

<b>MBCM 772</b>	<b>Customer Relationship Management(LSCM)</b>	L	T	P	C
<b>Version 1.0</b>		3	0	0	3
<b>Pre-requisites/Exposure</b>	Under Graduate Level Business & Management Knowledge				
<b>Co-requisites</b>	Marketing Management				

### Course Objectives

1. To make the students understand the organizational need, benefits and process of creating long-term value for individual customers
2. To disseminate knowledge regarding the concept of e-CRM and e-CRM technologies.
3. To enable the students understand the technological and human issues relating to implementation of Customer Relationship Management in the organizations

### Course Outcomes

On completion of this course, the students will be able to

- CO1. Understand the basic concepts of Customer relationship management.
- CO2. To understand marketing aspects of Customer relationship management.
- CO3. Learn basics of analytical Customer relationship management.
- CO4. Understand basics of operational Customer relationship management.

### Catalog Description

Customer Relationship management is very important in this era of cutthroat competition. This course will help students to understand the organizational need, benefits and process of creating long-term value for individual customers. This course includes topics to disseminate knowledge regarding the concept of e-CRM and e-CRM technologies that enables the students understand the technological and human issues relating to implementation of Customer Relationship Management in the organizations. The teaching methodology includes power point lectures, case studies, articles, group discussions, role-plays and presentations. This course will enable students to demonstrate their comprehension of marketing concepts and knowledge by applying those in their written exams, case studies discussions, presentations and projects. Course will enable them to apply the CRM concepts practically and illustrate those through a written report and presentation. The course methodology thus encourages students to explore for themselves the role of a marketing manager and the boundaries of marketing.

### Course Content

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#### Unit I:

**4.5 Hours**

Introduction

Definition of CRM, CRM as a business strategy, elements of CRM, History of CRM, Schools of thoughts on CRM, Relationship Pyramid, Dynamics of Customer Supplier Relationships, Nature and context of CRM, Strategy and Organization of CRM: strategy, The relationship

oriented organization: Mission, Culture, Structure, People, Communication & Information Systems .

**Unit II: 7.5 Hours**

Marketing Aspects of CRM

Customer Knowledge: Value of Customer knowledge, The utilization of data as an asset, From Data to Customer Knowledge, Privacy, Personal Data Protection, Information Policy, Communication & Multi-channels, The Individual Customer Proposition: Customization, Individualization of the product offering, Individualized pricing policy. Introduction to Relationship Policy: Relationship Policy Per Segment, Relationship policy by relationship phase, The Relationship Policy Translating the relationship policy into contact moments.

**Unit III: 6 Hours**

Analytical CRM

Relationship data management: Customer Identification, Expanding the size of the customer database, Customer profiling. Data analyses & Data mining, Segmentation & Selections, Retention, cross-selling. Evaluating the effect of marketing activities on the customer value, Lifetime value, Alternatives for lifetime value, Balanced scorecard, Reporting Results.

**Unit IV: 18 Hours**

Operational CRM

Call centre management, Internet and website, Direct mail, Effective direct mail message. CRM Subsystems: Contact Management, Campaign Management, Sales Force Automation Choosing CRM Tools / Software Package: Shortlisting prospective CRM vendors, setting evaluation criteria for the appropriate CRM package, selection CRM implementation. CRM systems and Implementation, Implementation of CRM systems Applications in various industries: Applications in manufacturing, banking hospitality and telecom Sectors, Ethical issues in CRM

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**Text Book**

1. Peelan, E. (2005). *Customer Relationship Management*. Pearson Education. ISBN: 978-0273681779

**Reference Books**

1. Ken, B. (2000). *Customer Relationship Management: The Handbook of Key Customer Relationship Management*. Prentice Hall. ISBN: 9780273650317
2. Greenberg, P. (2001). *CRM at the speed of light: Capturing and keeping customers in Internet real time*. Elsevier .ISBN: 0072127821

