Centres universitaris adscrits a la
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TecnoCampus

CUSTOMER RELATIONSHIP MANAGEMENT SYSTEM;

A MUST FOR ANY HOME APPLIANCES STORE

MOTIVATIONS, PROPOSAL AND BENEFITS

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Final degree project

Business Administration and Innovation Management

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1 Introduction

The intervention project to be developed is based in the company MILAR store located in the town of Calella, an electrical home appliances in-store retailer.

The reason that made me consider running this project is the clear impression that MILAR Calella is lagging behind the industry when it comes to the digitalization of its operations, especially regarding customer-oriented processes and their communication policy. Ecommerce is a business model on the rise, and developing an omnichannel strategy will be fundamental if the company wants to keep operating over the foreseeable future. Their communication is mostly unidirectional, running no ads, having no social media presence, and making it hard for anyone to communicate with the store if it is not by making an in-person visit, because even making a phone call is hard. The business model is convincing people to enter the store once they have a clearly detected and urgent need when they decide to come, instead of thinking of appealing customers to visit them despite their dishwasher suddenly stops working.

Ecommerce is an ever more popular sales channel, and as such, it will grab market share from conventional stores as it becomes more widespread. We still have not found the tipping point where the online selling model has not stopped growing, and it does not look like it will in the foreseeable future. With firms like Amazon or AliExpress posing very strong competence at bargain prices for any sorts of products and heavy investing in infrastructure and marketing, I have no doubt many of the stores we are used to see in smaller towns will succumb to the innovation of these tech giants if they haven't already. Moreover, traditional retailers working in bigger cities well known for selling their products in vast-surface stores like Worten or Mediamarkt have also successfully shifted their business model by building competitive ecommerce sites that are able to challenge the previously mentioned online-only counterparts.

The ultimate purpose of the project is to develop a full digitalization plan under which an omnichannel sales strategy modifies the sales paradigm of the store. Right now, very few processes are digitalized, especially when it comes to customer-oriented processes and customer management as explained later on, so I consider this a necessary step for the business to take in a growingly digital world we are living in if the company wants to maintain its competitive position and even improve it for the years to come. Out of this wide and tedious objective, the most determining and business-relevant action, is to develop an implementation plan for a customer relationship management software (CRM).

The company's financial and economic health will be analyzed to detect possible problems affecting the firms' future performance and viability, then subsequently determine the firm's capacity to invest in developing such plan.

Also, a qualitative analysis of the company will be undertaken with aims to tackle any other problems not directly related to the financial management of the company such as the current business model and the intangible competitive advantages that characterize it.

1.1 Relevance of the research

I find this intervention can be also useful to develop because MILAR is a company having a strong physical presence in the region, with over 50 stores only in Catalunya and around 400 all across Spain. Despite the fact that the brand also runs an ecommerce, it feels like the store under study (and probably the brand overall) is not fully aware of the changes in consumer preferences and patterns, making me feel that the current business model and operating procedures can have a bad impact on the company performance over the long term or at least, the situation can be improved to boost its profitability. That fact combined with the inflationary context the Eurozone finds itself in leads no easy path for the firm to continue operating the way it does without facing any negative consequences. The consumer electronics industry is dedicated to selling high-ticket, long-lasting technology intensive products, and buying them oftentimes requires serious consideration and planning (saving) for its purchase, especially in a situation of decreasing purchasing power of money. It is not uncommon to see this sort of items being sold on credit.

1.2 Relation with the field of study

The project will help me develop many skills and competences worked along the degree, given that this project is set to work on several dimensions of the competencies developed in the degree, not just focusing in one.

To conduct the analysis of the context under which the intervention is justified, key takeaways from analysis of the macroeconomic environment are really helpful to establish the reality under which my project is being developed.

Regarding finance, the analysis and understanding of corporate statements like a balance sheet and an income statement are fundamental methods linked to the courses taken in accounting, short term investment, financial management or cost accounting just to name a few. Conducting such analyses is crucial for me to start applying my previous knowledge to the real business case that is developed in this paper, helping me develop my analytical skills, creative thinking and problem solving needed to become a successful professional in the labor market, extracting trustworthy conclusions from which effective actions can take place helping improve the economic reality of the company I am working with.

On the other hand, an important part of this project is based on proposing real and innovative solutions that are derived from the financial analysis, assessing the investing capability of the firm, and adapting it to its particular situation. The courses taken over the last four years like innovation strategy, entrepreneurship or creativity and innovation are basic to know what solutions can be proposed and measure the eventual impact they can have once implemented.

When it comes to operations, the incorporation of technological tools, the knowledge arising from ICT tools, operations management or social media can help me build a framework to work with as well as a structured way of working to never lose sight of both objectives and progress.

Finally, the proper accomplishment of this intervention can be a valuable proof of experience for future employers, especially before I start entering the labor market having no previous experience other than the internship I did, or other work experiences not related with my field of study.

It is also worth noting that there are no previous research studies neither intervention projects on the company I propose to work on, making it more than reasonable and justified to run this project.

2. Objectives

As described in the introduction of the project, the company is partially digitalized, with internal processes mostly carried out using IT systems connected to the internet, yet this process is rather oriented towards internal functioning of the company and is not aimed at customer in any sense. Invoices for instance are easily made using a software, and the main usage of it is for procurement of inventories from either supplier to store or the supplier to the client going through the store first. Besides from that, the company is lacking many digitalization aspects regarding customer relationship management, software than can integrate the relationship with the buyer and their information. The same happens with social media, the brand image doesn't go beyond what the customer can see in the store and the poor information that can be found during a google search (location of the store, phone number, not even a contact email is provided).

The general purpose of this intervention is to propose an economically viable plan to adopt a CRM system in the store. Achieving so would give the company a competitive edge and allow a more efficient resource usage.

Given this situation, my objectives for the project are the following:

- Analyze the last years financial reports to get insights about the financial health of the company, its economic viability so far, and try to determine the resource capability of the store to commit to such efforts.
- Build an economic plan to adopt a customer relationship manager software (CRM) that allows the company to reduce its workload and at the same time integrate the customer information and previous history under a synchronized system. This plan expects the system to be implemented by the start of 2024.
- Build a budget and a forecast on the impact of adopting the previous objectives for the following three years and try to determine the potential benefits of adopting such changes.

3. Theoretical framework

There are quite a few references helping better understand the way this research is carried out, and most importantly on what background literature it is based on. The most important points commented on this framework are based on the shifting consumer habits, their transition towards ecommerce as a sales channel, and the so called “retail apocalypse” under which many traditional stores shut their doors in favor of an increasingly relevant online business model, which has been further accelerated by Covid and the impact the restrictions imposed by the government meant to the industry. There are also some comments on the analysis of the consumer electronics retail market structure within the European Union, and its main implications, that also support (at least partially) the convenience of developing an ecommerce. Also, some literature is reviewed on what a digitalization process consists of and some key tools for the business to adopt.

3.1 Shifting consumer habits

Consumer buying habits are changing since internet adoption became widespread and easily accessible, with ecommerce relevance as a percentage of total sales gaining importance year over year. This trend goes in detriment of physical stores, who face limitations on aspects like product offerings.

Needless to say, purchasing online also has its own inconveniences, but it seems that these are being progressively overcome, and trust issues are less concerning to customers. Big firms (over 250 employees) tend to be better adapted to the transition of building an online store than smaller local businesses (Fernández & Flores, 2019). The growth in online sales is connected to a decline in store sales, a phenomenon known as the “retail apocalypse”, referred to as the ever-increasing store closing in favor of an expanding online business model. (Helm *et al.*, 2020). However, that doesn’t mean physical stores are disappearing without a counterpart. Conversely, new locations have appeared in the form of secure lockers, delivery stations and pickup locations among others. (Hagberg *et al.*, 2016).

Tech giants like Amazon and AliExpress haven’t stopped appearing in headlines for at least the past five years. They made heavy investments in Spain, both in developing their logistics network as well as marketing efforts to boost the brand image and gain a foothold in the country once its potential is assessed. The pandemic did nothing but help them spread, and this went in detriment of the conventional, mostly family-owned small stores that used to be found in any small town. Other well-established firms dedicated to the sale of consumer electronics have also shifted their business model to successfully incorporate an online sales channel that supports their conventional business of big stores in the main Spanish cities like Mediamarkt (Dealerworld, 2020).

At the same time, consumers tend to be more loyal to longer established brands compared to newcomers when buying online (Ecorys, 2011), which makes sense given the trust barrier of consumers when shopping online, especially if they have to do so with a firm they don't know anything about, combined to the fact that is has become easier for criminals to commit fraud online (Pascual, 2021).

As previously commented, internet sales are constantly growing year over year, taking a years' worth step forward in a matter of months (thanks to the pandemic), helping remove trust barriers on the sales channel and removing doubts on many reluctant consumers over the convenience and reliability of making such purchases. The perception on increased convenience in addition to the greater comparability of prices and services online as well as the potentially lower ticket of online channels, has shifted the image of the shop as a marketplace to an information source for the consumer (Quint, *et al.*, 2013), becoming a place where to see, touch and get more insights about a product someone might be interested in. Stores are pivoting from a place to buy to a showroom from which consumer decisions can be made, but not to purchase in that same store. The existence of an ecommerce makes absolute sense under this growing trend to try to capture leads that might be interested in purchasing products but not physically in the sales place, evolving the multichannel perspective to an integrated omnichannel strategy, where every channel plays a role throughout the customer journey (Hagberg, *et al.*, 2016)

3.2 Key technologies

The inception of the internet and its adoption by the bulk of the population meant a massive breakthrough under which the World is currently connected and much more interdependent than what it used to. This innovation profoundly changed the business paradigm forever, with the potential of transforming what otherwise would have been a local business into a global enterprise (Hagberg, *et al.*, 2016).

Digitalization can be conceived as any internal process of modernization achieved using ICT (information communication technology) as the core technology to optimize business processes, create new business models or create new processes inside the business that contribute to expanding its boundaries and/or improving its efficiency (Gavrila & Ancillo, 2021).

Under this scope, nearly any process within an organization can be improved by adopting digital technologies that allow for faster and more effective information gathering, establishing communication channels closer to some niches, integration of the business sales channels…

Probably one of the aspects a retailer can achieve the most benefits from is by linking sales data to specific customers under an integrated software. Achieving so is now easier than ever by integrating a customer relationship management software (CRM), there are plenty of options in the market adapted for any type of company size and industry. Besides from sales information, also contact information as well as behaviour patterns, preferences and much more information can be used to feed a customer profile with the ultimate purpose of providing the best experience possible to boost overall performance. Adopting such solutions is potentially beneficial for both customers, retailers and its suppliers, being able to be the cutting edge tool under which customer profitability can be effectively assessed and improved (Cuthbertson & Laine, 2003).

