becomes a function not aligned with the organization's goals:

"Marketing managers need to understand the corporate finances to align the marketing strategy with financial goals" (ibid:74). This is needed for the marketing managers to understand the marketing's influence on the company's balance sheet.

Many marketing departments and marketing managers do not know what to measure on their marketing activities or how to interpret the results they measure. They may collect as many performance measurements and data as possible – as customer satisfaction score, retention rates etc. but if these cannot be correlated to revenue results the data is not so helpful (ibid: 74) *"Determining the ROI on ad advertising campaign can be as much an art as it is a science"* (ibid: 74).

Having the marketing activities or at least some of the marketing activities planned in an ad hoc manner increases the risks for spending time, expertise and financial resources on activities that are not linked with corporate strategy. This risk can be minimized if the planning process is more carefully planned and with clear strategic objectives and evaluation procedures (Mastermand and Wood, 2006).

All in all the existing literature shows that there is a problem with companies not being market-oriented and that marketing knowledge is not accepted and used by the whole organization. Now we want to examine whether this lack of market-orientation is also evident empirically in a sample of cluster-companies, and most importantly, how this market-orientation can be achieved by focusing on different aspects of the organization and marketing.

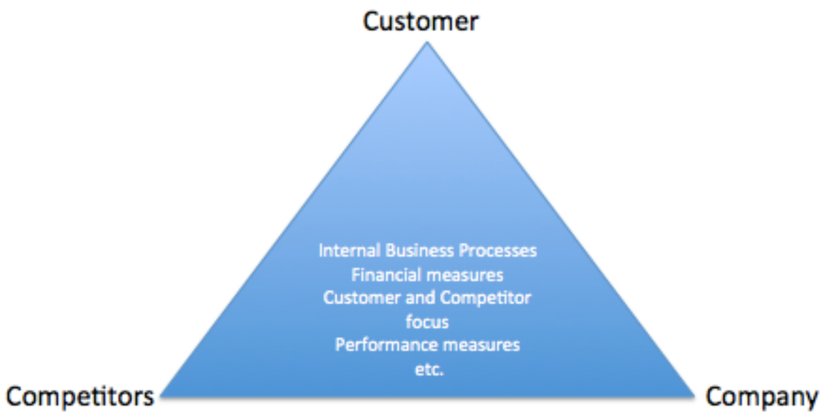
4. Analysis of Data

This paragraph summarizes and analyzes our results from our survey to see whether or not there is ground for putting forward recommendations for cluster companies to become more market-oriented.

The survey was conducted with 41 different cluster corporations and was all completed by the corporations' marketing director or equivalent manager level in the marketing department.

The survey is divided into three different categories touching upon the Customers, Competitors and the internal processes and culture of the Company (See Figure 2). These focuses are included in the survey tool in order to look, not only into the marketing related work, but also to include a broader outside-in perspective. This is done by having lines of questions not only related to how the customers are treated in the company, but also to how the competitors are treated and how the company operates on some parameters which can reflect a certain outside-in or inside-out perspective in the organization. The three perspectives are all included in our sample, for us to get a more holistic view of the respondent companies and hence to detect if the companies are truly market - or sales-oriented.

Figure 2: The Three Aspects Covered within the Question Frame



The tool used for the data analyzes and collection is a management-survey-tool developed by Torsten Ringberg and Per Østergaard (2011) and has been used in former surveys with thousands of companies to determine whether or not they are mostly market-oriented or sales-oriented.

For each question asked, 3-5 different answers are presented and the respondent asked to pick one, which he/she believes is most adequate in explaining how they perceive the company, and what best explain the corporations processes. The answers are automatically rated through mathematical algorithms determined by Ringberg & Østergaards' data-tool to weight the responses, revealing the degree to which a corporation can be considered primarily market-oriented or sales-oriented.

Several questions are asked on each of the three parameters; Customers, Competitors and the internal processes of the Company in everyday business situations, and the numeric value associated with each respondent's answer can be seen in Appendix 4a. Ringberg and Østergaard's (2011) algorithm prescribes different conclusions based on the percentage of the maximal score possible, which is calculated in Appendix 4b.

For the 9 questions concerning the Customers the max score is 76. Meaning that a score of 76 in this line of questions will be understood as a completely market-oriented corporation in regards to their customer knowledge and handling.

For the 4 questions concerning the Competitors the max score is 20. Meaning that a score of 20 in this line of questions will be understood as a completely market-oriented corporation in regards to knowledge about and handling of competitors.

For the 9 questions concerning the internal Company situation and processes the max score is 64. Meaning that a score of 64 in this line of questions will be understood as a completely market-oriented corporation in regards to internal processes and daily business. In other words a perfect score of 76 in regards to customers, 20 in regards to competitors and 64 in regards to internal business processes will be attainable by a completely market-oriented corporation.

The way the answers of the 41 respondents are rated is based on, elaborated and analyzed from these conclusions (Ringberg & Østergaard, 2011).

4.1 Understanding the Scores of the Survey

4.1.1 Analyzing the Customer Perspective

If respondents in total has < 25% of the max score (76 points) on the Customer perspective:

The company is not market-oriented at all and misses the basic focus on customers and has very little knowledge on their customer. These companies are to a very large extent sales-oriented and do not take their customers into account, thus the outside-in focus is missing in these companies. They do not measure on their customers and their profitability, if they measure it is only on a sales-basis. The customers are not defined and thus it is difficult to approach them in any other way than just on a transactional basis (Ringberg & Østergaard, 2011).

If respondents in total has between 25-50% of the max score on the Customer perspective:

The company is not especially market-oriented and do not have extensive knowledge and overview of the customers. These companies do measure but mostly on sales parameters and only rarely on measures such as loyalty and satisfaction in terms of what creates value for the customer and do not have extensive knowledge about customers' needs (Ringberg & Østergaard, 2011).

If respondents in total has between 50%-75% of the max score on the Customer perspective:

The company is pretty market-oriented but can still seek more knowledge and information about their customers and can do even deeper research on their customers such as customer lifetime value, customer profitability etc. (Ringberg & Østergaard, 2011).

If respondents in total has between 75%-100% of max score on the Customer perspective:

The company is in general market-oriented and has extensive knowledge about their customers. They are very aware about who their customers and potential customer are, what their needs are and they do extensive measures on market-oriented parameters as customer lifetime value, if they create value for the customers and customer profitability etc. (Ringberg & Østergaard, 2011).

4.1.2 Analyzing the Competitor Perspective

If respondent in total has < 35% of the max score (20 points) on the Competitor perspective:

The company has none or very little knowledge about the competitors in the market. They do not measure or collect data on the competitors and do not have a clear definition of their competitors (Ringberg & Østergaard, 2011).

If respondent in total has between 35%-70% of the max score on the Competitor perspective:

The company has a lot of knowledge about the competitors and the market, but there are still areas where the knowledge and data on the competitors and thus the market can be optimized (Ringberg & Østergaard, 2011).

If respondent in total has between 70%-100% of the max score on the Competitor perspective:

The company has a good overview of the market and its competitors and does benchmark analysis or equivalent and do not have a narrow limiting definition of a competitor (Ringberg & Østergaard, 2011).

4.1.3 Analyzing the Internal Company Situation Perspective

If respondent in total has < 25% of the max score (64 points) on the Company perspective:

The company does not have a culture, an organization, processes or systems that are market-oriented. The basic focus on customer (the outside-in perception) in the company is missing and the marketing is not strategically anchored in the organization. The marketing activities are not done in accordance with the corporate strategy, and marketing (and the customers) are not the focal point for the company (Ringberg & Østergaard, 2011).

If respondent in total has between 25%-50% of the max score on the Company perspective:

The company has a culture, an organization, some processes and systems that are to a small extent focused on the customer. The company is not geared to be market-oriented and the marketing activities are not anchored in the corporate strategy (Ringberg and Østergaard, 2011).

If respondent in total has between 50%-75% of the max score on the Company perspective:

The company has, to some extent, an organization, processes and systems that are focused on the customer. The company is partly market-oriented and the marketing is partly strategically anchored in the company. This would correspond to the second circle in Homburg, Kuester and Krohmer's model (Ringberg and Østergaard, 2011).

If respondent in total has between 75%-100% of the max score on the internal perspective:

The company has, to a very large extent, a culture, an organization, systems and processes that are treating the customer with much attention and this makes a market-oriented company where the customer and the marketing is strategically anchored in the company (Ringberg and Østergaard, 2011).

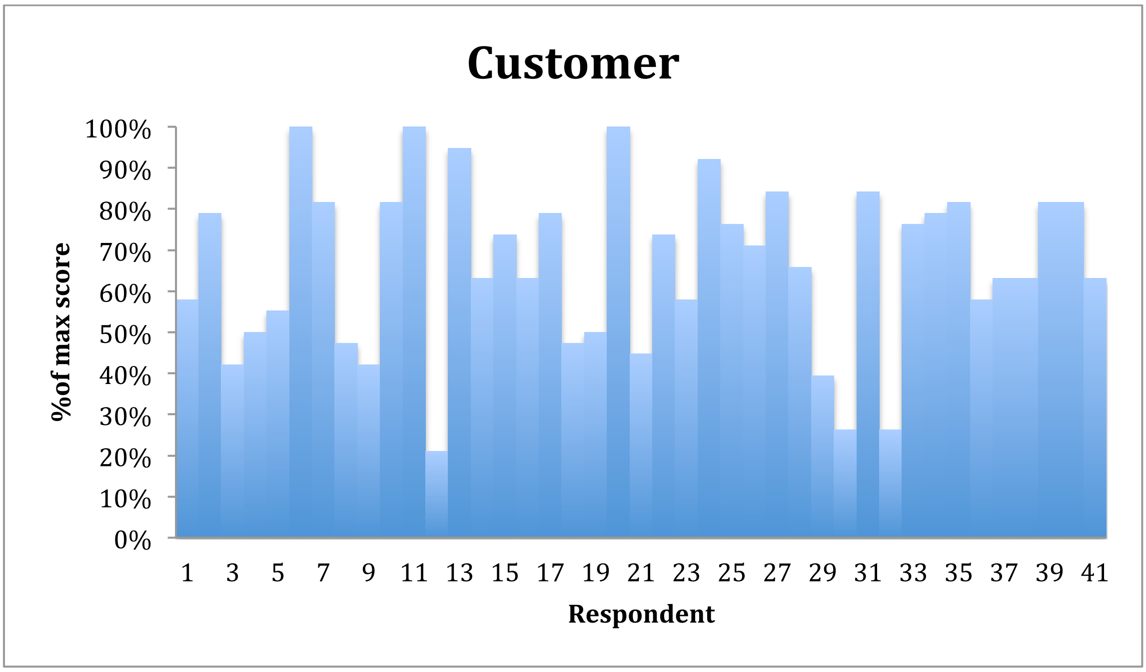
4.2 Our Results

Appendix 4a and 4b shows our results from the 41 completed answers from the 41 marketing directors summarized with the numeric numbers associated with the answer possibility they have chosen.

We are given the maximum score possible from the logarithm in the tool, and can thus calculate each respondent's percentage of the maximum score on each of the three sections. This is presented in Appendix 4b in order to evaluate on the answers according to the above intervals, and thus to understand the degree of market-orientation of the 41 contacted cluster companies within the three perspectives of the question frame.

Figure 3a, 3b and 3c show the answers in two diagrams for each of the three categories of questions perspectives – focusing on their Customers, Competitors and the Company aspects. These diagrams show the different spread in answers, and from lowest to highest scores, which also shows the big spread in answers. Some companies score 100% of the max score and can be defined as highly market-oriented on the specific parameter, and others have a very low percentage of the max score, which shows a high degree of sales-orientation within the company on the specific parameter.

Figure 3a: Spread of Questions Concerning Customers



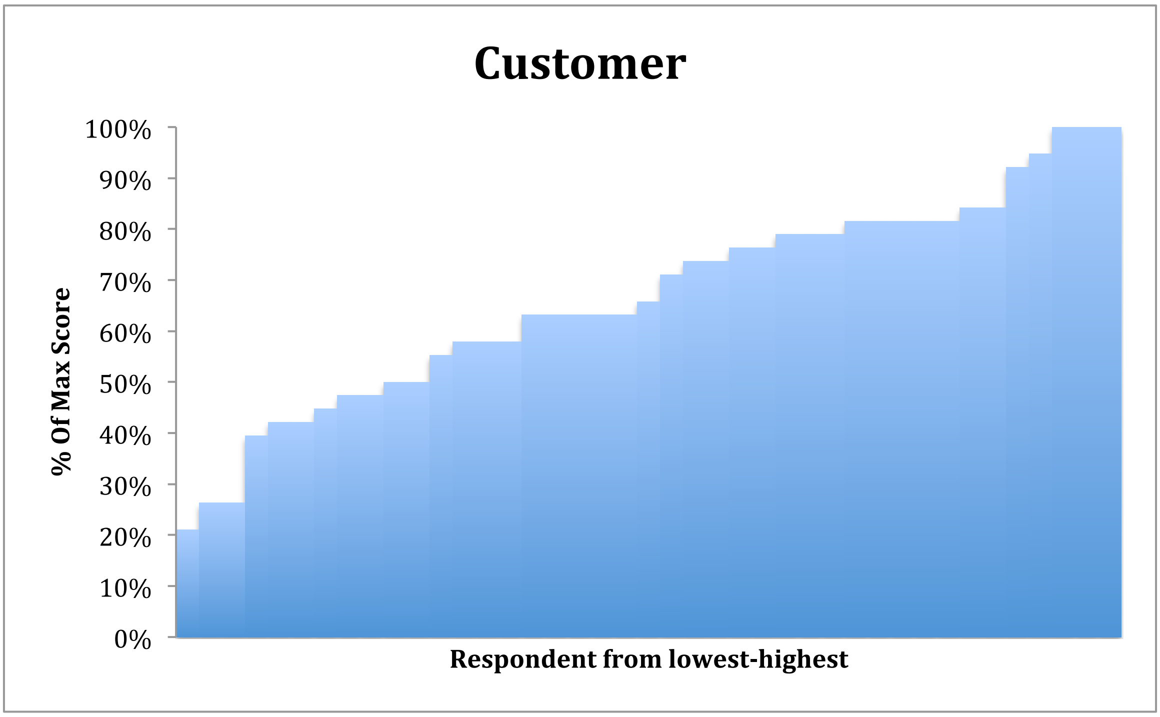
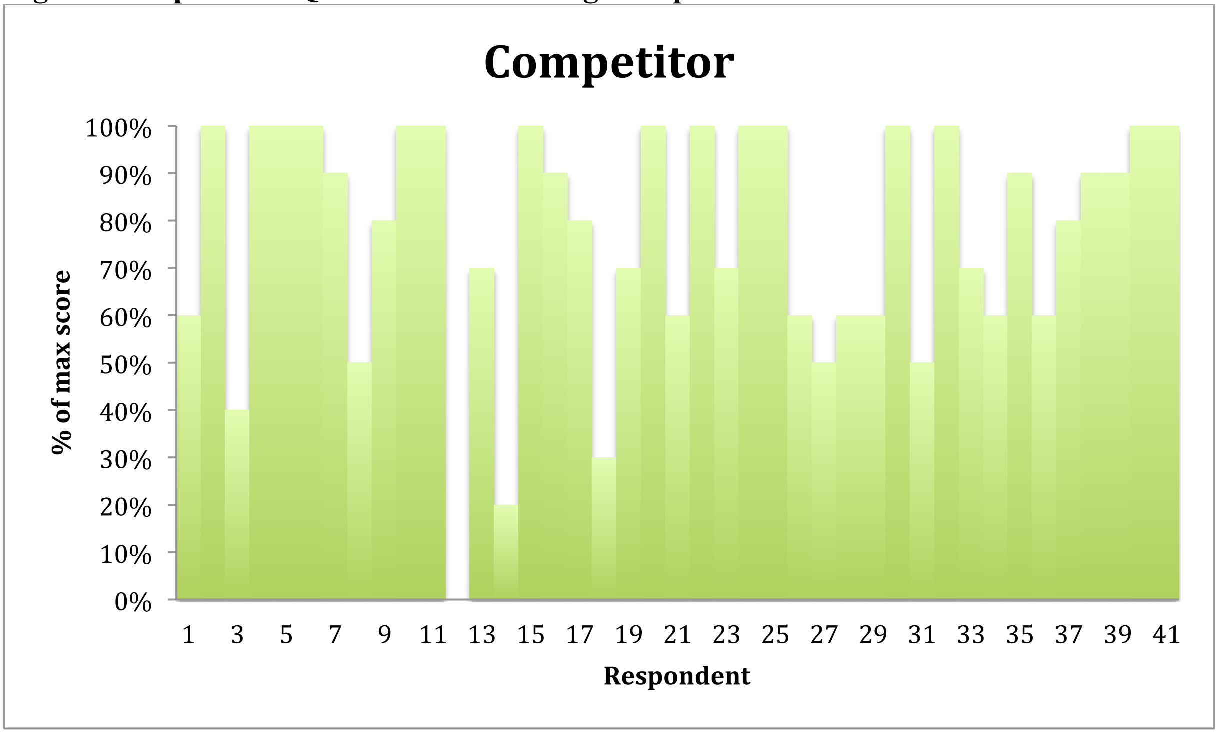


Figure 3b: Spread of Questions Concerning Competitors



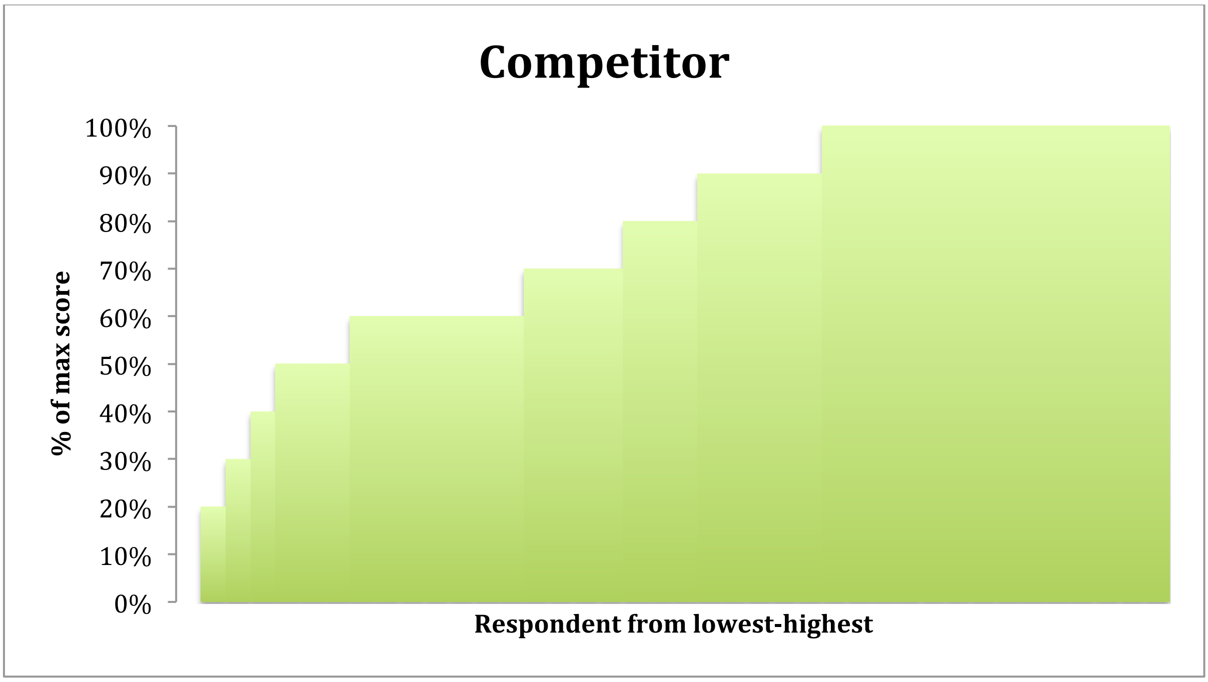
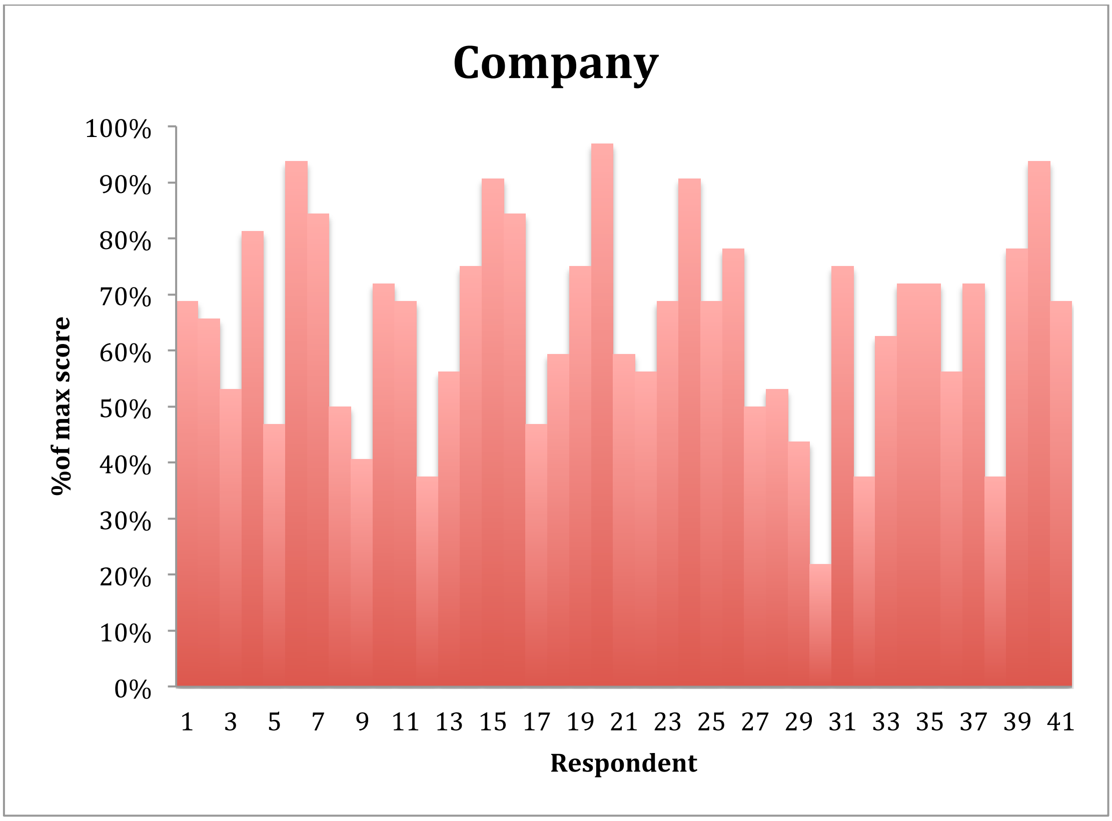
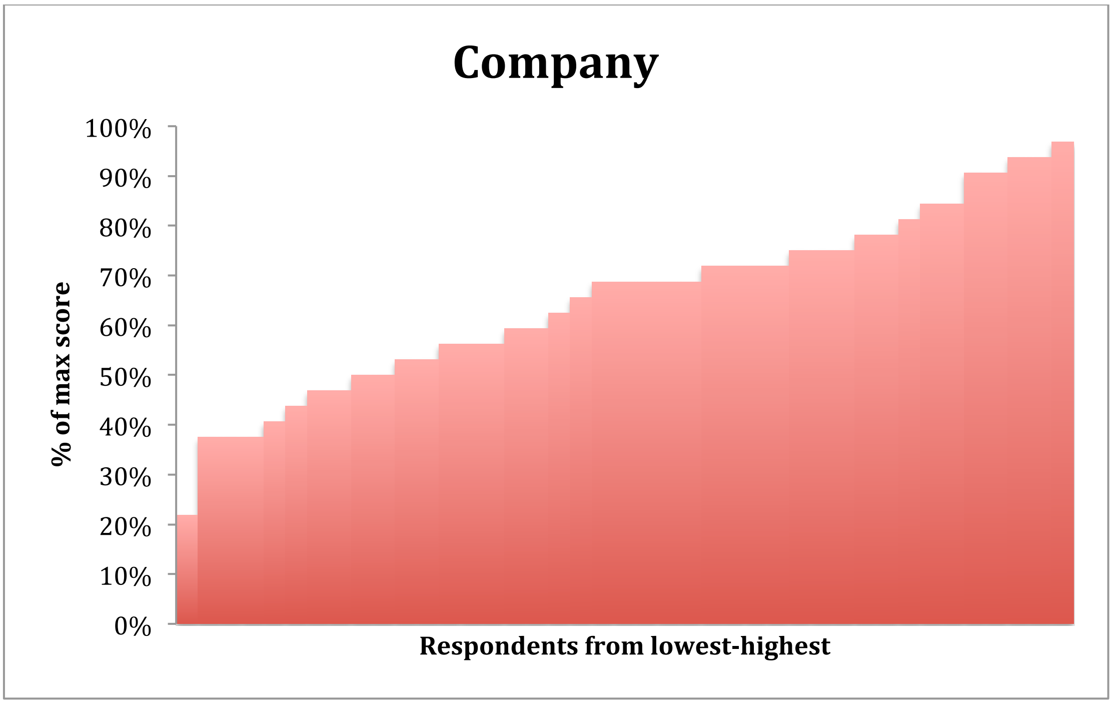


Figure 3c: Spread of Questions Concerning Internal Company situation





We have chosen to present the answers within each of the three categories of the question frame separately instead of all together per respondent. This is done to show that there are several companies within all three categories where there is room for improvement. A company could score high on e.g. two categories – giving a high average score – but might score really low on the last category. This would not be revealed if the results were shown as an average of the total percentage of max scores per respondent. We want to find whether or not we can justify that there is a need within these companies to strive for more market-orientation in general, thus it is important to be able to see the answers within each category.

