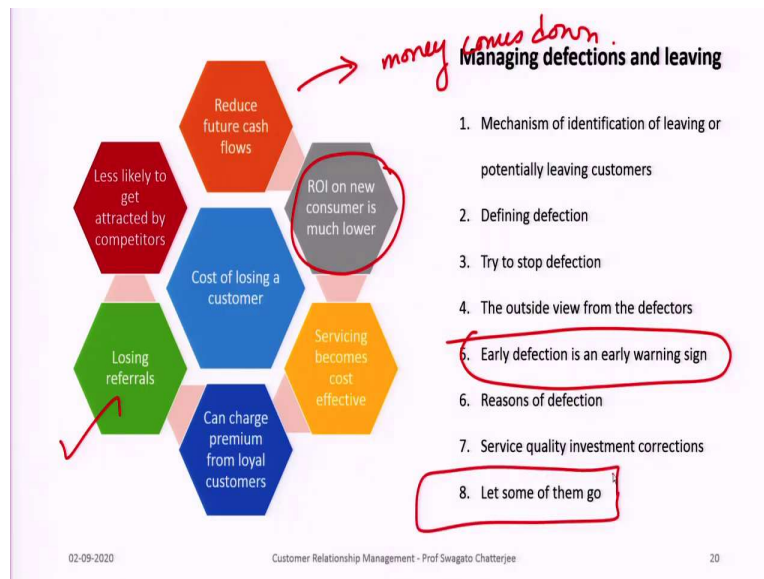


Customer Relationship Management
Prof. Swagato Chatterjee
Vinod Gupta School of Management
Indian Institute of Technology, Kharagpur

Lecture – 30
CRM in B2C Markets (Contd.)

Hello everybody, welcome to the NPTEL course on Customer Relationship Management, we are in week 5 and we are discussing CRM in B2C Markets. And, in this particular video we will continue on that. So, I will just go to the corresponding slide.

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So, in the last class, we were discussing about a situation that how the, how various kinds of B2C CRM strategy have been taken sometimes by even certain cities like Las Vegas and how Las Vegas has evolved over time using this CRM strategy. In this particular video, we will be talking about other aspects of a customer relationship management in the B2C context.

So, one of the things that is majorly important in customer relationship management is not to lose customers. So, retention of the customers becomes one of the major challenges. And what is the cost of losing a customer? When you lose a customer what do you actually lose? So, one of the major costs is that your future cash flow reduces. So, that is one of the major things that happens,

that your future cash flow reduces; that means, whatever money that you can expect in the future will not come.

So, money comes down, that is number 1. Then ROI of the new consumer is much lower because why? Because, we have discussed about that, that the cost of acquiring is generally higher than the cost of retention. So, if the cost of acquiring is generally higher than the cost of retention it becomes difficult for a company to ensure that if all my customers are leaving after a certain period of time. For example, likes apps. Life of an app, lifespan of a customer in an app is probably sometimes depending on which app it is.

It may be probably 2 months, 3 months, it can be let's say it is a gaming app, people generally lose interest after a certain period of time. So, 2 months, 3 months, 4 months is the average lifespan in an app.

So, they have to keep on innovating and this keeping on innovation is very costly for various kinds of app providers. And, that is where this ROI of new consumers is much lower, that kind of problem comes in. So, your future cash flow is getting cut and the ROI of the new customers that you can deal with is also something that is creating a problem, because ROI is much lower.

The cost that you incurred to acquire and attract the attention of the new customers is much higher than the money that you will generate. People will not put out their pocket on the first day itself or in the first month itself, they will even in an app they are purchasing in an app will start happening or the advertisement revenue will start generating, when I repeatedly visit one particular app. Otherwise, I will not buy from that particular app or if my profit is low. For me advertisements revenue which can be attributed to me as a customer will not be that high, but acquisition cost will be high. So, ROI will come down.

Then another becomes, another problem of cost of losing a customer is basically servicing becomes cost effective, when you keep the customers for a longer period of time. If you lose the customer then servicing of a new customer becomes difficult.

So, older customers you can actually handle them for a long time without any problem because you have known what are the likes and dislikes of this customer, what he is looking for, what are the exact service quality performance that he or she is looking for. So, that kind of issue is there when you can keep the customer for a longer period of time. Now, if you lose the customer at a certain period of time then the servicing cost goes up.

So, that is also; so, not only the acquisition cost, but also the service cost which is basically providing a value to this particular customer becomes more costly. Now, if you lose the customer. Generally, for loyal customers, you can charge a premium which is not also a case when it is a case for not so loyal customers or new customers. You cannot charge a premium to new customers on the very first day. So, oftentimes if I have been there with you for a long period of time, you can customize the service or you can customize the product which is required to me and then you can charge a premium.