According to Alok (2010), the usage of such tool can be related to a concept called Relationship Marketing which would assess at least these three aspects related to the customer side of the business operations of any company, relationships, interactions, and networks. The aim of implementing this, is to unify all of these under the same integrated and widely accessible technology. That would allow any company that uses it diligently to improve the business performance along with achieving certain reductions in costs, and times to perform certain functions such as gathering customer data using different sources and processes.

According to Salesforce, the biggest CRM supplier by market share, adopting such business solutions help increase sales productivity by 29%, with support costs being reduced by another 27%. Customer acquisition costs are significantly diminished under this technologies, by as much as 27% less.

Nevertheless, Gavrila and Ancillo (2021) argue that sales figures and reports lose their value as long as this data is not correlated to information on customer habits and preferences, therefore CRM loses a big part of its potential to boost performance in SME retailers due to an incomplete use.

Mobile devices have also become a game changer for both customers and organizations, thanks to their portability and connectivity, they can replace personal computers or even be used for different purposes, becoming increasingly important in the retail business, especially regarding marketing (Shankar *et al.*,2010). Note that mobile phones are not part of the hardware used by MILAR nowadays.

Social media has also played a key role in improving the results of those companies who properly adopt them. They have also become a basic component in the daily lives of an increasing percentage of the global population, affecting buying patterns, and therefore affecting the way companies position to strive under such changing environment. According to Ramanathan *et al.*, (2017) social media have become instrumental in boosting the efficiency of operations, allowing a broader comprehension of market needs and how to fulfil them. This trend has just taken off and it is expected to be on the rise over the years to come.

3.3 Competitive framework of sales channels

If we take a deeper look at the consumer electronics retailing, there is a negative correlation between prices and firm size, being the biggest firms in terms of employees the ones that tend to offer lower tickets to consumers. The market structure also plays a significant role when it comes to pricing, with the countries having a more concentrated market tending to be the lowest priced, in the most part, due to the attainment of industry-wide scale economies that allow cost reductions by efficiency improvements. When it comes to the online market for electric home appliances, the market becomes more heterogenous than its in-store counterpart. It varies between product categories, but the trend is clear, being the consumer electronics (such as mobile phones) more relevant in this sales channel than say household appliances (like washing machines or kitchen devices for instance), expecting increasing growth rates for sales of all categories in online channels. (Ecorys, 2011)

It is worth noting that prices in online channels tend to be more convergent than those offered through conventional channels, probably due to customers having greater information and being able to compare more deeply before making a purchasing decision, increasing competition for demand, and lowering the final tickets, eventually making small stores' margins lower in comparison to bigger firms. This means, companies are able to achieve higher profits by selling their products on store, rather than selling them online, as long as there is less information available to the customer and therefore less alternatives to compare. However, according to Khan (2016) this doesn't mean smaller companies can't benefit themselves from going online, as new customer niches can be found there, potentially allowing to expand sales revenues as well as the brand awareness.

3.4 Covid-19 aftermath

Covid-19 played key role in the World economy as a whole since it first was detected at the end of 2019. Many businesses suffered negative consequences of lockdowns and massive contagion, turning into a serious hit for the very many companies, being the retail sector one of the hardest hit (García, *et al*., 2020)

This meant many firms had to incur costs while they were unable to operate, or most people were just simply locked at home by law, only being able to go out for very specific reasons, limiting severely the population mobility and restricting their consumption potential. In addition, the field of activity of MILAR was not recognised as an essential activity, therefore all of its stores had to shut down during the first wave of restrictions imposed by the Spanish government (Martín, 2020).

That situation left many businesses in a very weak economic and financial position, out of which a considerable number of firms would have become insolvent if restrictions hadn't been lifted earlier or some sort of government support programs hadn't been established. From the second trimester 2020 to the fourth trimester of the same year, the number of companies in liquidation rose by more than double, up to the number of 2987 (INE, 2021)

3.5 Ecommerce numbers in Spain

Regarding overall market data, Spain is the fourth biggest online business-to-consumer (B2C) market in all Europe, being one of the main drivers of digitalization in the continent, with lots of work to do, when looking at the market structure of companies in Spain. Out of the nearly 3 million companies operating in Spain as of October 2022, 93,34% of them have between non to 9 salaried workers (small and micro companies), while only 6.61% have ten employees or more. That structure implies most firms are poorly capitalized, meaning investing in new business formulas as digitalization can be, or adopting social media, can pose a serious challenge that might bring them into serious viability problems due to a lack of resources available (Ministerio de Industria, Comercio y Turismo, 2022).

Despite that, the ecommerce sales volume in the country is set to reach 25.82 billion euros by 2024, at an average growth rate of 7.6% between the years 2020-2024, under a current internet adoption rate of 70% of the country's population there are still many blue oceans to exploit over the coming decade.

The last available information on ecommerce sales, attributes 16.91 billion euros to this sales channel setting all-time highs every year, the transaction growth rate has been 15.6% on 2021 up to 244.4 billion (see figure 1). Home appliances only making 2.9% of the total, falling very short of other sectors like clothing that makes up 8% of the aggregate. (CNMC, 2021)

QUARTERLY EVOLUTION IN THE NUMBER OF TRANSACTIONS OF ECOMMERCE IN SPAIN AND YEAR-OVER-YEAR VARIATION (million transactions and percentage)

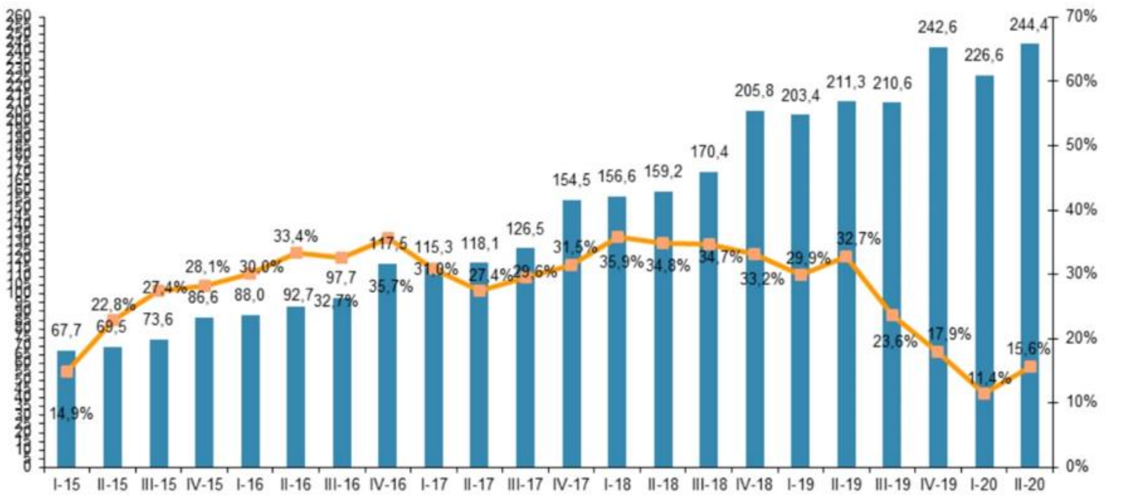

Figure 1. Source CNMC

3.6 Conclusions

To sum up, there have been many circumstances affecting the industry and the business model of the companies dedicated to selling home appliances and consumer electronics. Being present on the internet has become a must for any organization that wants to strive in an increasingly online environment, both by selling products on the web, and communicating using ICT tools such as social media, where many customer niches and different profiles can be found asides from the traditional in-store customer profiles. Brand loyalty is an important factor in any customer purchasing process, but that doesn't mean companies don't need to keep investing in improving processes and maintaining their prestige to be successful.

With the internet adoption and the expansion of ecommerces, customers are now able to gather more information than ever in a very time and cost-efficient manner, obliging the industry to become more competitive, causing smaller price differences between retailers.

The covid crisis was a black swan of great magnitude, whose consequences are still present three years after it started. Economies closed all of a sudden, people were obliged to stay at home, and many business were forced to close temporarily. Many of them were forced out of business after a long period of inactivity where costs didn't disappear but there was no way to achieve any revenues. Yet governments put in place measures to soften the consequences of the crisis, still many firms succumbed.

Finally, ecommerce is a sales channel that grows in relative importance year over year, becoming mandatory for retailers to be present in this sales channel, given that there are no signs the growth of adoption is close to stalling. Attached to this, the usage of technologies like mobile phones (especially regarding company online communication) and CRM software are tools that have great potential to positively contribute to the business performance.

Therefore, if the MILAR store in Calella wants to keep improving its results and stay in business for the years to come there are some key technologies it must adopt as soon as possible, shifting its business model to an omnichannel approach that allows them to better capitalize on the market potential in is its area of operations as it will be seen in the following sections of the intervention. The covid-19 pandemic was a fact that forced many competitors out of business, and severely affected others. Now there is an opportunity under which a new business paradigm can be implemented in the store.

4. Internal analysis

4.1 Introduction

Nearly all the information exposed in this section is extracted from the interview made to the store manager in Calella on November 29th (except for the economic-financial analysis), yet further contact with the store will be needed to properly conduct the intervention.

MILAR is a brand name under which a sort of association of businesspeople run their stores, it is not a company by itself, given that in reality, the true companies are the societies that the associated partners use to open their stores.

This system is known as horizontal chains model, where the different stores run by different owners operate independently under a unique brand name, and mostly benefit of purchasing products together and using the same logistics hub to cut costs and achieve greater bargaining power over their suppliers (Diputación de Granada, 2016).

It works like a club, the store owners decide to where to open new stores, and under which conditions, and set the limits for investors on aspects such as the reach of the marketing of each individual store. They decide what can be done and what not, and for now, they are not open to accept new investors neither opening new stores (either by one of the current partners nor by accepting new investors). There are over 400 stores across Spain, with more than 50 just in Catalonia, being one of the brands with the greatest physical presence in the region.

4.2 Business analysis

As previously commented, partners in Catalonia work together to have greater bargaining power when it comes to purchasing inventories, given that they use the same logistics warehouse from which the inventories are delivered to the final customer and the stores. There is also an ecommerce site, and according to the interviewee, the profits derived, are mainly invested in branding and advertisement at a national level, but the store owners do not receive any income from the revenues derived of the online business. More research on who takes care of the ecommerce is needed, as well as information on how it operates.