To give an individual respondent example (see Appendix 4a and 4b), respondent no. 1 can, with a score on the Customer perspective at 58%, be interpreted as a partly market-oriented company when concerning their handling of customer, with an opportunity to seek more knowledge and information about their customers and do even more deep research on their customers as customer lifetime value, customer profitability etc. While they on the competitor perspective with a score of 60% of the total score of 20 points - has a lot of knowledge about the competitors, but there is still areas where the knowledge and data collection about the competitors and thus the market can be optimized. And lastly on the Company's internal situation perspective it can be seen as an organization with processes and systems that are to a large extent focused on the customer with a 69% score of the total max score possible. The specific company is thus partly market-oriented and the customer and market is partly strategically anchored in the company. This could correspond to the second circle in Homburg, Kuester and Krohmer's model. In summary, the company is floating somewhere between being sales- and market-oriented, but with many areas of potential improvement.
When looking at our total data of respondents it is interesting to see the lowest and the highest score within the three divisions (Customers, Competitors and Company). See Figure 4.

Figure 4: Lowest and Highest Score on the three aspects

	Customer	Competitor	Internal Company
Lowest	21	20	22
Highest	100	100	97

We can see that the spread of the scores within the three divisions are high and thus that the scores vary significantly. In the Customer focused questions the scores goes from 21%-100% of maximum score, Competitor focused questions spread from 20%-100% and lastly that the Company focused questions spread from 22%-97% of the maximum point score possible. We find that respondent no. 3 has the lowest accumulated total score with 42% on the customer aspect, 40% on the competitor and 53% on the Internal Company aspect, giving a average percentage of total point score of 45%. In the opposite end of the data we find the highest accumulated total score in respondent no. 20 who almost reaches 100% on all three different aspects (except the internal company aspect where respondent no. 20 reaches 97% of the max score), giving an average percentage of total point score of 99%.

These two respondent examples show the big variance in the answers provided, but the interesting part is all the answers in-between and the divergence in the answers. A respondent who actually believes the company is acting quite market-oriented reveals that the company acts as a sales-oriented corporation in some areas concerning customers, competitors and/or the company. An example could be respondent no. 19. When the question ”*How do you primarily perceive your Company”* was asked he/she answered ”partly market-oriented” (See Appendix 2 and 4a), nonetheless, this might be what the respondent thinks (and maybe also what seems like the right answer) but his/hers answers to many of the other questions reveal that the company's behavior towards customers, competitors and the way the company works is very sales-oriented and not market-oriented. E.g. he/she answered that the company has no definition of a competitor, that there is no data collected on the customer's needs and their satisfaction; they only collect data on how to improve their product. Also, they do not measure on the customer profitability, and the way the company is organized which also underlines that the company is not market-oriented, but to a large extent sales-oriented. Furthermore the company has a traditional organizational structure with traditional hierarchical levels – a market oriented company would have the customer in focus which means the marketing has a central and dominating role in the boardroom and in the organization of the company. Though we can determine that respondent no. 19 is very sales-oriented in some parts of the organization, the company still scores 50% of total score on customer-related questions, 70% of the competitor-related questions and 75% of total score on company-related questions.

4.2.1 Respondent Overview

The respondents' answers are divided into the intervals from their percentage of the max. score. This means that we collect the number of respondents' answers that fall into the specific interval classifications determined by Ringberg & Østergaard (2011).

Customer (max score 76 points)				
Percentage of max score	<25%	25-50%	50-75%	>75%
No of answers within the range	1	10	13	17

This shows that when looking at how they treat and work with customers 26% (11) of the asked companies scores less than 50% and only 42% scores more than 75% of the max score, meaning that they can actually be defined as market-oriented in their treatment of customers. The 58% respondents with a score below 75% can at the best be classified as relative market-oriented, but can still seek more knowledge and information about their customers and do even more in depth research on their customers as customer lifetime value, customer profitability etc. (Ringberg & Østergaard, 2011).

Competitor (max score 20 points)			
Percentage of max score	<35%	35-70%	>70%
No of answers within the range	2	15	23

On the Competitor perspective 46% (17) of the asked companies scores less than 70% of the max score. Meaning that they can at the best be classified as companies with knowledge about their competitors and the market, but that there are still areas where the knowledge and data collection about the competitors and thus the market can be optimized (Ringberg & Østergaard, 2011). These 46% do not measure or collect data on the competitors in the market and do not have a clear definition of their competitors (Ringberg & Østergaard, 2011).

Company (max score 64 points)				
Percentage of max score	<25%	25-50%	50-75%	>75%
No of answers within the range	1	9	21	10

On the Company perspective 76% (31) of the asked companies have less than 75% of the max score and can thus be classified as companies that to some extent have an organization, processes and systems that are not fully focused on the customers. Thus being considered only partly market-oriented and, at the best, partly strategically anchored internal processes with customer focus. This would correspond to companies that might reach the second circle in Homburg, Kuester and Krohmer's model (Ringberg & Østergaard, 2011).

From this data we find that our sub-question: *Can we empirically show that not all cluster companies, even though they work in a highly competitive environment, are market-oriented* is answered, as the empirical findings presented show that several of the respondents have a certain lack in market-orientation on one or all three of the categories – Customer, Competitor and Company.
It thus seems there is ground, justification and a need for us to answer our research question:

How can cluster companies become more market-oriented? Hence, we will now go into the purpose of this thesis, which is to construct recommendations on how cluster companies can become more market-oriented, this will take its point of departure in Kaplan and Norton's Balanced Scorecard (1992).

5. Recommendations - The Balanced Score Card

5.1 Introduction

To structure our recommendation on which areas the company should look into to become more market-oriented, we have used the Balanced Scorecard (BSC) as an overall framework to get into all the different important aspects of the organization to strategically change from a sales- to market-oriented strategy. The parameters from the Balanced Scorecard was chosen exactly because it is *balanced* – a balance between financial and non-financial factors, between internal and external factors and in that way balanced; taking in all important aspects of the organization with the 4 different perspectives. (Kaplan & Norton, 1992) This is our overall reasoning for choosing the Balanced Scorecard as a framework; that the company cannot only look at e.g. the way marketing planning is done and then they are market-oriented. They need to look at lot of different factors within the company and change the mindset to become outside-in thinking. This means looking into which data is collected about customers, to the view of customers in all of the organization aspects, to the boardrooms recognition of the marketing's role as well as holding marketing accountable (Internal Business Processes), as well as the importance of looking at the employees' skills and which skills are needed for the future (Learning & Growth) to the way marketing do cost analysis (Financial).

Kaplan and Norton presented the Balanced Scorecard in 1992 as a tool to translate strategy into action, and make the strategy and vision of the company evident throughout the whole organization (Kaplan & Norton, 1996). Kaplan and Norton developed the BSC, as they believed that the focus only on financial measures for performance was inadequate and created an unbalanced situation with no regards to other perspectives.

"The balanced scorecard retains traditional financial measures. But financial measures tell the story of past events, an adequate story for industrial age companies for which investments in long-term capabilities and customer relationships were not critical for success. These financial measures are inadequate, however, for guiding and evaluating the journey that

information age companies must make to create future value through investment in customers, suppliers, employees, processes, technology, and innovation." (Kaplan&Norton, 1996: 76)

In many organizations the BSC has been adopted as a control measurement tool to set up specific goals for an individual (Kaplan and Norton, 1996), however this is not how we use the Balanced Scorecard in this thesis. We use the BSC as a framework as a tool for anchoring the vision and strategy (to be market-oriented) into the organization, which was also Kaplan and Norton's idea with the BSC. We make recommendations based in theory on the four different balanced parameters: the Customer perspective, the Internal Business Processes perspective, the Learning & Growth perspective and the Financial perspective. It is meant as recommendations for cluster companies on which areas and objectives they should look into to reach the vision of becoming market-oriented, and be aware that this requires changes throughout the whole organization. Nonetheless each company should evaluate the objectives, measures, targets and initiatives of the BSC thoroughly to fit to their specific organization, as this is a generic BSC framework developed for strategic change and adaption. The BSC is about anchoring the vision and strategy from the top into the organization, so that the organization works towards the same strategy by looking at the four different aspects. We want to use the BSC to come up with recommendations on which areas a company shall focus on in order to be market-oriented, and for this to happen our argument is that the company needs to take all these four balanced aspects into consideration.

5.1.1 A new take on the 90s balanced scorecard

We present a new take on the BSC than what traditionally was presented by Kaplan & Norton in 1992. Since the BSC was developed in the 90's, a lot have happened. 20 years ago companies could be a lot more inside-out looking, meaning there was not as much noise to get through to the customers and competition was not as fierce that it in the same degree required companies to look outside-in. In comparison, the world today, is a world where firms are forced to look more outside-in due to competition, customer awareness, transparency, online development, steep competition etc. But as our survey revealed many of the interviewed companies are, even though their industries are so competitive, not pursuing a strategy based on an outside-in perspective. So we want to modify the traditional BSC by putting the customer into focus in all of the perspectives in order for the outside-in perspective to be constant in all aspects of the organization that the BSC deals with.

The BSC has become a classical model in strategic literature, and we take this classical model an put it into a modern world – the current world of cluster companies which have a hard time retaining and acquiring new customers and where customers have a hard time knowing the difference between the competing companies. We still use the BSC with the four traditional perspectives – Customers, Internal Business Processes, Learning & Growth and Financial. Although Kaplan & Norton (1996) introduced the customer metrics into performance management, customers have never been the focus of the BSC. We put the customers at the core of the BSC. This would modify the BSC and make the BSC a lot more outside-in focused, which is needed for a cluster company. Traditionally the financial perspective was the dominating perspective in the BSC (Kaplan & Norton, 1996), the other perspectives worked as enablers for the financial perspective, since the strategy evolved around financial outcome to please the investors (ibid.). We would like to rethink this.

We still keep the overall goal and mission of the BSC – to incorporate a strategy throughout the whole organization – but we use it in a different context with a new focus. We still keep the measurement part of the BSC; to clarify and translate the vision and strategy into the organization and plan, set targets and align the strategic initiatives all in all to link the marketing strategy with operative action and corporate strategy. It should though still be remembered that the BSC we develop is a generic version and not specific for any of the interviewed companies, so it should still be adapted to suit the specific firm. The different perspectives of the BSC and recommendations on how the company can act on these different aspects of the organization to become more market-oriented will now be discussed thoroughly and summed up in a customized Balanced Scorecard framework.

The difference between the "traditional" BSC and our new take on the BSC is summarized in this figure below (Figure 5), which shows our underlining of the customers in all perspectives.

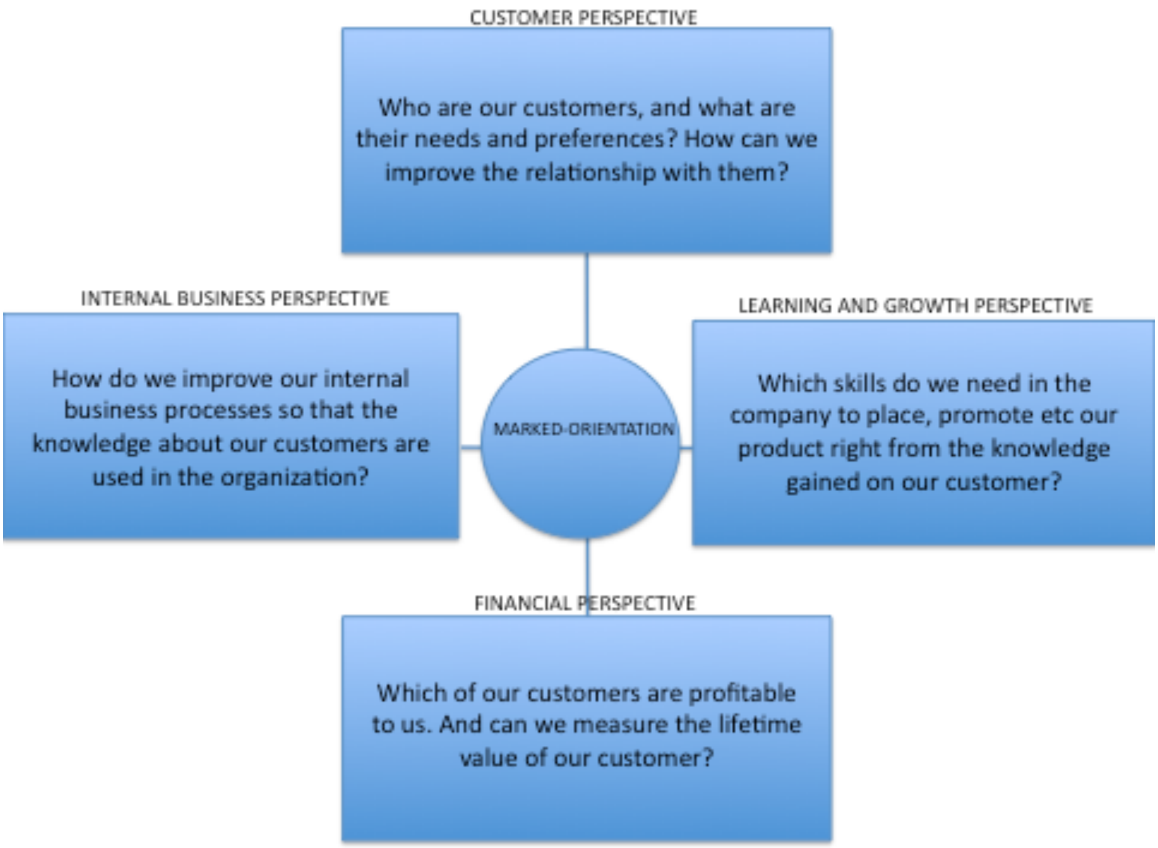
Figure 5: The Difference between the Traditional BSC and our Customer-centric BSC

Traditional Financial-Centric BSC	→ Focus	**NEW Customer Centric BSC**	→ Focus
Financial Perspective	Delivering value to shareholders	**Customer Perspective**	Getting to know our customers (segments) and their needs, collecting the right data about the customers.
Customer Perspective	Value to customers, to increase shareholder value	**Internal Business Perspective**	Enhance internal processes, measures and improving customer experiences & communication.
Internal Business Perspective	Promote efficiency and effectiveness in business processes to reduce costs	**Learning & Growth Perspective**	Making sure the corporation has the right knowledge & capabilities to enhance customer value and uses the right channels in the right way.
Learning & Growth Perspective	Sustaining innovation and change capabilities through continuous improvement	**Financial Perspective**	Using customers as cost-allocator. Know and enhance customer profitability and lifetime value.

The order in which the perspectives are presented is not by coincidence. In the traditional BSC the Financial perspective has always been presented first of the four, thus been the perspective which most attention was allocated to. The Financial perspective is not unimportant in our customer-centric BSC, but we have chosen to present the perspective in another order than the traditional BSC. Since we are focusing our recommendations on the fact that the company has to be outside-in looking and not inside-out the customer perspective is presented first. When the company is outside-in looking it is focused on creating value for the customers, because the company is then aware that they create value for the company as well. To put it on the tip; the customers do not care if the company uses activity-based or

traditional costing methods in the company – they are more interested in the products/service which the company can offer and if they suit their needs.
Nonetheless it should still be mentioned that the perspectives should be individually handled by the company wanting to commit to these changes according to the knowledge and degree of market-orientation they already have.
The four perspectives in the customer-centric BSC each raise an overall question for the corporation striving to become more market-oriented to ask (see Figure 6).

Figure 6: The Focus in the Customer-centric BSC



These are the questions that we want to further address using the customer-centric BSC.

5.2 The Balanced Scorecard Recommendations

5.2.1 Customer Perspective

As mentioned several times so far this thesis is about companies moving towards being market-oriented instead of sales oriented. Sales-oriented companies think about customers in the short term – from transaction to transaction. Whereas a market-oriented company thinks about the customer in the long term, thus understanding the customer and building a relationship with them is of highest priority, in order to serve their needs and keep them as customers. To companies in highly competitive industries, as the cluster companies treated in this thesis, it is of particularly importance to understand customers and build loyalty and relationship with them, to understand how the company creates value for the customers.

In order for the company to put the customer in focus the relationship between corporation (brand, product, service) and the customer is of key importance, and should always be taking into consideration.

The traditional marketing mix strategy – product, price, place and promotion is very product-oriented and not market- or customer-oriented; and one-way communication to the customer is usually closely related to this approach as well as high-budget advertising campaigns in one-way media channels (Grönross, 2004). Grönross (2004) argues that the marketing function often gets alienated from the customer with this traditional approach, as there is no focus on understanding the customer instead the focus is at one transaction at a time. A newer approach to marketing strategy and communication is relationship marketing. As the term implies the focus is on establishing a relationship with the customer and implies that there has to be a *"belief in the other partner's trustworthiness that results from the expertise, reliability or intentionality of that partner"* (Grönross, 2004:9). This approach is much more focused on retaining the existing customers by building a relationship with them. For market communication this means that there should be a focus on dialogues with identified customers instead of one-way communication to the broader audience. As transaction marketing means that the firm focuses on single transaction at a time the timeline is short. In relationship marketing the time perspective is much longer. The objective with this approach is to engage in long-term relationships with customers, hence building long-term business (Grönross, 2004).

5.2.1.1 Customer Relationship Marketing

The relationship marketing strategy literature focuses on the importance of creating a relationship with the customer. The relationship should be recognized as having a special status, perceived to exist and acknowledged by both parties, hence both the corporation and its core customers, and should go beyond occasional contact (Egan, 2008:48). The strategy aims at creating additional value for the customer, hence the customer will have a stronger tie with the organization, and will create more business for the organization as it gives the customer a feeling of having an influence and creates a larger trust in the organization. This will eventually end up reflecting a more sustainable and long-term business for the organization compared to a transaction-based marketing strategy, where the customer is much more price-sensitive. (Grönroos, 2004). Marketing is to establish, maintain and enhance relationships with customers and other partners, so that the objectives of the parties involved are met. This is achieved by a mutual exchange and fulfillment of promises (Grönroos, 1994). The customer should be offered a more holistic service than "just" a product or service. The objective is to create more value through interdependent, collaborative relationships with customers; the outcome is customer retention, which is considered an ongoing process, constantly looking for opportunities to generate new value (Sheth & Parvatiyar, 1995). The main relationship enablers for the corporation are; Commitment, Cooperation, Dependence, Trust and Information exchange (Johnson & Weinsstein, 1999).
Making the relationship with customers a key strategic focus we simultaneously emphasis on the importance of understanding one's customers in order to close gap between corporate and marketing strategy. When it comes to understanding a corporation's consumers correct a focus on segmenting becomes essential.

"*It is particularly important to take a fresh look at marketing planning because relationship marketing offers new conditions. We need to go beyond the marketing plan, as marketing in the light of relationships, networks and interaction becomes marketing-oriented management. Therefore, the marketing plan must be an integral part of the company's overall business plan*" (Gummesson, 2004).

5.2.1.2 Segmentation

Market segmentation and target marketing are arguably the most fundamental and important tools in the marketer's toolbox to understand and use correctly (Mullins et al., 2006: 171). According to the textbook definition, "*segmentation is the process by which a market is divided into distinct subsets of customers with similar needs and characteristics that lead them to respond in similar ways to a particular product offering and marketing program*" (ibid: 172). Because markets more often than not are heterogeneous in benefits sought, price elasticity, preferences, behavior, size and growth, an appropriate segmentation scheme is critical for facilitating "*target marketing, product positioning and the formulation of successful marketing strategies and programs*" (ibid: 173).
Generally speaking, market segmentation is traditionally based on demographic, geographic and behavioral characteristics (Mullins et al., 2006). Demographic attributes include age, gender, occupation, educational level etc. Geographic segmentation, as the term implies, divides the market according to where the customer lives. Behavioral attributes can take many forms, including "*usage patterns, lifestyle, and often cuts across demographic categories or varies within them* […]" (ibid: 177). We emphasis the importance of segmentation that reveals heterogeneous traits of key customers, as segmentation just to segment is useless to corporations and marketing departments.

The question 3 and 21 in our survey showed that 15 companies out of the 41 asked does not collect data on the customers' unique needs and how the company meets these. And 22 of the interviewees do not segment with ground in how they can create value for the customer. This means the companies have limited data on their customers' needs and only have knowledge about their demographics. The knowledge on customers' preferences, needs, lifestyle, usage and relation to the product/service/brand was thus found to be unexplored or unattainable. Allred et. al. (2006) express the notion of consumer-revealed segmentation which identifies "*naturally occurring target customer groups*" (Allred et al., 2006:309) taking into consideration and providing a deeper understanding of segment's needs and motives, thus focusing on psychographic traits. This unique knowledge provides a corporation with a favorable strategic position over its competitors by being able to identify the specific characteristics and attitudes of a segment (ibid: 309). As according to the old business maxim, 20% of the customers often generate 80% of the business, it is thus important for any corporation to understand these 20%, which constitutes the core customer segment. The knowledge about current customers preferences and attitudes towards the brand/product/service is fundamental for the top-management to know, in order for them to make better decisions on product differentiation, market opportunities, challenges etc. Simultaneously it helps the marketing department to do better communication and advertising strategies going forward, as the current base is known and to what extent prior strategies have worked. This unique knowledge provides a corporation with a favorable strategic position by aiding in the identification of the specific characteristics and attitudes of their core segments, and by providing "*a focus in translating strategic opportunity into a tactical plan*" and the ability to close the gap between marketing strategy and corporate strategy (Allred et al., 2006: 309). The argument is not that the psychographic is the key to understanding consumers. Though it is believed to capture some truth about real people's lifestyle, self-image, attitudes and aspirations, it is still weak at predicting purchasing behavioral traits and future usage (Yankelovih and Meer, 2006). Good segmentation reveals patterns in a corporation's consumers' actual buying behavior and can include information about benefits and features that matters to the customers, which customers are willing to pay more, demand lower prices or relative advantages or disadvantages they identify with the product/service/brand. It is also important that the corporation captures information together with this on emerging social, economic, and technological trends that may alter purchasing and usage patterns (Yankelovih and Meer, 2006). Yankelovih & Meer (2006) argue that such combination of information will accumulate segments that reflect company's strategy, identify consumers values, attitudes and beliefs as they relate specifically to product and service offering and make sense to top executives and help to identify where sources of revenue or profit may lie (ibid.). This type of segmentation does not try to explore personalities of consumers but identify groups of potentially interested or susceptible consumers sufficiently numerous and interesting enough to influence a company's performance. A change in strategy will of course call for new and different segmentation (ibid.). The main goal is merely that the segmentation typically conducted by the marketing and accounting division will reflect and focus on identifying segments of interest in coherence with the corporations overall goals as a mean in becoming market-oriented.

5.2.1.3 Customer Perspective summarized

All in all corporations should focus on relationship-building strategies and strengthening customer ties with the focus on creating more value through interdependent, collaborative relationships with customers; the outcome is customer retention if the enablers trust, commitment, cooperation, dependence and information exchange are kept in mind. Together with the right segmentation strategy it can help the corporation unlock interesting patterns in the consumer's actual buying behavior, including information about benefits and features that matters to the customers. To insure this data's usability, the corporation should also capture information about emerging social, economic, and technological trends. Leading to an overall better customer understanding, relation and loyalty. Helping the corporations in moving towards becoming more market-oriented.

5.2.2 Internal Business Processes

The Internal Business Processes perspective in the BSC has generally encompassed managers' ability to identify the processes that are most critical for achieving customer and shareholder objectives (Kaplan and Norton, 1996). We will in this paragraph look at the different internal processes with focus on the marketing planning processes and what is referred to as the Dashboard Solution in order to put forward answers within the Internal Business Process perspective of the BSC key to become more market-oriented in the organization and in the planning process in the marketing department as well as the corporate culture connected with this.

When discussing key changes to the corporations Internal Business Processes it is important to both look at the direct processes and the indirect processes, when pursuing a market-oriented strategy. The direct processes in this context being the processes when interacting directly with customers e.g. how the marketing department and customer service deals with the customers etc. Indirect processes in this context being the processes not dealing directly but indirectly with customers – e.g. the way the marketing department is held responsible by the management, because this can indirectly affect the effectiveness of the marketing department and thus the direct processes. Indicating that the indirect processes are just as important as the direct processes and should not be left out. The purpose of having these processes in place is to support the marketing department in the company to function to its full potential.

So this section is about taking a closer look at the marketing and organizational process and the issues influencing the marketing's processes as the planning and how corporate culture can affect this.

5.2.2.1 The Marketing Planning Process

Marketing planning is not just a series of procedural steps; it does also embrace a set of underlying values and assumptions. Studies on whether marketing planning is rewarding or not has consistently proved that marketing planning pays. (Schoeffler et. al., 1974). McDonald (1982), Greenley (1985) and Terpstra (1972) all showed that taking a systematic approach to marketing planning also leads to a higher return on investment (Schoeffler et.al. 1974).

The benefits of systematic marketing planning is the greater preparedness to meet change, better communications among executives, better coordination of activities of many individuals whose actions are interrelated and management forced to think ahead systematically etc. Thus, it seems reasonable to conclude that systematic marketing planning is desirable for all companies as it gives worthwhile benefits (Jaworski and Kohli 1993; Narver and Slater 1990; Kumar, Subramanian, and Yauger 1998). Marketing planning is an important tool for corporations to collect market intelligence in a systematic manner and thus become more market-oriented by using this information through the organization and in respond to customer needs and as part of the planning process. Hence, the importance of planning arises from its role as a tool through which an organization is able to "*envision tomorrow and reach for it*" (Goldberg and Sifonis 1994; 12).

What our analysis illustrates is that 24 out of the 41 respondents answered that their marketing was only partly or not at all in tune with the overall strategy of the company, indicating to us that they do not systematically plan the marketing activities in accordance with an overall customer/market-oriented strategy. This notion is supported by the study made by Malcolm and McDonald (1991) where they found that the majority of companies in their survey do not systematically do marketing planning. Malcolm and McDonald (1991) discuss the possible reasons for the low acceptance of marketing planning in their paper and put forward four overall reasons found in the literature where they support two and dismiss two explanations: *'Marketing planning is too theoretical'* and '*Senior executive are suspicious of conceptual ideas'*. These two explanations are difficult arguments to accept given the simplicity of marketing planning. Marketing planning is about systematically making situation review, setting goals and set the strategies for achieving them and scheduling and costing of the necessary actions to achieve these goals (Malcolm & McDonald, 1991:214). This is not especially theoretical to do for the company, neither is it something that should cause suspicion to senior managers.

'*There are barriers to learning'* and '*it is not treated seriously enough'* are other arguments put forward by Malcolm & McDonald (1991) and these are arguments suggesting that there are cultural and environmental factors, which can block marketing planning or reduce its effectiveness. These two arguments for why marketing planning is not incorporated in all companies, as we also see with our interviewed companies, are much more easy to accept as reasonable arguments. We suggest that these potential barriers should be targeted and defeated.

Marketing planning has to be tailored to suit the style and situation of the specific company, as Pulendran and Speed (1996) put forward: The planning style of a corporation will influence its ability to carry out activities that contribute to a market orientation. Thus a corporation should change its planning style to match the strategic objectives of the corporation which we argue should be to be market-oriented, but it is still possible to describe a marketing planning process, which is more or less universally accepted (see Appendix 5 *McDonald's Marketing Plan* as an example of a marketing planning process).

The plan includes nine stages:

1+2. Stage: Is the stage with corporate objective and marketing audit, where information is collected which takes in the company's internal operations and its external environment (PESTLE). The marketing audit is a review of the company's existing marketing activities. Our findings in the survey showed that 17 out of the 40 completed answers (42,5 %) do either not collect data about their competitors or do not collect adequate knowledge about their competitors. This is needed for them to understand the external environment they work in, in this first part of the planning process, since the company needs to be able to react based on their competitors' behavior.

3. Stage: Is the SWOT analysis stage, identifying the strengths, weaknesses, opportunities and threats of the company.

4. Stage: Is the assumption stage, where basic assumptions are made about the company and its current situation in order to look forward.

5. Stage: Is the marketing objectives stage where strategies are set for the business, taking the steps before into account. From this market-oriented marketing planning is made about how best to attain the marketing objectives.

6. Stage: Is the estimating expected results stage, and a reminder that focusing on expected results of the strategies should always be estimated in order to go back an see if results were as expected.

7. Stage: Is leading to the alternative plan and mix stage where the alternative plans, substitutes and potential adaption are considered

8. Stage: Is the program stage where programs, which identify timing responsibilities and costs, are made.

9. Stage; Is the last stage where the marketing plan is monitored and reviewed regularly with feedback to making new assumptions about the situation the company is in, which might change the course of the strategies.

(Malcolm & McDonald, 1999)

In order to come closer to become market-oriented it seems important to also consider corporate culture, as Malcolm & McDonald (1991) explain in their paper; that the corporate culture influences the degree of systematic marketing planning in a company. The marketing planning process' first steps make sure that the corporate strategy (market-orientation) is considered in the marketing activities and that the planning of this reaches a certain strategic level. This way of using marketing planning as a tool ensures that the marketing strategy and activities are in line with the overall situation and (new) strategy of the company. Hence, corporate culture and its effect on the marketing planning process will now be considered as focus in moving towards becoming more market-oriented.

5.2.2.2 The Internal Effect from Corporate Culture

Many different definitions can be found on corporate culture, Schein (1992) gives this definition: *"A pattern of basic assumptions that a given group has invented or developed in learning to cope with its problems of external adaptation and internal integration, and that have worked well enough to be considered valid, and therefore, to be taught to new members as the correct way to perceive, think and feel in relation to these problems"* (Schein, 1992: 9). This definition underlines the complexity of the corporate culture concept. It suggests that cultures are backward looking and conservative, in the way that they are based on experiences, which worked well in the past. This suggests that culture is path-dependent.

Corporate culture is often intangible to the outsider, but is very real to those within the company. It develops through the way the company has overcome difficulties in the past and through what is referred to as "culture carriers" – which are the influential persons who by their behavior, communicate the values that they wish to see supported in the company (Bainbridge, 1998). The concept of path-dependence was initially elaborated to explain how and why certain technologies emerge and prevail over competing technologies in periods of rapid innovation, when the marketplace is characterized by a number of alternative technological designs. Since the introduction of the concept of path dependency in the mid-1980s the concept has been applied and connected to many parts of the business – also corporate culture; *"Corporate Cultures are highly path dependent creatures, which can prove quite resistant to change*" (Bainbridge, 1998:60).
Hodgson (1993) argues that corporate culture provides an explanation to how firms cope with radical uncertainty and how to ensure that learning takes place, he argues that maintaining the competencies of employees requires that the firm has a capacity to *"mould the individual perceptions, preferences, abilities and actions of its personnel*" (Hudgson, 1993:189). The capacity to do this is partly through the ability of the firm to generate trust and loyalty, but most importantly through the transmission of corporate culture.

Marketing planning, especially in the format of striving for more market-oriented strategy in predominantly sales-oriented companies, could be perceives to challenge existing corporate values as it is an attempt to introduce new values. And due to this path-dependency the process cannot be regarded as a neutral cognitive activity, it is a political process (Malcolm & McDonald, 1991). The path-dependency might pose as a problem for executives when trying to change the marketing planning processes, but doing so can lead to better and sustaining marketing. The problem thus seems to be that culture is a backward looking concept whereas marketing planning is a forward-looking process and the culture has to be geared towards marketing planning for it to be incorporated in the company (ibid.).

McDonald & Malcolm (1991) empirically examined the planning process of British Companies and found that different barriers to making a new marketing planning process succeed could be improved by ten requirements:

1. The company should have the required body of knowledge that should be concerned with understanding planning and analytical marketing tools.
2. The company should be able to have the knowledge to translate this into practical working skills and procedures.
3. The company should be willing to allocate adequate resources to the planning process in terms of people, back-up support and time.
4. The company should have adequate data and a data retrieval system.
5. The planning process should be perceived in the company as necessary and not a waste of time, so the whole company as well as the management should support the planning.
6. There needs to be a corporate overall plan to provide context for the marketing plan.
7. Employees should be willing to fix the problems identified and discontinue old habits of e.g. making marketing activities on an ad-hoc basis and follow the plan.
8. Roles should be made clear on who does what – since this will make it possible to place accountability.
9. Facts should outweigh opinions.
10. Senior executives should value and pay attention to the information that emerges from the planning process.

(Malcolm & McDonald, 1991:217-218)

Overall this means, that for the marketing planning process to work the company should value marketing as an important function – if going back to Homburg, Kuester and Krohmer's model of marketing strategy presented in the literature review of this thesis, this means that marketing should not be just another functional department in the periphery as with the traditional model but should be much more central in the company. The barriers presented in Malcolm and McDonald's findings suggest that there are both cognitive, informational, resource, behavioral and cultural barriers which can influence whether or not the marketing planning is rejected. This means that there is not only cultural barriers to marketing planning, even though point 5, 7 and 10 all have to do with the cultural aspects, there is also the other aspects that can influence the effectiveness of marketing planning. Thus it is important for the company to do marketing planning but at the same time being very aware of barriers and possible pitfalls listed by Malcolm and McDonald (1991) in order to succeed.

5.2.2.3 Bringing Customers Into The Boardroom - Dashboard

Another key findings we did in the survey was that we found in question 18 that only 21 of the 41 asked corporations answered that they work in a flat organization with a central marketing responsible in the boardroom. This shows us that the customers, and the knowledge about them that marketing department has, is not on top of the agenda for the rest of these companies and not acknowledged as a crucial part of the business. This is a central place for the business to change, in order for the company to become market-oriented and we recommend to "*...bring marketing into the boardroom*" as suggested by McGovern et.al. (2009: 72)

There is a need for marketing managers "*...to understand the corporate finances to align the marketing strategy with financial goals"* as well as for top-management to understand the market (McGovern et al. 2009: 74). This internal business knowledge and understanding is needed for the marketing managers to understand the marketing's influence on the company's balance sheet, thus being able to do marketing that contributes positively to the balance sheet.

McGovern et al. (2009) suggest adapting a dashboard that reveals the fundamental relationship between a company's main business drivers, its growth strategy and its marketing talent pool. The dashboard allows the board to quickly and routinely access knowledge about the marketing's doing. The board can then optimize the marketing function. (McGovern et al., 2009). This would also allow for the whole company management to get knowledge about the customers which the marketing department has, and thus become more market-oriented by acting from this knowledge in more aspects of the company. Thus, we underline the importance of this internal business optimization in the quest of becoming market-oriented.

Another reason for introducing a marketing dashboard is poor organization of the many pieces of potentially decision-making-relevant data. Data overload is nowadays intensified by the fragmentation of media, multi-channel management and the increase of product lines and mass-customization (Hyde et al., 2004). A company for example collects metrics generated by brand tracking, CRM programs, tradeshows, media reports, satisfaction studies and Web logs etc. Firm alliances and mergers, international expansion and the blurring of industry boundaries (e.g. cameras and cell phones) all work together to multiply the amount of (potentially) relevant data. At the same time though, human processing capacities remain limited (Ambler et al., 2009). Another reason for introducing a dashboard to optimize the internal business process of marketing and top management is that top management demands more accountability from the marketing department (ibid: 177). Marketing is challenged both to drive growth and to keep costs under control (ibid.). Broad surveys of marketing and non-marketing professionals reveal increased expectations regarding marketing accountability (Hyde et al., 2004) as well as its effect on the marketing department's influence within a company (Verhoef & Leeflang 2008).
Using the dashboard is a way to change the internal business processes into connecting the marketing department's knowledge about the customers with the company's leadership agenda, hence bringing the outside-in perspective into the organization instead of the disconnection that Homburg, Kuester and Krohmer also point to with their model 1 presented in the literature review (Figure 1).
The dashboard provides a common organizing framework for the data needed for marketing decisions. It helps management relate inputs, such as marketing expenditures, to market performance measure and in the end to financial performance such as profit, cash flow, shareholder value, or which metric is important for the corporate strategy. The dashboard allows different executives to share the same measured input and thus view the firm's market and marketing situation in the same light (Ambler et al., 2009; McGovern et al., 2009). This solution should improve the accountability of the marketing department, thus making the top

executives as well as the marketers understand how the market (and customer centric view) can be incorporated in the overall strategy and goals of the company.

Structure of the Dashboard

- Part1: Business Drivers in the Dashboard

A marketing dashboard should start with a survey of the company's main business drivers. Many companies have not fully clarified what these drivers are, or they do not know how to measure them correctly. McGovern defines: *"A business driver is a business condition that, when manipulated or otherwise changed, will directly and predictably affect performance. Business drivers are, by definition, leading indicators of revenue growth"* (McGovern et al., 2009: 75). New business and share-of-wallet could be examples of business drivers, as an increase or decrease will mean an impact on revenue. This means that customer satisfaction not necessarily is a business driver, if the product is a low volume product where the customer rarely make repeat purchase, as improving customer satisfaction will not necessarily increase sales and thus revenue. But for high volume products a decrease in customer satisfaction can consequently lead to a decrease in revenue, so each company must decide on business drivers that suit their particular business. "*The management should cut the business drivers down to 3-4 key business drivers*" (McGovern et al., 2009: 75). According to McGovern et al. at least one of the drivers should show performance relative to competitors, one should clearly measure customer experience, and one should measure the growth of retained customers. All the drivers have to be some, which the company can change.

- Part2: Establishing Relationship Between Data and Pipeline of Growth Ideas

This step involves determining the underlying relationship between the metrics, which should give a deeper understanding for the cause-and-effect relationship between marketing actions, dashboard metrics and company performance which is difficult due to indirect effects, dual causality etc. (Ambler et. Al. 2009: 181). But managerial judgments can be used to estimate many of the relationships. The dashboard should also include how management plans to reach its growth targets. The board needs to be enlightened about the research on the tracking of customers' needs. Once or twice a year the marketing department should present to the board how the customer base is *segmented*, how the *profitability* of each segment is changing and how the company's *products/services* address the *needs* of the segments (McGovern et al., 2009). The second part of the dashboard should thus describe the specific growth ideas in pipeline that will make it possible for the company to reach its short and long term goals on revenue set by top-management. The dashboard should show how the knowledge marketing has about the customers' needs are being executed into product/service that meet these needs and thus will drive growth. Specific revenue anticipated for the specific ideas should be detailed for at least three years out. (This demands that the marketing department has done good segmentation and understands their customers' needs and preferences (See Customer section 6.2.1).

For each single product idea the dashboard must indicate: Expected revenue, the timing, the assumptions behind the estimates as e.g. the expected market share possible to take, the odds of success for the product/service and if there is any complementary sales to it.

The board should review the company's growth ideas quarterly and inspect the assumptions behind the expected revenue stated in the dashboard and challenge whatever seems questionable in order to understand and challenge the marketer on the assumptions.

In the quarterly reviews, the board should also review launched products and compare their actual performance in revenue with the expected revenue. If the expected revenue has not been met the marketing management should be held accountable for this and explain the shortfall and onwards strategy to the board. (McGovern et al., 2009)

- Part3: Marketing Talent Pool

A company should only use resources in the areas of marketing that support the main business drivers, and the important issue is whether or not there is the right marketing talent in the company – e.g. a company might have excellent skills in mass-marketing, but if their main business is customer-service-driven with service innovations in the pipeline to drive growth there is a need for customer-relationship-management skills and not mass-marketing skills.

If the CEO and board understand the company's key drivers and the company's overall strategy it should be possible for them to see which kind of marketing talent there is a need for in the company. *"Most consumer goods companies, for example, have been slow to transition from mass-marketing programs targeted at consumers to tailored marketing plans developed in partnership with major retailers"* (McGovern et al. 2009: 80) They may have a lot of experience in advertising, brand recognition building etc. but as the commerce world is today there is much more need for push marketing and management of the big accounts.

So the third part of the dashboard should include an identification of the skills needed to realize the revenue for the activities in the growth pipeline and which actions is needed to take to get the skills the company lack (more about this in section 6.2.3 Learning & Growth).

Once a year the HR manager or who is in charge of hiring new talent should give the board a detailed explanation of the recruiting and people development plans which will address the shortcomings in marketing skills – e.g. if there is a need to hire a CMO with a strong finance background, a strong IT background or trend foreseeing skills etc. And outsourcing of particular marketing skills should be considered, without losing control of pipeline growth. What the dashboard in this part does not include, is the importance of not outsourcing the competencies that are strategically important, e.g. it does not make any sense to outsource customer relations if what is an important strategic perspective for the company. This should be kept in mind when using the dashboard solution template. The question about talent in the company is also the focus for the perspective on Learning & Growth which will be elaborated on in the following section of the thesis (section 6.2.3), but it is still an important part of the dashboard to incorporate a process in the company which on a regular basis have a process which review the talent needed.

The introduction of the dashboard is very closely linked to the issue raised in the paragraph on marketing planning, as it will face many of the same corporate culture difficulties in implementation. The top executives need to welcome the company's marketing people and take the marketing strategic discussions into the boardroom and be aware of the positive effect this will have for the company. This will be a move to acknowledge the importance of the marketing department if wanting to become market-oriented. The acknowledgement that marketing is a crucial part of the business that supports growth if done correctly. The dashboard can be a helpful tool for the companies to bring marketing much more forward on the agenda, but also for the executives to be able to hold the marketing managers much more accountable for their actions, thus leading to less ad-hoc and less non-strategic marketing. This has very much to do with the organizational mindset, hence corporate culture of the company. On the other hand marketing also has to start thinking about themselves as a core business department, the marketing function needs to know that marketing can drive business forward and change revenue on crucial business goals. If the top executives/board starts turning its attention and effort on marketing and its knowledge about customers and starts inviting marketing into the boardroom, and marketing is held accountable and challenged on their dashboard systematically, then the organization will shift its attention more towards being customer-focused and market-oriented.

5.2.2.4 Could the Dashboard Substitute the Balanced Scorecard?

We have chosen to use the dashboard to present the changes needed within the organization in the Internal Business Processes to give the marketing division's knowledge and data the attention needed from the board enhancing the two-way-communication needed. One could question what actually is the different between using the dashboard and the scorecard as a solution to present the recommendations to incorporate the strategy of becoming market-oriented in the organization. Thus, it seems right to take up this discussion to clarify why we have not chosen to make a dashboard as the full solution for a company to become market-oriented but a scorecard instead.

The dashboard is used in the Internal Business Processes perspective because it is a tool that the company can use to visualize important performance data for the marketing department during a certain time period and to optimize the process between the marketing department and the top management. The dashboard is a business activity process-monitoring tool (Information Management, 2012). And the dashboard shows graphs, charts etc. that the board has to monitor, so the dashboard is about optimizing the Internal Business Processes on an operational basis. Scorecards in general are on the other hand intended to be strategic. Scorecard aligns the behavior of employees and partners with the strategic objectives. Thus we found it reasonable to include dashboard as an optimization tool of the Internal Business Processes but not complete and strategic enough to link the executive strategy to the full operation, which is our intention with the recommendations, thus we use the Balanced Scorecard as the overall framework. (Information management, 2012)

5.2.2.5 Summarizing the Internal Business Processes Perspective

For an organization to have success in marketing planning, the organization have to make a genuine and determined attempt to introduce marketing planning and be aware of the struggles it can bring to get the marketing planning process to work. A new culture carrier can be what is needed in some organization to bring about change and introduce the marketing planning in the company. Because, old culture will strive to maintain the status quo due as path-dependency argues (Harner, 2011). The marketing planning brings the marketing manager to face the political realities of the corporate situation in which he/she work, and the CEO will have to recognize that to introduce marketing planning successfully focus will have to change within the organization, also the way he behaves and the role model he/she sets for others in the organization.

Further we suggest that in order for the company to become market-oriented, the top management and marketing department needs to be much closer linked and optimize the processes of knowledge sharing from the marketing department and up. The dashboard should be implemented, which will provide a common organizing operational framework for the data needed for marketing decisions. It helps management relate inputs, such as marketing expenditures, to market performance measure and in the end to financial performance such as profit, cash flow, shareholder value, or which metric is important for the corporate strategy. The dashboard allows different executives to share the same measured input and thus view the firm's market and marketing situation in the same light.

5.2.3 Learning & Growth

The Learning and Growth Perspective covers the intangible drivers of future success such as human capital, organizational capital and information capital including skills, training, organizational culture, leadership, systems, and databases. Drivers that are key to any company that wants to implement a new strategy (in this case to become customer-focused/ market-oriented) and companies that wants to realize corporate strategy both short and long term. Commonly this part of the BSC is divided into three key categories that include: 1) Information system capabilities, 2) Employee capabilities and 3) Motivation, empowerment and alignment (Kaplan and Norton, 2001).

Kaplan and Norton (2001) define the Learning and Growth objective as "*the priorities to create a climate that supports organizational change, innovation, and growth*" (ibid.:90)

It is thus key that the company understands the importance of anchoring the strategy of market-orientation and the outside-in philosophy throughout the organization so that all employees understand and are aligned with these goals, which is the overall goal of the BSC.

Nonetheless this makes internal communication and learning in the company key. Right from the first day on the job or in the recruitment process the employee should learn about corporate goal and vision and what attitude is expected when working in the company. The company should focus on the resources, capabilities and competencies of the workforce. What are the employees' strengths and are these being exploited properly and are the capabilities of the workforce enough to reach corporate goals or specifically the marketing goals. It is important that the resources (employees) are being kept updated (trained) and used in the best manner for the company. Making sure that employees are educated and up-to-date on their line of expertise is not just an individual but also a corporate responsibility. Learning and growth plans for employees should be an important part of the corporate strategy; which is also an important factor for keeping employees happy as motivated employees are considered better employees (Hezberg, 1986). Employees are commonly known to get motivated through interesting work, challenges, increasing responsibility and other intrinsic factors that meet their need for growth and achievements (ibid.)

The company needs to evaluate whether the marketing/corporate objectives can be meet with the current human resources and information technology or whether investments in these directions should be undertaken and when the investments should be made to reach these goals. To go back to the goal of becoming a market-oriented company, it is thus key that the employees have the ability (capabilities) to perform in the direction that this demands them to. The company needs to consider whether it has the human resources and information technology to do so. The company thus needs to ask: What do we need to know, what do we know, what knowledge do we need to get for the future to reach our goals? Sometimes, investment in research and development are confused with Learning and Growth objectives. Typically the company invests in new equipment and technologies, but it still needs relevant infrastructure and educated personnel to make the new technologies work for the company. This concept is primarily long-term focus, in order to reach long-term marketing and corporate objectives. E.g. new media as social-media gives opportunities to a much more customized marketing approach, but if the people involved in the marketing planning does not know how to use social-media, and if their approach to them is equal to their approach to mass-media, it makes no sense for the corporation to use social-media. Thus, knowledge, education and capabilities are key for the company to get full use of new media.

5.2.3.1 Information system capabilities

A universal list of systems and IT competencies (databases, measurements etc.) that the corporation have/should have can be evaluated from a general set of system capabilities that any marketing division should have. This is made so that corporations are able to check whether they believe they have the right competencies and whether or not they need to have it in the future, in order to meet the corporate strategic goal of being market-oriented.
According to Varnes and Østergaard (2009) the marketing and sales information systems (data collecting systems) should include:

1. Cost of system (the added value should exceed the expense for maintaining it).
2. Safe and secure systems.
3. Correctly reduced and up to date information in the systems.
4. Easy and fast systems.
5. Represented and well displayed data in the systems.
6. Automatically data information available when using the systems.
7. Continuously shared information (throughout the organization) from the systems.
8. Cross divisional/department integration/coordination (ERP – enterprise resources planning a systems that allows for e.g. the marketing and sales divisions to efficiently exchange information) when using the systems.
9. Comprehensive user training in the systems and its functions.
10. Support to the systems from all levels.

The figure in Appendix 6 shows a typical structure of a marketing and sales information system and the different important features thus becomes visible (Varnes and Østergaard, 2009). The Figure suggests integrating all the various information in a ‘data warehouse’ from different channels and from various interactions so there is support for analyzing the data (Ad hoc analysis, data-mining, online analytical processing (OLAP) and through other analytical CRM analysis (automated or ad hoc)). The information in the figure (Appendix 6) comes from external contacts (customers) and might not be of equal importance to all companies but should be subject for inspiration on data collection opportunities including information from personal contact, telephone/call center, internet/web portals, email, letter/fax and electronic marketplaces (collaborative CRM). When corporations look into their own information it is

always important to be aware if the data collected illustrates the whished objectives and if the measure/analysis is sufficient in explaining the linkages between objectives and measures.
It is also important to note in connection to general criteria 1 from Varnes & Østergaard (2009) – if the data collected does not illustrate needed information it should not be collected, as the cost of the system should always be kept at a minimum. Knowing the long-term corporate objectives and the specific marketing objectives related to this makes it much easier for the company to differentiate between these.
The information from the various target groups (customer, company, competitor) and market data is stored and categorized according to the OLAP means and can further be used for more in-depth analysis are within the scope of marketing and sales activities (Varnes and Østergaard, 2009: 496). Typically the CRM analytics analysis modules include Product-, Marketing-, Sales-, Service-, Interaction Channel- and Customer analytics. Which can give the company data information about the customer preferred product properties and profitability, efficiency and effectiveness measures and optimization opportunities of both marketing and sales processes, assessments of marketing programs, sales etc. Success indicators and rates for all service activities and processes as well on all communication channels (E-, Partner and Channel-, Field-, and Interaction center Analytics) as well as customer behavior indicators and customer values in order to optimize and personalize how the company approaches its customers can be attained through the system. (Varnes & Østergaard, 2009:497). Whether the company collects the mentioned data or not is not as importance as how the company uses the data. Hence it is of cause important whether the company have access to the data – if it is basic data, decision data, contact data, buying behavior data, data related to potentials, or performance data but even more important how it is used in connection and to measure marketing objectives and further corporate goals. E.g. if a company have great buying behavior data (purchase date/time, point of purchase, quantities purchased etc.) does the company then uses the purchase history as a tool when planning repeat purchase marketing strategies or uses it as a sales tool when planning future sales focus? If not then why is the data collected? It might reveal that additional effort successfully could make the consumer co-buy products or repeat purchase if addressed or reveal that the customer is typical in a certain point or buys at a certain time a time/day/year.
Our findings from the surveys show that data is collected to a certain extent about customers and competitors, but 48% does not measure on customer loyalty etc. which shows us that they

might measure on some sales parameters on customers and 51% does not measure on their competitors, but if the company wants to become market-oriented the data collected should be relevant and give them long-term commitment insight and market situation insights.

5.2.3.2 Employee capabilities

In order to make a universal list of employee capabilities needed, we have made it with inspiration from the marketing mix and the 4-7 P's and C's. E. Jerome McCarthy introduced the marketing mix of Product, Price, Promotion, and Place to marketing education in 1960. And these are chosen as it is usually within these terms that many marketing divisions function and since this is one of the most universal models used in the field of marketing (Needham, 1996). "*These mnemonically easy-to-remember labels rapidly became the organizing structure for virtually all introductory marketing textbooks" (*Yudelson, 1999: 60). Since then, there have been many advances in marketing thought and conceptualization, including the broadening of the marketing concept and an increasing number of adaption to the 4P's (ibid.).

The key objectives for any marketing division are to address a number of key issues that traditionally revolves around the product such as quantities, preferences and personalization opportunities. The price of the product/service includes cost, earnings, margins, reductions etc. The products/services delivery, location and availability and the many considerations in regards to advertising it, awareness, promoting and branding opportunities. Traditionally, these considerations were known as the 4Ps — Product, Price, Place and Promotion (McCarthy, 1960). As marketing became a more sophisticated discipline, a fifth 'P' was added — People. And recently, two further 'P's were added, mainly for service industries — Process and Physical evidence. These considerations are now known as the 7Ps of marketing, also referred to as the marketing mix and are key when looking at marketing employee capabilities (Booms and Bitner, 1981). We use them in order to value the skills available within the marketing division per P, in order for the marketing division to align with corporate strategy of becoming market-oriented. According to Kotler (1972: 47) " . . . *marketing is a relevant subject for all organizations in their relations with all their publics, not only customers*". This way the marketing division will be aware of the marketing goal and know whether the resources to get there is available within the company.

The P's are viewed one by one though it is argued that the elements of the marketing mix should not be seen as individual entities, but as a set of interrelated entities, which have to be set in conjunction with one another and in the context of the strategy. Finally, there are strategic considerations to be taken into account with respect to marketing communications; we address this issue later on.

Product (service)

A product or service is essential to be in the interest of the consumer so having employees that know the products/services in depth is key but the knowledge should also include the wants of the consumers (exiting and potential) as well as knowledge about the competition in the market and supplements. "*At the strategic level the product can refer to marketing strategies; what is sold are those values and attitudes needed to make a plan work*" *(*Rafiq & Ahmed, 1993:223*)*. The product or service is valuable if it is intangible, heterogeneous and perishable or adds other values when purchased or used. There might also be a scope for customizing the offering as per customer requirements and the actual customer encounter therefore assumes particular significance. Consider that it could be that .."*both consumer demand and marketers' offerings are primarily heterogeneous, that is differentiated; and that competition involves differentiating your offering from that of the competitors using consumers' perceptions and preferences as a guideline"* (Möller, 2006:442). However, too much customization might compromise the standard delivery or economy of scale and adversely affect its quality or cost (Needham, 1996). Hence particular care has to be taken in designing the service/product offering. The marketing employees needs skills/knowledge including:

- Consumer knowledge
- Consumer preferences and values
- Market knowledge
- Knowledge about the competitors in the market
- Know the market trends for the products/services
- Knowledge about purchase, use and feedback from customers
- Future needs and wants of customers

Pricing

A product is only worth what customers are prepared to pay for it. The price needs to be competitive, but this does not necessarily mean the cheapest; a small business may be able to compete with larger rivals by adding extra services or details that will offer customers better

value for money. The pricing must also provide a profit so the margin should always be considered (Needham, 1996). Price is often a preferred focus for the consumers if the rivalry in the industry is high and the competing products quit similar in the eyes of the consumer, as it is with companies in cluster industries. But "*consumers use price as an important extrinsic cue and indicator of product quality or benefits. High- priced brands are often perceived to be of higher quality and less vulnerable to competitive price cuts than low- priced brands"* (Yoo et al, 2000:198). The marketing division should be able to know, through customer contact and research, if added value or differentiation of products could support pricing strategies. Hence a customer could value customer service, product quarantines, fast delivery or 'free return' as an example of things that might differentiate or add value to the product/service hence change the price focus or even change the price per se.
Knowledge should be obtained about:

- How is the price compared to competitors
- What is the consumer willing to pay
- What adds value to the product
- What does the consumer value about the product/service/brand

Place

The place typically refers to the venue where customers buy a product, or the means of distributing and whether this is appropriate and convenient for the customer and the image of the distributor. "*In particular, distributing through good image stores signals that a brand is of good quality*" (Yoo et al., 2000:199). Hence, something the marketing employees should take into consideration as well. The product must be available in the right place, at the right time and in the right quantity, while keeping storage, inventory and distribution costs to an acceptable level (Needham, 1996). Place also means ways of displaying your product to customer groups - this could be in a shop window, but it could also be via the Internet. The design and layout and availability should reflect the product and consumer wants. This includes knowledge about what distribution channels the consumers prefer. What distribution channels the competitors is using and successful with. Are the products and services/products easily accessible and returnable? Are they displayed practical, convenient, beautifully? "*Brand loyalty is related positively to the extent to which the brand is available in stores*" (Yoo et al., 2000:199). Hence the marketing employees should know:

- The distribution
- The accessibility
- Potential new venues/opportunities of place
- Knowledge about consumer preferences in regards to distribution channels, layout and accessibility

Promotion

Since a service offering or product can be replicated a promotion becomes crucial in differentiating a service offering in the mind of the consumer. "*Promotion in marketing refers to the use of advertising, publicity, personal selling (face-to-face presentations/communications) and promotions (incentives to purchase) in order to inform and to influence potential customers' attitudes to a firm's products (*Rafiq & Ahmed, 1993: 224*)*. General knowledge and knowhow about promotions and events and competitions is crucial. This includes both the ability to ensure project management and promotion types. What does the consumer value and prefer. Should the promotion be in a certain venue or include certain technology or opportunities. Whether competition, special offerings or specific online services the staff of the marketing division should be able to exploit and choose not just what they do best but what is most likely to be a success in the eyes of the consumer (Needham, 1996). The tendency to do what "one does best" or "how we have always done it" is a common problem. Instead the promotion should be done in according to what has the highest value for the company and thus is best in line with corporate strategy and customer channels for the company to be market-oriented (Østergaard, 2012).

The marketing skills should also include knowledge about different advertising opportunities from direct-sale, to face-to-face, online banners, outdoor, social-media etc. The promotion parameter is a very complex area since there are several promotional methods and each requires detailed consideration of matters relating to qualitative marketing communications as well as, in the case of advertising, choice of media etc. The most important thing to emphasis here is the customer loyalty and focus. The communication with the customers should be consistent and not fragmented in the sense that ad hoc promotions should not take place without every bit of it fitting completely with the market-oriented strategy, thus Integrated Marketing Communication should be the focus with the corporate strategy as the anchor. Especially with new media opportunities and more visibility in the market through the use of Internet, search engines, blogs, forums etc. The marketing division should also be able to integrate customized promotion offering and direct offering through their own customer data. To summarize the skills need in the marketing division in regards to promotion it should include:

- What type promotions works
- What promotion types do we need to improve
- What type promotion do we need to focus on in the future
- What are the trends in the industry /competitors strategy
- What channels of promotions/media works best with the consumers
- How are the different channels used in the most effective manner
- Know-how about keeping consistency between all promotions, advertisements etc (integrated marketing communication)
- Are we able to make customized solutions
- How do we gain from the use of new media

People

Anyone who comes into contact with customers will make an impression, and that can have a profound effect — positive or negative — on customer satisfaction. All staff in contact with consumers must therefore, be appropriately trained, well motivated, have the right attitude and be adequate informed by the marketing department. ". . . *to have satisfied customers, the firm must also have satisfied employees*" (George 1977: 91)The same importance can be said about the level of after sales support and advice provided by the business. This is also a way of adding value to an offer, and can give an important edge over competitors. This might even become more important than price for many customers once they have made the first purchase. Considering whether products/services have adequate post-sales support, or are being complacent with is also considerations for the marketing division and could be part of future strategy or potential promotions opportunities. People are most certainly a defining factor in a service delivery process or direct sale situation, whether online support, phone or face-to-face. Especially when it comes to services, since a service is inseparable from the person providing it (Needham, 1996). Thus, a bank is known as much for its products as for the service provided by its staff. The same is true of phone companies, insurance companies etc. A typical pitfall is companies that measures on number of sales or in how short a times one can handled a customer whether support or sale. Sometimes resulting in inadequate service, lack of information or even worse customer dissatisfaction. If a sales team salary is dependent on selling certain items they might have a tendency to sell that rather than focusing on what the customer really need. Or if the employees are measured based on how many cases of support calls they can manage on a day, the support received by the customer might not be the right but the easiest to get through by the supporter – both resulting in dissatisfied customers. This is a sales focused company, and not a company thinking long term about their customers. Finding the right bonus and salary system is thus also key for giving the employees the best foundation for doing their job in the best manner in regards to customer relation, for the company to become market-oriented (Needham, 1996). To summarize the skills needed in the marketing division in regards to promotion should include:

- Well motivated staff in the division (attitude)
- Monitoring the level and quality of customer service through customer data
- Knowledge about competitors' service level and personal skills.
- The level of importance for consumers
- Advise on performance measures and incentives for staff, that would be in line with marketing (corporate) strategy and long-term thinking about customers

Process

The process from a customer perspective whether in relation to the company, purchase, contact, service or delivery is crucial, since it ensures that the same standard of service is repeatedly delivered to the customers and that customers can rely on what to expect. Thus the process should always be lean and easy for the customer (as with online purchase if possible), the process in the purchase should not be a hassle but smooth and in conjunction with the marketing communication. If a process can be made more lean or smooth for the customer it is the marketing divisions employees who should bring it forth to the top management or the division in charge of this. Some companies have a service blue print which provides the details of the service delivery process, often going down to even defining the service script and the greeting phrases to be used by the service staff.

But Process is also a key word in anything related to marketing. Generally speaking it is about making each and every process customers goes through as easy for them as possible. For instance, that they don't have to fill out a 40 question survey just to purchase your product (Needham, 1996). A general focus on simplifying the processes for prospective buyers is key. This also applies when considering the process of complaining. As this is from the start an annoyance for the consumer the easier and the faster and the better the complaint is handled the more likely the customer is to stick with the product/service/brand (Needham, 1996). Process can also be in regards to product customization and to which degree the customer is involved in the process. To use an example of an extremely customized process take the Nike official webpage where a customer can design (choose color) on every part of the original shoe. Another example of this is the toy company LEGO where one can design your own model. This is an important feature since it is valued by the customer and should thus be considered in regards to customer data. In case of insurance companies it might be an effective way to illustrate the many separate parts of an insurance policy but if the general customer rather just wants to have one package that covers all without filling out 200 questions a solution (like with Nike) might cause more irritation than satisfaction. The process can also include the internal processes in the marketing division and the degree to which these are understood, explained and controlled by the team. To summarize the skills need in the marketing division in regards to process it should include:

- Knowledge about customer preferences in regards to all processes with customer involvement
- Knowledge about the competitions' processes as above
- Knowledge about future opportunities to optimize these processes
- Considering the process complexity, customization and transparency
- Knowledge about the extent to which the process is in line with communication and marketing initiatives (hence corporate strategy)
- Control of internal marketing processes
- Considerations in regards to process change internally in the future

Physical Evidence

Physical evidence is in this regard considered in relation to all the physical relations the consumer has with the product/service and in relation to the processes. "*The physical evidence (also referred to as tangible evidence by some authors) refers to the environment in which a product is delivered and where interaction takes place between contact staff and customers as well as any tangible goods which facilitate delivery or communication of the product" (*Rafiq & Ahmed, 1993:225-226). It includes all visual and design elements in everything from the direct product, to the web-page layout to specifics like the typology used on the format of contact, wording in communication etc. In general customers should experience and understand the values of the product/service as much as possible, even before they pay money

through trials, samples etc. One way to ensure this is to make sure that the brand specialists in the company or hired and marketing employees have a 360-degree understanding of all parts of their work, and understands the importance of the synergies between these physical evidences. Since services are intangible in nature most service providers strive to incorporate certain tangible elements into their offering to enhance customer experience. An example could be a hair salon that has well designed waiting area; entertainment, beverages and certain design elements to get inspired and relaxed while they wait their turn. Another example could be the company that focuses very much on simplicity and design. If a customer then attempts to purchase the product, say online and the webpage is messy, complicated, takes a long time to load and not in the same level of design as considered about the product the customer might lose interest in purchase when entering the site.
To summarize the skills need in the marketing division in regards to physical evidence it should include:

- Overview and knowledge about all physical relations to brand/product/service
- Synergy in image/communication/design of this
- Consumers opinion and preferences in regards to the above
- Future needs and trends
- Competitors physical evidence (market research)
- Brand/branding expertise

Most of the employee skills and capabilities needs when looking into the marketing divisions learning using the marketing mix is knowledge/know-how. If the marketing manager does not find that the employees have the sufficient degree of this to reach future goals in relation to the strategy then the issue should be addressed now rather than later and a decision whether the required knowledge can be obtained by the employee her/himself through research or training or finally by hiring more sufficient staff decided on. The marketing responsible should thus make sure that capabilities and skilled in regards to all 7p's are available within the division both for current and future need**.** To continue the parameters it is all about the extent to which the marketing capabilities include considerations about the 4c's (customer, competition, communication and cost). The customer is key to any marketing task whether it is about understanding, investigating, reaching or retaining them. It is indisputably one of the most important figures of a successful business and the way the company becomes market oriented. "*The customer is a coproducer of service. Marketing is a process of doing things in interaction with the customer. The customer is primarily an operant resource, only functioning occasionally as an operand resource*" (Vargo & Lusch, 2004:7). And then competition: Companies with products/services similar should be monitored and evaluated; in order to keep up in the race for customers and follow market tendencies and trends. Also in regards to communication: To oversimplify it the key is relation - to ask the right questions to the consumers, understand the answers and give them a product/service and everything related to this that fulfills their needs and wants and being consistent in this. Finally cost: The marketing division need to always be aware of what average cost per sale is. How much it cost to make a sale (meaning, the cost of material, staff, time, equipment, etc.) and the margin and allocating the costs correctly as considered when using ABC (See section 6.2.4 Financial Perspective) is key.

In order for the employees to fully live up to their potential motivation, empowerment and alignment is also a crucial factor of a company's Learning and Growth. One way to incorporate all aspects of this is to be aware of all ways in which the customer comes in contact with the corporation, brand or product. To keep this overview we suggest that all corporations map and keep remapping and insuring all touch-points/interactions with them, live up or exceed customer expectation. This mean understanding the outside-in interactions and making sure that the customer experience from the outside is maintained. This means every piece of marketing communications, sales contact, service delivery, customer service interaction, and business system that the customer comes into contact with can impact the corporations image, and the brand image and customer franchise und thus needs to be considered (Davis et. al., 2002). Managers need to plan and manage this, and not leave it to chance. While delivering good customer experience is a goal of every business, those in cluster industries rely more heavily on this for competitive advantage and thus need to implement their business models around the delivery of their corporate promise. The Brand Touchpoint Wheel (see Appendix 7) can be the helpful tool. The model developed by Davis, Dunn and Aaker (2002) is divided into three phases of experience seen from the customer perspective: Pre-purchase, Purchase and Post purchase (ibid.) The model is an ideal way to keep all perspectives aligned and under full supervision. Pre-purchase interactions are all the marketing and sales promotions campaign that the organization runs, to deliver the best possible initial impact with the customer. Including marketing, PR and communication of all kinds and through all channels are included here. The Purchase experience is when the customer actually gets to the shop whether on phone, online, physical etc. the accessibility, packaging, PoP, banners, stands etc. that they see and come into contact with. This stage of experience also referred to as FMOT (first moment of truth) for the customer. Followed by the SMOT (second moment of truth) the Post-purchase experience. The stage where the customer is able to find out if the product/service/company/brand lives up to expectations. Including consumer feedbacks, user manuals, service requests, response time to complaints, questions etc. all to make sure that the customer is satisfied, loyal or even repeat the purchase. The Brand Touchpoint Wheel summarizes all the points of interaction where a customer can be intentionally/unintentionally influenced and it aids for strategists to plan in advance for the same keeping an outside-in perspective to be able to better change from inside-out (Davis, Dunn & Aaker, 2002).

5.2.3.3 Summarizing the Learning and Growth perspective

The key in this part of the BSC is concerned with developing skills, capabilities and competencies insuring motivation, empowerment and alignment. Including any considerations that consider the question: "What key human resources within the marketing division are needed to support the overall strategy of the corporation now and in the future?". And of course getting the most out of the existing employees through motivation, incentives, control and empowerment:

The 4-7 p's measures and Brand Touchpoint Wheel can be helpful tools to structure the skills needed to act market-oriented in the communication with customers. Business systems, staff training, customer service arrangements, pricing and contracts and sales methods, all have to ensure satisfied customers (Davis, Dunn & Aaker, 2002). This would give a better understanding on which issues to attain to, processes to change and communication to develop and what staff and training is needed.

5.2.4 Financial Perspective

5.2.4.1 Activity Based Costing

Activity Based Costing (ABC) is a costing approach that has emerged in the last two decades (Lere, 2000: 23). ABC is a more precise costing model that tracks costs to the activities that create them, and from the activities on to the customers or products that consumes the activities. Cost drivers are the unit that is used to track the cost from a cost pool to a product or a customer. ABC can be used as a decision making tool and in marketing to find which customers have a high cost-to-serve and which have low cost-to-serve.

In traditional absorption costing only manufacturing costs are assigned to products. Selling and administrative expenses and marketing expenses etc. are treated as period expenses and are not assigned to products. But many of the non-manufacturing costs are also part of the costs of producing, selling, distribution and servicing products. For example the commission-salary to sales-person, shipping costs etc. can be traced to individual products. Non-manufacturing costs and indirect manufacturing costs are referred to as overhead. In activity-based costing, products are assigned all of the overhead costs that they can reasonably be supposed to have caused. So the entire cost of a product can be determined with activity-based costing rather than just the manufacturing cost (Lere, 2000).

Traditionally the allocation base for overhead to products has been direct labor-hours and machine hours. Activity-based costing use more cost pools and unique measures of activity to better understand the costs of managing and sustaining product diversity.

In ABC an activity is any event that causes the consumption of overhead resources. An activity cost pool is a bucket in which costs are accumulated that related to a single activity measure in the ABC system. An activity measure is an allocation base in ABC system. Cost drivers refer to an activity measure because the activity measure should "drive" the cost being allocated (Lere, 2000: 23).

ABC is not normally implemented by marketing. But marketing can provide the motivation for its use because the marketing management will recognize many of the circumstances where ABC is justified first (Stevenson et al., 1993).

Part of the ABC model is to understand the activities performed in producing, the marketing of a product/service, the centers of support and product line activities. Marketing activities such as advertising and selling give rise to cost drivers. Manufacturing cost drivers will explain how costs are gained, and what causes the costs to increase/decrease. Costs are allocated to products via these drivers.

ABC can support managers to see how shareholder value can be maximized and how corporate performance can be improved by identifying the most profitable customers, products and channels and determine the true contributors and non-contributors to financial performance, thus helping corporations with becoming more market-oriented (Zimmerman, 2009).

In this way ABC can be used to make more accurate decisions about customers, which gives the marketing department and the company as a whole more accurate knowledge on how to market themselves and which customers to focus their attention on. In question 9 in the survey we asked the marketing directors of the cluster companies how they measure on customer profitability – 12 of the 41 persons answered that they do not measure on customer profitability or only measure on sales, and 9 answered that they only measure on costs of marketing/sales in relation to revenue, this means 51% do not measure on customer profitability of the single customer or customer segment. So at least 51% of the asked companies do not systematically cost allocate to find out which customer segments are profitable. Thus is seems reasonable to bring forward ABC as an area of improvement for many of the companies.

ABC is thus one tool, which this thesis recommends to be used, which equips managers with the cost intelligence that can stimulate improvements in marketing decision making since it will help the company to know which customers are profitable and then worth investing in (Cooper and Kaplan, 1991).

Using the ABC accounting model, each activity is evaluated based on those activities that add value and those that do not add value. Value-enhancing activities are improved while activities that do not enhance value are eliminated. "*The ABC cost data helps the managers to identify which are the profitable customers to retain and the value-increasing activities to use in producing the products or service to the customer*" (Zimmerman, 2009: 537).

ABC provides more accurate cost data for decision-making. A central assumption of ABC is that more accurate product costs (or customer costs) are preferred to less accurate product costs (or customer costs), and that the accuracy increases with the number of cost drivers.

When adding more cost drivers it allows more of the factors that cause overhead cost to be included in the ABC system. This increases the accuracy of the product costs numbers generated by the accounting system and thus better operation, pricing, and customers decisions as a result (Cooper and Kaplan, 1991).

When costing is based on activities, the cost of serving a customer can be determined individually. By finding the cost to serve each customer, the company can find a customer's profitability. This way of handling the customer costs separately and the product costs separately, enables the identification of the profitability of each customer.

The implementation of ABC can make the employees understand the various costs and enable them to analyze the cost, and to identify the activities that add value and those that do not.

This is a continuous improvement to reduce the non-value adding activities and to achieve overall efficiency. Companies are able to improve their efficiency by reducing costs without taking away value for their customers. Special activity based costing software can be helpful.

The cost of manufacturing a product/service is typically the same for the same product. But depending on the customers' behavior the resources consumed by the customers can still vary. An example could be in the number of orders, the service calls, the support, complaints etc. This makes the profitability of the different customers different, though the price of the product is the same. ABC helps the organization to understand the cost-to-serve each customer based on their behavior and corresponding consumption of the resources (Cooper and Kaplan, 1991). Based on this information the company might decide a different pricing strategy or different marketing efforts for different segments of customers. The simple example in the next paragraph will show how activity based costing can be a benefit for companies in realizing the true cost of serving customers, by allocating costs more accurately.

This helps the company to find which customers are profitable and thus who to market themselves to and use resources on. All together this gives the marketing department crucial knowledge which is much more valuable and important when making decisions about customers. This gives the marketing much more information-based argumentation in the company instead of the more "guess based" argumentation as we can assume is used in the 51% of the interviewed companies that answered they do not measure on customer profitability and we can then assume they base any suggestions on customer profitability on guessing. If the company introduces ABC it requires many resources, and can be timeconsuming implementation, before all the information had been gathered and processed and strategies can be made for the customers, but on the other hand the marketing and the whole organization will be able to make more accurate decisions (Cooper and Kaplan, 1991). Also ABC can be used as a control mechanism on the marketing department, because if a company knows its profitable customers, it knows which customers to focus the marketing on. This will all help marketing move away from the traditional perspective on marketing strategy as presented with the model in the literature review from Homburg, Kuester and Krohmer and put marketing in a place where it becomes more crucial to the company and the knowledge about the customers and hence the market is used and shared, so that the company becomes market-oriented.

5.2.4.1.1 ABC Costing example

We now want to give a mathematical example of how to use ABC to measure customer profitability in the organization. This is a very simple example to show the difference in the knowledge gained about customer profitability when using absorption (traditional) costing compared to ABC costing. Since it is a simple example consideration into whether it would make a difference in incorporating facts about competition, distribution, season, timing etc., will not be possible. The same goes for the fictive figures chosen below. As this is a general example and not for a specific company, but merely for the use of the example it is not possible to take into consideration size of budget, the degree of involvement of products, the specific processes, brand equity, brand strength, Share of Voice, Share of Spending, Share of Market etc. (Grønholdt et al., 2008a).

When choosing effect percentages and purchase behavior it is decided upon with inspiration from literate examples but the aim of this example is simply to illustrate how costs can be allocated more accurately to a customer segment with ABC, in order to understand the different customer profitability.

Due to the fact that companies are in constant change, meeting demands of changing technologies and markets, it is key that revising strategies and organizational architecture is also considered including the accounting standards. "*Because organizations are in constant state of flux, the accounting system must regularly adapt*" (Zimmerman, 2009: 679).

A typical sign of problems with the internal accounting systems is poorly chosen performance measures inconsistent with organizational goals and poor operating decisions leading to dysfunctional incentives due to accounting flaws. (ibid.) This is where ABC comes in handy as a management tool. Robin Cooper and Robert S. Kaplan used ABC costing as a profitability measure in their article "Profit Priorities from Activity-Based Costing" (1991). Where they gave an example of the company Kanthal that not just verified the old 80-20 business maxima (80% of sales generated by 20% of customers) but showed a 20-225 reality, using ABC costing on customer profitability (Cooper and Kaplan, 1991: 134). The example was generated by calculating the contribution margins (sales revenue less all product-related expenses) for all products sold to individual customers and then a subtraction of all the costs of sustaining the customer. The result of the example showed that 20% of customers were generating 225% of profits. The middle 70% of customers were hovering around the break-even point, and 10% of customers were bringing a 125% loss (ibid: 134). The lost profit was particular and to some surprise found in the biggest customer group as these large customer demanded "*lower prices, frequent deliveries of small lots, extensive sales and technical resources, and product changes*" hence a very costly customer group to support (ibid: 134).

