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UNIVERSITY OF PETROLEUM & ENERGY STUDIES

DEHRADUN

End Semester Examination – December, 2018

Program/course: MBA LSCM **Semester – 3rd**

Subject: Customer Relationship management **Max. Marks : 100**

Code : MKTG 8002 **Duration : 3 Hrs**

No. of page/s:

Section – A (20 Marks) **Multiple choice questions. (2*10 = 20 Marks)**		
1. This is a central point in an enterprise from which all customer contacts are managed. a) contact center b) help system C) multichannel marketing d) call center e) help desk	**20**	**CO1**
2. This is a broad category of applications and technologies for gathering, storing, analyzing, and providing access to data to help enterprise users make better business decisions. a) best practice b) data mart C) business information warehouse d) business intelligence e) business warehouse		
3. This is a systematic approach to the gathering, consolidation, and processing of consumer data (both for customers and potential customers) that is maintained in a company's databases. a) database marketing b) marketing encyclopedia C) application integration d) service oriented integration e) business technology management		
4. In an Internet context, this is the practice of tailoring Web pages to individual users' characteristics or preferences. a) Web services b) customer-facing C) client/server d) customer valuation e) personalization		
5. This is the practice of dividing a customer base into groups of individuals that are similar in specific ways relevant to marketing, such as age, gender, interests, spending habits, and so on. a) customer service chat b) customer managed relationship		

C) customer life cycle d) customer segmentation e) change management **6.** Whole cluster of benefits when company promises to deliver through its market offering is called a) value proposition b) customer proposition c) product proposition d) brand proposition **7.** This is an approach to selling goods and services in which a prospect explicitly agrees in advance to receive marketing information. a) customer managed relationship b) data mining C) permission marketing d) one-to-one marketing e) batch processing **8.** Process of manage information about customers to maximize loyalty is said to be a) company relationship management b) supplier management c) retailers management d) customer relationship management **9.** Number of customers or potential customers who will help in company's growth is classified as a) customer base b) retailer base c) distributors base d) marketers base **10.** Any occasion on which brand or product is encountered by end customers is called a) customer touch point b) company touch point c) retailers touch point d) relationship touch point		
Section – B (20 Marks) **Attempt any 4 question, each question carries 5 marks only (5*4=20 marks)**		
Q2. Think of three recommendations designed to improve the security of your critical business systems in a multichannel environment.	**(5)**	**CO4**
Q3. Name five measures that you could take to improve the quality of telephone contact.	**(5)**	**CO2**
Q4. How can results from qualitative research be used to enrich the profile of individual customers?	**(5)**	**CO3**
Q5. People might express themselves more extremely on the web, in a positive or a negative way. What advice would you give organisations on the way they should deal with critics? Give four tips and provide reasons.	**(5)**	**CO4**
Q6. What role do loyalty programmes play in the relationship policy?	**(5)**	**CO2**
Section – C (30 Marks) **Attempt any two questions, each question carries 15 marks (15*2=30 marks)**		

Q7. For an organisation of your choice, describe how they can involve consumers in the marketing of products or services during different phases of the relationship. (a) Describe in what way co-creation can take form during the orientation, selection, buying and after sales phase. (b) Also show how organisations can reward relations for their contribution.	**15**	**CO2**
Q8. Creating a distinction between the communication and service levels of so-called gold, silver and bronze customers can lead to irritation among customers. How can this be prevented? In your opinion, how should a company handle this situation?	**15**	**CO3**
Q9. You are a customer intelligence manager and would like the approval of senior management for investment in improving data quality. You have ten minutes to present your argument to the board. Outline the essence of this argument.	**15**	**CO4**

Section – D (30 Marks)