This first introduction is only intended to contextualize the situation of the store being studied in this project. The MILAR store under study was founded in Calella in November 2005, and has been operating successfully ever since. It is dedicated to selling consumer electronics and home appliances of all types, from dishwashers to TVs and mobile phones.

This store doesn’t run any online business of its own, therefore it is only dedicated to selling products in-store. It has been able to thrive thanks to the competitive advantages mostly arising from its history in the town and the quality and convenience in their service.

The owner has been working there since it was first opened, and it continues this way nowadays. According to him, the main differentiating factor of the store with respect to online businesses like Amazon, or greater retailers as Mediamarkt (and its respective ecommerce) is based on the experience and knowledge about the product. They are true experts on what they sell, knowing every characteristic of each product and brand, helping the client build confidence in the service they provide which is very valuable given the personalized service of solving customer needs focusing on their problems.

Knowing the products is fundamental to make a good recommendation that suits the client's need in all senses (price, size, installation service, availability). As mentioned in the previous sections, the retail apocalypse has made many businesses shut their doors forever, but MILAR Calella was able to continue working because its service is pretty much valued by locals, unlike the other stores that used to be in the town as all of them succumbed to the changing environment.

There are no stores nearby offering the same product range or anything similar, so if a person living in Calella or nearby wants to purchase a washing machine for instance, that person should go to Mataró or further to purchase it if he doesn't want to resort to buying online.

Another key factor is the availability and the service speed, according to the owner he can install any device the same day it is ordered, making it much more convenient than any other possibility in the area either online or offline.

When it comes to marketing, they are very traditional, not having a single social media account on any platform, and only running ads through local newspapers and the local radio, which is relatively cheap, given that the marketing at the brand level is coordinated by all the store owners, they are not able to promote their products further from the local context. Their policy is to find a product that fits clients' needs and proposing alternatives, being as transparent as possible and transmit confidence, aiming at building loyalty.

Last but not least, the store manager argued they don't receive any commission or incentive from the brands they sell, so they are totally independent when it comes to recommending a product, which makes them transparent to the public, something very valuable these days, which combined to their expertise, allows them to always provide the best possible solution according to the needs of each specific customer. Also, they work with people who takes care of installing the devices, and that service is included in the price transparently, making it very suitable for people, especially in case they have an urgency and need to replace a device as soon as possible.

All in all, we find this store is a niche-oriented business, aimed at providing locals the convenience of having a store near home and a place where to receive adequate advice without incentives to sell a specific product from a certain brand, being completely independent on what they do, and with the reliability that eighteen years of experience selling such products provide.

So far, and according to the owner, the company works really well and that they expect to continue operating in the upcoming future obtaining positive results. Despite that, they were reluctant to share financial information with me.

To overcome this problem, I searched in SABI, the only available database in the university to search corporate financial reports, and tried to find a company with numbers that could be comparable to those of the Calella store. I was lucky enough to find a MILAR store in SABI called MILAR Moragas SL, located in Comunitat Valenciana. The financial and economic analysis and all the following decisions made on the intervention will be based on the assumption that those numbers properly reflect the economic and financial situation of the store in Calella.

4.3 Economic and financial analysis

Once the data is exported from SABI and processed into a summarized balance sheet and income statement, it can be interpreted using ratios, keeping an eye on the evolution of its main components, and making some calculations of my own to better understand the current situation of the company (and its recent evolution) to determine its profitability, sources of financing and finally the company's capacity to invest. The methodologies used to build this analysis are mainly based on the book *Finance for managers*, written by Martínez Abascal and Aguirreamalloa.

Starting with the income statement, its in-depth review will allow me to see how the company makes money, see the evolution of revenues and expenses, and later identify the most important changes on the different items over the last eight years (from 2014 to 2021), as well as looking at the different ratios that will help me provide a diagnose for the economic health of the company.

That being said, the revenues were very close to all-time highs during the last year available, 2021 with 1.5 million euros. This record was last beaten in 2016, and from since, revenues numbers had an unstable behavior, mostly decreasing until 2019, where the situation seemed to be turned around, just when the pandemic came, making these numbers go back again. See figure 2.

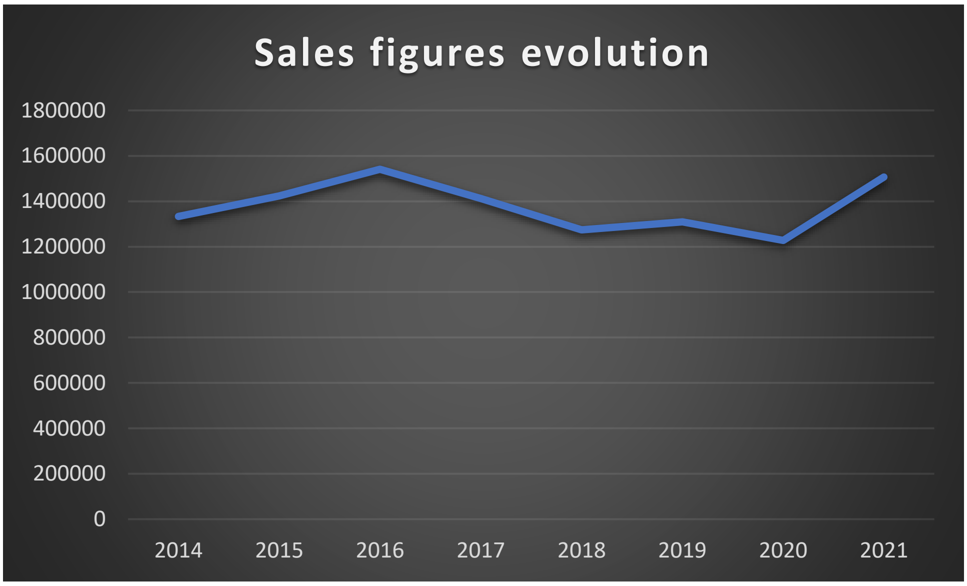

Figure 2

Built by the author from data on SABI

The cost of goods sold (COGS) makes up the biggest expense of the company every year, which is common considering that it is a retailer. Its gross margin figures vary from 27% to 23% of sales over the years studied with a slightly reducing trend. On the other hand, personnel expenses have stayed relatively the same, with the company being able to also maintain its operating expenses (including salaries) at halt, usually making up for 20% of sales (see figure 3).

Common size income statement

	2021	2020	2019	2018	2017
Sales	100%	100%	100%	100%	100%
COGS	77%	75%	75%	73%	74%
Gross margin	23%	25%	25%	27%	26%
Other operating income	1%	1%	1%	1%	1%
Labor cost	8%	9%	9%	9%	8%
Other operating expenses	11%	13%	15%	14%	12%
EBITDA	5%	3%	2%	5%	6%
Depreciation and amortization	1%	1%	1%	1%	1%
EBIT	4%	2%	0%	3%	5%
Financial income	0%	1%	2%	0%	0%
Financial expenses	0%	0%	0%	0%	0%
Financial result	0%	1%	2%	0%	0%
EBT	4%	3%	2%	3%	5%
Taxes	1%	1%	0%	1%	1%
Net income	3%	2%	2%	4%	4%

Figure 3

Built by the author based on data from SABI

This leaves the company with a margin EBITDA of 5%-3% of sales, not a very big margin that is improved by a constantly positive financial results that the company achieves every year, yet this item is not a great profit booster since the best years only achieved this financial result to represent for 2% of sales. It is remarkable that the company doesn't incur financial expenses, only registering revenues that help it improve its results. When this value is compared to the sector's standards, it turns out that this figure is not that bad, since it is above the median of its sector (retail sale of home appliances with revenues smaller than 2 million euros), outperforming more than half of the population 7400 companies registered.

In the end, this situation leads to a profit margin (return on sales) of 2%-4%, a small return compared to what the company could do if the cash surpluses it generates were invested as we will see later. Profitability for shareholders measured using ROE, doesn't give any different numbers, since the company is not leveraged at all, this metric remains pretty much identical to what the return on assets looks like (see figure 4).

The return on assets has varied over the last years from 0% to 7%, with no stable pattern. When comparing this metric to similar sized companies in its industry according to the ratios published by the Bank of Spain, the company surpassed the median over the last year available (2,17%) by more than double, yet it is far from reaching quartile 3 values.

On the other hand, the asset turnover, is smaller than five years ago, with value ranging between 110% and 130%. When compared it to its sector, the company finds itself within the median, once again being very far from the top performers of the third quartile. See the appendices to compare the company's performance against the industry.

Key income statement ratios

P&L ratios	2021	2020	2019	2018	2017	2016	2015	2014
Growth of sales	23%	-6%	3%	-10%	-8%	8%	7%	
Gross margin/sales	23%	25%	25%	27%	26%	24%	24%	24%
OPEX/sales	19%	22%	24%	23%	20%	19%	20%	20%
Increase of OPEX	7%	-15%	7%	3%	-1%	2%	3%	
EBITDA/sales	5%	3%	2%	5%	6%	6%	5%	4%
ROS	3%	2%	2%	4%	4%	4%	3%	3%
ROE	4%	3%	2%	5%	6%	6%	5%	4%
ROA	5%	2%	0%	4%	7%	7%	4%	4%
CFO	57589	44166	41153	66318	75852	79137	63081	60525
Cost of debt	0%	0%	0%	0%	0%	0%	0%	0%
ROE decomposition	4%	3%	2%	5%	6%	6%	5%	4%
Profit margin (ROS)	3%	2%	2%	4%	4%	4%	3%	3%
Asset turnover	130%	110%	117%	122%	141%	158%	150%	155%
Leverage	109%	107%	110%	109%	110%	114%	116%	110%

Figure 4

Built by the author based on data from SABI

Once the income statement has been dealt with, the analysis of the balance sheet will allow to see the company's financial position, how its operations and assets are financed and what are the inherent risks of its financial structure.

By first looking at the asset side, it is easy to see that the company is stockpiling cash, currently making up 25% of all assets. That fact may be due to several reasons, like hedging among the current uncertainty of the market or because they are preparing for a new investment project that needs funding, whereas inventories have kept a stable pattern of around 10% of all assets, meaning the company is able to sell their inventories effectively (it doesn't grow every year, which would mean they are unable to sell them). The rest of the balance is composed of fixed assets, which are all put together in the same line, inasmuch as I don't consider them relevant for the analysis.

When it comes to the liability side of the balance, the first thing I see is that the company only uses supplier credit as its only source of short-term financing, as it doesn't use any bank debt to cover for any liquidity problem it may have. The fact that they only use this source of financing regarding current liabilities doesn't mean they leverage a lot on it, since never makes more than 10% of all liabilities plus equity.

