

Customer Relationship Management
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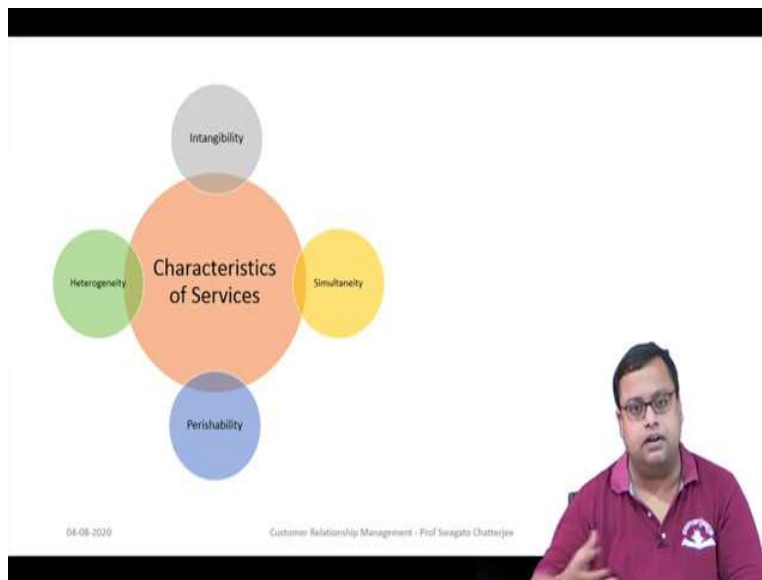
Lecture – 29
CRM in B2C Markets (Contd.)

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Hello everybody, welcome to the Swayam NPTEL course on Customer Relationship Management. In this, we are in week 5 and this is Dr. Swagato Chatterjee from VGSOM, IIT Kharagpur who is taking this course and we are discussing CRM in Services Market.

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And in the last class, last session or last video, I was discussing about the heterogeneity, intangibility, simultaneity and perishability. These are the four factors that lead to, that which are characteristics, characteristics of services.

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The slide lists three service situations where relationship marketing has crucial roles:

- On going or periodic desire of service by the customer
- The customer decides which service provider he/she wants to choose
- There are alternative service suppliers and switching from one service provider to another is common.

A red bracket highlights the list. The presenter, Prof. Swagata Chatterjee, is visible in the bottom right corner of the slide.

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Now, in this particular thing, we will talk about the service situations where relationship marketing has crucial roles. Some of the situations were in the service context where the relationship management will have a role. So, one is ongoing or periodic desire of service by customers.

So, sometimes, some kinds of services are ongoing kinds of services and some kinds of services are required periodically. For example, a haircut, a very basic thing. A haircut is a periodic service that you require. On the other hand, the ongoing services like your TV, TV connection that you have or internet connection that you have at home, it is an ongoing service.

Now, these two things in two different contexts, service contexts you have to remember that every time if you want to do a haircut, the decision that you take for an ongoing thing you generally take a decision and you generally stick to that decision for quite some time.

You do not switch from one service provider of your mobile phone to another service provider of your mobile phone, phone connection or the TV connection or the internet connection very easily. But you take quite a lot of time to decide which one will you go. So, the decision is before the consumption starts, but once the consumption starts, you generally do not switch, the loyalty is generally higher.

On the other hand, while it's a periodic service for example, haircut you might today go to this particular barber, tomorrow you might go to that barber, tomorrow the latter day you can go to a spa or a salon or something like that. So, your choices change and let's say it might be another thing which is let's say a doctor, sometimes we change doctor.

So, we do not go to the same doctor. Some if there is a reliability issue, we generally go to the same doctor, but we also switch doctors probably more frequently than you switch your mobile phone connection. So, that is another issue where you generally think that the decision is taken multiple times. It is not a single decision then you stick for a longer period of time.