Attempt the situation & provide the solution for this situation

CASE: **Nike +**

After Apple introduced the iPod in 2001, Nike employees began noticing more and more runners with white earplugs. They were listening to their favourite tunes on the iPod as they ran. A brand alliance was in the making, initiated by lead users, and the idea of combining the miniature audio device with a running shoe was born. In 2006, the product went to market. Nike launched Nike+, a partnership with Apple that went way beyond a mere personalised music experience. It was about engaging runners in a community concept. Nike+ consists of a simple sensor in the running shoe that communicates wirelessly with a receiver on the iPod Touch and iPhone. While the runner listens to music, the sensor registers the running time, distance and speed. If, for instance, personal best times are bettered, the audio device can give a signal, such as a voice message with congratulations from Lance Armstrong! When you have finished training, log into Nike+ (nikeplus.com) and upload your data, review your performance, analyse it and share it with others. You can set individual goals, monitor progress and challenge other runners.

Nike+ is not just about gadgets and websites, it's an engagement platform. Imagine Youtou, a fictional character, a woman training for a half marathon in London who aims to beat 90 minutes. If you look at her current performance, this is quite an ambitious target, but using the platform, she can follow her own running performance and the way it develops. Proud of her times achieved running through the park, she is now challenging her children to beat her. She can look at her route on Google maps and see where she has been performing at what speed. She can share this knowledge with others, along with detailed information about the route. She can look at the routes others are running and apply ratings to them. The music that she listens to while running can be shared with others.

She can upload her 'playlist'. Others' musical choices might inspire her and help her find the perfect balance between musical and running rhythms. Through Nike+ Youtou can join local running clubs – it's an offline experience too. They might organise training sessions that she can join. Or she can register for other competitions, whether sponsored by Nike or not. Nike is organising a running event through the streets of New York on Valentine's Day. Will she go? She can decide to interact with a coach or get tips from athletes whom she admires. She can discuss her performance and goals, or even get help dealing with injuries. How to deal with that sore knee or sprained ankle? More generally, she can participate in discussions on blogs and discussion boards on related topics, share personal stories, ask questions about clothing, shoes, etc.

Nike+ significantly enriches Youtou's running experience, and she is doing it all by herself. She decides how she wants to run, interact with others, share and use the different services. Others are helping her and so is Nike, from time to time. This platform allows Nike to become involved in rich and fruitful conversations with the runners. They gain deep insights into running experiences and access to real-life data. They know average running times, general musical preferences, the power songs that carry the runners that bit further. Many new ideas are generated through this platform as new propositions arise out of runners' ideas and suggestions. Nike are discovering how they can engage different runners in deep relationships and even how they can help create relationships between runners. The relationships and all the experiences facilitated partly by this platform are all 'sticking' to the brand.

People visit the Nike+ platform an average of three times per week. In 2009, more than 150 million miles of running routes were uploaded by 1.3 million runners, who between them burned 14 billion calories as they ran. Nike's market share increased from 57 per cent to 61 per cent in the running shoes sector. Marketing costs fell owing to the effect of free

word-of-mouth advertising. The risks of product development are shared with partners such as Apple and are reduced because the platform provides good testing facilities. All in all, Nike has left the traditional, product-oriented way of working behind and has focused on the value found in the customer, in their running experience. They understand the runners and their needs; they connect with them and recognise that these are not 'individual customer experiences' but experiences that occur in a social context. The starting point is Nike+, not the running shoes. The product comes second to the experience. New sources of sustainable growth have been found. Re-engineering the organisation around this concept was not easy, but it was done. Nike accepts that it no longer has control over all communications on their own branded platform. It's user-run, quite literally. The talents and skills of the runners are speeding up the innovation process and raising it to another level.		
Questions **10.1.** To what degree is Nike contributing to the creation of meaningful experiences? What do you feel is positive? What would you criticise?	**6**	**CO3**
10.2. Think of one or two strategic partnerships that Nike could forge to add an extra dimension to the running experience?	**6**	**CO4**
10.3. What revenue model(s) could Nike develop for Nike+? How do you evaluate the current model?	**6**	**CO2**
10.4. To what degree has a transition occurred from a supply chain- or product-driven organisation to an organisation putting the individual customer experience first?	**6**	**CO2**
10.5. How do you evaluate the results Nike has achieved so far?	**6**	**CO3**