Actually, the same happens when we look at the long-term sources of financing, we see that they are exclusively comprised of equity (capital) that the company generates and invests, with the company being debt-free and very prudently financed, as it can be seen in figure 3. If we can highlight one advantage of such financial structure, is that the company is very well financed, and that reduces the risk for external factors and shocks, as well as the fact that they don't pay any interest on debt since the company doesn't own any. It also poses a risk in a bad economic context or under a scenario where the company fails to adapt to new trends and starts incurring losses that would eat up all the capital.

Regarding operations financing, we see that the needs of funds for operations (NFO) makes up a very small percentage of sales (not more than 7%), meaning the company doesn't require so much money to properly run their operations, which is always a good sign, especially under a situation where sales are growing and a record number sales was registered, with NFO reducing its relative importance with respect to revenues. When comparing this value to the working capital (WC) we see that the difference between these two metrics provide very big cash surpluses year over year.

That demonstrates the company has a great capacity to invest in expanding its boundaries and aiming for new niches adopting a different strategy, like the one proposed in this intervention project, since the company accumulates more than 140,000€ cash surpluses every year since 2014, with cash resting on the balance sheet with most of it having nowhere to go to make the company more profitable. See figure 5.

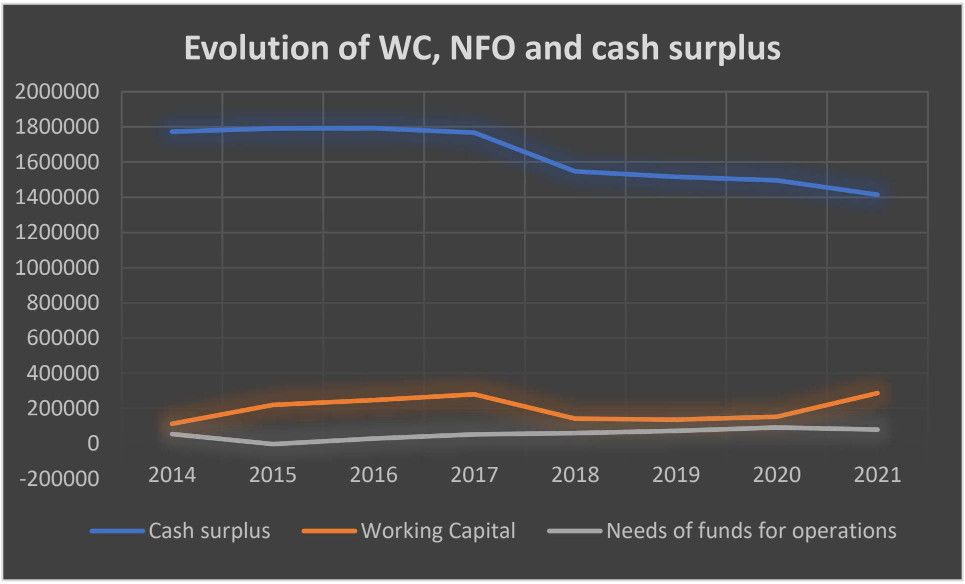

Figure 5

Built by the author from data on SABI

This prudent way of financing the enterprise is also backed by a strong solvency position, since the company doesn't have debt of any type (either financial or non-financial), only having supplier credits that represent a small percentage of the balance (see figure 6). The main solvency ratios show what the raw data already tells us, since in many items of the balance there is a zero, like in bank credit, long term debt or other non-current liabilities. That explains why the cost of debt is zero, debt to EBITDA is also zero and the leverage ratios show a nearly 100% self-financed structure.

The exact same thing happens when looking at the liquidity ratios, that show very high values that makes me think of idle assets that are underutilized, therefore providing no returns (see figure 7).

The operational ratios also show the company is properly managed since the receivables in days are very close to zero every year, meaning the company collects money from its sales instantly. The days of inventory are not that stable, but have decreased from numbers of 55 to 41 days in 2021, which means the company takes less time to sell the inventories they purchase, while they take very short time to pay their suppliers as we can see with the metric payables in days, which is on average no bigger than 20 days.

To sum up, it is not hard to see that the MILAR store that is studied has always been very cautious regarding financial decisions. Nearly all assets are financed using equity of the company, there is no leverage at all, therefore no interests ever have to be paid, which is a sign of security and stability, but also leads to some other issues. The company has a very big cash stockpile that probably remains mostly unused, and profitability could be higher if those resources were properly utilized, these surpluses could perfectly be used to implement an omnichannel strategy for the store, providing me with one more reason to justify such intervention. Regarding operations, the company is efficient selling its products and suppliers are always paid on time.

There is no risk that the company could one day default its payments, it is completely solvent, and has more than enough liquidity to face any short-term unexpected need.

Common size balance sheet

Assets	2021	2020	2019	2018	2017	2016	2015	2014
Cash	25%	14%	12%	13%	28%	25%	23%	13%
Receivables	0%	0%	0%	0%	0%	0%	0%	1%
Inventory	11%	12%	13%	9%	9%	9%	10%	11%
Current assets	36%	26%	26%	22%	37%	35%	33%	24%
Fixed assets	64%	74%	74%	78%	63%	65%	67%	76%
Total assets	100%	100%	100%	100%	100%	100%	100%	100%
Liabilities+equity	**2021**	**2020**	**2019**	**2018**	**2017**	**2016**	**2015**	**2014**
Payables	4%	4%	7%	2%	4%	7%	10%	5%
Other liabilities	0%	0%	0%	1%	0%	0%	0%	0%
Bank credit	0%	0%	0%	0%	0%	0%	0%	0%
Current liabilities	4%	4%	7%	3%	4%	7%	10%	5%
Loans (long term debt)	0%	0%	0%	0%	0%	0%	0%	0%
Other NC liabilities	0%	0%	0%	0%	0%	0%	0%	0%
Equity+ reserves	92%	93%	91%	92%	91%	88%	86%	91%
Net income of the year	4%	2%	2%	5%	6%	6%	4%	4%
Total liab. + equity	100%	100%	100%	100%	100%	100%	100%	100%

Figure 6

Built by the author on data available in SABI

Operational ratios and key balance sheet ratios

Balance Sheet Ratios	2021	2020	2019	2018	2017	2016	2015	2014
Receivables in Days	0	2	1	1	0	0	1	2
Inventory in Days	41	53	55	36	31	29	31	32
Payables in Days	16	19	31	9	13	20	31	17
NFO / Sales in %	5%	7%	6%	5%	4%	2%	0%	4%
Leverage = Liab. / Equity	1,09	1,07	1,10	1,09	1,10	1,14	1,16	1,10
Debt / EBITDA	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00
Debt ratio (all liabilities)	4%	4%	7%	3%	4%	7%	10%	5%
Current ratio	8,10	6,03	3,61	6,82	10,05	5,29	3,26	4,92
Acid test	5,54	3,23	1,75	4,13	7,61	3,85	2,31	2,78
Cash ratio	5,53	3,12	1,70	4,06	7,61	3,85	2,28	2,64
Cash conversion cycle	25	36	25	28	18	9	0	18

Figure 7

Built by the author on data available in SABI

5. Situational analysis

5.1 PEST analysis

To better introduce the intervention and understand the way it will take place, it is fundamental to analyze the context under which it will materialize.

The pandemic caused by the Covid-19 virus is probably the most important shock to the macro environment in the last decade, having a vast impact across the whole world, with some consequences still having effect nearly three years after it all started. It caused an economic storm of unprecedented magnitudes in a surprisingly small timeframe.

Most firms experienced a profoundly negative impact on their turnovers during the pandemic, especially during 2020, where the strictest restrictions took place as an attempt to halt the spreading of the disease, with the retail sector being one of the hardest hit sectors, García, *et al*. (2020).

According to García *et al*, (2020), confinement measures in the countries studied (Spain included) increased the risk of firms going insolvent or bankrupt if restrictions were not lifted or any lifeline was to be established. In fact, that rate was affecting between 30% and 50% of retail firms excluding those selling food and beverages. More specifically, a 40% reduction in revenues was expected for the sector in the fiscal year 2020, with managers' expectations being extremely pessimistic regarding the Economic Sentiment Indicator (ESI).

Luckily, not everything is bad news. Given the current situation, it has been proved that many sectors of the Spanish economy were all but ready for the reality shock the pandemic posed for business and consumers in terms of digitalization. As the survey conducted by IONOS proved only 44% of Spanish firms had a webpage before 2020 started. González, (2021)

Under this situation, the government launched a support program aimed at helping small and medium enterprises (SME) and self-employed workers obtain funding to commit on digitalization and cybersecurity investment. The program is known as Kit Digital and offers grants of up to 12000€ depending on the purposes of the company and other parameters.

As a consequence of the pandemic, many industries severely affected, especially those relying on long supply chains and complex manufacturing processes such the microchip and semiconductor industry, which is highly concerning circumstance for MILAR, given that it is a company dedicated to selling products that are very reliant on the well-functioning of these industries.

Lockdowns, trade restrictions and product shortages have made companies and governments rethink how industries work and how supply chains should be dealt with after seeing the vulnerabilities on a system that suddenly stopped working in 2020. Demand plummeted all of a sudden, and manufacturers and shippers alike had to adapt to the changing environment. It turns out that fixed capacity and operations are "easier" to turn off than expanding it, so when demand flourished again, firms were not prepared enough, therefore bottlenecks appeared, and shortages showed up (Shih, 2020).

Products like home appliances rely heavily on complex technology-intensive components that cannot be all manufactured by a single firm, instead, different enterprises specialize in producing specific key components that are later on combined to create final consumer goods. Therefore, its manufacturing supply chain is long and tends to involve several parties, making its supply fragile in case supply shocks like these happen.

Progressively, the shortages started coming to an end, yet there is a sector that resists to go back to what we used to consider the normal situation, this is the semiconductor manufacturing. Several factors have affected this industry, from the previously mentioned issues to geopolitics or structural supply issues that have been accentuated with the pandemic. It is hard to predict when the crisis will end, but it is expected to keep on for the remainder of the year and even through 2024 and later (Hoecker *et al.*, 2023)

Another key factor that allows us to have a brighter image of the situation is the current inflation rate the Eurozone is currently suffering. After the last available revision (October 2022), the consumer price index (CPI) is set to reach a record 10.6% this year (see figure 8), setting a decades high rate for the monetary union and posing challenges for consumers, businesses, and governments (Eurostat,2022). Under this situation, producers expect higher raw materials prices, that in turn will affect finished goods as well. Many times, firms are not able to transmit these increasing costs to consumers, especially in competitive markets where there are more substitutes, making hard for companies to maintain their profit margins and eventually affecting employment rates and consumption spending.