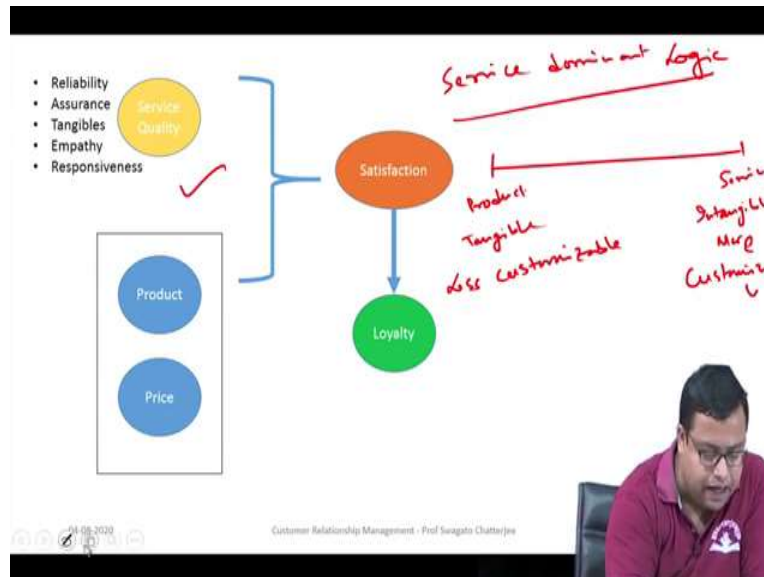
So, a customer decides which service provider he or she wants to choose in this kind of situation and there are alternative service supplies and switching from one service provider to another service provider is pretty common in case of periodic service. So, these are the situations basically where, the customer loyalty or customer CRM management which leads to customer loyalty will become an important factor.

So, for an ongoing service generally, customer loyalty happens if you do not renew, if the renewal is there. So, for example, often times we keep on having the the same bank account or the same mobile phone, but we keep adding a another bank account or I keep adding a another mobile SIM from a different provider and I might stay back with this some particular service provider, I might have my account active, but my overall consumption will come down in this particular account which will shift to another account. That is also a loyalty issue and that is something. So, it is not always 1, 0.

In a product context, it is always 1, 0. In the service context, it might not be always 1, 0. There might be 1, 0 and then 0.3 and 0.7 like whatever you are consuming in the last week, last month, now we are consuming only 30% of that and the rest of the 70% you are giving to somebody else.

So, that kind of situation can also arrive and customer relationship managers have to carefully identify which of these, which type of service situation it is and what kind of loyalty my customer is showing to me .

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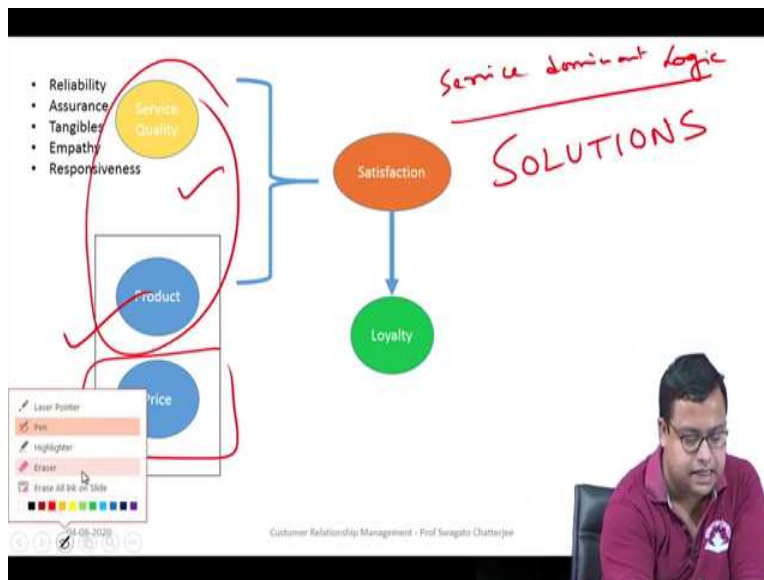


So, in this also like I talked about product quality, here also another important thing that leads to loyalty and satisfaction one important thing is service quality which is, which becomes an important factor.

Now, if you remember in a service-dominant logic, we say that everything is a service. There is a continuum between product and service, but we actually try to say that in the continuum, this is tangible and this is intangible and less customizable or more customizable, that was the classic view.

So, ideally initially, it was like, there were products and there was service, but later point of time, people started to believe that there is a continuum and there are some kinds of things that are products, some kinds of things are service. Services are intangible, products are tangible, and services are more customizable, and products are less customizable.

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But later point of time, people started saying based on the service-dominant logic, people started saying that no there is no difference between product and service, we do not give any product and service specifically.

