

1. Introduction

1.1 Motivation for choice of problem

My motivation for choosing to focus on AW Media's relationship marketing is that I have gotten the impression that there is not much focus on this area in the company. Therefore, there is potentially a large unredeemed potential within the company.

In most cases, AW Media services are only available as subscriptions, so in most cases, there is a longer relationship with the customer. Therefore, it is possible to influence the customer along the way. Optimizing this process will therefore make good results for AW Media.

AW Media delivers competitive products and has experienced great growth since its launch in 2008. As the company is quite young, it has focused more on finding the right products and services.

In 2016, AW Media made a profit analysis of the individual departments, and then decided to phase out web management, website development, etc¹. This means that AW Media's products currently consist of managing Adwords campaigns, Search Engine Optimization (SEO) and lead generation. All three products are related to Google's search giant.

Adwords is Google's paid advertising, which can be found at the top and sometimes on the right of a Google search. SEO is the organic search results, that is, the search results Google comes up with under the sponsored links in the top. Lead generation works in such a manner that AW Media utilizes its strengths in handling Google to acquire qualified leads (customers) to other companies paying for this service.

Since AW Media is still in a transition phase with the phasing out of some product types while sharpening other products, it's a good time to stop and look inside the company. AW Media has found that their core competencies are within the handling and sales of adWords and SEO, and have also combined these two to sell leads.

So while the transition phase is still under way, and before it's focused 100% on creating growth within these three categories, it's worth assessing how the business can improve. This may include analyzing customers in order to improve customer retention, and to find the most profitable ones. It will give a good foundation to act on the basis of the future. Similarly, the company's internal processes could be looked into to see if some activities could be implemented or improved.

¹ Appendix 1

1.2 Problem definition

The problem in the task is whether AW Media through more focus on relationship marketing could create more profit over time. AW Media profits by increasing awareness of the internet for their customers. The purpose of this is of course to create growth and profit for the customers. AW Media's services / products are usually sold in subscription form, and therefore it is largely a "collaborative" service, rather than a more "transactional" service. That means there is always a relationship between AW Media and the customer they serve. Therefore, it is very relevant to AW Media whether this relationship can be handled better. The difference between whether a customer extends cooperation or choosing another solution may be small but has a major impact on AW Media's earnings. This means that small changes in relationship marketing could potentially create major results at AW Media.

AW Media competes in an industry with very low switching costs, as it does not cost a customer to switch between two online advertising agencies. Therefore, it is the relationship (and of course, delivering results) to maintain the customer. AW Media does not have an overall statement of customer retention, but in the SEO department there is an inventory showing that 9 customers are no longer SEO customers. The 9 customers had a turnover of DKK 24,300 per month. At present, AW Media has 36 SEO customers with a total revenue of DKK 173,125 per month.²

The importance of maintaining customers is best illustrated by the leaky bucket theory. It explains that focus has generally been on acquiring new customers, but that it is equally important to maintain the current ones.³ It is also a truth in the AW Media industry, especially as the switching costs are so low for customers.

Relationship marketing contains many approaches and ways to be performed. In this task, the focus will be on how current customers can be made more profitable, how future customers will be linked and managed, how to maintain customer retention and how information can be collected and used for this.

By analyzing AW Media and its current customers, I want to investigate which customers are most profitable, what common characteristics these customers have, how the customer relationship is handled and why customers do not prolong collaboration. Can any direct conclusions be drawn on these issues, AW Media has the opportunity to become a more efficient company. This will give a better chance of gaining an overview of the current customer portfolio, as well as providing a better basis for prioritizing future customers. The analysis will also provide a basis for assessing which characteristics of AW Media are prioritized by customers.

² Appendix 10

³ Relationship Marketing page 73

1.3 Problem Formulation

Based on the above motivation and issue, I will investigate the following:

- How can AW media increase their profitability through greater focus on relationship marketing?

To answer this question, I will use a number of questions that will help define how AW Media will handle this issue.

- How can current customers be made more profitable?
- How can customer retention be improved?
- Which segments are the best for AW Media in the future?
- How can internal processes be improved?