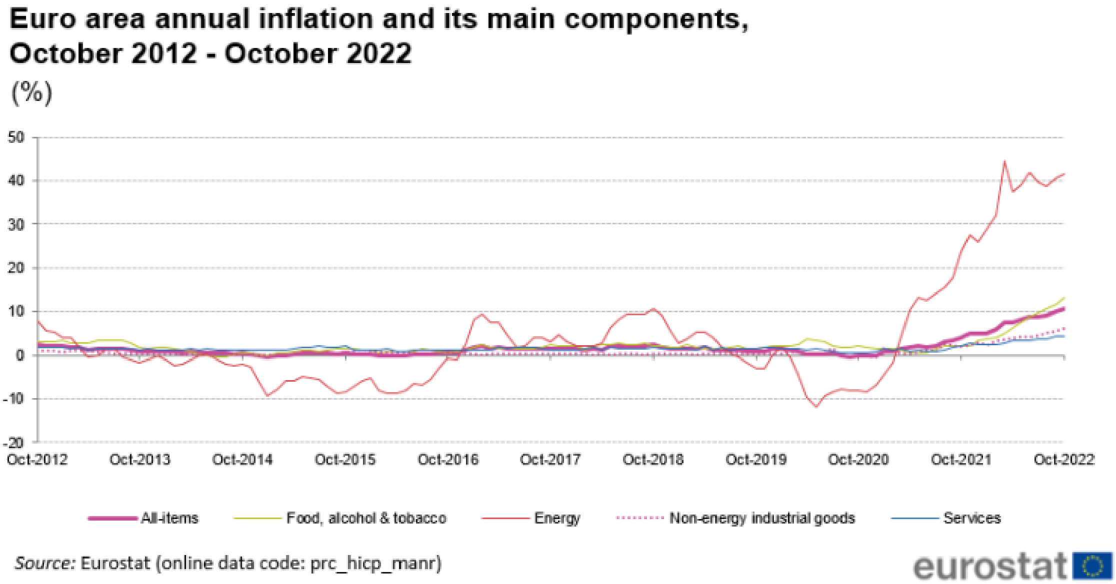

Figure 8

Source: Eurostat

Resale of used articles has been a long-standing tradition in society (Hristova, 2019), becoming more widespread since the internet adoption has further democratized access to all sorts of products and services. Thanks to platforms like Wallapop or Milanuncios for instance, it is easier than ever to sell an item you don't use anymore or purchase anything at a bargain price compared to a brand-new product. It is for that reason that that around 37% of Spaniards have made a second-hand purchase along the year 2021 (Satista, 2021). The fact that 23% of the second hand sales in the country have been consumer electronics (13%) and home appliances (10%) can be both an opportunity and a threat for the company under study, since it can benefit from its position and try to become a marketplace for such items as a secondary source of income, but it can also lose market share due to those same sales if they are not under its control (see figure 9)

Secondhand goods sold in Spain by category year 2021

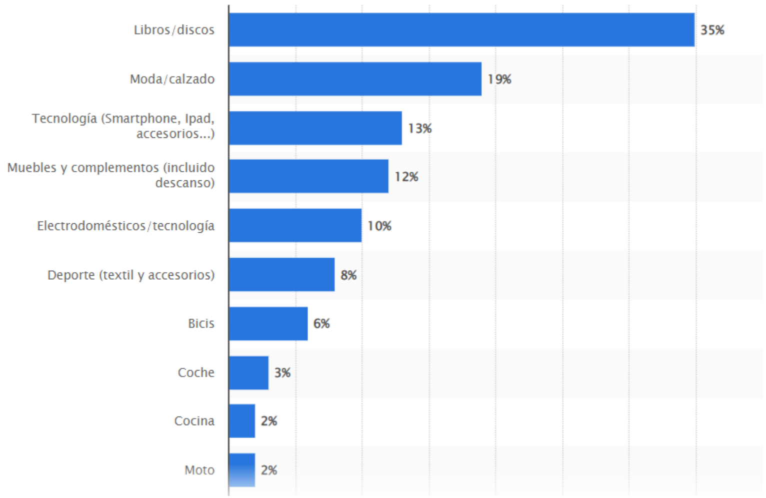

Figure 9 Source: Statista

5.2 Competitive position of the store

It is a remarkable fact that the MILAR store is the only business in town and its surroundings with this product offering or anything similar. Just a simple search in Google Maps will let us know where we can search in case I wanted to purchase a washing machine.

As it can be seen in figure 6, I searched for “tienda de electrodomésticos”, consumer electronics/home appliances stores in Calella and the towns around. In town, there is just a small outlet dedicated to the sale of a limited range of home appliances which for the most part are not integrated by new products into the market, but rather stocks of older devices that are sold for a lower ticket than any counterpart found at a conventional store. The other pins that appear in Calella are plumbing services that appear in the search, a hardware store (ferretería) and a store that is not open anymore.

If a citizen of Calella want to purchase a piece of hardware to wash clothes for instance, he should have to go to either Blanes (20km away) or Arenys (13km away) where he would find another MILAR store, so if he doesn’t like MILAR or is not interested, he should go to Mataró to find a retailer with a similar or bigger product offering which is 25km away. Given these circumstances, the MILAR store disposes of a decently big area where we could say that there are no competitors (besides another MILAR store) in a range of about 35km.

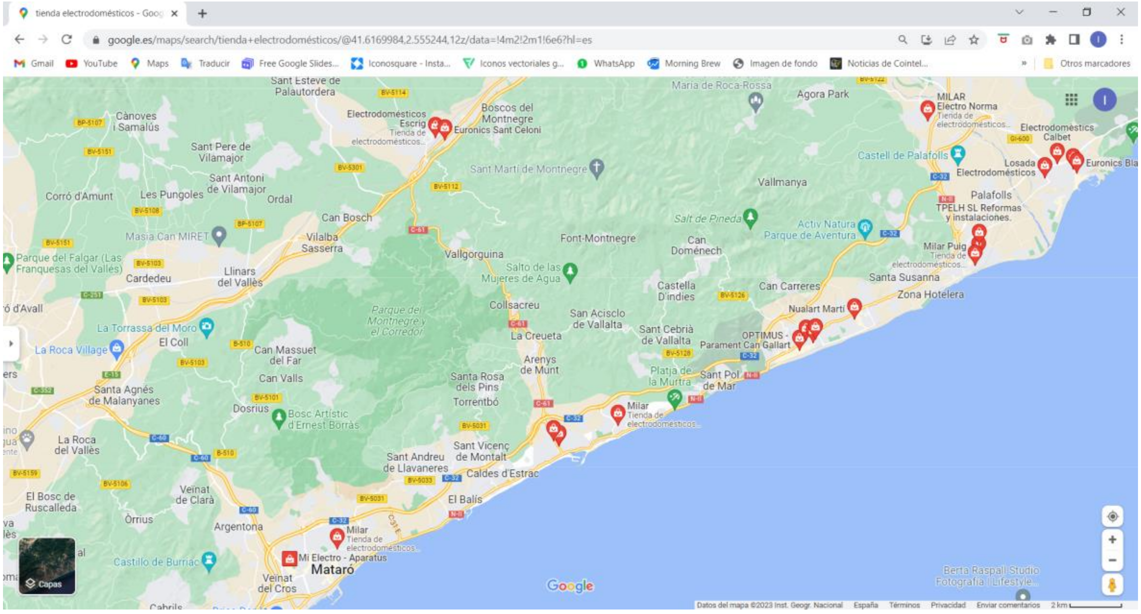

Figure 10

Extracted from Google Maps

6. Analysis synthesis: SWOT matrix

Now there is enough information to build a proper SWOT matrix where all the internal and external elements that could have an impact in the proposed project can be visually displayed and then explained.

STRENGTHS	WEAKNESSES
Strong brand positioning Only competitor in town Financial strength Product knowledge Long time in town Unbiased product offering Great investment capacity Service speed and convenience	Poor communication policy Small company size Excessively conservative financial management Low profitability Poorly digitalized business Investment in unprofitable ventures
OPPORTUNITIES	**THREATS**
Implement new communication channels Further investment in marketing Adopting an omnichannel strategy Adopt a CRM to gather customer information Government grants for digitalization Resale of second hand appliances	Online-only platforms Big surface stores located in bigger cities Inflation Showrooming consumer patterns

Starting with the strengths, it could be argued that the company finds itself in an enviable position regarding the consideration of investing some of the cash surpluses it has generated and not invested over the recent years.

The brand MILAR is well-known in Calella and its surroundings, as in every town where there is a store belonging to the brand. In my case, it has now been opened for eighteen years. Most of them took off long time ago, so the brand is highly recognizable and is well-known as a quality seller that provides a fast and customized service. As previously commented, any device can be installed within the span of one day no matter how big or heavy it is.

The sellers of the store are very experienced, and know every detail of the products offered, being able to always provide the best possible solution for every customer. Moreover, the store doesn't have any incentive to sell any brand in specific, since they don't receive any commission for selling a concrete product, making them completely independent in their recommendations and being completely transparent when displaying the motivations to make a product suggestion to a client.

In addition to that, and most importantly, the company disposes of a big cash account in its balance, that can be invested to develop their sales strategy, digitalize processes, and adopt new communication and sales channels, eventually disrupting the paradigm under which they currently work. The company has been able to turn a profit over the last eight years with no major concerns, saving most of the surpluses generated instead of investing them. As seen in the theoretical framework and the analysis following it, the world is increasingly digital, meaning the company must increase their efforts if they want to stay successful in business over the foreseeable future asides from improving the returns which can potentially be achieved implementing all the above-mentioned actions.

The opportunities the store can benefit from are pretty much derived from the strengths already detected that will allow to turn them into objectives executed under a structured action plan.

Communication is now more important than ever for any business that wants to be profitable, and the MILAR store in Calella is missing very important points yet they perform excellently in what they already do (in-person selling, post sales service, product recommendations…). As previously said, there is no single social media account run by the business, neither they run a webpage of their own where they could convert leads and process their information to further contact them in order to make a future conversion. This is ever more relevant, and having at least a contact page where they can easily be found is fundamental, even though it would be optimal to build an ecommerce site where the store could sell its own inventories. They currently rely on word of mouth, brand image, some newspaper and local radio ads besides already loyal customers to keep on selling their products. It seems like much more can be done to improve exposure and boost their recognition and sales.