We practically give solutions and solutions to some customer problems and solutions might have a mixture of customer product and service together and that will also have a price. So, these two together create the solution and there will be a certain price, of that which will together create customer satisfaction. So, this is something which comes from customer dominant logic.

Now, in that mixture of products and services, services will also be discussed in the context of loyalty with service quality. Now, *Parasuraman et al*, some researchers or some early thinkers in the context of service quality or in the context of services marketing has given a particular gap theory.

Though, they said that there are different kinds of gaps that are there between what customers want and what customers get and these differences between this gap will actually lead to satisfaction. Which is basic expectancy disconfirmation theory that we were talking about beforehand that you have an expectation, you have something you get something, the distance between that will create satisfaction.

Now, how that distance can be reduced if you can improve your service quality, that distance can be reduced. Now, service quality is a very vague term. Product quality can be measured based on product specifications. You can say that okay the product should be this much wide, this much height, this much will be the durability, this much should be its corrosion will be low, the pressure that it can handle will be high and this and that. So, those kinds of things can be measured in a laboratory experiment. So, you can know that what is exactly the product quality. If you remember, so there are, there are damage testing of cars.

So, when the cars are built, the cars are actually smashed against the wall like in a full force to check that, whether this and with the robot inside and with a remote control way. But it is, they try to check that, whether the car has the durability, whether it can withstand a collision, a head-on collision, or something like that. So, those kinds of tests can be done in kinds of products.

Now, services are a very peculiar thing. Service has simultaneity, service has heterogeneity, service has perishability. Service situation not only depends on you, it also depends on the receiver. Let's say you try to give a very good service in terms of food and etcetera.

But the receiver's mood is anyway not good on that day. He might have fired on that day or he might not have got a promotion on that day which he expected, he is anyway he or she is anyway very angry or very frustrated in his mind and he has come to the restaurant to get some food and you are giving a very good service. Now, even if you give a very good service, that person is not on the receiving end, he is not in a receiving mood. So, if he is not in a receiving mood, he might not enjoy the service as you want to give.

So, these are lots of different things which will ultimately impact the outcome of a service, not something that you cannot control and that is why the measurement of service quality is very difficult. So, this is a context that many thinkers identified beforehand .

Now, if we still have to do a measurement of the service quality, what are the key factors based on which people try to measure or people try to say that a service is good, service is bad that is something that these researchers try to find out. So, some of them are: reliability.

Reliability means how much I can rely on this person; that means, how much whatever I expect from him, he will be able to give that, what is the probability of that or how much whatever he is saying that he will be able to give, he will be able to deliver that. So, the probability of that is reliability basically. So, it comes from the commitment of the person towards you and also the potential, the ability of the person to, to give, to fulfill that commitment that is reliability.

Then is assurance. Assurance means that how much assurance his image, his brand, his services provide gives me that that okay that I whatever I will get from him, whatever I wanted to get from him is secured, is safe, it is assured.

So, this particular part, the reliability, and assurance often times these things are inter-correlated with each other, these are not exactly 90-degree angles; that means, these are not exactly orthogonal to each other. They are all almost sometimes the same things which leads to reliability might be also the same thing which may lead to assurance.

For example, the brand name. The brand name gives you what? The brand name gives you assurance that okay this guy will be truthful and this guy will whatever he is saying, he will deliver and whatever he and he will only deliver good stuff because he has a good brand name. So, sometimes brand name gives you reliability and assurance like the certification. If you, if this particular guy has some quality certification that also gives you reliability and assurance. So, these are the terms which you try to see.

Then tangibles. So, though we say that service is intangible, there are lots of things when you provide the service which are tangible, which are not exactly related to the service outcome, but gives you signals that my service outcome is good.