**Modes of Evaluation: Quiz/Assignment/ presentation/ extempore/ Written Examination Examination Scheme:**

Components	IA	ESE
<b>Weightage (%)</b>	<b>50</b>	<b>50</b>
	<ul style="list-style-type: none"><li>• Term Project</li><li>• Case Presentation</li></ul>	20 % (100 Marks) 10 % (50 Marks)

	<ul style="list-style-type: none"> <li>Online Assignments/ Discussions/ Quiz</li> </ul>	20 % (100 Marks)	
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### Relationship between the Course Outcomes (COs) and Program Outcomes (POs)

Mapping between COs and POs		
	COURSE OUTCOMES ( COs )	POs
<b>CO 1</b>	Understand the basic concepts of Customer relationship management.	<b>PO 1,2, 3,4,7,8,9,10, 11,13, 14</b>
<b>CO 2</b>	To understand marketing aspects of Customer relationship management	<b>PO 1,2, 3, 7,8,9,10, 11,14</b>
<b>CO 3</b>	Learn basics of analytical Customer relationship management	<b>PO 1,2, 3, 8,9,10, 11, 13,14</b>
<b>CO 4</b>	Understand basics of operational Customer relationship management.	<b>PO 4,5, 8,12,13, 14</b>

### Program Outcome / Course Outcome mapping

Course Outcomes	CO 1	CO 2	CO 3	CO 4
<b>PO 1</b>	3	3	3	2
<b>PO 2</b>	3	3	3	2
<b>PO 3</b>	3	3	3	2
<b>PO 4</b>	3	1	1	3
<b>PO 5</b>	2	2	1	3
<b>PO 6</b>	1	1	1	1
<b>PO 7</b>	3	3	1	2
<b>PO 8</b>	3	3	3	3
<b>PSO 9</b>	3	3	3	1
<b>PSO 10</b>	3	3	3	2

<b>PSO 11</b>	3	3	3	2
<b>PSO 12</b>	1	1	1	3
<b>PSO 13</b>	3	1	3	3
<b>PSO 14</b>	3	3	3	3

Course Code	Course Title	PO 1	PO 2	PO 3	PO 4	PO 5	PO 6	PO 7	PO 8	PSO 9	PSO 10	PSO 11	PS12	PSO 13	PS O1 4
MBC M 772	Customer Relationship Management(LSCM)	3	3	3	2	2	1	3	3	2	2	3	2	3	3
		Students will be able to develop and evaluate alternate managerial decisions and identify optimal solutions	Students will demonstrate effective application capabilities of their conceptual understanding to the real world business situations	Students will be able to exhibit effective decision making skills, employing analytical and critical thinking ability	Students will demonstrate effective oral and written communication skills in the professional context	Students will be able to work effectively in teams and demonstrate team building capabilities	Students will exhibit leadership and networking skills while handling business situations	Students will demonstrate sensitivity towards ethical and moral issues and have ability to address them in the course of business	Students will demonstrate employability traits in line with the changing dynamics of the industry	Students will demonstrate strong conceptual knowledge in the functional area of management as well as LSCM domain	Students will demonstrate effective understanding of relevant functional areas of management and their application in LSCM	Students will demonstrate analytical skills in identification and resolution of business problems pertaining to LSCM & general management	Students will exhibit the ability to integrate functional areas of management with domain perspective for the purpose of planning, implementation & control of LSCM	Students will have global perspective towards business situations in the area of LSCM	Students will exhibit deployable skills pertinent to the LSCM sector

- 1 – Weakly mapped**  
**2 – Moderately mapped**  
**3 – Strongly mapped**



## Model Question Paper

<b>Name:</b>  <b>Enrolment No:</b>	
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<b>Course: Customer Relationship management (MBCM 772)</b>	
<b>Programme/course: MBA (LSCM )</b> <b>Time: 03 hrs.</b>	<b>Semester: 4th</b> <b>Max. Marks:100</b>
<b>Instructions: All sections are compulsory &amp; this question paper carries 4 sections.</b>	

