

PGDM (IBM), 2015-17  
Services marketing & CRM  
INS-305

Trimester – III, End-Term Examination: March 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**. All other instructions on the reverse of Admit Card should be followed meticulously.

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
		<b>Total Marks</b>	<b>50</b>

Section A

- Q1. Roughly calculate your budget for an average month. What percentage of your budget goes for services versus goods? Do the services you purchase have value? In what sense? If you had to cut back on your expenses, what would you cut out? (1+1+1+2)
- Q2. Is it easy to measure the 5 SERVQUAL dimensions? Why. Also state them in brief. (1+1+3)
- Q3. Name 5 CRM software's discussed in the class. Can all of them be customized? (2.5+2.5)
- Q4. Describe a remote encounter, a technology mediated encounter (phone, real time texting or live chat), and a face to face encounter that you have had recently. How did you evaluate the encounter and what were the most important factors determining your satisfaction/ dissatisfaction in each case? (2+3)
- Q5. Given the need for customer defined service standards, do firms need company defined standards at all? Should all standards in a company be customer defined? Why or why not? What functional departments in a firm would object to having all standards be customer defined? (1+1+1+2)

Section B

- Q1. In the field project done by you explain the gap model through a diagram. Which of the four provider's gap is easiest to close and why? Which one is the hardest and why? (5+ 2 +3)
- Q2. Service firms need to have a strong recovery strategy. Why? Think of a time when you received less than

desired service from a particular service organization. Was any effort made to recover? What did the firm do to "Fix the customer"? What was done to "fix the problem"? What should/ could have been done differently? Do you still buy service from the organization? Why or why not? Did you tell others about your experience?

(1+1+2+1+2+1+1+1)

Q3.

**ROI for CRM at GST: Customer Acquisition Strategy ROI Analysis**  
**Net income calculation including churn**

**Data from Case**

Customer base		1,30,00,000
Annual growth target for customer base		5%
Customers lost to churn		18%
Take rate for new offers		3%
Projected lift in take rate		5%
Cost to contact one potential customer	\$	5.00
Average monthly spending per customer	\$	42.00
Projected lift in average monthly spending		20%
Gross margin		40%
Tax rate		38%
WACC		16%
CRM campaign frequency		monthly

**Investment Cash Outflow**

Hardware	\$	15,00,000
Software	\$	25,00,000
Professional Services	\$	10,00,000
Investment cost = Depreciable basis	\$	50,00,000

**Intermediate Calculations Old Configuration**

New customers to be added: Year 1		29,90,000
New customers per campaign		2,49,167
Campaign incremental revenue: Monthly	\$	1,04,65,000
Campaign incremental revenue: Year 1	\$	69,06,90,000
Campaign incremental gross margin	\$	27,62,76,000
Potential customer to be contacted/month		83,05,556
Annual contact cost	\$	49,83,33,333
Lost customers to churn		23,40,000
Lost annual revenue due to churn	\$	1,17,93,60,000
Lost annual gross margin	\$	47,17,44,000

**Incremental Cash Flow Analysis**

	Year 0	Year 1	Year 2	Year 3
Customer base w/ churn	1,30,00,000	1,06,60,000	87,41,200	71,67,784
Customers added w/ marketing		29,90,000	55,91,300	78,81,341
Total customer base	1,30,00,000	1,36,50,000	1,43,32,500	1,50,49,125

**Base Case—Cash Flow Statement**

	Year 0	Year 1	Year 2	Year 3
	\$	\$	\$	\$
Revenue with 18% churn, no growth	6,55,20,00,000	5,37,26,40,000	4,40,55,64,800	3,61,25,63,136
Revenue from new acquired customers		69,06,90,000	1,54,14,94,500	1,61,85,69,225
Total revenues		6,06,33,30,000	5,94,70,59,300	5,23,11,32,361
less: COGS	(3,93,12,00,000)	(3,63,79,98,000)	(3,56,82,35,580)	(3,13,86,79,417)
less: Contact cost		(49,83,33,333)	(52,32,50,000)	(54,94,12,500)
EBIT	2,62,08,00,000	1,92,69,98,667	1,85,55,73,720	1,54,30,40,444
less: Taxes	(99,59,04,000)	(73,22,59,493)	(70,51,18,014)	(58,63,55,369)
Old cash flow	1,62,48,96,000	1,19,47,39,173	1,15,04,55,706	95,66,85,076