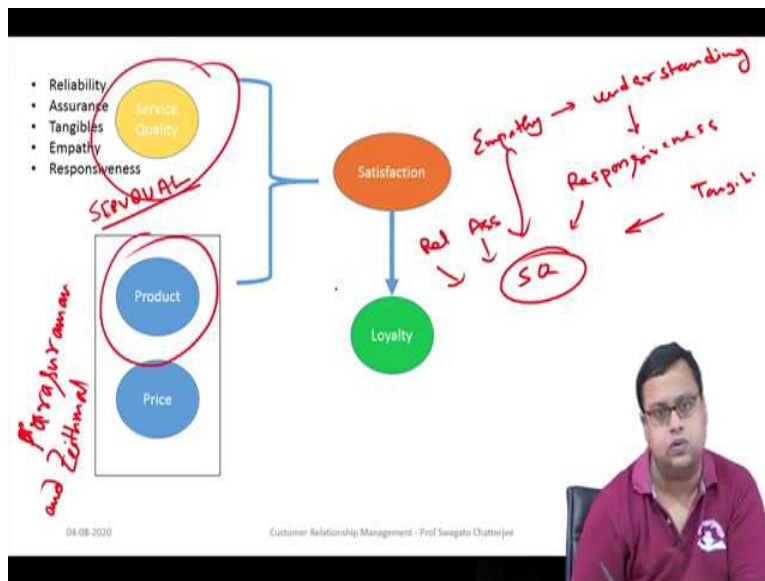
For example, when you go to the restaurant, the the the view of the restaurant, the the types of decorations in the restaurant might not be related to the food quality, ultimately the food might not taste as, as good as possible, but that view also gives you a little bit of service quality, a signal that my service will be good.

So, that is why people give so much importance on ambience, the so much importance on the; on the decorations, exactly how the setup will look like, the tables will look like, the plates will look like. So, all of these things matter.

So, the next important thing is empathy. Empathy is whether the service provider understands you. So, that is another factor which becomes important. The empathy means whether the feelings that I have, whether the person in the; in the front, the problems that I have, the needs that I have, whether the person is able to understand that.

So, if he, only if he is able to understand that he will be able to provide a good service and the last one is responsiveness. Responsiveness stands to how accurately and how quickly not only quick is important. So, time is one factor, but accuracy is another factor of responsiveness. So, how timely and how accurately one particular service provider gives me services.

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So, empathy leads to understanding . He understands my problem that may lead to responsiveness . If he understands, he will quickly and accurately give me service and responsiveness and reliability and assurance basically along with that, these tangibles also. These all will lead to service quality. So, something like that.

So, something like that is given by. So, this is called the SERQUAL dimensions, a way of measuring that was created by *Parasuraman et al.* Parasuraman, Professor Parasuraman and

Zeithmal. I might be wrong in the spellings and etcetera, you have to check. Parasuraman and Zeithamal have given this particular thing.

Now, we have to understand that the service quality and product quality as I was telling will together lead to satisfaction and that satisfaction will lead to loyalty. So, that is something that even, even in the product context, we see that satisfaction leads to loyalty and that is and the antecedence of that is product quality and the perceived value, here also similar things happen. But service quality is measured in a different way.

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What are the examples of CRM in the services market? Let's talk about that.

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So, I have seen this particular brand Lemon Tree while I was teaching in an institute called IFMR in Chennai. So, this particular restaurant has a hotel, it is a three-star, I think, hotel and I have seen about it in Chennai. So, they have various kinds of brands of hotels.

So, one is Lemon Tree. So, the major brand is Lemon Tree Premier Upscale so, then Lemon Tree Resorts which are leisure brands, and Lemon Tree Hotels normal hotels which are mid-scale brand. So, these are probably four stars or something and this is three stars.

So, within the same brand name Lemon Tree, they had given different kind of services because the services will be perceived differently by different groups of customers and they have also came up with a separate lemon leisure resorts which is focusing on not the scale, not the whether you are going for luxury or you do know convenience, but this is majorly focused on neither luxury nor convenience.

But your interest, for what you are coming to this particular hotel. You are coming to this particular hotel to enjoy the holidays. So, or enjoy your leisure time. So, that is why this Lemon Tree hotel starts.

But along with these three classic hotels, they also came up with another hotel which is Redfox brand. So, see the brand name is different here. They want to create a differentiation because the moment I keep a Lemon Tree brand here also, that will reduce the brand name of Lemon Tree, the brand value of Lemon Tree.

So, they created another brand called Redfox which is a Lemon Tree hotel. So, this Redfox brand is majorly focused here and the Lemon Tree hotel is shortly written, smally written. So, it is a; it is a different kind of branding strategy and this is an economy brand.