### Section – A (20 Marks)

**Fill in the blank.**

**(2\*10 = 20 Marks)**

i. The database will become an invaluable tool in recognizing _____ customers. ii. We must stay in touch with _____. iii. CRM is philosophy of _____ marketing. iv. CRM is for _____ relationship. v. We must _____ when greeting customer in person. vi. CRM system should promote a _____ philosophy. vii. A good CRM system allows to acquire customers and _____. viii. Retaining current customers is vital to growth of _____. ix. Percentage of total number customer retained in context to the customers that approached for cancellation is _____ rate. x. CRM system should provide successful _____.	<b>20</b>	<b>CO1</b>
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### Section – B (20 Marks)

**Attempt any 4 question, each question carries 5 marks only**

**(5\*4=20 marks)**

Q2. What differences in segmentation arise between the business and the consumer markets?	<b>(5)</b>	<b>CO3</b>
Q3. How can the outcomes of a retention analysis be used in a marketing campaign?	<b>(5)</b>	<b>CO2</b>
Q4. How can results from qualitative research be used to enrich the profile of individual customers?	<b>(5)</b>	<b>CO3</b>
Q5. Describe learning organization for a company with a CRM strategy and CRM systems.	<b>(5)</b>	<b>CO4</b>
Q6. What role do loyalty programmes play in the relationship policy?	<b>(5)</b>	<b>CO2</b>

### Section – C (30 Marks)

**Attempt any three question, each question carries 10 marks**

**(10\*3=30 marks)**

Q7. The traditional shopkeeper who still maintains personal contact with their customers is considered to have more (implicit) knowledge of their customers than the CRM manager with expensive software and databases at their disposal.	<b>15</b>	<b>CO2</b>
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(a) Do you agree with this statement? Substantiate your answer. (b) In what areas does the (implicit) customer knowledge fall short? Give an explanation. (c) Why is it that the CRM manager appears to lag behind the classic shopkeeper?		
Q8. The quality of capacity planning is a direct influence on the call centre's availability. What are your recommendations to a call centre manager who is unable to make an accurate prediction of the size and composition of the in- and outbound message traffic via the telephone and the internet?	15	CO4
Q9. You are a customer intelligence manager and would like the approval of senior management for investment in improving data quality. You have ten minutes to present your argument to the board. Outline the essence of this argument.	15	CO2

**Section – D (30 Marks)**

**Attempt the situation & provide the solution for this situation**

**CASE: Cross-selling within a fully automated convenience store**

**Background**

In the past, retailers saw their job as one of buying products and putting them out for sale to the public. If the products were sold, more were ordered. If they did not sell, they were disposed of. It has been described as a product-oriented business, where talented merchants could tell by the look and feel of an item whether or not it was a winner. In order to be successful, retailing today can no longer be just a product-oriented business. It has become a customer-oriented and a full understanding of all the customer's purchasing behaviour as revealed through his or her sales transactions will become crucial, i.e. *market basket analysis*. Currently, the gradual availability of cheaper and better information technology has, in many retail organisations, resulted in an abundance of sales data. Wal-Mart, the American supermarket, stores about 20 million sales transactions per day. This explosive growth of data leads to a situation in which retailers today find it increasingly difficult to obtain the right information, since traditional methods of data analysis cannot deal effectively with such huge volumes of data. This is where knowledge discovery in databases (KDD) comes into play. Today, among the most popular techniques in KDD is the extraction of association rules from large databases. The rules describe the underlying purchase patterns in the data, such as, for instance, bread/cheese (support = 20 per cent; confidence = 75 per cent). Informally, support of an association rule indicates how frequently that rule occurs, i.e. how frequently is the purchase of bread followed up by the purchase of cheese? The higher the support of the rule, the more prevalent it is. 'Confidence is a measure of the reliability of an association rule.'