Linked to the fact that there is no landing page for the store nor any other online communication channel like social media, it is advisable to complement the adoption of these technologies with a customer relationship manager (CRM). This tool would allow them to integrate data on already existing customers as well as any individual potentially interested that goes through a webpage and fills a contact form, someone that contacts the brand via social media and plenty more, allowing them to better segment their target customers and serve them better by segmenting them according to their psychographic and demographic profiles. That would probably make conversions cheaper, more effective, while at the same time allowing them to sell to a greater audience and overall boosting the company's performance both in efficiency terms (reduced expenses) and in absolute terms (greater sales figures).

All in all, the aim of the previously mentioned opportunities aim to transform the company sales funnel and integrate it into an omnichannel salespoint, where all the different platforms and places where the store can be found play a different role in the purchasing process of a potential customer, as well as increasing visibility and brand awareness in spaces where the company cannot be found nowadays.

Another opportunity the company can take advantage of is the resale of secondhand goods that still work properly, given that this market is on the rise as it is explained in the external analysis of the company. Many platforms that act as a marketplace for such items have become so popular over the last decade, and that might be a chance for the company to establish a secondary source of income that would help them improve their results at a potentially low marginal cost, especially if they don't purchase the products they will resale, but rather display them or upload them to a resale portal and take a markup whenever it is sold.

I would also like to highlight that since the Covid-19 pandemic took place, there have been several government programs to help small and medium size companies digitalize their processes by providing grants and loans under very favorable conditions, which is an incentive more for the company to invest in such effort given that the state might sponsor part of the investment.

Some of the weaknesses of the company were already commented implicitly when describing the opportunities the store could leverage on to improve its performance, like the poor communication policy that currently takes place, being old fashioned in some aspect, as well as poorly digitalized, yet they do well what they already do, it feels like they have missed most of the consumer behavior changes of the recent years, and that might pose a serious risk in the upcoming future.

The company is very small, just the owner and a saleswoman work there, and they can handle the workload they currently have, yet some demand peaks happen in specific times of the year, and they are the ones who absorb it, maybe carrying out such an ambitious plan for such a small company in human terms can be a serious challenge that might require hiring some people in order to successfully implement it.

The company's financial position has already been talked about, and its management was excessively prudent, not incurring in any debt and everything being self-financed. However, the most important mistake of this is the accumulation of cash that sat in the balance serving no purpose other than making the company less profitable than what it could potentially be, given that these resources were idle instead of invested in profitable projects providing a return that would boost the performance ratios of the company, especially the ROA and ROE (and of course, its shareholders). Investing that money in unprofitable ventures would equally be devastating for the company, therefore it is advisable to invest it in expanding their reach, achieving greater sales, and reducing the cost of conversion of customers to make it as risk-free as possible instead of risking it trying to join new markets where the company has no experience.

The retail apocalypse phenomenon can pose a serious risk for the company if it hasn't already become one, against which there must be a reaction under the current market trend of growing online sales, if not, the store might be forced out of business. Retailers like Amazon don't make it easy, that is why it is strongly recommended to forge an online presence before it is too late to take action, because there are true competitive advantages that allow the company to keep on working, but are not being used at its full potential. As stated in the theoretical framework, the physical store is shifting its position of a sales place to an information source for the consumer, where the conversion doesn't necessarily take place, but rather is a place where to see and touch the products as well as comparing prices, further emphasizing the need of going online.

The same happens with big retail stores located in bigger cities, these are the main competition for the MILAR town stores, since in Calella there are no competitors left, neither in the closer towns to it. Therefore, if a consumer needs a home appliance, he can either go to the smaller store located closer, or go to one of these retailers that offer a wider product offering.

Finally, I would like to mention inflation and the negative effect it can have in the company if it persistS for a long enough period of time. If costs and input prices are constantly rising, there will be a point where the company cannot charge higher tickets to consumers without hurting its demand, meaning the company must either reduce its margins to continue selling or sell less products than before, both being undesirable situations.

To sum up, I would like to highlight the fact that the company is in great conditions of implementing the plan successfully given all the strengths and opportunities displayed, keeping in mind the threats that surround it, and recognizing the weaknesses that need to be improved to make this store more successful than it ever has been.

7. Action plan

Once the theoretical framework and the internal and external analyses have been studied and reviewed, the project can go on to specify the actions and resources needed for the store to successfully implement a CRM system.

The potential benefits are clear, now it is time to assess the risks and costs that will lead on to its implementation.

The first step before any actions are proposed is to establish the store's objectives and needs that would justify this investment project. This has already been described in previous sections of the essay, being the most relevant problem the lack of integrated and standardized customer information system. Adopting such system would allow the retailer to store all client information in a way that is easily accessible and helps the business make better informed marketing decisions, better product recommendations, or achieve more efficient communication. The final objective of this project is to increase sales figures, revenues per customer and the average price per sale.

It is also very important to set deadlines for the different activities in the process to ensure that there is progress towards achieving the objectives. This plan aims for a complete implementation of the business solution before the end of 2023; therefore, the CRM should be fully operating by the beginning of 2024.

As previously mentioned, there are only two employees at the store, the manager (Matías) and another worker (Mercedes) who have been working there for long time and are used to working very closely. It is expectable that both will take similar care of the tasks described in the work breakdown structure, and decisions will be made collectively.

7.1 Work breakdown structure

Now that the main business goal has been stated, the ultimate purpose of integrating the CRM system into the store will have to be followed by a series of activities and sub-activities that will lead to its completion. The work breakdown structure I have created will be split up into blocks, the milestone activities which in turn will be subclassified into individual activities that will lead to the completion of the different blocks. These blocks are sequential, meaning that the work cannot progress to the next block until the previous is completed.

1.Market research

Evaluate the different options the market offers based on the business needs, costs, scalability, connectivity with other software and devices. Nowadays there is a huge market for CRMs dedicated for the retail sector. We can find providers that offer a classical software installation, or software-as-a-service providers where all records would be kept online. This last type of offering tends to be way cheaper than its counterpart, and companies are usually charged per user in the platform rather than paying a fix amount every certain time just for the right to use the software.

The options available are very varied. The company should focus on a supplier that works well with small businesses, something that preferably is easy to install and to use. It would be interesting to hire a provider that charges them a small price per user, since at the store there are only two people working, whereas paying a fix fee might be counter producing. There are offerings in the market that could charge less than one hundred euros to operate per month.

There are many aspects to evaluate before deciding what system will be chosen. Some of these are the data requirements of the system, the user friendliness and technical complexity of operating it, connectivity to other software or the implementation time.

For this part, the sub-activities created are structured in the following way:

- Evaluating different options: map the market and detect the most popular and suitable candidates based on what the companies advertise. It would make no point for MILAR to investigate for instance a CRM dedicated to the touristic sector. The company should aim for a program that is aimed to small sized retailers. Also, the decision to add potential suppliers to the list will be based on other aspects such as the characteristic features of each possibility and the pricing models behind it. The aim of the company is to hire a cheap business solution that can scale as the needs of the company grow if it is successfully implemented.
  This process can take at least two weeks' time for the company to gather all the necessary information to achieve a basic list of providers that should then be filtered
- Filtering the list: selecting the suppliers that best meet the store's needs making the list narrower. This process should take no more than a week since all the information has been gathered and now the company should start discarding companies that are less good fit for MILAR, which should be relatively easy. We can assume three days will be enough time to discard potential suppliers once all the information has been gathered.
- Select the final provider. This process takes a can't take longer than a day. Once the decision has been made, the store should get in touch with the provider and provide all the necessary information to start working together.
- Make the purchase: close the deal and start working on implementation as soon as possible.

2.Define data requirements

This step is fundamental to select the supplier that will help the store implement its plan. It is fundamental to know what data to gather and what not. There is information that is vital to the company, whereas dedicating resources to gather data that doesn't make any contribution to the business serves no point.

- Define business goals: this step is fundamental to the implementation of a CRM, since the company should know beforehand what is the objective behind this implementation. In this case, the aim of this project is to improve sales figures while reinforcing customer loyalty by being better informed about them. One day length will be assigned to this task.
- Review the current status of the customer-oriented information systems: in this case, this process has been undertaken in an informal manner by the store, meaning that there are nearly no records on customer behaviour or purchasing history. The store can stick to previous invoices and resort to the worker's memory to try to build some customer profiles that can be uploaded to the system rather than starting from scratch. Depending on how thorough they want to be, the process can take at best five days' time to complete.
- Define what information will be feeding the system and what not. This process can take place simultaneously with the market research; indeed, it would be ideal to make the best-informed purchasing decision. It will be important to also listen to the potential providers who have proven experience running these services and therefore can help the store make

an informed choice. This process can take up to a week if it is managed diligently. Information like purchase history, contact information of the clients, average ticket, average frequency of purchase or information on first purchases are just some examples of the inputs the system might require.

3.Prepare data for migration

Existing customer information must be gathered and cleaned according to the data requirements of the company and the software for optimal implementation. This will help minimize the time to implement.

The system will have prepared some information prior to the installation, that will allow the store to start using it sooner, and with some data better than starting from scratch. This will allow the company to start getting to know how the software works and will allow workers to familiarize themselves with it.

This process might could take some weeks to be fully implemented, especially since there are only two people working on the common store duties plus the addition of preparing to install and adopt the CRM. The upside of this is that the company does not hold much customer behaviour information. Most of the information they currently own can be found in invoices, but nothing like customer records of any kind. The fact that there is not a huge deal of information to prepare for the migration will reduce the time spent in this task. A time of three weeks has been assigned to this task taking into account the above-mentioned circumstances.

4.Train employees

Train the employees on how to use all the relevant features of the software and show them how to maximize its use. This process is constant and relies on product updates done by the provider. Make sure employees use it properly, and that it helps add value to the business processes.

- Onboarding: At first, a trainer from the supplier will go to the store to do the first installations and ensure everything is working as expected. Also, he will be in charge of displaying how the system works, where to upload information, how to interpret it, build reports, connect with other devices… Showing how to feed the system properly is instrumental to improve the business performance, on this initial phase, workers will see all the menus, how to record important information and will get an overview of all the software. We can assume that this part of the training can last two weeks assuming that this training will take place one hour or two before the store closes.
- Follow-up: Once the employees are familiar with the main features of the platform, they will start working with real-time data that will start to be recorded as the business continues to operate. During this time, workers must be proactive asking questions and ensuring they use they software to its full potential before. It is important to know how to use it properly before the trainer leaves since when system errors take place, they are hard to solve immediately and also tend to be associated with greater costs. Should everything go fine, I assume this would take an additional two weeks.