So, this is something that we have seen in the context of Rosewood also, but Rosewood's context was different. Here also, I am saying the umbrella branding strategy, the whether I will go for

umbrella branding or whether I will go for a different branding like premier, resorts and hotels are basically three products lines, three service lines, but Redfox is a different brand all together. So, they have created that understanding that the customer needs are different.

But they did not stop here, these are very classic, they did not stop here. They have come up with a rewards program. What is a rewards program? This is where the customer loyalty comes in, the customer relationship management comes in. So, what are the rewards programs that this guide had at some point of time?

So, one is Lemon Tree Smiles. Join our guest rewards program to avail exciting benefits every time you book to stay with us and get member exclusive offers. So, this is a classic. So, it is a multiple purchase or cross-selling kind of a reward program where if you purchase from their brand or if you; if you; if you purchase from any one of the hotels, you can use the points, benefits generated to another hotel or in another purchase context.

So, this is like any other reward program that this particular retailer or service company does. So, this is something which service companies do generally. Product companies do not have this kind of benefits, generally do not have. Because the repeat purchase context is not there in products. The repeat purchase context is more common in case of services.

And then Lemon Tree Engage. Exclusive reward programs of our corporate partners. So, this is B2C, but this is majorly B2B. Now, our partners get rewarded for bookings at any hotel. Now, you have to remember though it is B2B, it can be constituted B2C also because let's say this kind of benefits we also sometimes get.

Let's say you are working in a particular company and you this particular company has a tie-up with them. Now, what kind of customer are you to this Lemon Tree?

Are you a corporate customer or a personal customer? Because when you go for a travel also, when you go for a leisure also, you might accumulate some points which you have accumulate through your; through your corporate travels and those points you can; you can use or you can get certain kind of benefits in terms of certain off, certain this, certain that just because you are working in a certain organization which has a tie-up with Lemon Tree.

So, the corporate partners can give both B2B and B2C kind of services, you can give both B2B and B2C kind of services to the corporate partner. So, you have to think that there are two different kinds of customers even in the B2C context for hotels.

One is who are individual customers, who are not attached with any corporate, who has a tie-up with you. Another is another group of customers who are also individual customers, but have a tie-up but working with the company who has tie-up with your hotel or that kind of two different customers we have to create two different kinds of loyalty programs for them.

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DO NOT MISS OUT!

lemon tree smiles
GOLD Member BENEFITS

- Shopping Programme
- Complimentary Room Upgrade
- Dedicated Customer Service Line
- Free Stay for 2nd Guest
- 10% Extra Discount on Room Rates
- Latest Free Room Nights

From the benefits of our exclusive membership benefits menu from you book just this time www.limonetrees.com

NOT A MEMBER? SIGN UP NOW

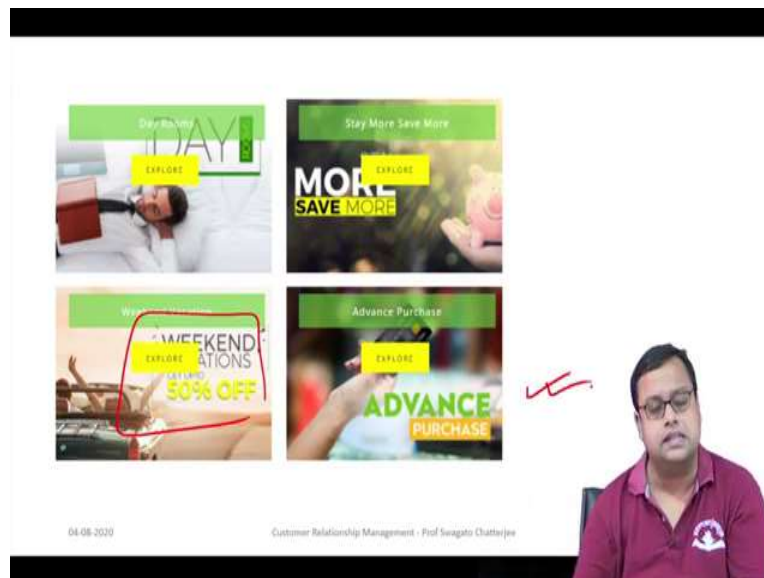
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Then what? So, in the Lemon Tree Smiles, what kind of benefits do they give? They give redeem shopping vouchers because they know that whenever you go to travel somewhere, you generally do shopping. They give complimentary hotel room upgrades which are obviously detailed, dedicated customer service lines that are also very good, stay, free stay for the second guest.