**Optimal assortments**

Determining the ideal product assortment has been (and still is) the dream of every retailer. It is known that the optimal product assortment should meet two important criteria. Firstly, the assortment should be qualitatively consistent with the store's image. A store's image distinguishes the retailer from its competition and is projected through its design, layout, services and, of course, its products. Therefore, retailers often distinguish between basic products and added products. Basic products are products that should not be deleted from the assortment because they are the foundation of the retailer's store formula. In contrast, added products are chosen by the retailer to confirm the store's image even more and should be selected so as to maximise cross-sales potential within basic products. Indeed, retailers are interested in adding items whose sales will not be made at the expense of currently stocked items but may help increase the sales of other items. For the convenience store, examples may include cigarette lighters, coffee whitener or tea warmers. This means that added products should be selected by the model based on their purchase affinity with basic products. Secondly, because retailing organisations are profit-seeking companies, the product assortment should be quantitatively appealing in terms of the profitability it generates for the retailer.

**Product selection based on 'frequent item sets'**

According to the problem situation described above, a model must be constructed that is able to select a hit list of products, i.e. a selection of a user-defined number of products, from the assortment which yields the maximum overall profit, taking into account the background knowledge of the retailer. A simple solution to this problem, which is often used is to calculate the total profit contribution generated per product and then select those products, in addition to the basic products that have already been selected by the retailer, that contribute the most to the overall profitability. We call this the product specific profitability



heuristic. Although easy to calculate, it does not take cross-selling effects of products into account. In contrast, the PROFSET model, introduced in this study, implicitly takes into account cross-selling effects by using ‘frequent item sets’ (purchase combinations such as bread/cheese that occur quite frequently, i.e. more often than  $X$ ).

**The empirical study**

The empirical study is based on a data set of 27,148 sales transactions acquired from a fully automated convenience store over a period of 5.5 months. The concept is closely related to that of a vending machine. The product assortment of the store under study consists of 206 different items. The average sales transaction contains only 1.4 different items because in convenience stores, customers typically do not purchase many items during a single shopping visit. As the objective function in the PROFSET method requires frequent item sets as input, frequent item sets and association rules were discovered from the database. An absolute support of 10 was chosen. This means that no item or set of items will be considered frequent if it does not appear in at least 10 sales transactions. It could be argued that the choice for this support parameter is rather subjective. This is partly true; however, domain knowledge from the retailer can often indicate what level of support may be considered as relevant. In order to make the comparison between PROFSET and the product-specific profitability heuristic straightforward, we chose not to specify basic products in the model. Consequently, the model will be able to fully exploit cross-sales potential between items in the assortment without any restrictions – the PROFSET method also enables assessment of the sensitivity of product assortment decisions and, as a result, allows for identification of the impact of such decisions on the total profitability of the hitlist. In the final list, not all product combinations with high cross-selling potential are necessarily included. The profit contribution of the sales combination must be sufficiently high for the items to be included in the list. For instance, the item set {toothpaste, toothbrush} has an interest of 2,468 over 1 (extremely high) and, according to the association rules, they are always bought together. However, the support count of the item set is equal to 11 (slightly above 10). As a consequence, the total profit contribution of this item set is insufficient to influence the product selection process.

The impact on total profitability caused by product assortment decisions can easily be assessed by means of sensitivity analysis. When, for instance, product  $i$  is deleted from the optimal set, and it is replaced by the best product  $i'$  outside the hitlist, its impact on profitability can easily be observed. While most product replacements have only minor profit implications (2 per cent), some products represent major profit drivers that should not be deleted from the hitlist.

**Conclusion**

Results indicated that the study is able to identify cross-selling effects implicitly by using frequent item sets, instead of having to estimate cross-selling parameters explicitly (as is often done in product selection and shelf-space allocation models). The study also showed that a sensitivity analysis helps a retailer to quantitatively assess the profitability impact of product assortment decisions.

<p><b>Questions</b> a. Summarize in your own words how the optimal assortment with regard to cross-selling has been defined in this study. What are the crucial elements in this study and why?</p>	<p><b>15</b></p>	<p><b>CO3</b></p>
<p>b. What are the strengths and weaknesses of this study? Explain your answer.</p>	<p><b>15</b></p>	<p><b>CO1, CO3</b></p>