5.Roll out the system after trial

Once the supplier has been hired, and the system is completely installed and ready to work, it is time to start using it autonomously by the workers and apply the knowledge obtained from the training sessions. After the data compiled prior the installation is already in the system, new data records will be created as the store continues to operate normally, but with the addition that a CRM is working behind helping optimize processes.

This milestone activity is represented in the Grant diagram to let know that the system will be completely functional on a specific date and under this work breakdown structure, therefore the duration of this task will only be one day.

It is key to ensure the system works as expected avoiding software errors or data incompatibilities. Once the system works well, establish standardized ways of gathering information and processing it to be more efficient.

6.Integrate with other systems

Interconnect the CRM with other information system like the inventory management software, or the email software of the market to automate processes and make a more efficient use of the tool.

Depending on the possibilities the provider offers with regards to connectivity, the time for this step to take place will be longer or shorter, yet the store can keep operating and using the system regardless of whether it can connect to other software.

Conclusion

To ensure that the system works well it is paramount to monitor and optimize.

Make sure that the tool works perfectly as expected and that it is properly integrated into the store's operating systems helping it achieve its goals.

It is fundamental to ensure that the system is providing the business with tangible returns and improvements that can be measurable in a way that clarifies has been a breakthrough.

This task is a continuous process that will take place from the installation indefinitely. Constant reviews and performance KPI's need to be gathered in order to measure the system's performance and its contribution to the business overall results.

Also, the deadline for the CRM system to be completely functional is set on the end of the year 2023, yet the tasks described in the work breakdown structure are planned to finish by the end of August starting on June 2023. I have set this long deadline compared to the deadlines of the work breakdown structure, to ensure there is enough time for the store to react and adapt in case unforeseen setbacks take place. Therefore, the store shouldn't have any problems at all in reaching the established deadline.

Once all the tasks have been stated and the durations and deadlines established, this is the Gantt diagram obtained:

Gantt diagram work breakdown structure

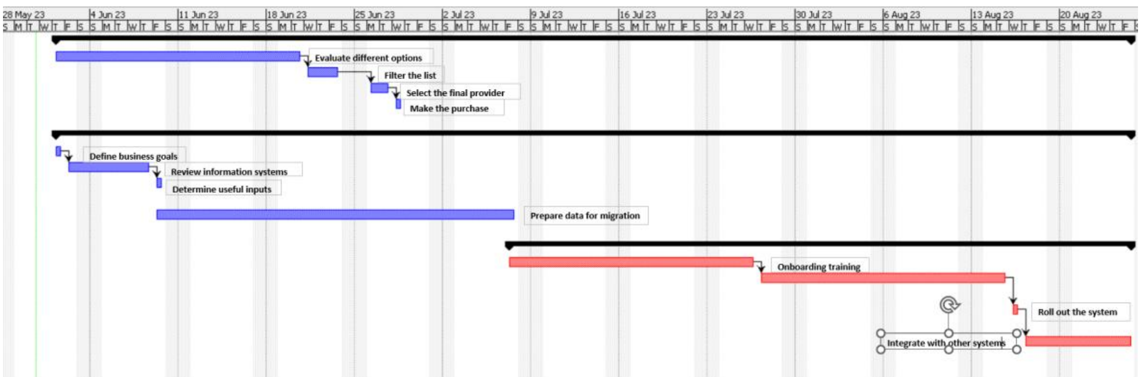

Figure 11

Built by the author

7.2 Budget

The work breakdown structure is a tool that will allow the company to follow the workflow of tasks that will lead to the completion of having fully implemented the CRM system.

Nevertheless, it is lacking information on what will be the resources to use in every step of the process, they are going to be detailed in this section.

Regarding the materials (hardware) that will be used to make this project possible, is mostly free of costs as well, given that all the tasks can be executed using the IT systems that the company currently disposes of

Once I have had a look at the market and the different options available, it is clear that the most suitable solution for such a small business is a SaaS (software as a service) provider, that tends to offer lower prices under a different pricing system based on paying for features and users.

There are plenty of options in the market, ranging from prices as low as 20€ per month and user up to a few hundred euros. I assume that the company will spend no less than 60€ per month per worker to its supplier, going for an average price to create this budget. This will be the cost of the monthly subscription for the store, which will have to be multiplied by two since there are two workers at the company.

According to my work breakdown structure, the purchase will be formalized around the end of June, more specifically during the 28th, therefore the company will start incurring the bulk of the costs from July onwards. All the tasks prior to the purchase do not represent an expenditure from the company, but rather a loss of working time to sell home appliances, therefore the costs could possible be translated into lost revenue for being less time operating, since activities like doing market research and contacting potential suppliers for example, does not incur in any explicit monetary costs. That revenue loss might be very hard to quantify since, therefore I won't try to quantify it, especially thinking that it can be avoided in many ways like working overtime (which has a quantifiable cost) or by working more efficiently.

The basic trainings to onboard a software to a company also tend to be included in the subscription fees, therefore, the company won't have to pay anything for its first employees to be introduced to the system. Things tend to change when there is an expansion, say the company wants to include more features or new workers must be trained and added as users, there might appear some extra costs.

In case there would be any unexpected costs or setbacks, I will add to the accounted costs, an extra fund to cover for any unforeseen expenses of 3000€.

Note that the project will be completely self-financed by the store, since it disposes of all the needed resources to execute it without having to resort to any third party for funding (see internal analysis)

Item	Cost
CRM subscription	5040€
Reserve fund	3000€

As you can see above, the table describes the different items that integrate the costs of this project, which is mainly paying the subscription fees to the CRM provider. This table considers the costs that will be incurred in the following three years since the implementation of the system, including the expenses incurred from 2023 until 2026.

The estimated cost of these subscriptions at a monthly price of 60€ per user from July 2023 until the end of 2026, leads to a total cost of 5040€ (60*2*42). This calculation includes the time from which the CRM is expected to be hired until December 2026, which makes 42 months in total. That would lead to a total expected cost of 8040€ in case the whole reserve fund was spent.

7.3 Income statement and balance sheet forecasts

Having deal with the work breakdown structure and the budget that supports it, it is fundamental to forecast the financial reports in order to measure the expected performance of adopting the project. Doing so is necessary to assess the costs and benefits of the implementation of the CRM and see what is achieved and what can be improved, needless to say, the project must make economic sense to the company to take place.

In this part, some assumptions will be made based on the current information I dispose of the store in addition to other information collected in the previous areas of the project.

7.3.1 Income statement

Improving the sales figures is one of the most relevant objectives for the store with regards to the implementation of a CRM. The store has been growing this figure at an average of 2.3% during the time span of my analysis, (taking also into account that during some years sales had decreased). I assume the correct use of this system, can help the store modify this rate to make it closer to 5%.

The cost of goods sold (COGS) will remain unaffected as a percentage of sales as the implementation of a CRM doesn't have much to do with the costs of selling goods. The same will happen to other operating income, that will remain unchanged. The labor cost won't change neither since the company doesn't plan on expanding its labor force.

The other operating expenses is an item that can see its value reduce due to greater efficiency in the sales operations, as well as more agile processes due to having a decentralized previously nonexistent customer database. For this case, I expect a 10% reduction assuming the average relative weight of this item with respect to sales (historic average with respect to sales minus 10%).

Amortization has been very stable over time at 1% of sales, this proportion will be kept the same.

Financial income is set to be 1% of sales, just as it has performed on average over the last years, and financial expenses will remain on 0 since no debt will be incurred for the project to take place. For taxes, I will keep it simple and apply a 25% rate on earnings before taxes.

Under all these assumptions, this is how the income statement looks like:

	2026	2025	2024	2021
Sales	1743542	1660516	1581444	1506137
COGS	1307656	1245387	1186083	1163482
Gross margin	435885	415129	395361	342655
Other operating income	17435	16605	15814	16021
Labor cost	139483	132841	126516	117182
Other operating expenses	203994	194280	185029	169896
EBITDA	**109843,14**	**104612,51**	**99630,96**	**71598**
Depreciation and amortization	17435,42	16605,16	15814,44	10483
EBIT	**92407,72**	**88007,35**	**83816,52**	**61115**
Financial income	17435	16605	15814	551
Financial expenses	0	0	0	0
Financial result	17435	16605	15814	551
EBT	**109843**	**104613**	**99631**	**61666**
Taxes	27461	26153	24908	14560
Net income	**82382**	**78459**	**74723**	**47105,56**

Figure 12

Built by the author

The income generation changes dramatically under the implementation of this CRM system, using the last available year 2021 as a comparison with the following three years (2024-2026). Under this scope, profits grow dramatically, especially during the first year after the implementation, where the difference is the biggest, from then on, profits grow 5% year over year.

Some of the metrics we can resort to assess the benefits of adopting this system under the assumptions made, are the following: the return on sales grows to 5% from the previous 3%, with shareholder returns measured by thy ROE go from 5% to a solid 8% which is a way more desirable situation than what it was previously.

Obviously, the cash flow from operations has grown significantly due to a greater profit generation. The company is more efficient at selling as we can see on the improvement on ratios such as the asset turnover or the return on assets, which are now greater and more stable than previously.

7.3.2 Balance sheet

To create the balance sheet, less assumptions are needed, since the company is debt-free, and this circumstance is not expected to change, most items will remain very similar to what they are nowadays.

The items payables, receivables and inventories will be calculated based on the average of the studied years for the ratios days of payables (19), days of inventory (39) and days of receivables (1).

Receivables are not expected to grow more than what they are now, since the company collects the payments from the sales it makes instantly, which gives us a very small value of 1.

Payables take a bit longer, but still the store manages them diligently, indeed, there has been an improvement in this metric over the last few years, so even a lower number could be used, yet I will keep the average for simplification and to try not to be over optimistic.

However, the days of inventory have worsened over the last four years, they used to be around the 30 days, now they rather tend to 40, with some years surpassing the 50 days. In this case I think it will be more accurate to use the average of the last four years, which provides a value of 47.

The taxes derived from the income statement will be represented in the balance under the item other liabilities.

Fixed assets have fluctuated over the years, with some of them seeing strong increases (probably due to investment projects) and others have seen a decline (lack of investment and amortization). To calculate this item, I will use the historical rate of growth of the store which is 2.43%.

Once all these assumptions are put in place, the balance sheet is structured this way:

Assets	**2026**	**2025**	**2024**	**2021**
Cash	324288	265068	206411	139693
Receivables	4777	4549	4333	2233
Inventory	168383	160365	152728	92554
Current assets	497448	429983	363472	234480
Fixed assets	874811	854057	833796	814016
Total assets	1372259	1284040	1197268	1048495

Liabilities+equity	**2026**	**2025**	**2024**	**2021**
Payables	67652	64431	58609	23358
Other liabilities	27461	26153	24908	11018
Bank credit	0	0	0	0
Current liabilities	95113	90584	83517	34375
Loans (long term debt)	0	0	0	0
Other NC liabilities	27461	26153	24908	0
Equity+ reserves	1167303	1088843	1014120	965740
Net income of the year	82382	78459	74723	48381
Total liab. + equity	1372259	1284040	1197268	1048495

Figure 13

Built by the author

Under this scope, the company would generate even more cash than what it previously was, generating greater value for shareholders as seen on the income statement forecast. Now the company is able to generate more cash, it is more efficient in its processes, assets create greater returns, and the company keeps being healthily financed.

After the implementation of the CRM, the relative importance of fixed assets decreases year over year, mostly in favor of cash, but also inventories, which makes absolute sense since greater days of inventories are being used, combined to the fact that the company is growing its sales constantly.

The working capital keeps growing, along with the cash surpluses of the company, that would allow the store to invest in more ambitious projects that would require a stronger financial muscle. The NFO's of the company with respect to sales are also reduced under this scenario, which is again a sign of more efficiently used resources.

Conversely, the liquidity ratios like the acid test or cash ratio achieve lower values which imply there are less idle assets in proportion to what it was before, but still are higher than what would be desirable.

8. Conclusions

These lines are an attempt to summarize what has already been proven all along the intervention project.

As seen in the theoretical framework, since the 2020 pandemic, the World changed out of a black swan of unprecedented magnitudes that has reshaped all markets and the way companies operate.

It has become crystal clear that having a digital presence is paramount to any business that aims to strive in an ever competitive and globalized economy no matter what the industry is. To do so, there are many ways corporations can invest and expand to achieve this so much desired presence in the digital world.

One of these, is to adopt communication strategies and channels that allow the company to have multinational online presence despite being for example operating in a single country. You never know where the next opportunity might arise from, and these last few years are the clearest example.

In this intervention project, the digitalization process was aimed at building a comprehensive customer oriented information gathering and processing system that would allow the store under study to operate more effectively; selling more and better to existing and new customers by adopting a CRM software that integrates all customer information and records under an integrated cloud based system, as well as being efficient by reducing operating expenses and maximizing the revenue every salesperson in the store can achieve.

This has been proved both in the theoretical framework reviewing literature and evidence on how adopting this business solution can change the paradigm under which any retailer operates.

Finally, it has also been proved what would be the potential benefits of adopting such system for a small home appliances store in a town smaller than 20000 inhabitants as reflected in the in the forecast of the financial statements and its subsequent impact on the different metrics used to measure a business' performance, both in operational, financial and profit maximization terms.

The strategy proposed in this intervention project becomes a must for the store, a blue ocean that it can explode to allow the business to keep succeeding as well as maximizing the benefit for its shareholders and customers.

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10. Appendices

Appendix 1

Sector ratios for retail sale of home appliances with revenues under 2 million euros in 2021

Ratios Sectoriales de las Sociedades no Financieras — **Datos en %**

País: España

Año: 2021

Sector de actividad (CNAE): G475 Comercio al por menor de otros artículos de uso doméstico en...

Tamaño (cifra neta de negocio): Menos de 2 millones €

Tasa de cobertura (% número de empresas): No disponible

Tasa de cobertura (% número de empleados): No disponible

Ratio	Nombre de Ratio	Empresas	Q1	Q2	Q3 [1]
Costes operativos, beneficios y rentabilidades					
R01	Valor añadido / Cifra neta de negocios	7406	15,24	22,67	32,16
R02	Gastos de personal / Cifra neta de negocios	7406	12,82	19,3	28,54
R03	Resultado económico bruto / Cifra neta de negocios	7406	-0,23	2,86	7,24
R04	Resultado económico bruto / Total deuda neta	6178	-1,4	5,19	18,51
R05	Resultado económico neto / Cifra neta de negocios	7406	-1,33	1,93	5,53
R16	Cifra neta de negocios / Total activo	7501	62,48	120,6	201,79
R10	Resultado económico neto / Total activo	7501	-1,22	2,17	7,15
R11	Resultado antes de impuestos / Fondos propios	6171	1,1	8,12	25,06
R12	Resultado después de impuestos / Fondos propios	6171	0,77	6,23	19,99

Appendix 2

Company income statement and common size income statement (2014-2021)

	2021	2020	2019	2018	2017	2016	2015	2014
Sales	1506136,99	1227490,9	1309596,65	1274132,7	1412033,67	1540812,61	1423396,97	1333247,11
COGS	1163482,07	926511,45	978897,57	930804,49	1051206,92	1176378,62	1087505,28	1014189,96
Gross margin	**342654,92**	**300979,45**	**330699,08**	**343328,21**	**360826,75**	**364433,99**	**335891,69**	**319057,15**
Other operating income	16020,86	8435,38	7586,1	11236,56	10576	15897,37	10753,52	12168,32
Labor cost	117181,61	105684,82	115283,6	116964,42	114374,56	124926,36	119822,12	112864,73
Other operating expenses	169896,23	163191,16	200440,71	177013,33	171032,79	162300,08	160426,45	158895,28
EBITDA	**71597,94**	**40538,85**	**22560,87**	**60587,02**	**85995,401**	**93104,92**	**66396,64**	**59465,46**
Depreciation and amortization	10483,04	17135,37	19528,28	17937,41	20373,7	23957,92	25169,13	26212,79
EBIT	**61114,90**	**23403,48**	**3032,59**	**42649,61**	**65621,70**	**69147,00**	**41227,51**	**33252,67**
Financial income	550,68	11495,05	24869,67	723,17	6509,6	3161,92	8178,18	9637,48
Financial expenses	0,00	20	0	0	0	0	0	0
Financial result	550,68	11515,05	24869,67	723,17	6509,6	3161,92	8178,18	9637,48
EBT	**61665,58**	**34918,53**	**27902,26**	**43372,78**	**72131,301**	**72308,92**	**49405,69**	**42890,15**
Taxes	14560,02	7847,67	6278,01	14277,63	16653,34	17129,43	11493,62	8578,03
Net income	**47105,56**	**27030,86**	**21624,25**	**48380,69**	**55477,96**	**55179,49**	**37912,07**	**34312,12**

	2021	2020	2019	2018	2017	2016	2015	2014
Sales	100%	100%	100%	100%	100%	100%	100%	100%
COGS	77%	75%	75%	73%	74%	76%	76%	76%
Gross margin	23%	25%	25%	27%	26%	24%	24%	24%
Other operating income	1%	1%	1%	1%	1%	1%	1%	1%
Labor cost	8%	9%	9%	9%	8%	8%	8%	8%
Other operating expenses	11%	13%	15%	14%	12%	11%	11%	12%
EBITDA	5%	3%	2%	5%	6%	6%	5%	4%
Depreciation and amortization	1%	1%	1%	1%	1%	2%	2%	2%
EBIT	4%	2%	0%	3%	5%	4%	3%	2%
Financial income	0%	1%	2%	0%	0%	0%	1%	1%
Financial expenses	0%	0%	0%	0%	0%	0%	0%	0%
Financial result	0%	1%	2%	0%	0%	0%	1%	1%
EBT	4%	3%	2%	3%	5%	5%	3%	3%
Taxes	1%	1%	0%	1%	1%	1%	1%	1%
Net income	3%	2%	2%	4%	4%	4%	3%	3%

Appendix 3

Company balance sheet and common size balance sheet (2014-2021)

Assets	**2021**	**2020**	**2019**	**2018**	**2017**	**2016**	**2015**	**2014**
Cash	285288,60	150898,60	134585,74	139692,81	278370,43	246479,63	218872,22	111118,46
Receivables	509,00	5082,69	3842,93	2232,52	0,00	340,20	2190,80	6130,85
Inventory	132114,18	135263,2	147524,81	92554,45	89180	92120	91378,21	90267
Current assets	417911,78	291244,49	285953,48	234479,78	367550,43	338939,83	312441,23	207516,31
Fixed assets	743585,49	819853,65	828988,31	814015,55	634752,96	635357,7	638541,23	651798,72
Total assets	1161497,27	1111098,14	1114941,79	1048495,33	1002303,39	974297,53	950982,46	859315,03

Liabilities+equity	**2021**	**2020**	**2019**	**2018**	**2017**	**2016**	**2015**	**2014**
Payables	51616,37	47897,80	79197,31	23357,57	36563,85	64035,95	93525,37	42145,01
Other liabilities	0,00	425,00	0,00	11017,53	0,00	0,00	2375,00	0,00
Bank credit	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00
Current liabilities	51616,37	48322,80	79197,31	34375,10	36563,85	64035,95	95900,37	42145,01
Loans (long term debt)	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00
Other NC liabilities	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00
Equity+ reserves	1062775,34	1035744,48	1014120,23	965739,54	910261,58	855082,09	817170,02	782857,9
Net income of the year	47105,56	27030,86	21624,25	48380,69	55477,96	55179,49	37912,07	34312,12
Total liab. + equity	1161497,27	1111098,14	1114941,79	1048495,33	1002303,39	974297,53	950982,46	859315,03

Assets	**2021**	**2020**	**2019**	**2018**	**2017**	**2016**	**2015**	**2014**
Cash	25%	14%	12%	13%	28%	25%	23%	13%
Receivables	0%	0%	0%	0%	0%	0%	0%	1%
Inventory	11%	12%	13%	9%	9%	9%	10%	11%
Current assets	36%	26%	26%	22%	37%	35%	33%	24%
Fixed assets	64%	74%	74%	78%	63%	65%	67%	76%
Total assets	100%	100%	100%	100%	100%	100%	100%	100%

Liabilities+equity	**2021**	**2020**	**2019**	**2018**	**2017**	**2016**	**2015**	**2014**
Payables	4%	4%	7%	2%	4%	7%	10%	5%
Other liabilities	0%	0%	0%	1%	0%	0%	0%	0%
Bank credit	0%	0%	0%	0%	0%	0%	0%	0%
Current liabilities	4%	4%	7%	3%	4%	7%	10%	5%
Loans (long term debt)	0%	0%	0%	0%	0%	0%	0%	0%
Other NC liabilities	0%	0%	0%	0%	0%	0%	0%	0%
Equity+ reserves	92%	93%	91%	92%	91%	88%	86%	91%
Net income of the year	4%	2%	2%	5%	6%	6%	4%	4%
Total liab. + equity	100%	100%	100%	100%	100%	100%	100%	100%