So, stay free for the second guest means oftentimes people can come with a family member or further spouse, with their fiancée. So, if that kind of situation stays the room is basically the cost of the room they actually include both the people's cost and if you are; if you are a Lemon Tree Smile member, you do not have to pay for the second member. So, that kind of benefit is something that they are getting.

Obviously, 10% extra discount which is obvious and redeems free room nights. So, you get room nights free which you can redeem later. So, these kinds of benefits that they get in the Smiles.

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What are the extra other things that they gave? They give day rooms. Day rooms mean in the context of a business customers, business travelers they know that many customers will come on the day probably in the morning they will come, they will give certain services and they might have a flight at late night and in the afternoon, they might want to just lay down somewhere. So, that is the day room. They will not spend the night at your hotel by probably 10 PM or something they will leave the hotel.

So, that kind of customers they generally hotels get quite a lot. Now, these are day customers and more specifically you get this kind of customers in the metro city where people are busy. They come in the morning and leave in the evening, but they have 2-3 hours in between and they want to lie down somewhere.

So, or have a bath, good bath, have a good lunch somewhere. So, here also attracting these kinds of customer base and they are attracting from their existing customers who are from, who are coming from the corporate sector, they are targeting this particular bunch and asking them to, why do not you come and get the benefits of our programs.

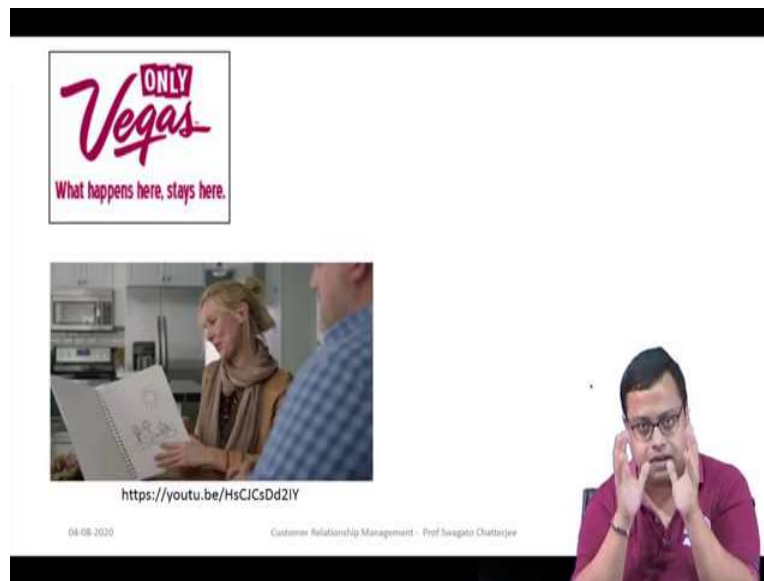
Then, what 'Stay more, save more' which is the obvious one. The longer you stay there, you will get volume discounts or revenue discounts, so which is obvious. Then, you also get weekend vacations.

Weekend vacations means 50% off on the weekends because generally we will see again this customer, the major focus is corporates. The corporates get weekends off. Weekends. On the weekends, the hotel footfall comes down and you probably want to attract not in the resource probably. In the resource, they will not get this kind of a benefit.

But in the upscale or in the midscale situations, they will get this kind of cases when in the weekend the footfall comes down because the customers generally do not come in the weekends because these are the hotels in the metro cities which do not work in the weekend.

So, that is why, you will give destination discounts on the weekends and also advance purchase, advance purchase means you can buy much ahead, and you can get a lesser price. So, these kinds of benefits Lemon Tree was giving. So, these are all associated with some kind of; some kind of thought process in the services that you can handle .

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Another important example that I love to give is this Only Vegas. Now, Vegas, Las Vegas I am talking about is a city where the whole city itself is a brand and the whole city itself is a service. The city municipality knows that our major source of revenue is tourism. So, the whole city has opened its platter to attract tourists.

Now, they might have heard about certain campaigns. They have actually Las Vegas city municipality has run a campaign that whatever happens in Vegas, stays in Vegas. Now, I will actually show you how this Vegas city has evolved over time in the; in the context of CRM in the B2C context or in the services context.