And, I might be happy to pay the premium. You will see that many times on Netflix and say other kinds of subscription-based apps or even your mobile phone, Vodafone numbers and let's say Jio numbers and etcetera, keeps on sending you emails after a certain period of time you are there in a particular package. You then know that okay you are in this package, you are using this package, then they try to cross-sell or upsell.

Then now, up-selling is something that is pushing, but sometimes, they can also charge a little bit of premium on the whatever services they are giving to you. They can increase the price a little bit and you will be still okay to paying this price because you are getting value out of it. Now long term relationships give that value, short term relationships generally do not ensure values because; the company is not able to understand your needs and demands till now.

So, in that kind of a situation it is better to charge lower. So, that the customer stays back, but if the customer, you lose the customer, then probability or the capacity of charging this premium price becomes lower. So, that is also something that is actually this also related to the revenue loss that I was discussing a little bit back. But, together these are two important aspects that we have to understand. So, one is revenue loss which is the regular revenue loss which is the customer lifetime value that you are losing out, because he is not purchasing anything from you.

Another is that he is not purchasing the top-up things also, he could have purchased the extra things also which is something that you had also losing. So, both of these two things have to be kept into your consideration. The fifth aspect is losing referrals. So, losing referrals is also a another important factor because see in a service context or even in a digital context in today's world everything, everybody is connected with each other.

So, what I do, what I say, what I consume actually does not only impact me, it impacts my social network also. One of the classic examples that we generally watch so, if there was a time when we used to watch this Game of Thrones. So, another important problem is losing referrals. So, today

we are living in a connected world and in this connected world what is very common is that whatever I consume, I say in the social media or what I believe in and what I post, that impacts my social network also.

There was one time when we all used to see this Game of Thrones together, right now in the age of Netflix and etcetera, we're watching certain series; let's say there is a series called Bandish Bandits which we're watching and we are discussing. And, this discussion between the audience actually improves the TRP or whatever is the popularity index in a digital world, that increases when people discuss with each other.

So, that kind of positive word of mouth and etcetera is something which is very important. Now, that is something that you will lose, if your customers do not even get the enough time to create a positive attitude towards you. So that they go back to the online media like so, Facebook or Twitter or Instagram and talk about you. If they are not talking about you, if they are not referring to others, why do not you watch this.

For example: one of my students has actually referred certain series to me other before unless they have referred those series to me, I would have not gone and watched those series on Netflix. But, now that they have referred to me and I know that okay this is something that has been, that that has been I would say tasted by my students and I actually believe in his taste. T-a-s-t-e. In that kind of situation I would probably go and watch the series; based on the recommendation of somebody whom I believe. Whose interests and etcetera matches with me.

So, then if I go and watch that particular series, that series gets some revenue generated from the platform. Similarly, if you lose this customer then the reference start stops happening and if the referral stops happening then further revenue generation is also cut off. So, they are three streams of revenue that are basically stopping if you lose customers. One is whatever the customer would have been bought in the, on a regular basis, whatever premium products you would have bought. And whatever other customers you would have referred to and revenues from those customers; these three streams of revenues you are losing if you are losing one customer. So, you have to be very careful, a company has to be very careful when they are losing customers. Unless likely to get attracted by competitors, generally loyal customers are less likely the moment some customers are losing. You are not only losing, you are losing the customer does not mean that the customer is not watching any more serieses.

If Netflix is losing customers or Hotstar is losing customers that does not mean that this particular person is not any more interested in digital entertainment. It might be a case that he is moving to Prime Video. So, your competitor might be actually attracting those customers, if your customer is loyal to you then this kind of situation does not happen.

But, if he is not loyal to you, if he is moving out then not only you are losing money your competitor is gaining money. So, it is probably, its cutting in both sides and that is why losing customers is one of the major things that we have to be aware about [noise]. Now what are the, what are the ways to manage defection? One is the major way to manage defection is probably defining what is defection and mechanism to identify the customers. This is one of the major things that happens.

For example, I have given this example quite a few times and again I am repeating that in a service context a customer might not just leave you by not paying the money to you. For example, this Netflix. I might have bought the subscription for 1 month, in the next month if I do not buy the subscription you can say that okay, this guy is probably leaving; I have to try to catch him. On the other hand, in case of Hotstar or in case of Prime Video, the amount is I think currently the amount is 1000 rupees per year, I can pay that 1000 rupees then I can get a yearly subscription.

In Netflix it is 500 rupees per month, if I am not wrong. So, 500 rupees per month then some people actually pay monthly basis, some people probably paying the yearly basis also. But, if I am going for a monthly subscription you have an option to check that, whether this customer is there with you or not every month. But, if I am going for a yearly subscription you might only be aware that whether I left you only at the end of the year.

So, only focusing on my monetary behavior, my purchase behavior is not the right way. Then what to do, I would have done? If my competition is Hotstar and I am Prime Video, I would have checked that okay this guy is not watching Prime Video for the last couple of months. It is not only that, he is now, he has paid probably in March and then he will pay in next March. But, in between, this March 2020 and March 2021, in between that for a period of 3 months he has not watched anything.

And, if for a period of 3 months he has not watched anything, I might think that okay this guy must have been watching somewhere else. And, I will see that, what are the products, what are the series, what are the videos that this guy has watched on my platform. And, what is the competing videos

that are coming or similar kinds of videos which are going on in another platform. And, probably this guy has switched from here to there.

So, his profile might be active, but still, he might be an inactive customer and he has a potential to leave in the next year, we have to identify them. Similarly we, so let's say many people have salary accounts under separate accounts in a bank. Salary account is the account where their company, their organization even even today, even in the age of this internet banking and etcetera; oftentimes companies say that okay you why do not you open this particular bank account in this bank only because, we have a tie-up.

So, you have a salary account and you have a separate account. And, then the second account is where you get all the services and the salary account is an account in a nationalized bank. Sometimes you are not so happy with services provided by the nationalized banks that is why. But, your organization has said that okay, we are in the government organization we can only pay you in nationalized banks probably at some point of time it has been told.

So, if you have opened this account, you do not want to close the account in this nationalized bank because there are certain kinds of services which are easily available, less costly in a nationalized bank. But, there are certain kinds of services which are not even available at a basic level or at a level where you will be satisfied in a national bank, nationalized bank.

So, you have another bank account and every month in the starting the money comes to this bank account and every 10th of a month, 10th August, 10th September, 10th October; you have made a rule that a chunk of money will go from this account to that account.

So, then are you a customer of this nationalized bank? Because, it is like, let's say 50000 rupees comes every month, let's assume 50000 rupees comes every month . So, the 50000 rupees comes in every month and stays for 10 days. So, for 10 days your account balance is 50000, for the rest 20 days your account balance is let's say 0, you move out all the money.

So, then what is your average account balance? The average account balance over the month is 50 by 3, because first, first is 50 for 10 days and then 0, you just do the calculation 50 into 10 plus 0 into 20 by 30. So, that becomes 50 by 3, 16000. So, 16 point-something thousand is your Main Account Balance: MAB that is what they say, which is good enough. Your account will not be closed, they will think that okay this guy is an active customer, but every month there is a transaction happening.

So, still, there are 1, 2 transactions happening practically; one is one money is coming to your bank account and then one chunk of money is going out of your bank account. So, 2 transactions every month this guy is active, there is not an ideal customer. But, actually you are an ideal customer, you are not a customer who is doing all this banking services with this nationalized bank.

You are actually putting all your money in the second bank account and that is where you were doing your FD, that is where you are doing your mutual fund purchases, investments, this-that, e-commerce purchases blah, blah, blah from where the bank is actually generating money.

So, this guy is only getting 10 days interest that is the only income that he is getting from you. So, basically you are not a customer and this is something that has to be detected carefully. So, defining a defection is one of the major criteria. How do I define that this guy is not my customer anymore that becomes a major criteria .

Then the third step is trying to stop defection. First it is, you have to find a mechanism to identify and define the defection and third is trying to stop defection. So, you try to stop defection using multiple strategies. Neither can certain loyalty generating strategies.

There can be certain strategies where at the exit, you do an exit interview and you try to find out what are the causes. And, you try to probably fulfill the gap of whatever your service level is and your customers' expectation is.

For example when you try to do mobile number porting, they respond that the representative from the mobile company will probably the SIM company, the connection company will call you and say that, why are you leaving? We will give you this kind of offer, that kind of offer. If you pay 400 rupee per month, you will get 5 GB free, this calls free blah, blah blah.

So, he will try to do something to make sure that you stay back, because by giving you that offer for one time period he is trying to ensure that you will stay for another 12 months. We do not think of switching mobile phones every day, no? We think after we get dissatisfied up to a certain level we generally think of. So, if I can push you a little bit higher of that satisfaction level, then I am okay for the next 6 months and next 6 month, I will be making some money out of you.

So, that is something that the companies know and that is why they try to stop defection by luring you. Sometimes, it is a sustained process like sending you certain kinds of offers, benefits, information. Pantaloons and etcetera let's say send you the new arrivals, you get the information of the new arrivals, if you are a loyal customer. Why? Because, they know that okay this guy values these new arrivals, they will actually come and buy the new arrivals.

And, they want to jostle in a crowd, they want to have a peaceful environment when they come and do the purchasing. So, whenever the new arrivals come you get the message. So, all of these kinds of strategies are basically trying to stop defection. Then you have to also know the outside view of the defectors. So, you have to go and talk with the defectors who have already left your company. One major focus we had been talking about till now is, till this customer is with you.

But, even there will be some customers who will be leaving you silently. There are in fact, most customers who leave you, leave you silently. You do not even come to know that this guy will be leaving. And then all of a sudden you will say that okay he is not coming to your store or your e-commerce platform any more. So, these are the outsiders who are already defected and gone to somewhere else.

You have to go and talk with them, you have to find information about them that why did they leave you? It is not, it is your job to find out that. So, some customers will be telling you a fraud and some other customers will not be telling a fraud. And, it is very important to find out why customers have left you. Early defection is an early warning. So, somebody who is leaving your company very soon is an early warning that is good for you practically.

It is better that you can track them and you can find information for them if you can change them, this particular customer in your, in their attitude and etcetera positive towards you. The probability that you can retain this customer goes up. Then you have to chalk out the reasons for the customer, you have to do the service investment, service quality investment correction and let some, some of them go.

Some of the customers are not so good customers actually. We are talking about in a B2C environment, remember in the, there was a based by case and there were some angels and there were some devils. So, one important thing out of all this thing that I am trying to say is there will be still whatever you do, there will be some customers which are not profitable enough, it is better to let them go.

Sometimes, it is better to identify these customers that okay, whatever I do I will not be able to satisfy him; either because its willingness to pay is very low or his service expectations are very high, not applicable in our context. So, I have to probably let them go. So, this balance of whom I will let go, whom I will not let go and which kind of customers we have already left, I will try to push to pull them back. These strategies together create your retention plan, we have to deal with that accordingly.

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Managing defections and leaving



1. Mechanism of identification of leaving or potentially leaving customers
2. Defining defection
3. Try to stop defection
4. The outside view from the defectors
5. Early defection is an early warning sign
6. Reasons of defection
7. Service quality investment corrections
8. Let some of them go

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Next is, what is managing of defection and leaving okay. So, we discussed about this.

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Service Recovery



- Training and Empowering of Employees
- Closing the Loop

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The next is the service recovery part. So, one of the major reasons why customers leave in a different class we were talking about is that we customers feel that you are not giving enough

importance to this to the customer, that is one of the major reasons why customers leave. So, that is where this service failure and service recovery comes in. Service failure is what? Service failure is something where there is a service expectation.

So, this is my expectation, expected service quality. If you this is my satisfaction zone and this is my dissatisfaction zone or basically service failure zone. So, this is the place where service failure happens. And when I do service failure I have to do something, some strategies to improve the customer's attitude towards me, and those kind of corrective measures are called service recovery measures.

There are various service recoveries for example, let's say you have gone to an airport and you reach the airport and you found that your plane is delayed. And, your plane is delayed for probably 2, 3, 4 hours. Now, if the train is sorry, the flight is delayed, the plane is delayed for 4 hours, the flight is delayed for 4 hours; it becomes, you become very, very annoyed, very pissed off with this particular airline agency or something.


So, what this airline agency is to do, should do, if you are a valued customer they will try to know what are the reasons they have, what kind of annoyance you are having, what kind of dissatisfaction you are having. And, they will try to do something to make sure that dissatisfaction can be removed. In hotels, let's say you will get sometimes, they give you free upgrades, if you are annoyed or let's say they give you certain kinds of discounts.

Sometimes a simple apology is enough, sometimes they also do, they send a note to you; sometimes they give you some gifts. So, there are various ways to handle a service failure situation. When a service fails, there are different kinds of ways that you can do, to ensure the service recovery happens. So, this is where one of the, this is one of the very major parts of customer relationship management in B2C, that. how I can do various kinds of service recovery.

Now, what we have studied is that generally there are various kinds of customers that are there. There are two different types of customers are there, one is, we call the complaining customer and another is non-complaining customer.