1.4 Delimitation

I will refrain from segmenting the entire market for AW Media's customers. The segmentation could otherwise provide an answer to which segment AW Media would focus on in the future. This happens partly because it would have a very large extent and that all relevant information would not be available. Instead, it is based on AW Media's existing customers.

The task will also restrain from going too much in depth with the technical execution of SEO, adWords and lead generation. An optimization of these could create more customers for AW Media, but the focus of the assignment is more on dealing with relationships.

1.5 Method section

1.5.1 Scientific approach

I want to use interpretivism. Interpretivism advocates the need to understand the difference between people in our social roles. This is emphasized by the difference between investigating people socially, or examining, for example, machines. We understand social phenomena differently from the value and role we give it. Eg. We interpret the social roles of others in accordance with our own opinions.

Using interpretism, it is important that the researcher has an empathetic attitude, that is, getting into the world you are studying and trying to see it from the investigated point of view.⁴

That's exactly what's happening along the way, and it's helped on the way that I've been part of the company.

I do not use the positivist approach, because the task and the data are too complex. The positivist approach can be used more widely in connection with the natural sciences, where the collected data can be placed in boxes. Many critics of positivism argue that insights into such a complex world as the

⁴ Research methods for business students, page 137

marketing world would be lost if data were reduced to being just a number of law similar generalizations.⁵

The same can be said to some extent about realism. Realism is also often used in situations, in connection with a more scientific study where the data cannot be interpreted in many different ways.

Eg. Would these two approaches not be used to interpret the interviews from AW Media customers or to understand the changes AW Media has to implement.

However, the positivist approach is used in the segmentation of AW Media's customers, as there are very tangible data.

1.5.2 Data collection

The data collection in the task will consist of both primary and secondary data.

1.5.2.1 Primary data

The primary data will be collected using semi-structured interviews.

Interviews internally in AW Media will be with CEO Mark Thorsen, Production Manager Claus Bermann, and SEO Manager Glen Michaelsen. Interviews internally in AW Media will deal with customers, relationships, internal processor, market selection and CRM system. In connection with the interviews, an interview guide has been prepared from the start. The interviews are based on this guide. Semi-structured interviews are characterized by gathering qualitative data. Semi-structured interviews are often called depth interviews because it is possible to speak freely about topics. They are preferred because it is also possible to cover items that come up along the way and are good at explaining less solid items, such as, a process or buying behavior.⁶

Primary data from AW Media's customers will also be gathered in the form of interviews conducted in the same way as the above. It will concern the customer's purchase process, priorities, evaluation of cooperation, etc.

The primary data internally from AW Media will be collected to help chart how AW Media manages their customer relations, how they evaluate their customers and how their internal systems and processors work. The data from AW Media's customers will be used to analyze how customers see AW Media, how their buying process is and how AW Media can improve their customer management.

The interviews will be transcribed and enclosed as an attachment. The information will be taken into use continuously in the assignment and will not have its own separate sections.

The report will also use the observation's "observer-as-participant" technique. By this technique you observe the outside world without participating in it yourself. Similarly, the "participant-as-observer"

⁵ Research methods for business students, page 137

⁶ Research methods for business students, page 375

technique will be used, where the observer participates in what is being observed.⁷ These cases will be referred to as non-participatory observation and participatory observation.

1.5.2.2 Secondary data

The report will also make use of collecting secondary data to illuminate and investigate the report's issue. The advantage of secondary data is that it has already been collected, saving some time in the process of compiling the report. However, one must always be critical of the fact that the collected secondary data is reliable, since you have not acquired the written knowledge yourself. Secondary data is also not prepared exactly for my task, so you should of course be critical of how it is used.

The secondary data for use in the report will consist of internal customer sheets from AW Media, an example of a letter with a customer, a table of differentiated services, and a table of customer types breakdown. In addition, data from Denmark's statistics are obtained, in the form of a table of internet trade. Most of the secondary data used will be in quantitative form as it will mainly be customers and their turnover. The customer letter used is of a qualitative nature.

Secondary data found on the Internet will also be used. This data will mainly be downloaded from AW Media's own website and Google Partners website.