Activity-based Costing presents a different view of the resource/activity/cost/object relationship. According to the experts, "cost objects" consume "activities" (e.g. sales calls and user manuals) which consume "resources" (e.g. staff time or cash outlays). Rather than lump what traditional accounting calls indirect costs—or those not obviously traceable to a product or customer—into overhead spread across all customers and products. ABC analysts on the other hand trace all activities to the cost objects requiring them (Holmström et al., 2001).
It is necessary to determine what drives individual-customer profitability and the important costs that vary customer by customer (or customer segment to customer segment). Some customers rarely ask for service, while others are always on the phone making demands. Some react to television commercials while others make their purchase after seeing an online banner, some use the online store more often and some use the physical store. Some applications for a product demand more selling activity than others and so on. All of the above mentioned differences have very different costs in the eyes of the corporation and should thus not be lumped together if the profitability of customers and the actually costs of these needs to be uncovered.

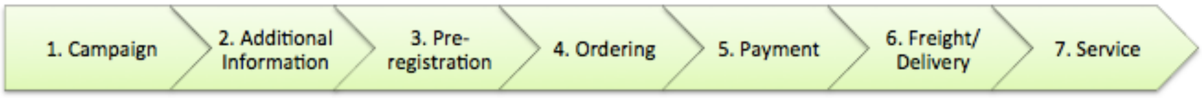
The most important step is to determine the unit cost for each activity. Functionally, unit cost equals total activity costs divided by costs drivers selected (Stapleton et al., 2004). For example, total activity costs for a call-center a day is $25,000 and number of service-calls answered in average is 2,500, then, the unit cost rate will be $10/call (25,000/2,500).
The final step is to trace the costs of each activity to the right cost objects (in this case the customer) and use this information to determine the profitability (of customers) and which low-value high-cost activities can be eliminated or made more efficient (Ibid, :592). This gives management a fantastic tool to focus on what is profitable (customers) and important (activities), given the goals of the firm (Stapleton et al., 2004).

ABC gives information that helps the marketing managers to better understand how e.g. one campaign will affect the cost over another, or the most efficient way to combine the promotional mix. The ABC system is straightforward when the system is understood, and thus employees involved in the team should spend time looking at which customers drives which costs in their business by analyzing and interviewing employees that handling customers. This process will help them establish the costs and who consumes the costs of the different activities that the customer is engaged in (Stapleton et al., 2004).

As our aim is to put the customer in focus in the organization it is key that the costs in regards to specific customers become more transparent. Using ABC costing system will enhance this transparency, when looking at specific costs when considering new campaign ideas and how the costs of these are allocated to the customers. We have chosen to do an example where the focus lies on the “hidden” costs in association with the campaign and not the optimization of the campaign in spend, reach, type or production. This example will include 4 fixed types of campaigns, the customers’ cost-path from a company perspective and with the customers as the cost-driver.
The customers are divided into customer segments (fictive) for the good of the example. Any company could divide customers into any typical segment of theirs (as mentioned in paragraph 6.2.1.2.).

In order to understand the costs related to acquiring new customers, a path is made to see how the customer "cost" (see Figure 7) is constructed. Left out is all activities that are not directly correlated to the customers – such as R&D, product development etc.

Figure 7: Customer Activity Path



1. Campaign: This activity covers the costs that are used on specific campaigns in a year. In this example the costs is 1,000,000 DKK. These are costs for the four different campaigns used for the example (TV, Online, Print and Newsletter). The costs should be allocated to the customers gained from the total campaign in order to se the profitability of each, but this cannot be done without incorporating the other correlated activities. In the activity path figure7 (1) this is the first activity between customer and corporation.

2. Additional information is the second activity in the activity path. This activity represents the first additional information that the customer gains after being exposed to some sort of campaign activity. This information is possible to gain online on the company's website, via e-mail to customer service center, calling the service center or by visiting a physical store where the sales personnel can elaborate (from education, sales material etc.) The cost of this activity is in total estimated to 50,000 DKK. The most costly way for the company is when customers obtain this information though the call-center compared to keeping their sales material to physical stores and own webpage updated. The costs depend on how much information the customer already has and is thus also directly correlated to the information level of the campaign the customer has been exposed to in the previous activity. Of course the information level in the specific campaigns also influence this. Seeing an online-banner ad might not yield as much information as a 2 min TV ad, but the preferred channel for finding this information might also differ extensively.

3. Pre-register: This activity covers the needed information that any customer in connection with the corporation needs to go through; whether it is the call-center personnel typing in the data while talking to the customer or the customer doing it himself online due to "see what

suits your needs" feeds or in order to purchase online. Another possibility is also a registration made by personnel after a customer send email with either orders or questions.

4. Ordering: This activity entails the actually ordering of a product or more. This activity can be done online (checking out the basked and continuing to payment options) or it could be done via an e-mail (fax included) or call to the service-center who then put the order in the online system and pass it on to packaging. The last option within the ordering activity is for the customer to go to a physical store and give the order there directly to the staff.

5. Paying: After the ordering activity the payment activity follows and is to some extent pre-determined by the ordering choice. Have the purchase been made online it is possible for the customer to pay directly on the site using either bank transfer or online payment systems as PayPal. It is also possible to choose to get the invoice sent with the product. These same options are also possible when ordering via call or e-mail (fax). If the product(s) are ordered in a physical store that distributes the products then payment is often done there (not costing the corporation) whether done by cash or credit card.

6. Freight/Delivery: these activities include the costs of processing orders and getting them to the customer. There are only two options put forward here. 1. Delivery of some sort from the warehouse directly to the customer or 2. From the warehouse to the physical stores that are distributing the product, where they are then picked up by the customer. Options such as express delivery, delivery to special delivery place (workplace etc.) is not considered an additional cost for the corporation, as it is the customers who with such preferences pay the difference in cost.

7. Additional service: This service activity includes all the post-purchase inquiries that the customer might have after ordering a product. The questions can be about status of delivery, instructions of use, complaints, maintenance etc. The customer can request the additional service by using e-mail, call, letter or online search-engines/website.

We have put some general estimations/assumptions in the below table (Table 1) on the cost-split between the various activities. The split represents the overall costs and is thus not possible to use on its own, but merely as an overview. The table 1 represents the money that the company uses on handling e.g. all of its orders. Ordering handling annually is set at 10,000 DKK and includes staff, equipment and time-spend. Totally handling all online orders only cost the company 10% of the total ordering costs due to the fact that most are done by the customer itself and random check-ups while orders put forward by mail are estimated as much more costly. Typically some information is missing in the mail and an answer and a confirmation on what is actually meant included in the order often necessary – all this leading to a much higher cost of this type of ordering compared to the online option. All of the costs-splits are made using various assumptions and fictive ideas of this non-exiting corporation, as with the above cost-split explanation, so we have thus chosen not to go in depth with all of them. Instead figure 1 is to illustrate the total costs of each activity and the split between various customer options within each.

Table 1: Total Cost of each Activity

1. Campaign	2. Additional Information	3. Pre-Registration	4. Ordering	5. Payment	6. Freight/ Delivery	7. Service (post-purchase)	Total
Tv: 50& Online: 20% Print: 20% Newsletter: 10 %	Online: 10% Mail: 15% Call: 55% Face-to-face: 20%	Online: 10 % Mail: 50% Call: 30% Face-to-face: 10%	Online: 10% Mail: 50% Call: 30% Physical: store: 10%	Online- card: 20% Online-bank: 10% Sent invoice: 70% Cash: 0%	In-store pickup: 80% Sent/shipped: 20%	Mail: 10 % Call: 50% Letter: 40 % Online 0%	
1,000,000	50,000	20,000	10,000	10,000	10,000	100,000	1,200,000

All of the above costs have been allocated using the right cost drivers and includes what really drives costs in this fictive business. The final step is to trace the costs of each activity to cost objects (customer) and use this information to determine the profitability (of customer segments) and which low-value/high-cost activities can be eliminated or made more efficient. This is key for the company to know in order to understand where the profit lies, and to understand their customers.

We have constructed two segments that could be typical customers in this fictive business. In order to make the example more reliable two segments (A and B) are considered and used as costs allocators for this ABC example. In total we assume that the company has gained 1500 new customers with their campaign. We will now show the difference in using traditional absorption costing and ABC costing for the two segments used for the example.

Customer cost using Traditional absorption costing

If tradition absorption costing were used on the above-mentioned example, all of the above administrations-costs/overhead-costs would merely be grouped and allocated on the total customer-base gained. This means that the total cost here set to 1,200,000 would be divided on the total customer base here set to 1,500 customers. A simple calculation would show an average cost per customer at: 1,200,000/1,500 = 800 DKK per Customer.
We assume that an average customer orders for 1000 DKK, so the company expects to earn 200 DKK in profit per customer when using traditional absorption costing.

Customer cost using ABC costing for Segment A and B

Segment A (number of customers: 500)
Description of segment:

1. Watches the TV ad campaign
2. Calls the call-center to learn more about the product
3. Is registered during the call
4. Orders in a second call to the call-center
5. Pays via the sent invoice
6. Product is sent/shipped directly to the customer
7. Calls service center in the process (once to double-check order and once post purchase)

This segment is an expensive segment to obtain as this segment is causing a 55% strain on the call center for additional information, 30% strain on call registration and ordering. This segment also chooses the most expensive form of payment (typed in, printed out and sent) for the company (70%).
They get their product(s) shipped/sent (20%) and ends up calling the service-center after receiving the product(s) on average one time (50%) to get additional instructions (see Table 2 below). In total a customer for this segment costs 1,191 DKK using Activity-based Costing (See Table 2).

Table 2: Cost per Customer in Segment A using ABC

1.Campaigns 50%	2.Additional Information: 55%	3. Pre-registration: 30%	4. Orders: 30%	5. Payment: 70%	6. Freight: 20%	7. Service post purchase: 50%	Total
TV	Calls for additional information	Is registered in the call	Order is put forward to call-center	Pays via. Sent invoice	Gets the product sent/ shipped	Calls	
500,000	27,500	6,000	3,000	7,000	2,000	50,000	595,500
1,000 DKK per customer	55 DKK per customer	12 DKK per customer	6 DKK per customer	14 DKK per customer	4 DKK per customer	100 DKK per customer	1,191 DKK per customer

So say a customer in segment A in average places an order worth 1000 DKK for the company, the company loses 1000-1191 = 191 DKK per customer, hence the customers are unprofitable. If traditional costing was used the cost per customer within this segment would be:
This shows that, when allocating the costs more accurately to the customers in the segment, the average customer in the segment is 391 DKK more expensive than what the company thinks. So in reality using ABC shows that the customers in segment A are in fact more expensive than what the traditional costing method shows, hence what the company thought.
So ABC reveals that segment A is a customer group that consumes more costs for the company than what initially shown with traditional costing. And the company has 391 DKK of hidden costs that ABC revealed.

Segment B (number of customers: 500)

1. Watches the online banner campaign
2. Clicks the banner and gets information online (webpage)
3. Registers online
4. Orders online
5. Pays via card service online
6. Sent/shipped directly to the customer
7. E-mails service center once to get the order verified

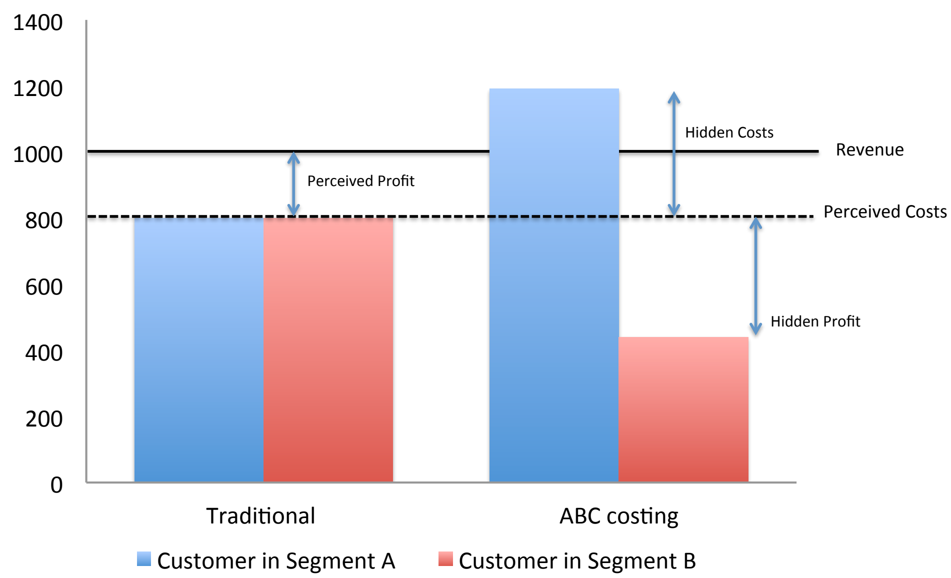
Table 3: Cost per Customer in Segment B using ABC

1.Campaigns 50%	2.Additional Information: 55%	3. Pre-registration: 30%	4. Orders: 30%	5. Payment: 70%	6. Freight: 20%	7. Service post purchase: 50%	Total
Online	Online	Online	Online	Pays via. card service online	Gets the product sent/ shipped	Mail	
200,000	5,000	2,000	1,000	2,000	2,000	10,000	222,000
400 DKK per customer	10 DKK per customer	4 DKK per customer	2 DKK per customer	4 DKK per customer	4 DKK per customer	20 DKK per customer	444 DKK per customer

The segment also purchases a standard product for an average of 1000 DKK making this segment profitable when using Activity-based Costing. A profitability that would not have been visible is ABC had not been used. With the customers in segment B the company earn 1000 DKK – 440 DKK = 560 DKK per customer, thus it is a profitable segment for the company. (See Table 3)

The difference between the traditional absorption costing and ABC and the differences between the segments are show in diagram Figure 8.

Figure 8: The Difference between Traditional and ABC costing



After having traced the costs of each activity to the right cost objects (customer segments) determining the profitability of these, the information can also be used to see which low-value high-cost activities can be eliminated or made more efficient. This gives management a fantastic tool to focus on what is profitable (customers) and important (activities), are should be changed in order to strengthen profitability.

An example within the two above mentioned fictive customer segments and activities one could look at the high costs of Segments A's post-purchase calls. Estimated to cost the corporation 50% of the total activity and related to this specific segment. The call-center data will reveal that most of the customers make a call post-purchase due to lacking instructions with the product. This could be due to the fact that the instructions are given to other customer segments when they purchase online, or is not clear in the TV add which attracts segment A. But if the corporation could save these 50.000 DKK annually by adding this information when the product is shipped or sending it to all customers from this segment in a e-mail when purchasing it will be worth looking into, and thus saving some cost on customer segment A. And after reviewing other activities similarly perhaps the corporation will be able to shift this segment (A) from an unprofitable one to a profitable.

For any CRM process to be truly effective it must start with realizing who of their customers that are *key segments*, their *profitability* and their ***value over time*** (Wailgum, 2007). The profitability of key segments has just been approached with the ABC costing system, but this does not express their value over time or the value of the customer in the entire period of which the customer stays a customer in the company.

This leads us to further look at the customer lifetime/retention value. To realize the full benefits of customer-orientation, a company needs to differentiate their resource investments according to the profits various customer segments generate now and/or are expected to generate in the future. This discipline is referred to as Customer Value Management (CVM) and includes measures of Customer Lifetime Value (Adeltoft et al., 2011).

"*The vast majority of companies characterize themselves as customer oriented, yet less than 40% quantify the financial value of their customers on a regular basis. This is somewhat surprising, especially because our study shows that companies using CVM as part of their customer orientation strategy are rewarded financially. In fact, companies that consistently measure and manage the value of their customer relationships achieve a Return On Assets*

(ROA) twice as high as companies that do not." (Adeltoft et al., 2011:5)

As we can see the same within the sample of cluster companies we used for our interviews, it seems in order to further go into the measures and understand of the profitability of customers, not only as with the ABC but also understanding the profitability over the period the customer stays with the company. Thus we will now explain and discuss CLV.

5.2.4.2 CLV – Customer Lifetime Value

CLV is used to measure the overall value of a customer (or customer segment) during the years that a customer (or customer segment) stays a customer in the same company. This is a tool that can help the research dispute on whether it is more feasible to invest in customer retention versus customer acquisition, and which customers to retain or acquire. Authors such as Reinartz and Kumar (2002), among others, dispute the notion that customers that stay with the company are necessarily are more profitable than other customers; "*What we found is that the relationship between loyalty and profitability is much weaker – and subtler – than the proponents of loyalty programs claim. Specifically we discover little or no evidence to suggest that customers who purchase steadily from a company over time are necessarily cheaper to serve, less price sensitive or particularly effective as bringing in new business*" (Reinartz & Kumar, 2002 :87).

When companies link loyalty and profitability it should be handled simultaneously otherwise companies might risk making unprofitable customers loyal.

Segment A in our previous example turns out to be an unprofitable segment in the first year. But this does not necessarily mean that the segment in general is unprofitable over the customer segment's lifetime. It could be that this specific segment ends up being extremely profitable in the long run/in the entire customer lifetime. Opposite the profitable segment B, according to our first year ABC calculations might be a very expensive segment to retain with the company and thus turn out unprofitable in the long run or in the whole lifetime of the segment. But a calculation of this is needed, and this is where the notion of Customer Lifetime Value comes into play.

CLV models are typically considered a complex tool for customer valuation, thus considerations into what type of measurement, pitfalls and implications could occur should be considered prior to implementation to get the most of the CLV. The many different approaches for CLV measuring should be evaluated and the most suitable model based on the context of the company chosen. Especially of interest is whether transaction and customer data are available or accessible.

Several CLV models, measures etc. have been developed (Rust et al., 2004). Despite the increased interest in the subject there is according to Jain & Singh (2002) still no 'right' or superior model that should be mentioned (Hansen & Øland, 2011). Gupta et al. (2006) who dive into the massive amount of CLV literature divide these CLV measuring methods into six different types of CLV matrixes including RFM models, probability models, econometric models, persistence models, computer science models and diffusion/growth models these can further be divided into historical, actual and potential CLV measures (Hansen & Øland, 2011).

Historical CLV is the simplest form of CLV and contains only the previous transactions a given customer has made. Thus in this calculation type it is actually not the whole customer lifetime there is measured but the actual profit up until the presence (Svanholmer, 2006: 172).

The positive thing about this form of CLV is that the data need is very limited and that the calculations can be made only on historical financial data already captured by the company. The downside is that the calculations cannot say anything about future profits, costs etc. And thus does not provide the company with a full picture of customer potential earnings.

Actual CLV is based on the customers' current value and connection to the company (Svanholmer, 2006: 172). This calculation is based on the customer's product range, expected lifetime and expected future costs associated with the already purchased product range and their expected lifetime (ibid.).

Potential CLV is calculated as the customer's potential future value until the customer no longer exists in the company's systems (Svanholmer, 2006: 173). This type also includes the future purchases and needs of the customer in addition to the current (actual). This also includes customer relation and maintenance of this. Some of these measures also include the expected effects of marketing initiatives such as excess sale and improved WOM initiatives. This type of CLV measure is the most accurate if it is made viable.

It has been a common understanding that loyal customers cost less to maintain and to some degree bring more customers to the company due to effects such as word of mouth (WOM) (Reinartz & Kumar, 2002). This is based on the assumption that loyal customers are profitable customers. This can be examined using matrixes such as Recency, Frequency, and Monetary Value (RFM), Past Customer Value (PCV) and Share of Wallet (SOW), that all takes departure in the customers' previous transactions with the company (Reinartz & Kumar, 2002). Research by Reinartz & Kumar (2002) on the other hand shows that loyal customers know their worth and thus often demands higher maintenance level, demands lower prices and only spreads positive WOM if they feel that they get this. Our recommendation is that the corporation should look more long-term on customer value and customer relationship building to know the real value of their customers in the long term. Many of the terms such as SOW and WOM is commonly not long-term oriented (ibid). Corporations tend to look at what is the share of wallet now and not how they can increase it on the long term. What are the customers saying about us now, instead of, how can we make sure that our customers in general and in many years to come spread positive WOM about the corporation. Most of the answers all lead back to strengthening the customer relationship.

The customer's CLV can be included in annual reports, which not only provides value for the shareholders but also clearly shows how the marketing strategies planned to be pursued in the future can support the overall strategy in terms of financial impact.
Wiesel et. al. (2008:3) emphasize "*…customer measures as crucial for assessing operating performance and therefore key information that should be reported to investors*".
This underlines the relevance of including customer present and future value in financial statements, as firms aim to increase the value of their customer-base through the customer management activities. So companies should report forward-looking customer metrics, the value of the customer base and its change over time, in the MD&A (Management Discussion and Analysis) of the yearly report to help investors, to monitor firm's performance with respect to the customer assets and to communicate a customer value orientation to the financial community of the organization (Wiesel et. Al., 2008).
The reporting can support marketing's 'reentry into the boardroom' since it aligns customer management with the corporate goals and the investor's perspective (McGovern et. al., 2008).

CLV links customer revenues to organizational profits and treats each customer/segment as an investment instrument equal to an individual stock in a portfolio. The two should not be assumed to always go in the same direction because, as earlier mentioned, high demanding customers can be unprofitable regardless of their sales volume, as explained with activity based costing in the prior paragraph.

CLV is a formula that helps marketing managers arrive at the dollar value associated with the long-term relationship with a given customer, revealing how much a customer relationship is worth over a period of time. CLV also allows a manager to modify assumptions regarding the input variables in one of the CLV formulas, so when the assumptions are modified one will understand how these impacts the CLV results (Cokins, 2009). This underlines the importance of thinking of a customer as a long-term asset and not on a one sales basis, as a sales-oriented company would do. The manager has to use data but also estimate/forecast different elements to use CLV, for example the predicted lifetime of a customer.

CLV is a forward-looking view of wealth creation. Is can be defined as "*The net value of all net payments from the moment the marketing efforts start towards a potential customer and until the customer definitely stops being a customer in the company.*" (Cokins, 2009: 177).

By calculating CLV the company chooses to be market and customer-oriented in their financial assessments and engages in the customer over the time.

Research has shown that there is not always just one CLV for a specific customer. Thus, in connection with customer win-backs there will be two different CLV: The First CLV, which is the CLV before leaving for a competitor, and the Second CLV, which is the future CLV if winning back the customer. So, if a customer switches to a competitor the company has to calculate a second CLV in order to decide whether to invest in winning back the customer or not (Cokins, 2009). One of the most commonly used formulas of CLV can mathematically be defined as:

$CLV = NP_t/(1+r)^t$ (for a single period) and for multiple periods: $CLV = Z\ NP_t/(1+r)^t$.

This formula states that you divide the total of expected net profit in each period by a discounting factor. This factor can be defined from the company's rate of credit interest. Then the figures from all periods are added, resulting in the customer CLV.

So as the formula shows, CLV depends on three main factors: the rate of interest used, the net profit in each period, customer lifetime.

The calculation of CLV can be made simple by using general assumptions and by using average numbers, but it can also be made very sophisticated by using statistical methods or software simulation for calculating individual customer CLV. We have made a very simple example of CLV based on the previous used fictive examples of customer segment A and B and future expected costs and earnings to show the difference in customer lifetime value of

the two segments to show the argumentation for why CLV can be a useful tool in customer management.
The best way to calculate CLV, nonetheless, depends on the company's objective with calculating the CLV, if it is to illustrate for employees, in general terms, that some customer are more profitable than others in the long run, or if it is to demonstrate the expected result of a new campaign, or to use for strategic company change, or to analyze, plan, decide and implement a strategy, to evaluate the customer asset of a company, determining the limit to marketing spend per customer segment etc.
The best way to calculate CLV depends very much on the quality of customer data (as discussed in sections 6.2.3.1.), so for the company to make more sophisticated calculations of CLV they need an internal customer database to have defined customer segments and our findings showed lack in measures on customer and segmentation with many of the interviewed companies (as discussed in paragraph 6.2.1.2.).
It is very valuable for the company to know if they have customer segments that have a negative CLV or which segments are the most profitable. The knowledge about CLV is an important tool for the company to decide on market investments and thus making marketing strategies that follow the strategy of the company, because CLV gives the possibility to decide not only on sales figure and product turn but on evaluation of the short term and long term profitability of individual customer and customer segments.

The calculation of CLV includes both cost and income from the defined customer (or customer segments). The period of calculation depends on the management perspective and the company strategy. Assumptions and forecasting with uncertainty are a part of calculating CLV – for example how long will an active customer continue in the relationship with the company, how much and when will the customer spend money, will an inactive customer become active or has it switched to a competitors. Computing CLV is challenging to do precisely and accurately.
If a company wants to be market-oriented and thus think about and interact with the customers on a long-term basis, it makes sense as well as good business for the company to think about the customer lifetime value.

