PGDM 2015-17
Customer Relationship Management
DM 531
Trimester –V, End-Term Examination: December 2016

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.** In case of rough work please use answer sheet.

Sections	No. of Questions to attempt	Marks	Marks
A	3 out of 5 (Short Questions)	5 Marks each	3*5 = 15
B	2 out of 3 (Long Questions)	10 Marks each	2*10 = 20
C	Compulsory Case Study	15 Marks	15
		Total Marks	**50**

SECTION – A

A1. Why is customer retention important? Explain the three pronged customer retention strategy advocated by Reichheld.

A2. While a customer is purchasing a book on the Amazon website the site recommends some more titles to him in real time. How does the company do so? What are its advantages?

A3. Why are win-back efforts important for a company? Why many companies are not seen adopting win back efforts on lost customers in India?

A4. Describe the concept of 'sale-pipeline'. How can sales force automation make the sales pipeline more effective?

A5. What in your opinion is the difference between 'customization' and 'personalization'? Explain with the help of an example.

SECTION – B

B1. How can the Wollan and Nunes matrix of 'no. of customer interactions' and 'interaction complexity' help in deciding the type of companies that benefit most from CRM?

B2. A customer who purchases Rs 5000 worth of apparels from a Van Heusen store is offered a Loyalty card by the store keeper. He however, refuses to fill up the small application form and get the company loyalty card which is offered free to him. Why do you think this is so? Explain.

B3. Explain the 4 critical steps to winning back lost customers suggested by Jill Griffin.

SECTION – C
Case Study (Solve the questions at the end)

Petrol Retailers fight for Customer Loyalty

Nobody loves petrol. Few of us even give it a second thought, except to bemoan the high cost of filling our cars with it. We have no involvement with petrol. It is an invisible product and as long as it propels our cars effectively, we will buy it from wherever it is cheapest or most convenient. We take no pleasure in its purchase; in fact we deliberately try to consume as little as possible. For many of us it is a distress purchase as we will only fill up when absolutely necessary. And unlike clothes, cars, music, food, or even birthday cards, the type of petrol we buy says absolutely nothing about who we are as individuals.

All of this makes petrol the classic 'commodity'- an undifferentiated, low-involvement product which is predominantly bought on price. Unfortunately for UK petrol retailers, however, traditionally high levels of tax have left them with very little margin on which to make price offers. According to the UK Petroleum Industry Association the petrol retailer receives only 6% of the average pump price, after tax and raw material costs are taken off. This 6% has to cover the transport and storage of the petrol, the running costs of the filling station, plus a margin for profit, leaving little room for price cuts. Petrol retailers therefore have to find other way of attracting and keeping customers.

For many years branding was the key marketing tool, with the big retailers promoting themselves heavily in advertising, logos, and slogans. Esso's campaign in the 1960s famously told us to 'Put a tiger in your tank'; while for many years Shell reassured us that 'You can be sure of Shell'. New market entrants such as Repsol and Q8 in the 1980s and the beginning of supermarket involvement led the established retailers to proclaim that their petrol was better for your engine, that you risked serious long-term damage by using inferior brands. The customers, however, were not convinced. The general consensus seemed to be that it all came from the same place anyway, so there was no difference.

Petrol retailer accrual schemes began in the 1960s with the onset of Green Shield Stamps, but really came into their own in the 1980s. Customers earned stickers or tokens for each gallon of petrol they bought from a particular retailer. These could be exchanged for gift when a pre-specified amount had been accumulated. The core objective was to keep customers going back to the same petrol station each time they filled up, but they were also useful for high mileage business drivers who could accumulate the tokens all over the country, as long as they always filled up with the same brand.

The gifts themselves were pretty basic and often formed part of a set, such as four wine glasses or six soup mugs. Frustration often arose amongst customers when a particular offer was withdrawn before they had collected the full set and many a sales rep's drinks cupboard was filled with an odd assortment of cheap wine glasses and whisky tumblers from petrol promotions. The cheap glasses and crockery gifts gradually gave way to a better choice of quality products from a catalogue, though the frustration of a scheme being pulled when you were just short of enough points for the food blender you'd been saving for often remained.

During the 1990s, competition in the petrol retail industry took a new turn. Low margins, expensive health and safety requirements, and the onslaught of competitions from supermarkets forced many petrol retailers out of business. Between 1992 and 2004 the number of petrol stations in the UK fell from 18,000 to just over 12,000 while the average sales of each site increased from 1.67 million

liters to 2.45 million, reflecting the much bigger size of the new sites. Supermarkets now account for over 30% of the total petrol market in the UK.
The change in the market saw the end of the old accrual schemes, which were replaced by glitzy new loyalty cards where the supermarkets had an immediate advantage. Motorists could now gain points for petrol and groceries on the same card, giving them a much better opportunity to save for better rewards. Supermarkets also began to tie in their petrol customers by bundling product benefits together – at the moment if you spend £50 or over in the supermarket, Sainsbury's will give you 5 pence a liter off at the petrol pump. Most of the other petrol retailers have introduced loyalty cards – some have been in conjunction with other retailers (e.g. BP with Nectar) while others have concentrated on offering loyalty benefits to community groups and organizations (e.g. Texaco's Group Loyalty Scheme). The basic problem remains for retailers, however – nobody loves petrol.
Buying of petrol in India has not been much different. Buyers in India too are not much involved in buying petrol. Companies like BPCL & HPCL have sometimes earlier come out with their own branded petrol but were not very successful. BPCL in particular has in the past introduced a 'Petro Card' which requires buyer to load cash on their card in advance and earn redeemable points on every subsequent purchase of petrol through their preloaded cards. However this has also not found much favour with the buyers.

Questions (each question carries 5 marks)

1. Can petrol retailers ever get close to their customers?
2. Are the schemes described above promotions or relationship marketing? What is the difference?
3. What other products might be classed as 'commodities'? How do the producers of these products gain customer loyalty?

****