Customer Relationship Managemen
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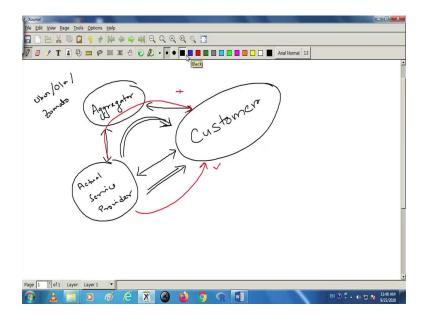**Lecture – 32**
CRM in B2B Markets

Hello everybody. Welcome to the NPTEL Swayam Course on Customer Relationship Management. This is Dr. Swagato Chatterjee, from VGSOM, IIT Kharagpur, who is taking this course for you.

We will start week 6 from this video and in this video, we will discuss research papers that I have worked on in the context of customer relationship management. First, we will discuss about B2C context and then, we will discuss CRM as a whole in B2B context and then some research on that particular area also, CRM in B2B. So, that will be the whole week.

So, in this particular class, I will be discussing about some research papers that we have done in the B2C context. So, there is a paper which you can find in the Journal of Strategic Marketing in my name. If you go to my Google scholar profile also you will find, where we have discussed about what kind of situation happens when a service failure happens in an aggregated business context.

So, to understand this first we have to understand that, what is an aggregated business context? When I say aggregated business context, what does that mean?

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So, in an aggregated business context, there is an aggregator like for example, let's say Uber or Ola or Zomato or let's say some-somebody like that and then, there is somebody who is the actual service provider.

So, he-this person actually provides the service and he is not connected before this aggregator was there, this person was not connected to the customer and because he was not connected to the customer, the business was not happening. So, this connection was not very strong. So, what did this 'aggregated' do in this particular business context?

For example, before Ola and Uber came, there were always taxis and autos were there in Indian cities or in abroad other cities also. But these taxi providers, taxi service providers, taxi drivers and etcetera did not know that at what point this particular service will be asked for.

So, all they did is that they went ahead and waited in a stand, taxi stand or auto stand and a customer has to come by walking or whatever to the taxi stand and then, fly on that taxi; and by any chance, if the customer is not probably, let's say he has some mobility issues or this person has some very huge luggage, which — all of these thing has to be carried till this point, till this taxi stand or otherwise somebody has to come and take this taxi and go to the home of that person.

So, there were lots of problems happening. Let's say in some city, there is an aged person living alone, nobody to help him. Now, how will I? Nobody to help him physically — let's say for example, I am standing in Bangalore and my parents are at the time in Calcutta and let's say this

taxi stand is a little bit away from my home in Calcutta and I am not physically present there. I am working in Bangalore.

Now, what will I do if the taxi is needed even in the let's say in the summer season, at 2 p.m., 3 p.m. somewhere my mom or dad has to go? Where will I get a taxi? Somebody has to go till that taxi stand, sometimes they have to probably take a rickshaw to till the taxi stand.

And then, ask the taxi why don't you please come to my doorstep and then, put all the luggages and go to somewhere. So, that was a problem. Similar things happen in the context of let's say food. When we were, when the Zomato and or or let's say Swiggy were not there, first of all to order food from a certain distance, you have to order a certain amount of food, that is number one. Number two is that you didn't even know that, whether this particular restaurant was there at all, the existence of the restaurants was not known. Because you have not probably traveled in that particular area or you have not noted down what are the restaurants available and you probably didn't even know that this guy can deliver to your house also.

On the other hand, the restaurant's people did not know that from what place where I can create a customer base, they were only dependent on whichever people would call them or come to their doorstep, come to their restaurant doorstep.

So, if that is the situation, then the problem is that neither the business has enough information about the customer demand and neither the customer has enough information about these businesses and there is an information gap. This information gap is where these aggregators come in. They have actually filled up this information gap. What do they have? They have huge servers, they have good I would say platform; in that platform, customers can register, service providers can register and all this guy will do is to find out the correct, at a correct period of time.

What is a customer demand; what is his willingness to pay and what is the supply available and what is the money that the supplier is willing to give the service at. And if this, these two matches, if the supply curves and demand curve matches wherever it cuts, it creates a opportunity there and that is what they say that okay.

It sends a notification to the driver that there is a customer waiting; 5 drivers get that notification, whoever swipes first will get this particular order. So, he sends it to 5 drivers. Similarly, he shows that okay, there are Uber and then Uber Go and Uber Prime and this and that offerings are available which one do you want to go for?

And if you go for Uber Go, 5 minutes; if we go for Uber Prime, 2 minutes; if you go for something else, 10 minutes, that much of waiting time is also shown to the customers. So, this kind of an information asymmetry, you try to reduce by using these apps. So, that is what the aggregator does. Now, the problem is that when I go and take a Uber cab, I don't see that okay this cab is actually these XYZ persons cab. I don't even know that person's name. All I think that this cab is Uber's cab because the Uber brand is there, Uber is giving me all the information. This person does not even probably often times does not even share his mobile number sometimes.

They call from the Uber customer care number or I do not know exactly from where this person is or, or I cannot again come back to this person in the next day because the order keeps on coming; for the driver, the order keeps on coming from multiple corners of the city.

So, my connection is with the Uber Company. The relationship that I generate is with Uber company and not with the driver and if the relationship gets generated with Uber company and not with the driver and practically, Uber is making money out of that relationship, then he has to, then it has to be responsible for anything that happens in that relationship as well.

Now, how can Uber handle this kind of a situation? Let's say a driver behaves badly with me or a driver, let's say, an order comes and he cancels. At one point of time, it was happening like anything that in the evening after 7 pm or after 8 pm or even nowadays, even in the daytime, it calls and says that sir where will you go? What is the destination of this particular trip?

And by chance, if you say the destination, the destination is not liked by this person, he will cancel. And he has up to a certain limit, he can cancel without fine and etcetera. Because you see Uber is also competing with Ola and, and, and he has to also keep these drivers within this network. So, you cannot indefinitely fine or penalize these drivers.
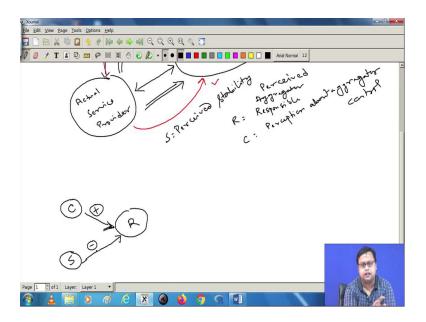
So, the driver has some opportunity to swipe and cancel. So, if this kind of situation occurs, whether if this guy behaves badly with you or he cancels the order repeatedly, what will you do; whom will you hold responsible? Now, understand the aggregated business model, if you, when you click.

So, aggregated basically is as I said it, it joins through these channels, when these channels are not working properly through these channels it joins; but you have to understand that ultimately in the service situation, this is the connectivity that happens. This connectivity when the actual service happens, this connectivity is lost and this connectivity is what matters.

So, if the actual service provider is behaving badly with you, in that agreement that you signed that you accept while you actually take these offerings of these, of an aggregator firm, in that particular thing you say that okay I understand that aggregator works only as an intermediary of information not the service.

The service is provided by the actual service provider; any criminal offence, any other kind of offense happens with the actual service provider legally you cannot penalize Uber; some kind of Uber or Ola or Zomato or this kind of aggregators. So, sometimes these kinds of clauses are there. But does that mean that with that clause, Ola, Uber and Zomato and other aggregator firms can actually wash up their hands? They cannot. Because as a customer, I actually sometimes feel that these guys are responsible. I am talking with this guy. My relationship with you Uber, whatever you do Uber or Ola or Zomato whatever you do, I will hold you responsible.

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So, there are certain times when we hold these particular guys responsible. So, when will I find, **R** stands for responsible, just check this thing. When will I find that R means *responsibility* or let's say aggregator responsibility; aggregator is responsible. