

**JAIPURIA INSTITUTE OF MANAGEMENT, INDORE**

1. **P TRIMESTER FIVE (Batch 2020-2022)**

**END TERM EXAMINATIONS**

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| --- | --- | --- | --- |
| Course Name | Customer Relationship Management (CRM) | Course Code | MKT402 |
| Max. Time | 2 hours | Max. Marks | 40 |

Instructions: All the questions are compulsory

1. The table below has details of the two stores- Lifestyle and Shoppers Stop at Indore.

|  |  |  |
| --- | --- | --- |
| Particulars | Lifestyle (Amount spent) | Shopperstop (Amount Spent) |
| Advertisement expenses for acquiring customers | 3500 | 5000 |
| Cost of goods sold | 1500 | 1600 |
| Cost of servicing each customer | 350 | 400 |
| Average Revenue per customer | 4500 | 5500 |
| Retention Rate | 75% | 80% |

1. Apply the customer lifetime value concept for the above two scenarios and state which store is doing better in Indore. **(5marks)**  (**Note: The calculation steps must be depicted.**)

**Lifestyle:**

Acquisition cost: 3500

Total cost: 1500+350= 1850

Revenue= 4500

Profit= Revenue- Cost = 4500-1850 = 2650

Churn Rate= 100-75= 25

Number of years= 100/25 = 4 years

CLV= Profit X Years- Acquisition Cost

CLV = 2650 X 4 – 3500

10600-3500 = **7100**

**Shoppers Stop:**

Acquisition cost: 5000

Total cost: 1600+400=2000

Revenue= 5500

Profit= Revenue- Cost = 5500-2000 = 3500

Churn Rate= 100-80= 20

Number of years= 100/20 = 5 years

CLV= Profit X Years- Acquisition Cost

CLV = 3500 X 5 – 5000

17500-5000 = **12500**

Therefore shoppers stop is doing better.

1. The manager of Lifestyle once pointed out that he was not able to segregate customers into high cost to serve and low cost to serve customers. As a student of CRM what would be your suggestion to the manager so that he can differentiate between low cost to serve and high cost to serve customers. **(5 Marks)**

**Characteristics of high cost to serve customers**

* Order custom products
* Small order quantities
* Unpredictable order arrivals
* Customised delivery
* Change delivery requirements
* Manual processing
* Large pre-sale and post-sale support
* Require company to hold inventory
* Pay slowly ( high account receivables)

Characteristics of Low cost to serve customers

* Order Standard Products
* High Order Quantities
* Predictable order arrivals
* Standard delivery
* No changes in delivery requirements
* Electronic processing
* Little to no pre-sale and post-sale support
* Replenish as produced
* Pay on time ( low accounts receivables)

1. Suggest the strategies to be followed to cater to different customer categories i.e. high vs. low cost to serve customers and contributing low vs. high margins for the company **(5 marks) (Please do not miss out on making the matrix of these types of customers while suggesting strategies)**

The student is required to suggest strategies based on below matrix

|  |  |
| --- | --- |
| **Passive**  **-Product is crucial**  **Good Supplier Match** | **Costly to Serve**  **But pay top Dollar** |
| Price Sensitive and  Few Special Demands | Aggressive  Leverage their buying power  Low Price and lots of customised service and features |

1. The general manager of Marriott Hotels was approached by Zoho.com sales representatives for a demonstration of what zoho.com (a CRM software) could do to improve the business of the hotel. The general manager was not very keen on procuring this CRM software. If you were one of the members of the sales team how would you handle the following doubts/questions of the general manager:
   1. Hotel industry does not require a CRM software like zoho.com **(3 marks)**

Student is required to discuss the importance of CRM for hotel industry. How CRM can help in customer acquisition, servicing and customer retention needs to be discussed. The concept of IDIC can be discussed.

* 1. I do not understand the role of operational, analytical and collaborative CRM in hotel industry **(4 marks)**

The student is required to differentiate the tasks carried out in each of the three roles of CRM.

* 1. What could be the possible bottlenecks in successful implementation of the CRM software **(3 marks)**

Various bottlenecks which could be discussed are;

* Viewing CRM as a promotional tool
* Viewing CRM to be related to only marketing
* Interdepartmental linkages are missing
* Wrong database
* Resistance to change

1. A Chinese restaurant entrepreneur developed an informal but effective system for differentiating his customers. It intrigued him why some would return again and again, but others less frequently – and often the style and spend of their visits was inconsistent with previous visits. As a way of encouraging business he would try to remember details about his customers – children, what sort of car they drove, jobs, holidays etc. As his business expanded this became more difficult. Instead he transferred the information to card indexes and encouraged staff to do the same. He then began to add to this information the days of their visits, average spend, meal and wine preferences. As the system evolved he was also able to note preferences for tables and seating, dining times, and even preferred waiters and waitresses. Staff would often note down exact details, such as favourite flavourings and special requests.
   1. Discuss how IDIC model can help the entrepreneur in customer relationship management. **(4 marks)**

Students would be required to discuss how through CRM organizations can identify, differentiate, Interact and customise their offerings

* 1. If you were in place of the Chinese entrepreneur what strategies would you follow such that you can acquire and service customers better and also get them to spread positive word of mouth (You can assume that the customer searches for the best Chinese restaurant to dine using google search). **(6 marks)**

Students need to answer this question by relating it to various moments of truth.

1. Out of a total of 500 customers surveyed by Indigo and 600 customers surveyed by Spice Jet, following ratings were received:

|  |  |  |
| --- | --- | --- |
| Rating | Indigo | Spice Jet |
| 10 | 54 | 89 |
| 9 | 167 | 156 |
| 8 | 49 | 184 |
| 7 | 17 | 28 |
| 6 | 20 | 35 |
| 5 | 76 | 16 |
| 4 | 55 | 12 |
| 3 | 12 | 45 |
| 2 | 25 | 15 |
| 1 | 15 | 12 |
| 0 | 10 | 8 |
| **Total** | **500** | **600** |

1. Calculate the Net Promoter Score for both the airlines. **(3 Marks)**

**Indigo**

% Promoters= 100\* (221/500) = 44.2%

% Detractors = 100\*(213/500) = 42.6%

**Net Promoter Score= 44.2- 42.6= 1.6%**

**Spice jet**

% Promoters= 100\* (245/600) = 40.8%

% Detractors = 100\*(143/600) = 23.8%

**Net Promoter Score= 40.8- 23.8= 17%**

1. Discuss which airline is better according to you and suggest some strategy to the other airline for improving their NPS **(2 marks)**

Spice Jet has a better NPS. Indigo needs to do more to convert its passive customers i.e. those giving 7 and 8 to rate higher by improving their service and also identifying the reasons for low rating