

PGDM (IB)
Customer Relationship Management
IB-506

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**. 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
		Total Marks	50

Section A

1. What makes CRM the preferred approach to marketing in the information age?
2. How will you calculate the acquisition cost per customer? Consider a mail-order catalog company, an IT services company and a retail store. What are the underlying assumptions in each case? How precise are your calculations?
3. What are the different key objectives for establishing loyalty programs? Which of these objectives provide the strongest competitive advantage?
4. From stand-alone call centers in the 1990's to an agile and flexible Strategic CRM in the 2010s – CRM has come a long way. What were the drivers of this evolution?
5. Data analytics is now an important part of business management. Why?

Section B

1. Design a loyalty program for your neighborhood gas station. Describe the incentives. Determine the cost structure. Set benchmarks and evaluate the profitability of the program across different possible scenarios.
2. From the CRM perspective what are the stages, measures and importance of the Customer Lifetime Cycle. Describe using the example of a saloon chain.
3. Using the 5 Steps of data mining, layout the process for a financial services company,

Section C

Harrah's Entertainment Inc.

With 26 casinos in 13 U.S. states, Harrah's Entertainment Inc. was one of the most recognized and respected brand names in the casino entertainment industry. Harrah's had grown quickly from the bingo parlor built by Bill Harrah in 1937, building and acquiring properties throughout Nevada and beyond. Bill Harrah, the founder of Harrah's, was committed to getting to know his customers and was keen to ask them their opinions and ideas whenever they visited. In fact, his conversations with customers led him to be the first

to install carpet on a casino floor. This pervasive focus on customer satisfaction had become deeply rooted into Harrah's corporate philosophy and was the guiding force behind the company's remarkable growth. Harrah's was currently focused on building loyalty and value with its target customers through a unique combination of great service, excellent products, unsurpassed distribution, operational excellence, and technology leadership.

In 1997, Harrah's introduced its "Total Gold" system for tracking, retaining, and rewarding its 15 million nationwide guests regardless of which casinos they visited over time. A frequent guest would be immediately recognized upon presenting a Total Gold card and would be duly rewarded for his/her repeat business. Later on, Total Gold was renamed "Total Rewards" (TR) and was significantly enhanced, making the program more comprehensive and easier to understand. Ultimately, TR became an improved customer loyalty program, which combined all of Harrah's player rewards and recognition programs, including Total Platinum and Total Diamond cards. In addition, it simplified the communication of how customers earn the rewards they want.

By the end of 2000, TR was the only multi-branded loyalty programs in the industry that recognized and rewarded customers in multiple locations across the country. It applied to all Harrah's properties, including Rio and Showboat. Harrah's had invested more than \$65 million in technology to implement the program (approximately \$30 million for development and \$35 million for support). In addition, Harrah's owned 3 patents for its real-time data technology. These patents kept Harrah's one step ahead of its competition in the areas of recognition and rewards, two key considerations for building loyalty among customers

Data drives the firm. Harrah's collects customer data on just about everything you might do at their properties—gamble, eat, grab a drink, attend a show, stay in a room. The data's then used to track your preferences and to size up whether you're the kind of customer that's worth pursuing. Prove your worth, and the firm will surround you with top-tier service and develop a targeted marketing campaign to keep wooing you back. Total Rewards loyalty card system launched over a decade ago, is constantly being enhanced by an IT staff of seven hundred, with an annual budget in excess of \$100 million. Total Rewards is an opt-in loyalty program, but customers consider the incentives to be so good that the card is used by some 80 percent of Harrah's patrons, collecting data on over forty-four million customers. Customers signing up for the card provide Harrah's with demographic information such as gender, age, and address. Visitors then present the card for various transactions. Slide it into a slot machine, show it to the restaurant hostess, present it to the parking valet, share your account number with a telephone reservation specialist—every contact point is an opportunity to collect data. Between three hundred thousand and one million customers come through Harrah's doors daily, adding to the firm's data stash and keeping that asset fresh

All that data is heavily and relentlessly mined. Customer relationship management should include an assessment to determine which customers are worth having a relationship with. And because Harrah's has so much detailed historical data, the firm can make fairly accurate projections of customer lifetime value (CLV). CLV represents the present value of the likely future income stream generated by an individual purchaser. Once you know this, you can get a sense of how much you should spend to keep that customer coming back. You can size them up next to their peer group and if they fall below expectations you can develop strategies to improve their spending. The firm tracks over ninety demographic segments, and each responds differently to different marketing approaches. Identifying segments and figuring out how to deal with each involves an iterative model of mining the data to identify patterns, creating a hypothesis (customers in group X will respond to a free steak dinner; group Y will want ten dollars in casino chips), then testing that hypothesis against a control group, turning again to analytics to statistically verify the outcome. The firm runs hundreds of these small, controlled experiments each year. When Harrah's began diving into the data, they uncovered patterns that defied the conventional wisdom in the gaming industry. Big money didn't come from European princes, Hong Kong shipping heirs,

or the Ocean's 11 crowd—it came from locals. The less than 30 percent of customers who spent between one hundred and five hundred dollars per visit accounted for over 80 percent of revenues and nearly 100 percent of profits. The data also showed that the firm's most important customers weren't the families that many Vegas competitors were trying to woo with Disneyland-style theme casinos—it was Grandma! Harrah's focuses on customers forty-five years and older: twenty-somethings have no money, while thirty-somethings have kids and are too busy. To the premiddle-aged crowd, Harrah's, "God bless you, but we don't need you

With 19 million customers pouring through the doors of Harrah's 26 U.S. properties each year, keeping track of this customer base required sophisticated technology. Boushy and his team realized the importance of capturing customer data (in Patron Database, or PDB) to predict how profitable a customer might be and to launch direct marketing campaigns. They started building the Winners' Information Network (WINet) in mid-1994, and it was completed in February 1997. WINet now served as the backbone for TR, as well as Harrahs.com. WINet consisted of a national database of operational customer data and a data warehouse (a central repository including both customer data and data on hourly slot machine usage). The marketing department used the data warehouse to analyze the customer information for patterns and insights

When a customer called Harrah's to make a reservation, the customer's name and segment, win/loss statement, most frequented casino, and potential value to Harrah's were displayed on the computer screen of the agent taking the call. The agent asked the guest if he/she was responding to a promotional offer (like a free one-night stay at the Hotel) and then accessed the reservation system to check room availability. Given the same room availability, the customer (depending on who he/she was) could be declined, accepted, or receive a free upgrade, as suggested by the revenue management system. The offers sent to each customer were recorded in the customer database, so the guests did not have to have them in-hand during the call. This reduced the average talk time since Harrah's employees no longer had to ask for information that was collected previously

Customers come back to Harrah's because they feel that those casinos treat them better than the competition. And Harrah's laser-like focus on service quality and customer satisfaction are embedded into its information systems and operational procedures.

1. How does Harrah's integrate the various elements to deliver superior customer experience? (7 marks)
2. What role did data analytics play in defining business strategy? (3 marks)
3. What is the loyalty program at Harrah's. Discuss the drivers of the success of the program. (.5 marks)