This paragraph about CLV is included in this thesis, not to make in-depth explanations about how to calculate or estimate elements of the CLV math, but to introduce CLV as a concept which companies should consider in their pursuing of a market-oriented strategy. The important notion on CLV is that it can enable executives to use customer present and future value in financial statements, which put customers and the activities done to retain and attract them in focus.

CLV is closely tight to relationship marketing efforts, and can help decide on which of the segments found in the segmentation analysis (6.2.1.2.) to focus on, by measuring their CLV. In choosing the right CLV measurement tool a lot of different factors should be considered. A key importance is accessibility to customer data – the more access and more accurate the data the more specific and detailed is the CLV measure able to get. If limited data is all there is available overall CLV measure is only possible. If data should be collected on individual level, segment level or on an aggregated basis. This depends on the homogeneity between segments and individual customers. Kumar (2007) goes through the literature on CLV measures and sums up five primary methods with strong variation. The main difference lies in the assumptions for making the calculation, in the data the different approaches requires, the matrixes included and the level of measurement (individual, segment and aggregated) leading to the customer equity (see Appendix 3). This division can also be used when looking at different CLV measures. As they all represent different ways of measuring CLV and not just customer equity (Kumar et al., 2004). In addition to the mentioned variations is also as previous mentioned the types of data historical, actual and potential.

We are aware that this only includes some of the CLV measures available but emphasis the importance of corporations finding the right measures for their particular company, industry, product etc. that works best, since it was out of reach for this thesis to describe each method in depth.

Optimal resource allocation needs to be done by analyzing the customer base and adding needed data measures to the existing data-collection-system. As Kumar et al. (2006) emphasize the more complex measurements of customers the better opportunity to increase CLV.

5.2.4.2.1. A CLV example

From the previous sections on ABC the two new customer segments were computed:

Segment A (500 customers) with an average acquiring cost of 1191 DKK, purchasing for an average 1000 DKK on there first purchase and Segment B with an average acquiring cost of 444 DKK, also purchasing for an average 1000 DKK on there first purchase. In order to calculate the segments' lifetime value the retention rate must be determined and the other elements of the calculation have been reused from the ABC example.

In this example both segments have been "measured" and two retention rates used, in order to make it visible how profitable it will be to strengthen the retention of customers or not put effort in this. The calculations also provides the company with the specific profit and thus the level to which further marketing effort should be undertaken to strengthen the relationship with specific segments. The only additional chosen fictive variables added in order to make this calculation is a yearly earning per customer in both segments and a yearly maintenance cost (material sent out, mails, updating CRM system etc.) per segment.

Segment A	
Customers within the segment	500 Customers
Acquisition costs per customer:	1,191 DKK
Earnings per customer year 1:	1000 DKK
Yearly maintenance costs:	500 DKK
Yearly earnings:	1000 DKK

Segment B	
Customers within the segment	500 Customers
Acquisition costs per customer:	444 DKK
Earnings per customer year 1:	1000 DKK
Yearly maintenance costs:	300 DKK
Yearly earnings:	800 DKK

The yearly maintenance costs include service calls, and all other type of correspondence with the customer including ongoing marketing material and new marketing material. The yearly earnings include all future purchases that the customer makes including upgrades and added sales. The calculations do not include any additional acquired customers in the period but is fixed on the 500 new customers acquired through the specific campaign in question. If the fictive company retains 50% (retention rate on 0.5) of their customers after the first year and losses 50% (churn rate on 0.5) of the 500 customers, there will be 250 customers left the second year. The 250 customers leaving will then not be included in the calculations for the second year. But an annual customer retention of 50% is estimated. When not including new customers acquired the coming years the customers in segment A (and B). This makes it possible to calculate the CLV for the whole and individual customer in Segment A and B. The above-mentioned information can be summarized as in Table 4.

Table 4: CLV for segment A and B, retention rate 0.5

			Segment A					Segment B				
Year	Customers	Retention	Yearly earnings	Yearly maintenance	Current year	Total CLV accumulated	CLV per customer	Yearly earnings	Yearly maintenance	Current year	Total CLV accumulated	CLV per customer
Year 1	500	50%	1000	1191	-95500	**-95500**	**-191**	1000	444	278000	**278000**	**556**
Year 2	250	50%	1000	500	125000	**29500**	**59**	800	300	125000	**403000**	**806**
Year 3	125	50%	1000	500	62500	**92000**	**184**	800	300	62500	**465500**	**931**
Year 4	63	50%	1000	500	31250	**123250**	**247**	800	300	31250	**496750**	**994**
Year 5	31	50%	1000	500	15625	**138875**	**278**	800	300	15625	**512375**	**1025**
Year 6	16	50%	1000	500	7813	**146688**	**293**	800	300	7813	**520188**	**1040**
Year 7	8	50%	1000	500	3906	**150594**	**301**	800	300	3906	**524094**	**1048**
Year 8	4	50%	1000	500	1953	**152547**	**305**	800	300	1953	**526047**	**1052**
Year 9	2	50%	1000	500	977	**153523**	**307**	800	300	977	**527023**	**1054**
Year 10	1	50%	1000	500	488	**154012**	**308**	800	300	488	**527512**	**1055**

If the fictive company instead increases their retention rate and retains 80% (retention rate on 0.8) of their customers after the first year and losses 20% (churn rate on 0.2) of the 500 customers, there will be 400 customers left the second year. The 100 customers leaving will then not be included in the calculations for the second year. When not including new customers acquired the coming years the customers in segment A (and B). This makes it possible to calculate the CLV for the whole and individual customer in Segment A and B. We will thus show what an increased retention rate from 50% to 80% will do to the example.
The above-mentioned information can be summarized as in Table 5.

Table 5: CLV for segment A and B, retention rate 0.8

			Segment A					**Segment B**				
Year	**Customers**	**Retention**	**Yearly earnings**	**Yearly maintenance**	**Current year**	**Total CLV accumulated**	**CLV per customer**	**Yearly earnings**	**Yearly maintenance**	**Current year**	**Total CLV accumulated**	**CLV per customer**
Year 1	500	80%	1000	1191	-95500	**-95500**	**-191**	1000	444	278000	**278000**	**556**
Year 2	400	80%	1000	500	200000	**104500**	**209**	800	300	200000	**478000**	**956**
Year 3	320	80%	1000	500	160000	**264500**	**529**	800	300	160000	**638000**	**1276**
Year 4	256	80%	1000	500	128000	**392500**	**785**	800	300	128000	**766000**	**1532**
Year 5	205	80%	1000	500	102400	**494900**	**990**	800	300	102400	**868400**	**1737**
Year 6	164	80%	1000	500	81920	**576820**	**1154**	800	300	81920	**950320**	**1901**
Year 7	131	80%	1000	500	65536	**642356**	**1285**	800	300	65536	**1015856**	**2032**
Year 8	105	80%	1000	500	52429	**694785**	**1390**	800	300	52429	**1068285**	**2137**
Year 9	84	80%	1000	500	41943	**736728**	**1473**	800	300	41943	**1110228**	**2220**
Year 10	67	80%	1000	500	33554	**770282**	**1541**	800	300	33554	**1143782**	**2288**

The above Tables 4+5 indicates the yearly costs and earnings for the two segments with a retention rate of 0.5 and the change if the retention rate is changed to 0.8. In both table 4 and 5 we see that segment A is unprofitable the first year but the following years (2-5) it becomes profitable. This makes it visible for the marketing mangers and the top-management to see what an effort in strengthening the customer relationship (retention) with either Segment A or B could lead to in added profit or loss for the company. With a fixed retention of 50%, the 500 customers of Segment-A generates a total profit of 138,875 DKK while the same segments generates 494,900 DKK if the retention is strengthened to 80%. That is a change in 5-year CLV value from 278 DKK per customer within Segment A to 990 DKK.

On the other hand Segment B generates 512,375 DKK with a 50% retention and the average Segment B customer 1025 DKK in the first 5 years as a customer, almost four times the profit made on a Segment-A customer (278 DKK). This might indicates that acquiring a Segment B customer is much better business that a Segment A customer, looking at the long-term. Though strengthening retention from 50% to 80% changes 10-year CLV measure for a Segment-A customer from CLV 308 DKK to CLV 1541 DKK while a Segment B customer goes from CLV 1055 DKK to CLV 2288 DKK. Thus there is an added encouragement to focus the marketing efforts on strengthening and raising the two segments' retention rate.

In a 5 years perspective we compare the CLV of the two segments with the two different retention rates. Meaning the CLV for a 5-year period as below (See Figure 10a+10b). The two graphs show the difference in the accumulated costs/earnings for segments A (Figure10a) with a 50% retention rate and a 80% retention rate and then the same with Segment B (Figure 10b). One can easily see the difference focusing and strengthening retention has to profitability.

Figure 10a: CLV for segment A with retention rate 0.5 and 0.8

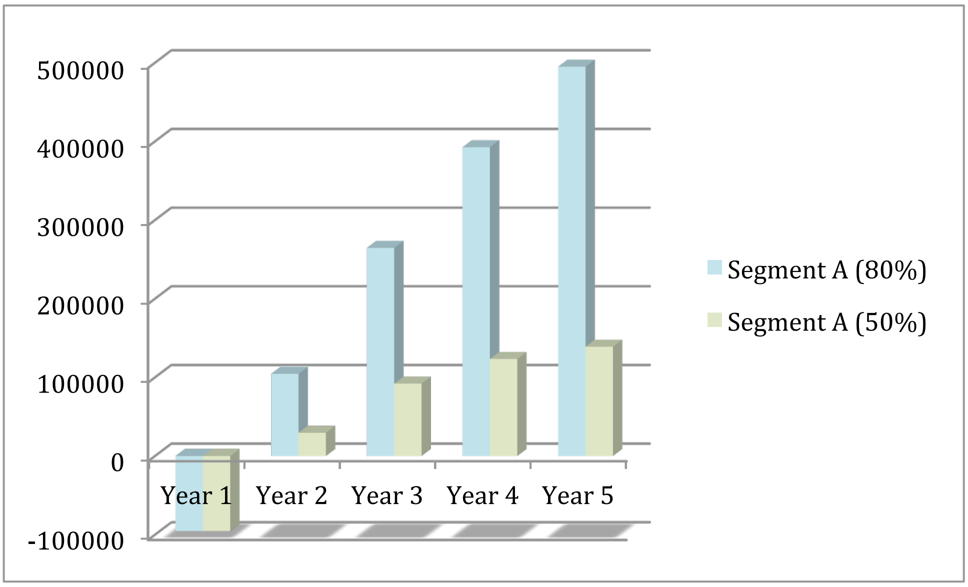
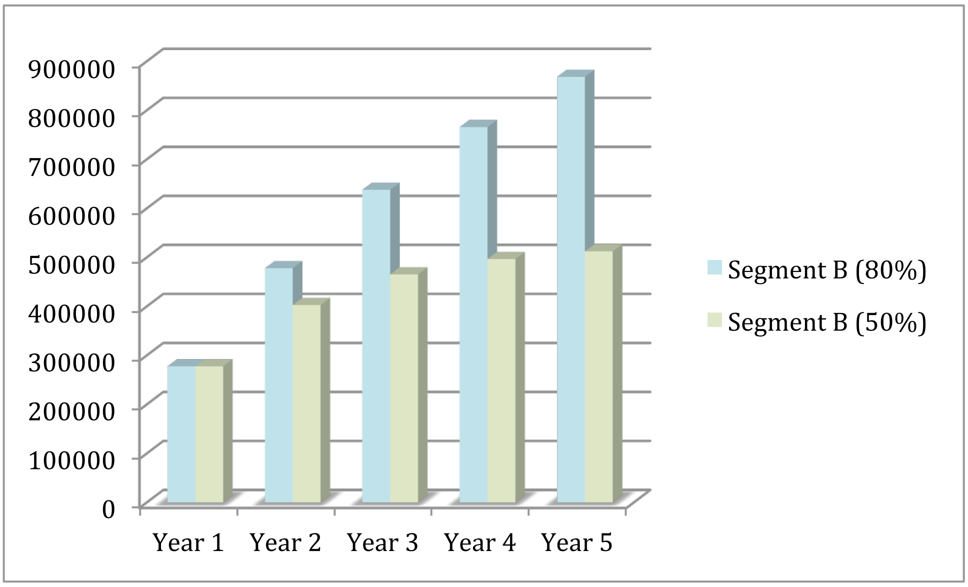
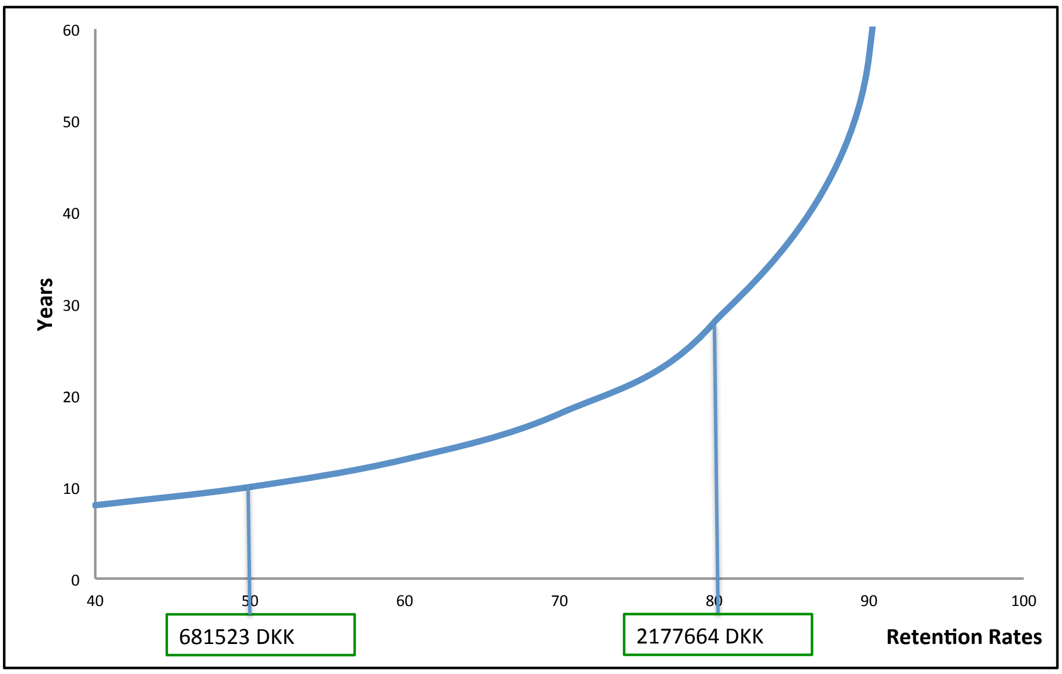


Figure 10b: CLV for segment B with retention rate 0.8 and 0.5.



The vast difference between the profit earned for both segments in a 5 year period with a retention rate of 50% (138,875 + 512,375 = 651,250 DKK) and 80% (494,900 + 868,400 = 1,363,300 DKK) and 10 year period with a retention rate of 50% (154,012 + 527,512 = 681,524 DKK) and 80% (770,282 + 1,143,782=1,914,064). The customer base after 5 years goes from 500 to 31 with a 50% retention rate while the customer base is only reduced from 500 to 205 with a retention rate of 80%. Another important thing to look at is also the added years that the two segments stay customers in the corporation. With a retention rate of 50% the 1000 customers (Segment A + B) are only retained up to 10 years. While a stronger retention of 80% instead makes it possible to retain customers in the corporation up to 28 years. This is illustrated in the Lifetime Value at Different Retention Rates (See Figure 10c).
The profit from Segment A+B in the two different time periods (10 and 28 years) due to the different retention rates which goes from 681,523 DKK to 2,177,664 DKK. A difference that makes it evident just how much strengthening customer relationship and thus retention can be worth in the long-run.

Figure 10c: Lifetime Value at Different Retention Rates



Thus making these customers more loyal is in this simple example much more profitable. In our fictive example “making” the customers loyal (going form retaining only 50% annually to retaining 80%) is more profitable. On the other hand the customers do not costs less to maintain in our example. The maintenance costs per customer in year 2 is the same as in year 5-10. This is only due to the fact that our example is very simple. One could make examples of CLV measures where the yearly maintenance costs gets lower annually. But then we would go directly against Reinartz and Kumar’s (2002) notion that there is no evidence that suggests that customers who purchase steadily from a company over time are necessarily cheaper to serve.

Lastly we would like to put forward a small written example of how a company can react in the market when having a CLV mindset. Lets say an insurance company I1 finds out that their competitor I2 starts offering insurances on cars cheaper, they start doing advertisements on this price-cutting. I1 should then, since they work with the outside-in and CLV mindset, start contacting their existing customers with the same cheap prices as the competitor offers, with the argument that they would like to reward their loyal customers with a cheaper price on the same insurance. The customers contacted will then feel that they are appreciated as customers and are given a high level of service and will probably not change to, and have no reason to change to I2 when seeing their advertisement. By this I1 can also leave out contacting the type of customers that they know, from their CLV calculations, are not profitable customers in the long run. So I1 only makes an effort to keep the customers, which are profitable and thus brings value to the company in the long run.
It is examples like this that makes it so evident that CLV measures and ABC cost allocation should be incorporated to have the right knowledge about customers. It does not only provide a picture of different segments’ costs and profit. But also the needed information to focus marketing effort on the right segment, optimize costs in association with these but also a way of knowing how much effort should be made in order to retain and build customer loyalty and relationships.

5.2.4.3 Summarizing the Financial perspective

To bring the customers on to the balance sheet of the company we recommend the cluster companies to introduce ABC in order to do more precise cost allocation to the different customer segments, giving the companies knowledge about the profitability of the different customer segments.

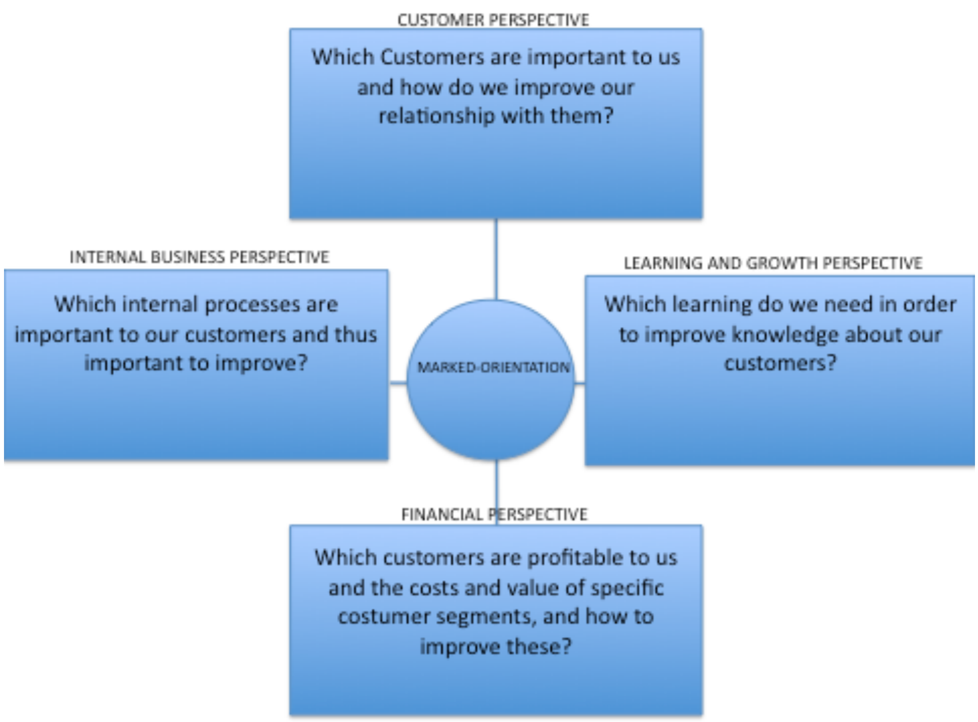
Also, to gain knowledge about the long-term profitability and what difference different retention rates makes we recommend the companies to measure on their customer's lifetime value. CLV will give the company knowledge about which customers to use resources on to retain in the long run and what difference it will make on the bottom line if the retention rate is increased.

5.3 Model of Balanced Scorecard

Taking in all above recommendations on the different perspectives and summing it up to objectives, targets, measures and initiatives will be the way for the cluster companies to successfully implement a market-oriented strategy using the Balanced Scorecard as a strategic tool to implement the market-oriented strategy through the organization.

A Balanced Scorecard has the vision and strategy of the company as the focal point and the parameters, with their different objectives, measures, targets and initiatives as blanks to be filled as the means to that end. But as we make general suggestions of changes for a variety of corporations, all in different current situations and degree of market-orientation, we can only make goals within each perspective and suggest targets; as the specific measures and initiatives should be individually completed by the specific company. It is not feasible in our general customer-centric BSC to come up with specific measures and initiatives that fit all cluster companies, as they vary in market-orientation in regards to Customers, Competitors and Company and thus will become to unspecific and usable. The overall vision is becoming market/customer-oriented, as the model below indicates (see Figure 11). And the following questions are the key concerns for the corporations, that we have addressed in the above (Section 6), to get answered in order to be successful in this journey towards a market-oriented strategy.

Figure 11: The focus of the Customer-centric BSC



It is thus important for us to emphasis the significance of including all perspectives and sub-perspectives both in strategy and implementation when directing a corporation through a strategic paradigm shift – towards becoming market-oriented (Østergaard, 2011:5). This includes budgets, planning, implementation, actions, measures, learnings etc. Many corporations may find that the capabilities and competencies of the marketing and sales divisions will need to be reconsidered or taking into serious consideration (ibid.).

5.3.1 Goals/Objectives of the generic customer-centric BSC

We found a long list of key focuses within the latter (Section 6) and this is an overview of our key findings that should be included in the individual BSC objectives for all cluster-industry corporations wanting to become more market-oriented. Thus the way to a successful market-oriented strategy includes the following objectives for all cluster corporations.

5.3.1.1 Customer perspective objectives

A key goal or objective within this perspective includes successful segmentation of customers, based on their needs, behavior and profitability; knowledge about customers in order to aim communication, bettering the relationship with them and do better targeted marketing initiatives. The ultimate goal or objective within this perspective is thus building strong relationship with the customers and get the two-way communication routine incorporated throughout the organization. The customer-focused strategic change includes systemic measures of customers and assuring use of these measures to strengthen profitability. The corporation needs to be customer-focused in all interaction with customers (attitude and service). Qualified customer segmentation is also key – not only on demographics, but also on psychographics (needs, lifestyle etc.) and thus one of the universal objectives of a corporation wanting to become market-oriented (Østergaard, 2011). The customer segments should be used in a methodical way, assuring targeted marketing, relevant communication and strategy, service and afterwards measures of success of this within each of the segments.

5.3.1.2 Internal Business objectives

Dashboard implementation is a key objective within this perspective. Making sure that gathered knowledge about the customers from the marketing department is all put into one system and distributed throughout the whole organization to the top management and to all departments. Data needs to be analyzed and summarized and then accumulated and worked in a similar manner. It should then be possible to access by all within the corporation. Initiatives, strategies, statistics and development should also be included so that there is an easier absorption of knowledge from the dashboard to employees and from employees to the board. As mentioned the collection of market intelligence in a systematic manner is key in becoming more market-oriented by using this information through the organization and in respond to customer needs.

The dashboard solution is not possible without a corporate culture that supports the change towards becoming customer-focused. Thus this is also considered a general objective for all corporations moving towards a more market-oriented strategy. This means new ways of "speaking to each other" cross departments, functions and divisions as well as a general acceptance in the whole organization of the knowledge the marketing department holds. As Hudgson (1993) emphasis the corporation needs to form the employee's corporate culture and transmit the overall strategy and importance of implementing new key strategic tools. This should primarily be done to generate trust and loyalty but most importantly to gain synergy and support to overall strategy cross all division. Specifically for the marketing division, it means focusing initiatives on knowledge and goals of the entire corporation and sharing goals, aims, strategy with all divisions and top-management leading to much more market-oriented focus based on general cross-company data and more sustaining marketing planning. As McGovern et Al. (2009) suggest implementing a dashboard solution and adapting corporate cultures to accept the marketing as a crucial business strategic partner will reveal the fundamental relationship between a company's main business drivers and allow for the whole corporation (incl. top-management) to get knowledge about the customers which the marketing department has, and thus become more market-oriented by acting from this knowledge in all aspects of the company. In specific corporations customer-centric BSC, a measure could be testing if the corporate values are understood throughout the organization.