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Service Recovery



- Training and Empowering of Employees
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Handwritten notes:

- Complaining → Resolution (Put msg / Email / Phone Call)
- vent
- Non-complaining → failure is not high enough
- The customers are shy / or they are silent

So, complaining customers are the customers who expect something from you, only then a customer will verbally complain, when they expect a resolution, when they expect a service recovery will happen. There are other customers which are non-complaining, there can be two reasons for non-complaining . One reason is the failure is not high enough

according to this customer, these customers are shy or the customers are shy or they are silent.

So, as long as the failure is not high enough you are fine, if somebody is not complaining for a minute reasons you are fine. But, if you think and this is very, very critical that you as service manager know that this service failure is not high, not small, it is not a trivial issue, but still this customer is not complaining. If that customer is not complaining, you should not take that as a granted.

We often have a, we often have a strategy that, okay as long as the customer is not complaining, I will not do anything. You should not do that because the customer might be shy, the customers might not be vocal. There are various cultural aspects that come in where customers will be vocal or not. In Indian kind of context we are generally shy, we generally do not complain, but in an individualistic society people complain a lot.

Now, the fact that if I am generally do not complain does not mean that I will not, I will still will stay with you, I will silently leave. And, it has been seen that most customers silently leave, you

will not even know and that is a very huge harm to the company; because the company has no scope to improve. If you silently leave, if you keep on if your customers keep on sacrificing, keep on probably handling your service failures, keep on forgiving your service failures.

So, forgiving is another thing, somebody is shy and remaining silent does not mean that he is forgiving. And he might forgive once, he might forgive twice, he might forgive thrice, but after a certain period of time you will not forgive, but still, you will remain silent. What he will do actually, he or she will do is, will he or she will silently leave and that is a situation where you have no scope of service recovery.

So, this is very important. People are not complaining, does not mean that your service quality is good or you are doing a good job; you have to think about that carefully. We often times we, various companies or, or the managers service managers or customer care managers actually post this information, that how many calls are coming, how many complaints are coming. Complaints are coming less does not always mean that you are doing better.


Complaints are coming less along with your higher purchase situations or higher customer rating or positive word of mouth, both together gives you an idea that ok; you are doing good. If the second one is not happening the first one alone is not a signal of good quality. That is number 1. Now, some people are complainers, they actually ask for some resolution. They complain because they want some resolution and there are customer relationship management strategies, where people, the researchers, where they say that, what kind of channel they will choose when they want.

So, when they have when people are complaining they have different kinds of motivations of complaining. So, for example, one complaining is resolution, if, I if I look for a resolution from you I will private message you, I will email the company, something like that. Sometimes, I will do a phone call also, if I want to vent. Let's say resolution was not given and I want to vent out my frustration or I do not expect any resolution from you. But, I am very pissed off and I want to vent out of my frustration.

So, if I want to vent out my frustration, I will go for a second channel which is basically, let's say social media; social media, or even phone call.

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Service Recovery



- Training and Empowering of Employees
- Closing the Loop

Handwritten notes in red ink:

- Complaining
- (Chat)
- Resolution (but msg / Email / Phone Call)
- vent (Social media / Phone Call)
- vengeance (Social media) - as many channels if possible.
- Social CRM

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The advantage of a phone call is that I. So even in the resolution we will go for a chat, but in, in the advantage of a phone call is I can shout towards this; obviously, that is not an expected behavior from a customer. But, oftentimes customers think that okay, if I phone call, if I do a phone call, I can shout that depends on the power, perceive-power situation of this person also.

If we think that he is very good in communication, he can speak loudly, he can, he can, he does not feel shy to behave badly with some persons; he will vent out in a phone call, other people will use social media. Then, the third one is vengeance. So, when I am trying to take any steps against you, I want the harm of the company. Again that is a place where I will go for social media. And in a social media. I will probably go for social networks rather my own, rather than my own channel; I will go for as many channels as possible .

So, the choice of the complaining customers' channel is also sometimes to say that what he is wanting is either, whether he is looking for a resolution or whether he is looking for venting out or whether he is looking for vengeance. And, now given that what many companies are doing right now is because these two are potentially harmful, these two are potentially harmful. They are creating their CRM strategies here.

And, that is where these social CRM that we have been discussing about comes in, that because these are potentially harmful; if I put my CRM managers in the social media. Then I can make

sure that this vengeance happens less, the venting out happens less, and less harmful effects come on my brand name.

So, social CRM is one strategy to ensure this kind of complaining, complainers can be managed. In the next video, I will talk about service recovery strategy in furthermore detail. One is complaining the; managing the complainers. Now if they have, what kind of resolution can be given, I will probably discuss in this next video.

Thank you very much for being with me. See you in the next video.