So, what I will do in the next 5-10 minutes, what we have to do is I will tell you a video, we cannot run a YouTube video in this particular thing, but the link is given, I will stop. you,... you should stop my video here, open that link in a in a different browser and watch the video first.

So, stop the presentation, stop the YouTube video that I am talking about. So, talking in that particular lecture video you should stop, copy this particular link, paste it in another browser, it might be a 2-3 minutes video, just see the video and then, again come back to this particular lecture that I am giving.

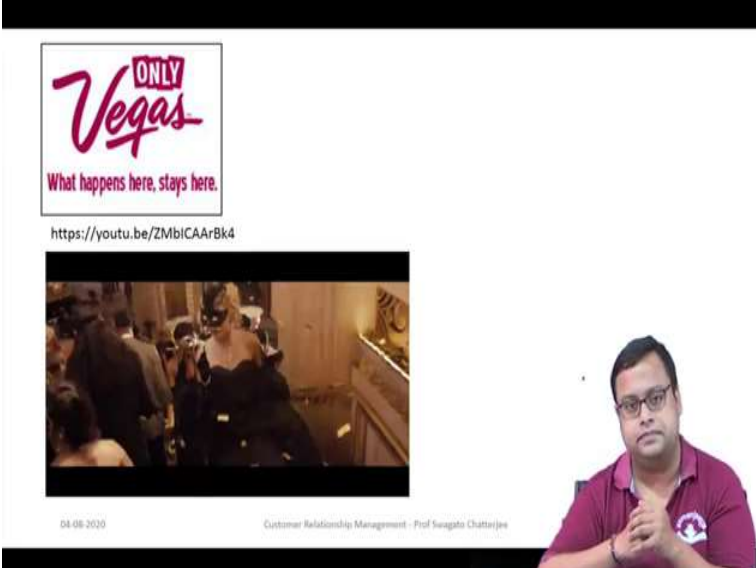
So, the first thing that I want you to see is this. This particular video, go and see and then come back. So, I hope that you have seen the video now. So, this is a particular ad where if you have seen this ad, you will know that this particular lady has gone to Las Vegas with her friends and her husband was at home and she has enjoyed lots of things in Las Vegas and she is coming back and showing the pictures.

Now, she is showing hand drawing pictures to her husband because she cannot show the real pictures. So, saying that okay we are in the pool, we are in the restaurant, we are in the pub, we are dancing. All pictures are hand-drawn and the actual real picture which is clicked is such that she cannot show that to her husband and then, it says that whatever happens in Vegas stays in Vegas.

So, this is a particular group of people that figures initially started to target for that it is a sin city, they started saying that it is a sin city. Anything you can do here; nobody will know outside and all kinds of sins you can do. You can enjoy, you can have drinks, you can dance, you can go to the pub, you can do this-that, blah blah blah. So nobody will know outside and that attracted lots of American customers and customers from other places as well who wanted this kind of place.

But all of a sudden, it did not become a place which is; which is well perceived by family persons or which is well perceived by many other people who are basically ethical and etcetera. So, there is a huge chunk whom you could not attract by this kind of a view. If you have a view that okay this is a place where only bad things happen, only immoral things happen, then that is the problem. So, they slowly change their identity.

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And this is another video that they have launched next. Please stop this particular video that I am lecturing in and go to this video, copy this particular link and watch the video.

So, hope you have seen this video. This is a different video altogether. It has a different view from the previous one. So, the previous one has lots of campaigns. I have given only one campaign, there are lots of similar kinds of campaigns which happen, where people are saying that what happens in Vegas stays in Vegas.

Though at the end of the video, this one also says that, but basically this is focusing on 'Be yourself.' What is 'Be yourself.'? 'Be yourself.' says that you can be anybody in this place. In this place you can be a movie star, in this place you can be a rock star who sings songs, you can be a person who you know, you can live your dream here.

This is a; this is where you, you do not have a baggage of your identity and etcetera, you can live your life whatever you cannot do in a real-life situation, whatever you generally dreamt of doing, but was there were lots of bindings around you, you can have all of those stuff in here.

So, their focus has shifted from being; being a sin city to being a place where you get freedom and how did this particular idea come? How, from where they did they do this kind of a campaign is something that we have to think about.