5.3.1.3 Learning & Growth Perspective objectives

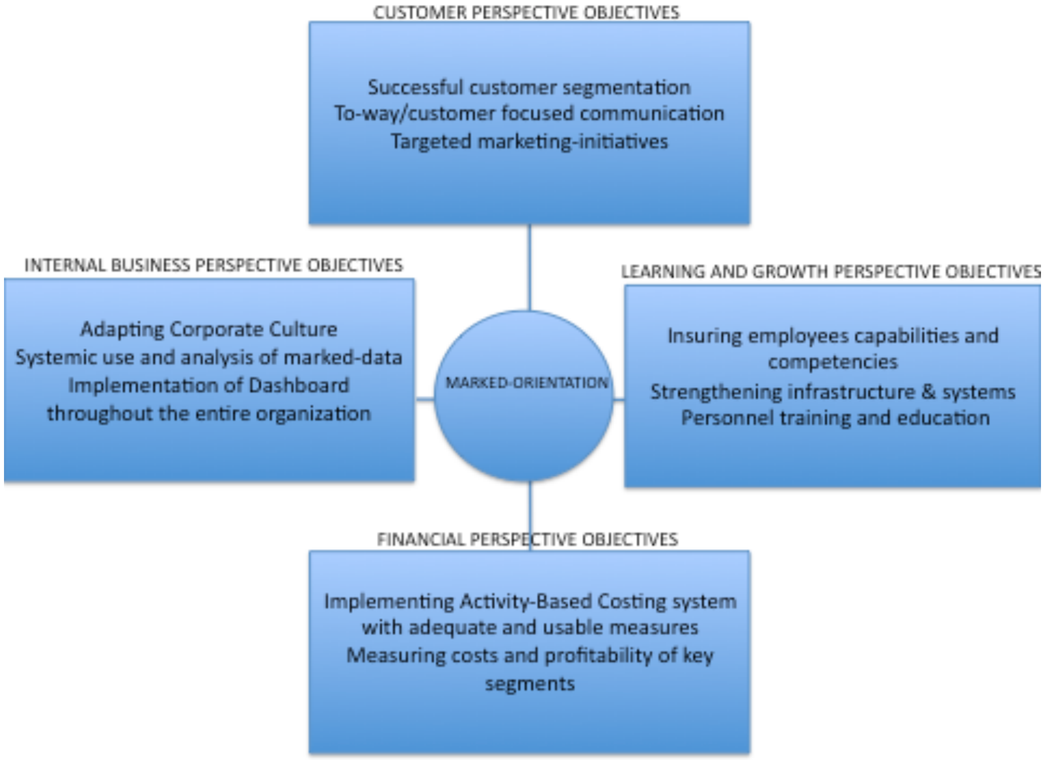
On the same note as with the Internal Business perspective, the objectives within the Learning and Growth perspective are assuring adequate employees capabilities and competencies. The company needs to ask itself what do we need to know, what do we know, what knowledge do we need to get in the future to reach corporate goals. The focus on relevant infrastructure and educated personnel is to insure that new technologies work for the company. This concept is primarily long-term focus, in order to reach long-term marketing and corporate objectives. In praxis this means comprehensive user training in systems and its functions and cannot be done without support to system and personnel from all levels. Capabilities of the employees and thus targets and measures within this perspective are also very depend on type of corporation and the current degree of market orientation, though general expertise on consumer knowledge, consumer preferences and values, market knowledge, knowledge about the competitors in the market, knowledge about market trends and future needs of customers, price in market, consumer price focus and value proposition, etc. is key objectives. In a specific customer-centric BSC for a corporation, this could mean training call-center staff in service management as an initiative as an example.

5.3.1.4 Financial Perspective objectives

A key objective within this perspective is changing financial costing practice so that it is done in regards to specific customer segments and using these as cost-driver. Activity-Based Costing can be used as a decision making tool and in marketing to find the profitability of different customers. Part of the ABC model is to understand the activities performed in producing and marketing of a product/service the centers of support and product line activities. Marketing activities such as advertising and selling give rise to cost drivers. Making the focus in finance on customers and thus giving the corporation a fundament on which to build a market-oriented strategy. ABC can support managers to see how shareholder value can be maximized and how corporate performance can be improved through customer focus; by identifying the most profitable customers, products and channels and determine the true contributors and non-contributors to financial performance. (Zimmerman, 2009). Though initiatives and specific measures should be correspondent to efficient and effective implementation of ABC. A special focus should stay on keeping accurate and usable measures – including measures on the customer lifetime value.

All of the above mentioned objectives are summed up in the Figure 12 below.

Figure 12: Summarized Objective of the Customer-centric BSC



5.3.2 Targets in the customer-centric BSC

Including these objectives in a specific customer-centric BSC should mean moving closer to becoming market-oriented and thus having an outside-in overall focus in the organization. Specific targets are for each corporation to decide upon to ensure that the business drivers suit the particular business. But it is possible to mention some general targets which the company in question can consider which will be listed here as a support to making company specific adjustments to objectives and targets and concrete measures and initiatives.

5.3.2.1 Customer perspective targets

Understanding key segments and segmenting accurately

Gathering data on customer opinions, specifics, wants, needs, values and preferences

Developing a marketing and communication strategy for each of the above mentioned segments based on systemic gathered data

5.3.2.2Internal Business perspective targets

Implementing dashboard within the organization making sure the existing customer data is shared from the marketing department, and that the marketing department is “invited into the boardroom”.

Develop and implement systemic and automatic data-analysis and CRM specifics.

Make weekly/monthly dashboard summarization meetings between the management and marketing.

Determine key corporate values and sharing and implementing these throughout the organization.

5.3.2.3 Learning and Growth perspective targets

Determining future capabilities and competences needed in the organization to follow a market-oriented strategy with focus on the 7 Ps, Cs and the Touchpoint Wheel.

Determining and implementing the CRM system, that meets and live-up-to corporate goals.

5.3.2.4 Financial perspective targets

Identifying the costs that can be allocated to specific customer segments using ABC as a costing instrument.

Transforming financial transaction costing methods to activity-based or if done making sure that the costs is correctly allocated.

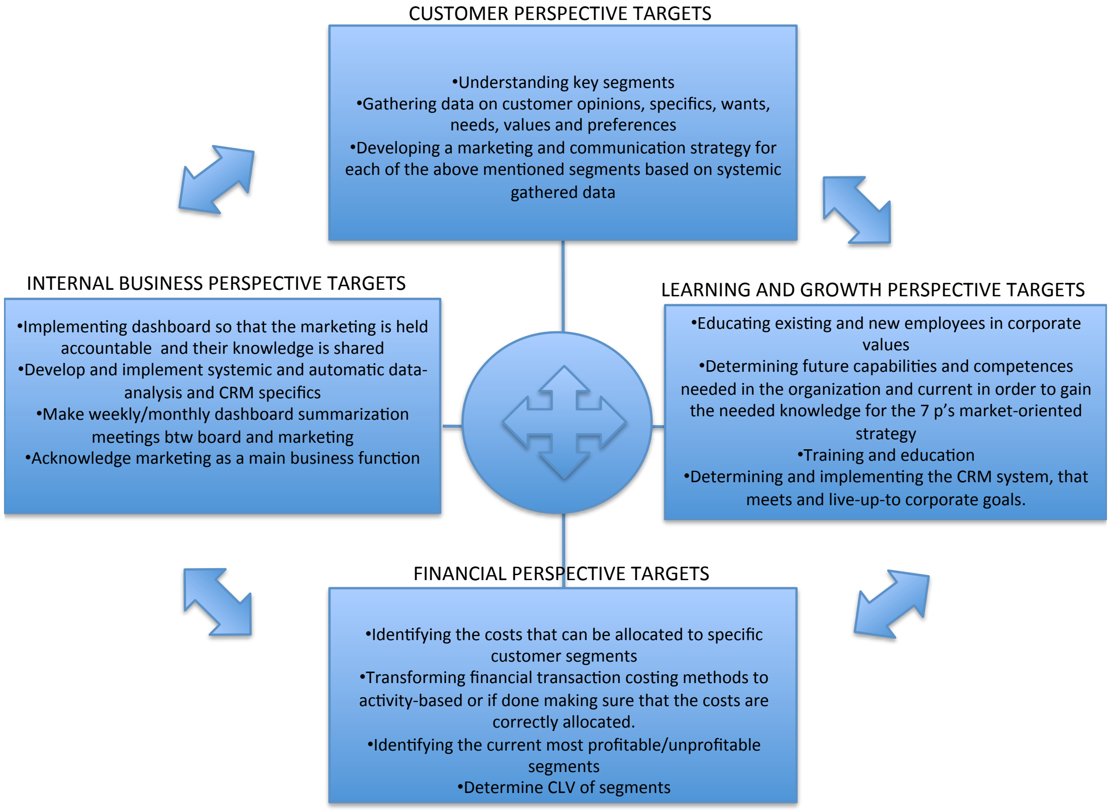
Identifying the current most profitable segments

Identifying the current most unprofitable segments.

Determine the customer lifetime value of the segments for long-term decision-making

These are all summarized in the below (Figure 13).

Figure 13: Summarized Generic Targets of the Customer-centric BSC



The more specific measures and initiatives that a cluster company has to include, have to be specified to the individual corporation. This should be based on how market-oriented the company already is and the specifications of the individual company, as it makes little or no sense to suggest specific measures and initiatives for corporations who are both little to not at all market-oriented as well as for corporations relative market-oriented, but with a strategy to become even more market-oriented. Our empirical findings showed that some companies are to a certain extent market-oriented, some a not at all and some are very market-oriented. Thus it will seem inappropriate to suggest a call-center service course for call-center employees if the specific cluster company has no call-center etc. Though it might be the right initiative for other cluster companies. It might also be right to suggest practical detail specific initiatives such as writing down corporate values and putting them in all corporate restrooms, though if the specific corporation actually have the right corporate values spread to employees, this suggestion might also become irrelevant. For this reason we have chosen not to include the general line of measures and initiatives, normally included when using the Balanced Scorecard as a strategic tool, and instead focused on objectives and ideas for targets key for cluster companies in the process towards becoming more market-oriented.

6. Conclusion

Companies in highly competitive industries, cluster companies, are working in a world where the customer has a hard time differentiating them from their competitors and keeping a high customer retention rate. With support from our literature review this thesis states that being market-oriented, meaning having an outside-in strategy, help companies retain more customers. Market-orientation helps corporations understand their customers and the market, and thus increase the ability to act on this. This thesis finds theoretical support for the advantages of having a thorough market-oriented strategy, putting the customer in focus. The literature confirms that being market-oriented, meaning putting the customer into focus through-out the organization, and acting from knowledge about the customer is more profitable for the company (Slater and Narver, 2000). The model by Homburg, Kuester and Krohmer's (2009) which illustrates three different perceptions of marketing strategy in the company supports this and underlines the importance of having the marketing strategy equaling the overall corporate strategy. Shifting from a strategy that is primarily inside-out looking to a strategy that is based on outside-in knowledge and understanding. This makes sure that knowledge about the market and customer should be what drives the corporate strategy.

The clear indications on the advantage of market-orientation from the literature review in the thesis were the ground for the empirical research in order to make recommendations. The need for recommendations is justified through the survey conducted with 41 cluster companies. The findings illustrate evident opportunities for improvement within many of the cluster companies to become more market-oriented. Our empirical research examined three overall factors that could determine the degree of market-orientation of 41 cluster companies; the handling and relationship with Customers, the awareness about Competitors and the Internal Company processes and organizational elements. The research findings revealed a vast variance in the degree of market-orientation between the interviewed companies. It confirmed that 58% of the interviewed companies were not fully market-oriented in their knowledge about customers, 46% were not fully market-oriented in their knowledge about their competitors, where some do not even look towards how competitors act. Also, 76% of the cluster companies interviewed cannot be classified as fully market-oriented on the internal organization aspects, meaning the process and systems, which are not focused enough on customers. From this empirical evidence we determine that cluster companies are not fully market-oriented, and this leads us to our research question: *How can cluster companies become more market-oriented?*

We found that there was no extensive answer to this transformation in strategy in the literature, and thus we develop a modified Balanced Scorecard with recommendations on the four perspectives; Customers, Internal Business Processes, Learning and Growth and Financial, on how a cluster company can become more market-oriented. The Balanced Scorecard was chosen as the overall framework for the recommendations since it is a tool to implement a new strategy throughout the whole organization. Another important factor was the balanced representation that goes through all aspects of the organization, which we found important, as becoming market-oriented does not only require changes in the marketing department, it requires changes in the whole organization. The Balanced Scorecard we have developed in this thesis is a modified version of the original Balanced Scorecard presented by Kaplan and Norton in 1992. Our modified Balanced Scorecard puts the customer into focus, and is thus referred to as a customer-centric BSC. This means the outside-in perspective on knowledge about the market and customer is evident in all of the four parameters of the Scorecard. This also means our BSC has the Customer parameter as the initial parameter on the way towards a more customer-centric overall corporate strategy.

On the Customer perspective we recommend the companies to focus on relationship building strategies and to do well-founded segmentation, which can help to understand how the company can create value for the customers and in order to understand what the customers value.

On the Internal Business Process perspective we recommend the companies to focus on proper marketing planning, where the market situation of customers and competitors are thoroughly taken into consideration and used as ground for the rest of the marketing planning. Also we recommend introducing processes, such as a dashboard, to make sure the knowledge from the marketing department is shared with the top management and in general cross-divisions and that the marketing department is held accountable for their actions. We also touch upon the corporate culture which needs to change into being market-oriented, acknowledging that customers should be in focus in all parts of the organization. One way suggested is through new culture carriers within the organization.

In the Learning & Growth perspective we underlined the importance of looking at the systems, the skills and competencies needed to manage all marketing-mix tasks in a market-oriented manner. Including all the touch-points that the company might have with its customers. Lastly on the Financial Perspective we recommend the cluster companies to introduce Activity Based Costing as a tool to measure and allocate costs more accurate to customers and customer segments, in order to gain knowledge about customer profitability. Also Customer Lifetime Value is recommended as it will give corporations a more long-term understanding about customer profitability and hence which customers to spend resources on retaining and which not to.

We gather these recommendations in a model of the new customer-centric Balanced Scorecard. The recommendations are all generic for cluster companies, and should be adapted by the individual company according to their degree of existing market-orientation of the different perspectives and current initiatives.

Our recommendations incorporate all aspects key for companies to progress towards becoming more market-oriented, but are merely one solution. The key point to state is that changing only parts of the organization, one division or some of the employee's perspective on customer relations, is not enough for the whole corporation to become market-oriented. There is a need for the corporation to equal marketing with corporate strategy and shift the overall focus from inside-out to outside-in for the benefits and advantages of a market-oriented strategy to become evident. Insuring a balanced transformation of strategy becomes a goal in itself when adapting Customer relation and understanding, Internal business processes, Learning and Growth and Financial parameters in a strive towards becoming market-oriented. The cluster-companies future success when working with this could be the second edition of this thesis and it would be interesting to look into further develop an even broader Balanced Scorecard and prove its efficiency empirically.

7. Further research

Further research should include a validation of the developed Customer-focused BSC model and its recommendations for a company to become market-oriented. This should include a test of the recommendations in a deductive manner. Thus, a sample of cluster companies should be used as case studies and observed and interviewed in the process of implementing the recommendations suitable for them to become market-oriented. After the implementation of the recommendations the employees from several levels in the organization could further be interviewed to find which issues and problems they were facing in the implementation. This would ultimately be usable in correcting and optimizing the customer-centric BSC.

Also as further research it should be examined if the customer-centric BSC could also be useable for companies working in industries that are not defined as cluster-company industries, in that way one could imagine several generic customer-centric BSC's evolving from this.

Several critical notions to the data collection and generalization from this could be made such as the fact that no qualitative responses were gathered, but this has all been addressed in the methodology section. What would be interesting would be to ask more employees in the different companies the same questions, which would give better data on the cluster companies' situation, which might change or add aspects to the customer-centric BSC.

The most interesting research to conduct in the future would be to look into how the customer-centric BSC can become more valid and be tested empirically.

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9. Appendix

Appendix 1

The FFI (Forbrugerstyrelsen, 2010)

	Forbruger-tillid	Gennem-sigtighed	Klage-forhold	FFI-værdi 2010	Placering 2010
Tømrer- og snedkerarbejde	6,82	5,29	6,27	6,13	22
Restauranter	6,36	5,94	6,07	6,12	23
Benzin/brændstof	6,37	5,24	6,64	6,08	24
Tandlæger	6,98	4,45	6,75	6,06	25
Køkkener og køkkenindretning	6,44	5,66	6,04	6,05	26
Forbrugerelektronik (fx tv, computer, mp3-afspiller etc.)	6,20	5,78	5,94	5,97	27
Personlig pleje (wellness, fx spa, massage og skønhedsbehandling)	6,71	5,18	6,03	5,97	28
Vvs-arbejde	6,61	5,09	6,21	5,97	29
A-kasser	6,35	5,03	6,33	5,90	30
Malerarbejde	6,48	5,18	6,00	5,89	31
Legetøj	5,98	5,38	6,28	5,88	32
Avis- og tidsskriftsabonnementer	6,09	5,26	6,26	5,87	33
Autoreparationer	6,54	4,66	6,39	5,86	34
Murerarbejde	6,39	5,13	6,00	5,84	35
Personlige plejeprodukter og kosmetik	6,05	5,06	6,10	5,73	36
Taxi	6,22	4,80	5,70	5,57	37
Offentlig transport	5,99	5,03	5,61	5,54	38
Advokater	6,40	3,99	6,18	5,52	39
Pengeinstitutter	6,01	4,63	5,92	5,52	40
Forsikring	5,93	4,31	6,07	5,44	41
Internetabonnementer	5,78	4,39	5,48	5,22	42
El-forsyning	5,75	3,84	5,91	5,17	43
Ejendomsmægling	5,34	4,66	5,49	5,16	44
Brugte køretøjer	5,23	5,11	5,08	5,14	45
Pensionsselskaber	5,68	4,07	5,62	5,12	46
Fastnettelefonabonnementer	5,52	3,85	5,20	4,86	47
Mobiltelefonabonnementer	5,31	4,03	5,14	4,83	48
Tv-pakker/-kanaler	5,15	3,94	5,16	4,75	49
Gennemsnit 2010	6,46	5,21	6,23	5,97	

Appendix 2

Questions for Interviews Danish/English:

1. Hvilke af nedenstående udsagn passer bedst på jeres definition af en kunde?/Which of the following statements are most equal to your definition of a customer?

- Vi mangler en klar definition af en kunde./*We do not have a clear definition of a customer*
- En person som har været i kontakt med vores butik/webshop/call center og har købt ydelser/produkter og/eller rekvireret brochure og/eller tilmeldt nyhedsbrev./ *A person who has been in contact with our store/webshop/call center and has bought services/products and/or has aquirered a brochure and/or signed up for newsletter.*
- En person som har købt ydelser/produkter hos os./A person who has bought products/services with us.
- En person /virksomhed der indenfor en given tidsperiode (for eks 12 mdr.) har købt ydelse/produkt. Hvis køb ikke er sket indenfor denne tidsperiode, er kunden registeret som passiv kunde./*A person who, within a given timeframe (e.g. 12 months) have bought services/products with us. If the transaction has not happened within this timeperiode the customer is registrered as a passive customer.*

2. Hvordan anvendes og indsamles løbende data om kunder?/*How is data about customers collected and used?*

- Vi indsamler ikke data/*We do not collect data abuot customers*
- Vi indsamler data om transaktioner(bondata) og ikke specifikt på data om kunden (navngiven person)./*We collect data about transactions and not specifically data about the customer.*
- Vi indsamler stamdata om kunden (Adresse, kontaktpersoner, tlf., e-mail mv.)/*We collect contact data about the customer (address, contactpersons, telephone, e-mail etc.)*
- Vi indsamler løbende data om kundens transkationer på kundeniveau, salg, reklamationer, (den enkelte kunde, for eks. via klub/kundekort)./*We collect rolling data about customers' transactions on customer level, sales, complains (the single customer e.g. via. Loyalty customer card etc.)*
- Vi insamler, bearbejder, deler og anvender viden systematisk om den enkelte kunde(for. eks via klub/kundekort) på tværs i organisationen gennem IT systemunderstøttelse eller andre videndelingsværktøjer./*We collect, process, share and use knowledge about the single customer systematically (e.g. through club/customer cards) cross-functionally in the organization through IT systems and other knowledge-sharing tools.*

3. Hvordan opnås forståelse af kundens behov?/*How is knowledge about the customer's needs obtained?*

- Vi indsamler ikke regelmæssigt data om kundernes behov./*We do not collect data about the customers' needs regularly*
- Vi indsamler løbenden data hos kunden om hvorledes vi kan forbedre vor service og eller produkt (Surveys, interview mv.)./*We do regularly collect data from the customer on how we can improve our services/products (e.g. through surveys, interviews etc.)*
- Vi indsamler løbende data om kundens unikke behov og i hvor høj grad vi tilfredsstiller dette (Surveys, interview mv., transaktion og relationsdata)./*We collect data about the customers' unique needs and to what extent we satisfy this needs regularly (e.g. through surveys, interview etc.*

4. Hvordan måles der løbende på salget?/*How do you ongoing measure on sales?*

- Vi måler ikke regelmæssigt på salg i relation til kunder/*We do not measure regularly on sales in relation to customers*
- Vi måler på salg på produkter/afdelinger/forretningsområder og det samlede salg./*We measure on sales on products/departments/businesses and the total sales.*
- Udover at måle salg på produkter/afdelinger/samlede salg måler vi også salg på segmenter (definerede kundegrupper)./*Besides measuring sales on products/departments/total sales we also measure sales on segments (defined customer groups).*

- Uover ovenstående måler vi salg på den enkelte kunde (navngiven kunde)./*Besides the above mentioned we also measure sales on the individual customer.*

5. Hvordan måles der løbende på potentialer i salget? /*How do you regularly measure on potentials of sales?*

- Vi måler ikke regelmæssigt./*We do not measure regularly*
- Vi måler på transaktionens ordre størrelse pr. køb (basket size). /*We measure on the transaction's order size per purchase (basket size)*
- Vi måler på transaktionens ordre størrelse pr. køb (basket size) og på kundens genkøbs frekvens./*We measure on the transaction's order size per purchase (basket size) and also on the customer's re-purchase rate*
- Vi måler på transaktionens ordre størrelse pr. køb (basket size), på kundens genkøbs frekvens og på kundens x-salgspotentiale/x-salg./ *We measure on the transaction's order size per purchase (basket size), on the customer's re-purchase rate and on the customer's x-sales potential/x-sale*
- Udover ovenstående måler vi på kundens livstidsværdi (LTV)./*Besides the above we measure on the customer's lifetime value (CLV)*

6. Hvordan måles der løbende op kundetilfredshed?/*How do you regularly measure customer satisfaction?*

- Vi måler ikke regelmæssigt./*We do not measure regularly on customer satisfaction*
- Vi måler på kundetilfredshed, kundens villighed til genkøb og anbefaling til andre./*We measure customer satisfaction, the customer's willingness to re-purchase the product and to recommend it to others.*
- Vi måler på kundetilfredshed (som ovenfor) samt på kundens evne se forskel på os og vore konkurrenter./*we measure customer satisfaction as above and also on the customer's ability to see the difference between us and out competitors.*
- Vi måler på kundetilfreshed (som ovenfor) samt på reklamation/service og support./*We measure on customer satisfaction as above and also on complaints, service and support.*
- Udover ovenstående måler vi på hvad der skaber værdi for kunden./*Besides the above we measure of what creates value for the customer.*

7. Hvordan måles der regelmæssigt på kundeloyalitet? /*How do you regularly measure on customer loyalty?*

- Vi måler ikke./*We do not measure on customer loyalty.*
- Vi måler på tilgang af nye kunder./*We measure on access of new customers*
- Vi måler på antal mistede kunder og på nye kunder./*We measure on the number og lost customer and new customers.*
- Vi måler kundeloyalitet i loyalitetsregnskab/inddeler kunder i loylitetsgrupper./*We measure on customer loyalty in a loyalty account sheet/separate the customer into loyalty groups.*
- Vi måler på kundeloyalitet i loyalitetsregnskab/inddeler kunder i loylitetsgrupper samt på kundens "share of wallet" (faktiske køb i forhold til potentelt køb)./ *We measure on customer loyalty in a loyalty account sheet/separate the customer into loyalty groups as well as on the customer's share of wallet (actual purchase in relation to potential purchase).*

8. Hvordan måles der regelmæssigt på kundeprofitabilitet?/*How do you regularly measure on customer profitability?*

- Vi måler ikke./*We do not measure on customer profitability.*
- Vi måler Dækningsbidrag på det samlede resultat og på produkter/afd./*We measure contribution margin on the total result and on the products/departments*

- Vi måler DB på det samlede resultat og på produkter/afd. samt DB på segmenter (definerede kundegrupper)./*We measure contribution margin on the toal resular and on the products/departments as well as on defined customer segments*
- Udover ovenstående måler vi DB på den enkelte kunde (navngiven)./*Besides the above we measure the contribution margin of the individual customer*.

9. Hvordan måles der løbende på kunde profitabilitet (måling af omkostninger i relation til kunder)/*How do you regularly measure on customer profitability?*

- Vi måler ikke./*We do not measure*
- Vi måler salg pr. m2/hyldemeter/eksponering/besøg/opkald./*We measure on sales per square meter/shelf space/exposions/visists/calls*.
- Vi måler på omkostninger til marketing/salg i relation til omsætning/indtjening./*We measure on costs of marketing/sales in relation to revenue/profit*.
- Udover ovenstående måler vi på profitbalitet på den enkelte kunde (navngiven)./*Besides the above we measure on profitability on the individual customer*.