This data will include Be used in the preparation of the analysis of AW Medias and its customers.

1.5.3 source criticism

The secondary quantitative data can be considered to be of high validity. Statistics from Denmark Statistics have a very high level of credibility. The customer sheet used in the customer analysis can also be considered very reliable, as AW Media has prepared it for its own use in its analysis work. The customer sheet dates from 2016, and therefore does not contain completely updated information. However, the SEO customer sheet is updated.

The Customer Letter, The Differentiated Services Table, and the Breakdown of Customers Table are also considered to be of high validity as they are used in the company.

In the context of interviews that act as primary qualitative data, it is important to keep in mind that the interviewed people have a relative subjective attitude.

Some of the recommended sections are based on estimates. For example, that relevant people have assessed how long a particular process would take. Eg. In the section dealing with ZOHO CRM, Glen Michaelsen considers that it will take a certain number of hours to introduce the new system. It is the closest I can get to a number of hours to use on the new system, but it cannot really be known until it has been implemented.

In terms of gathering primary qualitative data from AW Media's customers, there has been limited access. This means that only two interviews have been made. Several interviews could help to provide a more differentiated insight into the customers and their assessment of AW Media.

⁷ Research methods for business students, page 345

1.5.4 Structure of the report

The report can be divided into 4 main phases.

- Introduction
- Analysis
- Recommendation
- Conclusion

The introduction describes the background for choosing the task, what the problem is and the whole way it will be tackled. The analysis consists of an internal analysis of AW Media and its customers, and will be the basis of the recommendations that follow in the upcoming section. In the recommendation section, I provide my suggestions on how the problem can be solved, as well as an evaluation of these proposals. In conclusion, the final response to the problem formulation is summarized and perspectives on the effects the recommendations will bring with them.

Structure of the report

Introduction

- Motivation
 - Problem formulation
 - Problem statement
 - Method
-

Analysis

- Analysis of AW Media
 - Analysis of AW Media's customers
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Recommendation section

- Recommendations
 - Description
 - Economic importance
 - Evaluation
-

Conclusion

- Conclusion
 - Perspective

1.5.5 Application of theories and models

To understand and analyze AW Media, "Components Of A Business Model" is used. The model consists of the 4 components: Customer Interface, Core Strategy, Strategic Resources and Value Network, and the 3 Bridges Customer Benefits, Configuration and Company Boundaries.

The model is used because it reaches all the way around AW Media, and all the processor and actions that are interesting, in comparison to answering the problem formulation.

The model will include "Porter's five forces" and "A Model Of Interfirm Relationship Marketing". Porter's five forces briefly describe the proximity of AW Media. It is very relevant in analyzing the industry in which AW Media competes and what factors to consider in their consideration. Eg. The low switching costs and entry barriers.

A Model Of Interfirm Relationship helps analyze what creates a good relationship. The model is used to recommend AW Media how to handle their customer relations.

To gather all the information from the Business Model, the SWOT analysis is used. SWOT is primarily used to get an overview of the most important points from the analysis.

The customer analysis uses selected segmentation relationships and an analysis of the typical acquisition phases a customer enters.

Below the segmentation section is a reason for the choice of segmentation criteria that have been preferred. In the same section an alternative layout of the whale curve is used, which helps to point out the difference between the customers.

To explain a customer's buying behavior, the section "The Organizational Buying Process", which relates to the 8 acquisition phases, typically uses a business. It is used to gain an insight into a customer's typical purchasing behavior and what is prioritized in connection with the start-up and extension of cooperation.

In the recommendation section, the section dealing with Relationship Marketing Programs is used. The section comes as a natural extension of the Relations Processing and Customer Analysis, and tells about how AW Media will handle their relationship marketing prospects.

The recommendations themselves are divided into 3 phases. A further explanation is included under the section.

1.5.6 Methodic criticism

Compared to the recommended section, no precise description of any budget is specified. Therefore, it is difficult to relate to what the recommendation really entails. A decided budget is omitted because there is no background and information enough to set it up. Likewise, both the costs and the profits are of abstract size, as they, for example, consist of working hours and increased customer retention.