**With CRM—Cash Flow Statement**

	Year 0	Year 1	Year 2	Year 3
Revenue with 18% churn, no growth				
Revenue from new acquired customers				
Total revenues				
less: COGS				
less: Contact cost				
less: Maintenance				
less: Depreciation				
EBIT				
less: Taxes				
Net income				
plus: Depreciation				
New cash flow				

**Incremental Cash Flow**

Year 0	Year 1	Year 2	Year 3

For the above shaded portions (With CRM-cash flow statement and Incremental cash flow) please calculate the figures. Please show all your workings. (8+2)

**Section C**

**CRM Case Study**

**Discus Dental**

This is a case study of a 10 year old private B2B dental company that has catapulted itself to become the market share leader in professional tooth whitening systems. Through superior product development, cutting-edge marketing, and excellent customer service, Discus (pronounced: Dis-Kiss) has positioned itself as the premier direct selling dental product manufacturer in the world. Discus accomplished this feat in a short time period by differentiating itself from its competitors by being an image company in an industry that's not image conscious.

While it helps that one of the principles of Discus is a Hollywood dentist that in no way should undercut the fact

that Discus has become the industry leader by executing a smart CRM strategy. To begin a relationship with dentists, Discus wisely tapped into the dental requirement that dentists complete a required number of credits (50 credits in California) in continuing education every 2 years for relicensure.

To position themselves as industry leaders, Discus developed American Dental Association certified Super Seminars and Continuing Education programs with the University of the Pacific in San Francisco that centres on "new diagnostic methods and treatment techniques." While there are over 300 approved providers of ADA continuing education, this is unique as the "continuing education" features Discus dental products (whitening, impressions, restoratives, software and oral hygiene) and training in a University setting in a travel destination. Having the seminars on a University campus was critical as dentists cannot work on patients outside of their home state unless on a University campus - this therefore allows dentists to perform "hands-on" (with 2:1 student to instructor ratios) as opposed to simply watching cases being treated - further enhancing the appeal of the courses. While Dentists and their staff pay to attend these courses, Discus is in the enviable position of having a captured audience for 4-9 days - to continue building their relationship with the key purchasers of their product (in many practices, dentists make the purchase decision rather than clinicians).

In addition to the clinical continuing education courses, Discus developed annual Extravaganzas at key resort cities (e.g. Las Vegas). These dental seminars, while also eligible for ADA continuing education credit, can be considered more junket than education - and tax deductible. Including a well-known keynote speaker and a well known entertainer, these dental extravaganzas are the hottest ticket in town. With every initiative, Discus strives for, what Discus Dental President Robert Hayman describes as, "the bitchin' factor." This is no exception. Dentists who have had loyal attendance in the past, or who are considered Tier A customers, are given preferential treatment at these seminars (enhanced breakfast service, special break rooms, preferential seating at events, special meet and greet sessions with keynote speakers e.g. General Norman Schwarzkopf and Bill Cosby). With this level of attention, Discus' best customers are definitely at the centre of their marketing strategy.

Discus approaches their marketplace as a 3 part building block: 1) Continuing Education 2) In-office training 3) Marketing Materials. It is on the marketing front that Discus really stands out as an innovator. Discus has launched very innovative advertising focussed on image in consumer magazines for demand and awareness creation. The very fact that this company celebrates their advertising on their website gives the reader an indication of the innovativeness of their marketing approach in an industry not known for their innovation.

To help build their customer's teeth whitening practice and to further enhance the relationship Discus has with its dentists, Discus developed a Media Services Group. This group does everything for a doctor's office from advertising, PR to direct mail.

To round out the offering, Discus offers its Dentists office art. What better way to promote tooth whitening than to have real life patients showing off their perfect teeth in the doctor's office (photos are shot of real patients by a top fashion photographer). This offering also allows Discus sales reps to talk to dentists in a non threatening way. Once the art is up in the dentist's office and the sales rep has a non threatening relationship with the dentist, why not now buy their product?

To enhance the professionalism of the the dentist's practice, Discus offers dentists a slew of direct mail templates, posters and statement stuffers dentists can use to communicate with their patients. As a dentist, it is difficult to say "no" to a company that has its act together like Discus. There is no question that Discus intends to dominate whatever market they choose to play in. A clear case study in B2B CRM.

Q1. Do you think that Discus dental has been successful case of B2B CRM? ( 9 )

Q2. Do you think that the use of B2B CRM with slick and suave marketing is a wrong trend in dentistry? ( 6 )