10. Hvordan defineres en konkurrent? /*How is a competitor defined?*

- Vi mangler en klar definition af en konkurrent /*We are haven't made a clear definition of a competitor*
- En virksomhed som tilbyder samme ydelser som os /*A company that offers the same services as us*
- En virksomhed som tilbyder en del af vores ydelser men også tilbyder andre ydelser / *A company that offers a part of our services but also offers other services*

11. Kender I jeres konkurrenter og deres ydelser?/*Do you know your competitors and their services?*

- Vi kender ikke vores konkurrenter og deres priser/ydelser / *We do not know our competitors and their services*
- Vi undersøger vores konkurrenter og deres priser/ydelser/kommunikation og web / *We research our competitors their prizes/services/communication and web*
- Vi undersøger løbende vores konkurrenter og deres priser/ydelser/kommunikation og web /*We continuously research our competitors and their prizes/services/communication and web*

12. Hvordan indsamles der løbende data om konkurrenterne? / *How is data continuously collected about competitors?*

- Vi indsamler ikke systematisk data om vore konkurrenter / *We do not collect data about our competitors in a systematic manner*
- Vi måler på markedsandele og udviklingen i disse / *We measure market shares and the develop in this*
- Vi måler på markedsandele og vi følger vores konkurrenter gennem systematisk indsamling af kampagner/omtale i medier/ *We measure market shares and we follow our competitors through systematic data collection of campaigns/media coverage*
- Udover ovenstående gennemfører vi løbende service- og prischeck i relation til vore primære konkurrenter/ *Besides the above we continuously conduct service- and price checks in relation to our primary competitors*.

13. Hvordan måles der løbende op imod konkurrenterne? /*How is there continuously measured against competitors?*

- Vi måler ikke på vore konkurrenter/ *We do not measure against our competitors*
- Vi gennemfører løbende markedsanalyser / *We continuously conduct market analysis*
- Vi gennemfører løbende markedsanalyser og benchmarkanalyser / *We continuously conduct market analysis and benchmark analysis*

14. Hvordan ser du primært jeres virksomhed? /*How do you mainly see your company?*

- Produktorienteret / *Sales-oriented*
- Delvis kundeorienteret/produktorienteret / *Partly Market-oriented/Product-oriented*
- Kundeorienteret /*Market-oriented*

15. Hvordan er jeres normer i forhold til en kunde? /*How is your norm in regards to a customer?*

- Vi gør det så godt vi kan / *We do it as good as we can*
- Kunderelaterede spørgsmål har altid 1. prioritet i forhold til interne opgaver /*Customer related questions are always first priority in regards to internal tasks*
- Kunderelaterede spørgsmål har altid 1. prioritet i forhold til interne opgaver og vi giver altid præcise løfter til vores kunder og vi holder dem /*Customer related questions are always first priority in regards to internal tasks and we always give precise promises to our customers and we keep them*
- Kunderelaterede spørgsmål har altid 1. prioritet i forhold til interne opgaver, vi giver altid præcise løfter til vores kunder og vi holder dem og disse henvendelse bliver altid gemt/fordelt proaktivt i virksomheden
  / *Customer related questions are always first priority in regards to internal tasks and we always give precise promises to our customers and we keep them and these contacts are always stored/distributed proactively in the company.*
- Kunderelaterede spørgsmål bliver håndteret som ovenstående og kundeudtilfredshed bliver altid registeret/besvaret indenfor en tidsfrist / *Customer related questions are handled as above and customer satisfaction is always registered/answered within a deadline.*

16. Hvilke værdier og kultur oplever du virksomheden har? /*What values and culture do you experience in the company?*

- Vi gør det så godt vi kan / *We do it as good as we can*
- Vi påskønner de ansatte der har kundekontakt og viser dem respekt/tillid / *We value the employees with customer contact and show them respect/trust*
- Vi påskønner de ansatte der har kundekontakt og viser dem respekt/tillid og vi arbejder sammen på tværs af de forskellige afdelinger/ *We value the employees with customer contact and show them respect/trust and we work together cross different departments*
- Vi påskønner de ansatte der har kundekontakt,viser dem respekt/tillid, vi arbejder sammen på tværs af de forskellige afdelinger og vores kultur påskønner innovation/ *We value the employees with customer contact and show them respect/trust and we work together cross different departments and our culture appreciates innovation*
- Som ovenstående og medarbejderen har ansvaret for at følge op og godtgøre utilfredse kunder
  /*As the above and employees have the responsibility to follow op and reimburse unhappy customers*

17. Hvilke værdier og kultur har virksomheden i forhold til kunden?/ What values and culture do you experince that the company has in regards to customers?

- Vi følger vores retningslinier 100% /*We follow our guidelines 100%*
- Vi følger vore retningslinjer, men kan i særlige tilfælde være fleksible og løse evt. udfordringer til kundens fordel /*We follow our guidelines, but can under certain circumstances be flexible and solve potential challenges to the customers advantage.*
- Vi er fleksible i relation til kunderne, lytter altid til kunden og forsøger at løse udfordringer til kundens fordel
  /*We are flexible in relation to the customer, listening to the customer and try to solve challenges to the customers' advantage.*

18. Hvordan er I organiseret?/*How are you organized in the company?*

- Vi har en traditionel organisationsstruktur med flere hierarkiske niveauer og med businessenheder til produkter (afd. chef/produktchef mv)/*We have a traditional organizational structure with several hierarchical levels and business units for products (product managers etc.)*
- Vi har en organisation med businessenheder til specielle kundesegmenter(Kundechef, segmentchef mv)./*We have an organization with business unit to special customersegments (customer managet, segment managet etc.).*
- Vi har en flad organisationsstruktur med færre hierarkiske niveauer med en central placering af marketing/salg/kundeansvarlig i ledelsen og med klart definerede kontakt personer og kontaktpunkter for kunderne/*We have a flat organizational structure with several hierarchical levels and a central*

placement of marketing/sales/customer managers in the top management and with clearly defined contact persons and points for the customers.

19. Hvordan belønnes medarbejderne? /*How are employees rewarded?*

- Vi har ingen særlige belønninger./*We have no special rewards.*
- Vi har en samlet årlig bonus baseret på finansiel performance./*We have a total yearly bonus based on financial performance.*
- Vi belønner medarbejderne individuelt basert på salg/indsats./*We reward employees based on individual sales.*
- Vi belønner baseret på kunde performance (tilfredshed, loyalitet, profitablitet mv.)./*We reward based on customer performance (satisfaction, loyalty, profitability etc.).*

20. Hvordan vil du placere 'Kunde/markeds strategien' i forhold til 'Virksomhedens strategi'?/*How would you place the customer/market-strategy in relation to the Corporate strategy?*

- Vi har en ingen kunde/markedsstragi./*We have no customer/market-strategy*
- Kunde/markedsstrategien er en af mange delstrategier i relation til den samlede strategi for virksomheden./*The customer/market-strategy is one of many functionalstrategies in relation to the overall corporate strategy.*
- Kunde/markedsstrategien er en dominærende del af samlede strategi for virksomheden./*The customer/market-strategy is a dominating part of the corporate strategy.*
- Kunde/markedsstrategien er lig samlede strategi for virksomheden, hvor øvrige strategier understøtter denne./*The customer/market-strategy is equal to the corporate strategy where other functional strategies serve to support this.*

21. Hvordan segmentere I kunderne?/*How do you segment you customers?*

- Vi segmenterer ikke kunderne./*We do not segment our customers.*
- Vi segmenter efter demografi/geografi./*We segment according to demographics/geographic.*
- Vi segmentere efter livsstilmodeller eller lignende./*We segment according to lifestyle models or similar.*
- Vi segmentere efter hvordan vi skaber værdi for kunden./*We segment according to how we create value for the customer.*

22. Hvad er jeres primære markedsførings kanaler?/*What are you primary marketing channels?*

- Vi anvender massekommunikation (TV, avis, hustandsomdelte, web)./*We use mass communication (TV, Newspapers etc.)*
- Vi anvender massekommunikation (TV, avis, hustandsomdelte, web) i kombination med nyhedsmail./ *We use mass communication (TV, Newspapers etc.) in combination with newsletters*
- Vi anvender massekommunikation (TV, avis, hustandsomdelte, web) i kombination med individualiseret nyhedsmail/tilbud./ *We use mass communication (TV, Newspapers etc.) in combination with customized newsletters/offerings.*
- Vi anvender primært en målrettet kommunikation til den enkelte kunde suppleret med massekommunikation./*We primarily use a targeted communication that suits the individual customer coupled with mass communication.*

Appendix 3
Measuring Customer Equity

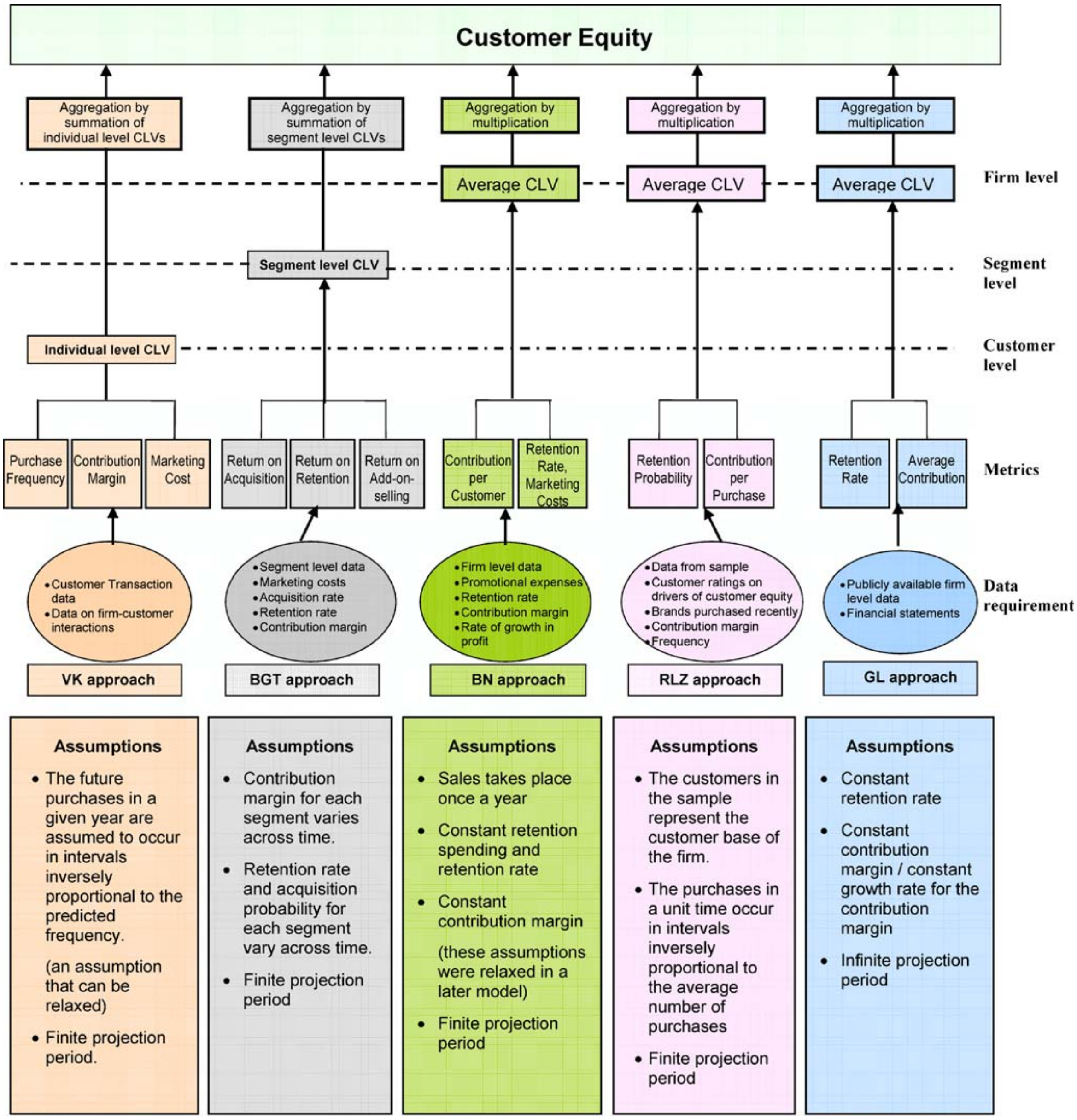


Figure 1 Measuring customer equity.

Appendix 4a

Numeric value associated with each repondent's answers.

Kunder									Max Score
									76
Hvilke af nede	Hvordan anve	Hvordan opnå	Hvordan måle	Hvordan måle	Hvordan måle	Hvordan måle	Hvordan måle	Hvordan måle	Total
2	10	2	8	2	8	4	8	0	44
4	8	2	8	8	8	10	4	8	60
2	8	2	8	4	2	4	2	0	32
8	8	0	8	0	2	4	4	4	38
2	10	0	4	8	2	8	8	0	42
8	10	4	8	10	10	10	8	8	76
2	10	4	4	10	10	10	4	8	62
2	8	4	2	8	4	0	4	4	36
0	8	2	8	0	8	0	4	2	32
2	10	4	8	8	10	4	8	8	62
8	10	4	8	10	10	10	8	8	76
2	2	4	0	0	8	0	0	0	16
4	10	4	8	10	10	10	8	8	72
8	2	2	8	8	10	4	4	2	48
2	10	4	4	4	8	8	8	8	56
4	10	4	8	8	4	2	0	8	48
2	10	4	8	8	8	10	8	2	60
2	10	4	4	2	10	4	0	0	36
4	4	4	2	2	10	4	4	4	38
8	10	4	8	10	10	10	8	8	76
2	8	0	8	4	2	4	2	4	34
4	8	4	8	8	8	4	8	4	56
4	2	4	8	8	8	8	0	2	44
4	10	4	8	8	10	10	8	8	70
4	10	4	4	8	10	10	4	4	58
4	8	4	4	8	10	10	4	2	54
2	8	4	8	10	10	10	4	8	64
8	4	4	4	8	8	8	2	4	50
8	4	2	4	2	2	4	2	2	30
0	2	0	2	4	2	4	2	4	20
8	10	4	4	8	8	10	4	8	64
2	2	0	0	4	0	4	0	8	20
4	10	4	8	8	4	4	8	8	58
2	10	2	8	8	10	4	8	8	60
2	10	4	8	8	10	10	2	8	62
4	8	2	4	4	8	10	4	0	44
8	8	2	8	2	4	4	8	4	48
2	4	2	8	8	4	8	4	8	48
2	8	4	4	8	10	10	8	8	62
8	10	4	8	8	10	4	2	8	62
2	10	4	2	8	8	8	4	2	48

Konkurrenter				max score
				20
Hvordan de	Hvordan In	Hvordan m	Kender I jer	Total
2	4	2	4	12
4	8	4	4	20
4	0	0	4	8
4	8	4	4	20
4	8	4	4	20
4	8	4	4	20
2	8	4	4	18
2	4	2	2	10
4	8	2	2	16
4	8	4	4	20
4	8	4	4	20
0	0	0	0	0
4	4	4	2	14
2	0	0	2	4
4	8	4	4	20
2	8	4	4	18
4	4	4	4	16
4	0	0	2	6
2	4	4	4	14
4	8	4	4	20
2	4	2	4	12
4	8	4	4	20
4	2	4	4	14
4	8	4	4	20
4	8	4	4	20
4	0	4	4	12
4	2	2	2	10
2	4	4	2	12
4	0	4	4	12
4	2	2	2	10
4	8	4	4	20
4	4	0	2	10
4	4	4	2	14
4	4	2	2	12
2	8	4	4	18
2	2	4	4	12
4	4	4	4	16
2	8	4	4	18
2	8	4	4	18
4	8	4	4	20
4	8	4	4	20

Virksomheden									max score
									64
Hvordan se	Hvordan er	Hvilke værd	Hvilke værd	Hvordan er	Hvordan be	Hvordan vil	Hvordan se	Hvad er jer	Total
4	2	8	4	2	4	4	8	8	44
2	8	10	2	0	0	8	4	8	42
2	10	4	4	4	0	2	4	4	34
4	10	8	4	4	4	2	8	8	52
4	0	10	2	0	2	8	4	0	30
4	8	10	4	2	8	8	8	8	60
4	10	10	4	4	8	2	8	4	54
4	4	4	4	0	2	4	2	8	32
2	2	0	2	0	4	0	8	8	26
4	10	8	4	0	0	4	8	8	46
2	10	10	4	0	2	4	4	8	44
2	0	2	4	4	0	0	4	8	24
4	0	10	4	4	4	8	0	2	36
4	10	10	0	4	4	4	4	8	48
4	10	8	4	4	8	4	8	8	58
4	10	10	4	4	4	8	2	8	54
4	4	4	2	2	4	4	4	2	30
2	8	8	4	4	2	2	0	8	38
4	8	10	4	0	2	8	8	4	48
2	10	10	4	4	8	8	8	8	62
2	4	8	4	0	0	8	4	8	38
2	2	8	2	2	4	4	4	8	36
2	10	10	4	4	4	4	2	4	44
2	10	8	4	2	8	8	8	8	58
4	10	10	2	4	2	4	4	4	44
4	10	10	4	2	0	4	8	8	50
2	4	4	2	2	4	4	2	8	32
2	4	4	4	4	4	2	2	8	34
4	4	4	2	4	0	4	4	2	28
2	2	0	2	4	0	2	2	0	14
0	8	8	4	0	4	8	8	8	48
4	0	4	2	4	0	0	2	8	24
2	10	10	2	0	2	8	2	4	40
2	10	10	2	4	2	4	8	4	46
2	8	10	4	4	2	8	4	4	46
4	8	8	2	2	4	4	4	0	36
4	10	10	4	4	4	2	4	4	46
0	4	4	2	4	2	0	4	4	24
4	8	8	4	2	4	4	8	8	50
2	10	8	4	4	8	8	8	8	60
2	8	8	2	0	4	4	8	8	44
2	4	10	2	4	4	2	8	8	44

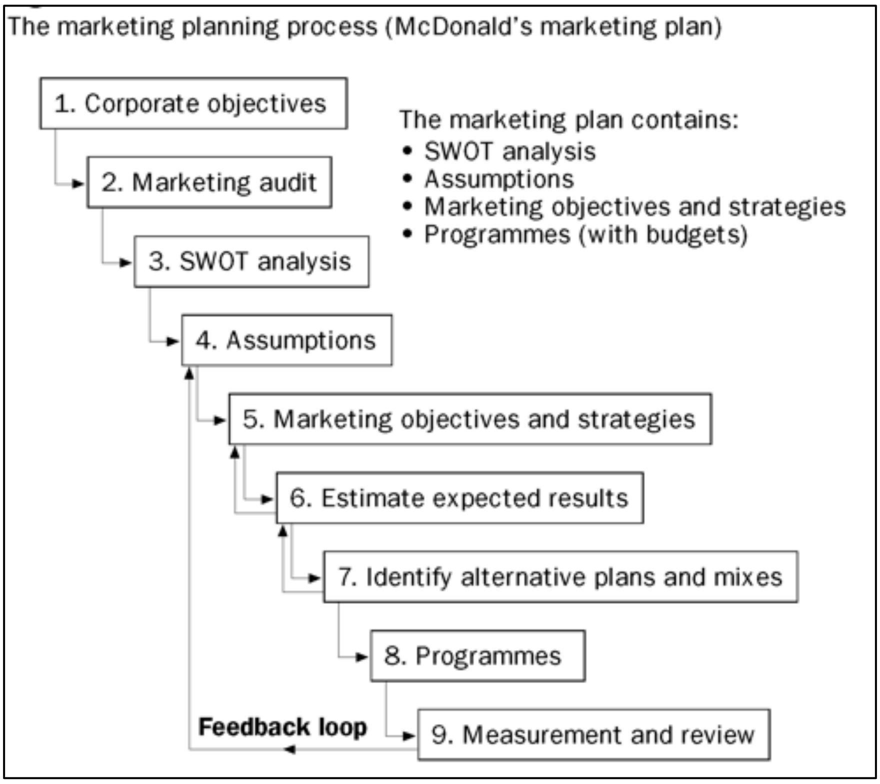
Appendix 4b

Results from Survey Each respondents answer as a percentage of the max score

		Customer 76	Competitor 20	Internal Company Aspects 64
Respondent no.	Percentage of max. score			
1		58%	60%	69%
2		79%	100%	66%
3		42%	40%	53%
4		50%	100%	81%
5		55%	100%	47%
6		100%	100%	94%
7		82%	90%	84%
8		47%	50%	50%
9		42%	80%	41%
10		82%	100%	72%
11		100%	100%	69%
12		21%	0 %	38%
13		95%	70%	56%
14		63%	20%	75%
15		74%	100%	91%
16		63%	90%	84%
17		79%	80%	47%
18		47%	30%	59%
19		50%	70%	75%
20		100%	100%	97%
21		45%	60%	59%
22		74%	100%	56%
23		58%	70%	69%
24		92%	100%	91%
25		76%	100%	69%
26		71%	60%	78%
27		84%	50%	50%
28		66%	60%	53%
29		39%	60%	44%
30		26%	100%	22%
31		84%	50%	75%
32		26%	100%	38%
33		76%	70%	63%
34		79%	60%	72%
35		82%	90%	72%
36		58%	60%	56%
37		63%	80%	72%

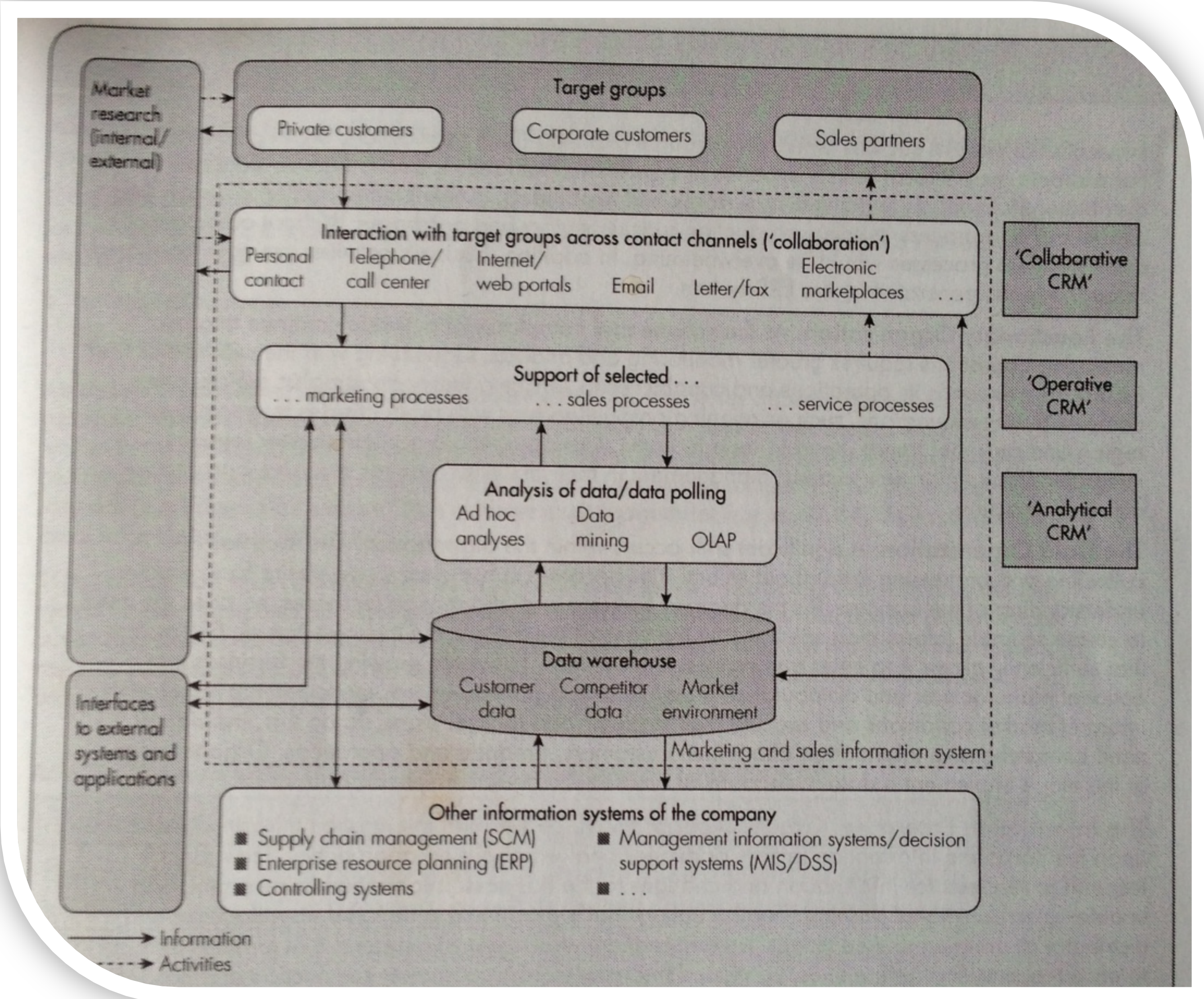
38			63%	90%	38%	
39			82%	90%	78%	
40			82%	100%	94%	
41			63%	100%	69%	

Appendix 5


The marketing planning process (McDonald's marketing plan)
1. Corporate objectives
2. Marketing audit
3. SWOT analysis
4. Assumptions
5. Marketing objectives and strategies
6. Estimate expected results
7. Identify alternative plans and mixes
8. Programmes
9. Measurement and review
Feedback loop
The marketing plan contains:
• SWOT analysis
• Assumptions
• Marketing objectives and strategies
• Programmes (with budgets)

Appendix 6

Marketing and Sales Informations Systems (Varnes and Østergaard, 2009)



Appendix 7

Brand Touchpoint wheel (Davis, Dunn & Aaker, 2002)