

**PGDM 2019-21**  
**Customer Relationship Management**  
**DM-533**  
**Trimester –V, End-Term Examination Online: December 2020**

Time allowed: 2 hrs 30 min

Max Marks: 50

Roll No: \_\_\_\_\_

**Instruction:** Students are required to write Roll No on every page of the question paper, writing anything except the Roll No will be treated as **Unfair Means**. All other instructions on the reverse of Admit Card should be followed meticulously.

Sections	No. of Questions to attempt	Marks	Total Marks
A	3 question with internal choices	3*10	30
B	Compulsory Case Study with 2 questions	20	20
			<b>50</b>

**SECTION A**

**Q1a.** There are four basic steps of CRM to establish a 'learning relationship' with customers according to Peppers and Rogers. What are these steps? In your answer be sure that you describe what a learning relationship is.

**OR**

**Q1b.** CRM is said to provide a company with a unique competitive advantage others cannot copy. Do you agree? How does CRM offer a competitive advantage which others cannot copy/duplicate?

**(CILO1)**

**Q2a.** Launched in early 2015, Milkbasket is India's first and largest daily micro-delivery service. Built on the unique Indian habit of getting fresh milk delivered at home every morning, the company gained large number of customers during the recent lockdown. However, the company has faced some customer loss after the process of unlocking started. It now wishes to start a customer win back effort. Using the four step win back process you are required to draw a win back plan for the company.

**OR**

**Q2b.** A company has recently worked out some customer segments based on customers RFM scores. The company is particularly worried about the following two segments – one (named 'At Risk') has customer who spent big money and often but long time ago and another segment (named 'Hibernating') has customers who purchased long time ago were low spenders and not frequent. Suggest actions that the company should take for each of these segment of customers to make them profitable for the company.

**(CILO2)**

Q3a. How does customer acquisition cost affect time taken for customer breakeven and customer lifetime value? What in your opinion should a company do with customers with high acquisition cost?

**OR**

Q3b. What can a company do to move its 'mercenary' customers to 'apostle' customers?  
(CILO3)

## **SECTION B**

Read the case and answer the questions at the end

Audi is a leading manufacturer in the prestige automobile market. In 2002 it produced more than 735,000 cars, generating revenue of over 22.6 billion euros. Audi is part of the Volkswagen Group.

The group is headquartered in Germany. Back then it had over 51,000 employees and sold through over 5,000 dealers across more than 100 countries.

Audi's customer relationship management (CRM) initiative started because of the following reasons - changes in customer buying behaviour, customer relationship improvements in other companies, competitor pressure and difficulties in managing customer relationships in a dealer-oriented multitier sales organization.

Two immediate factors that drove Audi to invest in CRM were that:

- a) Audi believed its acquisition and loyalty rates could be improved and
- b) more customers were seeking direct contact with their car manufacturer. This would make the customer experience not as dependent on the dealer as it was.

Audi needed a more systematic approach to developing customer lifetime value.

In 1999, in a review of its overall sales and marketing strategy, Audi identified CRM as a required core competency for business success.

CRM poses a number of challenges for an automotive manufacturer.

There are multiple customer "touch points" like direct marketing, dealers and trade fairs. Customer contact is often infrequent, and the relationship is primarily with the dealer not directly with the manufacturer, which makes it difficult to ensure a consistent customer experience. Contact between Audi and its customers is often a result of negative experiences like repairs and maintenance. There is often difficulty in convincing dealers that it would be worth their while to give valuable customer data back to the manufacturer.

### **Objective:**

Audi saw CRM as a strategic marketing discipline for systematically acquiring and retaining customers. It took a long-term approach to CRM in that, at any one moment, it is involved with between 30 and 50 different projects around the world.

### **CRM Vision**

Audi's brand values are in being sporty, progressive and sophisticated, and in

having an association with leading-edge automotive technology. Behind Audi's vision for CRM was the idea that innovation, intensive dialogue and unique customer orientation would convince customers to establish long-term partnerships with it. Audi has analyzed key life stages to look for customer needs such

as improved mobility, convenience and more space. For example, parents with a new child may want more passenger space, and a customer who has taken up golf may want more trunk space. Customers need to be heard and made aware of what's available in the Audi product range; otherwise they will look elsewhere. In its vision of CRM, Audi decided to differentiate between the entire customer experience and a subset of this, known as the "contact experience." Audi was aware that the customer experience is affected by many factors, including car design, availability of spare parts, the test drive and the attitude of the dealer. Audi chose to focus on the contact experience, where some immediate effect could be felt.

### **Approach: CRM Strategy**

The goals of Audi's CRM strategy are to improve directly the customer's acquisition levels and loyalty. The CRM strategy is interrelated with the brand, sales and IT strategies for Audi and the VW group. Audi started by analyzing core competencies and setting performance targets. Its CRM strategy has three broad steps.

#### **Reactive CRM:**

"Do ordinary things extraordinarily well" by providing excellent inbound customer service processes for customer contacts. These processes cover everything from inquiries about new vehicles to information on financing options.

#### **Proactive CRM:**

"Create as many customer relationships as possible," and increase customer loyalty and market share through improvements to outbound processes such as campaign management.

#### **Selective CRM:**

"Select and treat customers by segment" to focus on customer profitability by creating loyalty programs and integrating with dealers more tightly. These three steps are happening at different speeds in different markets and are iterative. Audi recognizes that the steps overlap, but believes the order is important as there is no point investing in sophisticated propensity analysis if the complaints management procedure is inadequate.

### **CRM Technology**

At the heart of Audi's CRM technology is KuBa, its customer database. This gives users a complete picture of customer information across the whole of Audi. KuBa displays technical details, interior equipment data for each vehicle and dealer master data. KuBa was built on mySAP CRM — the platform for CRM throughout the VW Group. The non SAP order management system was integrated into KuBa, so that when an order is created for a new customer, a new vehicle record, and new customer and dealer relationship details are automatically created. The Audi knowledge base, where correspondence templates are stored, is fully integrated into the KuBa system. The vehicle data warehouse has not yet been fully integrated, although some data is extracted from it and fuller integration is planned. An e-service tool called "Ask" has been integrated into mySAP CRM. Audi started implementation in September 2001 and went live in Germany in April 2002. This was followed by Italy in February 2003 and Brazil in March 2003. There are about 300 Audi users on the system and roughly 500,000 of its 3 million customers in these markets have used the system

## **CRM Processes**

Audi looked at what it does for its customers (value), how it does it (processes), and then what tools could improve them. The processes for inquiries ("Can I have a brochure for the new A4?") and complaints management ("My tire has burst, my spare is flat and I am on holiday abroad") were identified as key influences on the customer experience. These processes have been optimized by using a common knowledge base. Customer histories are now available to agents. A single agent is responsible for this, regardless of the inbound channel, handles each inbound contact electronically. Pre-sales, aftersales and other Audi business units now have an integrated set of processes that reduces the number of interfaces between internal business units, centralizes coordination and control, shortens lead times and lowers service costs.

## **Organizational Collaboration**

Extensive change management activities were carried out, and are still in place, to intensify the focus on customer needs. The entire organization, not just the customer care centre, strives to maintain this focus. The marketing department is responsible for "owning" CRM and developing the CRM strategy, but CRM is cross-functional and so local customer care and workshop departments are responsible for operational CRM, as they are intimately connected to the needs of the customer locally.

Questions (Each question carries 10 marks)

Q1 Like Audi most automakers have indirect and not so frequent customer contact. Suggest some ways automakers can overcome this hurdle in establishing good customer relations.

Q2 Evaluate Audi's CRM approach.

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