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Section – A (20 Marks) **Fill in the blanks. (2*10 = 20 Marks)**		
1. The database will become an invaluable tool in recognizing _____ customers. 2. We must stay in touch with _____. 3. CRM is philosophy of _____ marketing. 4. CRM is for _____ relationship. 5. We must _____ when greeting customer in person. 6. CRM system should promote a _____ philosophy. 7. A good CRM system allows to acquire customers and _____. 8. Retaining current customers is vital to growth of _____. 9. Percentage of total number customer retained in context to the customers that approached for cancellation is _____ rate. 10. CRM system should provide successful _____.	**20**	**CO1**
Section – B (20 Marks) **Attempt any 4 question, each question carries 5 marks only (5*4=20 marks)**		
Q2. Which recommendations would you give to Amazon.com to help it realise a price premium programme for loyal customers?	**(5)**	**CO2**
Q3. How can the outcomes of a retention analysis be used in a marketing campaign?	**(5)**	**CO2**
Q4. How can results from qualitative research be used to enrich the profile of individual customers?	**(5)**	**CO3**
Q5. Will a deep-sell analysis proceed according to the same pattern as the cross-sell analysis outlined, or do you expect differences? Substantiate your answer.	**(5)**	**CO4**
Q6. What role do loyalty programmes play in the relationship policy?	**(5)**	**CO2**
Section – C (30 Marks) **Attempt any two questions, each question carries 15 marks (15*2=30 marks)**		
Q7. What are the different forms of mass customisation identified by Gilmore and Pine? Think of your own example for each form.	**15**	**CO3**
Q8. The quality of capacity planning is a direct influence on the call centre's availability. What are your recommendations to a call centre manager who is unable to make an accurate prediction of the size and composition of the in- and outbound message traffic via the telephone and the internet?	**15**	**CO3**
Q9. You are a customer intelligence manager and would like the approval of senior management for investment in improving data quality. You have ten minutes to present your argument to the board. Outline the essence of this argument.	**15**	**CO4**
Section – D (30 Marks) **Attempt the situation & provide the solution for this situation**		
Cross-selling within a fully automated convenience store **Background**		

In the past, retailers saw their job as one of buying products and putting them out for sale to the public. If the products were sold, more were ordered. If they did not sell, they were disposed of. It has been described as a product-oriented business, where talented merchants could tell by the look and feel of an item whether or not it was a winner. In order to be successful, retailing today can no longer be just a product-oriented business. It has become a customer-oriented and a full understanding of all the customer's purchasing behaviour as revealed through his or her sales transactions will become crucial, i.e. *market basket analysis*. Currently, the gradual availability of cheaper and better information technology has, in many retail organisations, resulted in an abundance of sales data. Wal-Mart, the American supermarket, stores about 20 million sales transactions per day. This explosive growth of data leads to a situation in which retailers today find it increasingly difficult to obtain the right information, since traditional methods of data analysis cannot deal effectively with such huge volumes of data. This is where knowledge discovery in databases (KDD) comes into play. Today, among the most popular techniques in KDD is the extraction of association rules from large databases. The rules describe the underlying purchase patterns in the data, such as, for instance, bread/cheese (support = 20 per cent; confidence = 75 per cent). Informally, support of an association rule indicates how frequently that rule occurs, i.e. how frequently is the purchase of bread followed up by the purchase of cheese? The higher the support of the rule, the more prevalent it is. 'Confidence is a measure of the reliability of an association rule.'

Optimal assortments

Determining the ideal product assortment has been (and still is) the dream of every retailer. It is known that the optimal product assortment should meet two important criteria. Firstly, the assortment should be qualitatively consistent with the store's image. A store's image distinguishes the retailer from its competition and is projected through its design, layout, services and, of course, its products. Therefore, retailers often distinguish between basic products and added products. Basic products are products that should not be deleted from the assortment because they are the foundation of the retailer's store formula. In contrast, added products are chosen by the retailer to confirm the store's image even more and should be selected so as to maximise cross-sales potential within basic products. Indeed, retailers are interested in adding items whose sales will not be made at the expense of currently stocked items but may help increase the sales of other items. For the convenience store, examples may include cigarette lighters, coffee whitener or tea warmers. This means that added products should be selected by the model based on their purchase affinity with basic products. Secondly, because retailing organisations are profit-seeking companies, the product assortment should be quantitatively appealing in terms of the profitability it generates for the retailer.

Product selection based on 'frequent item sets'

According to the problem situation described above, a model must be constructed that is able to select a hit list of products, i.e. a selection of a user-defined number of products, from the assortment which yields the maximum overall profit, taking into account the background knowledge of the retailer. A simple solution to this problem, which is often used is to calculate the total profit contribution generated per product and then select those products, in addition to the basic products that have already been selected by the retailer, that contribute the most to the overall profitability. We call this the product specific profitability heuristic. Although easy to calculate, it does not take cross-selling effects of products into account. In contrast, the PROFSET model, introduced in this study, implicitly takes into account cross-selling effects by using 'frequent item sets' (purchase combinations such as bread/cheese that occur quite frequently, i.e. more often than X).'

The empirical study

The empirical study is based on a data set of 27,148 sales transactions acquired from a fully automated convenience store over a period of 5.5 months. The concept is closely related to that of a vending machine. The product assortment of the store under study consists of 206 different items. The average sales transaction contains only 1.4 different items because in convenience stores, customers typically do not purchase many items during a single shopping visit. As the objective function in the PROFSET method requires frequent item sets as input, frequent item sets and association rules were discovered from the database. An absolute support of 10 was chosen. This means that no item or set of items will be considered frequent if it does not appear in at least 10 sales transactions. It could be argued that the choice for this support parameter is rather subjective. This is partly true; however, domain knowledge from the retailer can often indicate what level of support may be considered as relevant. In order to make the comparison between PROFSET and the product-specific profitability heuristic straightforward, we chose not to specify basic products in the model. Consequently, the model will be able to fully exploit cross-sales potential between items in the assortment without any restrictions – the PROFSET method also enables assessment of the sensitivity of product assortment decisions and, as a result, allows for identification of the impact of such decisions on

the total profitability of the hitlist. In the final list, not all product combinations with high cross-selling potential are necessarily included. The profit contribution of the sales combination must be sufficiently high for the items to be included in the list. For instance, the item set {toothpaste, toothbrush} has an interest of 2,468 over 1 (extremely high) and, according to the association rules, they are always bought together. However, the support count of the item set is equal to 11 (slightly above 10). As a consequence, the total profit contribution of this item set is insufficient to influence the product selection process.

The impact on total profitability caused by product assortment decisions can easily be assessed by means of sensitivity analysis. When, for instance, product *i* is deleted from the optimal set, and it is replaced by the best product *i′* outside the hitlist, its impact on profitability can easily be observed. While most product replacements have only minor profit implications (2 per cent), some products represent major profit drivers that should not be deleted from the hitlist.

Conclusion

Results indicated that the study is able to identify cross-selling effects implicitly by using frequent item sets, instead of having to estimate cross-selling parameters explicitly (as is often done in product selection and shelf-space allocation models). The study also showed that a sensitivity analysis helps a retailer to quantitatively assess the profitability impact of product assortment decisions.

Questions **1.** Summarize in your own words how the optimal assortment with regard to cross-selling has been defined in this study. What are the crucial elements in this study and why?	**15**	**CO3**
2. What are the strengths and weaknesses of this study? Explain your answer.	**15**	**CO4**