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What they did is they opened up a Vegas sweepstakes. Sweepstakes means where you can play games and you get lots of prizes for those games. So, they have created an online gaming where you can go and register and you can build your own avatar, own alter ego.

So, whatever you want to be, you can create that. So, here you can name yourself as Thor and you select origin as some particular city which is not known, which is a fantasy land and you can build your character, your character has this much smoothness, this much style, this much bravery, attitude and smartness.

So, this is how and there are points there. You have to customize your avatar and once you customize your avatar, that avatar goes to a pub which is a; which is a Las Vegas kind of a, if you have played the game where I forgot the name of the game where people, where there is a particular. It is a single agent game where a person goes and drives lots of cars and kills this person and that person. I think that the name of that particular game was also sin city or something like that or call for duty or something like that if I am not not wrong.

So, this is something like that particular game. If I know what I, what I mean. So, these avatars will then go to pubs, go to clubs, do partying, have some booze somewhere and= he will enjoy that particular avatar whatever you have created he or she will enjoy.

Now, what is the benefit of that? What is the point of creating this? There are lots of people, lots of users actually registered to this and by seeing the alter ego, how they are their alter ego is playing in this game, I as a person, I as a as Las Vegas municipality person, we can analyze the behavior, I know that what kind of services I have to give, I know that how many pubs I have to create, how many clubs I have to create, how much food fall they have.

I can change the situations inside the game, designs inside the game to all of a sudden know that what my customers want, what kind of things my customers actually are enjoying, whether this song they are enjoying or that song they are enjoying, whether they want to go to the beach or they want go to the pub, how much? How many people are going to the pub, what kind of drinks they are ordering?

Whatever their alter ego is behaving is actually what they will behave when they come to Las Vegas. Because in the Las Vegas, you want to be yourself, you want to be your alter ego.

So, from this particular game, they get an idea. They selected some people, the prize money was you will spend some 7 days or some so, 7 days holidays free of cost in Las Vegas. Some people actually won that and went to Las Vegas. But by doing this exercise, by spending the holiday money for those 7 people, they got data for a huge amount of people and from that data, they understand what kind of varieties people want and based on that variety they have created this campaign.

And they have also further understood that they are not targeting a specific group of people who also want to enjoy in Las Vegas. These are the people who are marginalized in American community slowly moving ahead. These are basically the LGBTQ community.

So, they found out that this kind of community who also makes quite a bit of money, who also wants to spend on their own enjoyment and etcetera, but probably for various social reasons, they are not able to come out, how can I focus on them?

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Sin → liberating yourself → liberation from any social stigma

<https://youtu.be/M9XXgkntJ4>

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And that led to, that kind of idea which gets originated from this kind of data will lead to this ad. Again, I will ask you to stop this video. This might be a little bit longer ad. 3 minutes, 3 and half minutes ad, you go and see this ad.

And if you have seen this ad now, you will now understand that they are shifted. So, first, they focused on sin ; first, they focused on sin, then they focused on liberating yourself, and then, they focused on liberation from any social stigma or something.

So, the major goal of Las Vegas has changed over time. It from, from being a city where, where people only go to enjoy things which they cannot enjoy in the real-life situation which is probably immoral to do or probably not accepted in the society. From there you, they have changed their view and they become a place where you can spread your wings, you can be free and not only free, you can not only free from your own internal inhibitions, you are free from the external inhibitions also.

So, this is something, that is how the Las Vegas has moved and all of these things actually are targeted towards the customer relationship management. Now, imagine a person, if somebody sees that ad and he belongs to this community who gets a psychological attachment with this kind of a community, will have a huge affiliation towards Las Vegas because Las Vegas could give him this kind of a feeling that okay you are safe here, you can come here and can enjoy and nobody will judge you.

Similarly, here nobody will judge you. When this was around some years back, but a person who wants live his dream, who wants a very luxurious life, grandeur life and etcetera, but he does not get that, will actually love this particular ad, this campaign because here he gets the opportunity probably for 2 days, 3 days, a weekend, but live a dream of his life or her life. So, that kind of a

feeling Las Vegas could give and all of these things ultimately comes under the CRM in the services context.

Thank you very much. If you have enjoyed the videos, I will be happy. Thank you very much for being with me in this particular lecture session . In the next session, we will talk about CRM into the product context.

Thank you very much, see you in the next video.