

PGDM 2016-18
Customer Relationship Management
DM 531

Trimester – V, End-Term Examination: December 2017

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 | $3 \times 5 = 15$ |
| B | 2 out of 3 (Long Questions) | 10 Marks each | $2 \times 10 = 20$ |
| C | Compulsory Case Study | 15 Marks | 15 |
| | | Total Marks | 50 |

SECTION – A

- A1. What are the benefits of establishing a 'Learning Relationship' as termed by Peppers and Rogers with its customers to a company?
- A2. RFM Scores can be effectively used to rationalize marketing efforts and expenses. Explain the concept of RFM and how is the RFM Score calculated?
- A3. Are 'customer win-back' efforts worth the cost? Do the benefits of win-back programs outweigh the costs? Why?
- A4. CRM is not a 'plug and play' off the shelf software that will take care of the company's customer relationships. Do you agree? Why?
- A5. Explain the 'social, financial and structural' bonds as propounded by Turnbull and Wilson.

SECTION – B

- B1. While loyalty programs have their own benefits they have some short comings too. What are these? How can a company incorporate aspiration value to make its loyalty programs more effective?
- B2. Describe the concept of 'sale-pipeline'. How can sales force automation make the sales pipeline more effective?
- B3. What are the four perils of CRM which a company should avoid.

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

Think of a typical FMCG brand and you might well think of Heinz. With its famous catchphrase '57 Varieties' and products such as tomato ketchup, soup, baked beans, spaghetti, and salad cream Heinz has become a household name at mealtimes across the world. The company as we know it was founded in the USA in 1876 by German émigré Henry J. Heinz, producing bottled sauces and ketchup. Heinz products were of a high quality and sold well and the range rapidly expanded, the famous tinned baked beans being added in 1895. It was shortly after this that Heinz coined his famous slogan – '57 Varieties' – to get across to customers the depth and breadth of his company's product range. Ironically, by this time, Heinz already had many more than 57 varieties; he chose the number because it appealed to him. Today the company's product range numbers over 360. By the time he died in 1919, Henry J. Heinz's company was a market leader and has remained so ever since.

Heinz has always tried to keep close to its customers. Its first products appeared in clear glass jars (when its competitors were using colored glass), so that the purity of the products could be clearly seen. Traditionally the company has always laid much emphasis on loyalty, and invested heavily in slogans, advertising, and branding. Henry J. Heinz himself once described true loyalty as a customer who, upon finding no Heinz products in a shop, abandons that shop altogether and goes in search of a shop which does sell Heinz. This is a powerful analogy—are there any brands that you like enough to walk out of a super-market for?

As competition in the grocery sector has intensified, Heinz has fought hard to maintain its position. Initially, competition came from other brands such as Crosse and Blackwell and HP, but recently Heinz has to contend with supermarkets' own-label products. Indeed, such is the power of the supermarkets that traditional brands have struggled to remain close to the final customer. With their size, range and proximity to the final consumer, the big supermarkets have muscled in on customer relationships and can control to a great extent which products customers buy.

Heinz continues to promote its brand through advertising, point-of-sale promotions, and branded merchandise, but in common with many other FMCG manufacturers has found it more difficult to pursue CRM strategies. At one time it was even suggested that if a customer spent less than £10 a year on Heinz products, CRM was not profitable (Treather, 1994).

These days, however, things have changed. Clicking on to the company's website customers can now obtain a host of information, from new product launches, recipes, tips about nutrition, and even classic adverts from the past. Heinz has also developed links to other sites, such as Tinytums (where customers can access advice on pregnancy and baby feeding) and Linda McCartney Promotions (for offers on products that are complementary to Heinz's own products). In addition, the site offers opportunities to enter competitions and a letters page, where customers can write in with questions or comments and read reply to others.

Finally, the website offers customers the opportunity to sign up to 'Heinz Offers', by submitting their name, address, and contact details. In return, customers are entered into a prize draw, but also receive a regular e-mail newsletter, with details of news, promotional offers, and money-off coupons for Heinz products. Customers signing up for 'Heinz Offers' are covered by a privacy policy to protect the data they submit and must also agree to abide by the terms and conditions of the site. To date, Heinz remains one of the UK's favorite and best-selling brands.

Questions (5 marks each)

1. Taking Heinz's current strategies, at what point (if any) do you feel the company moved from transaction marketing to relationship marketing?
2. Why is it difficult for a traditional FMCG company such as Heinz to 'involve' the customer?
3. How does Heinz maintain customer loyalty?
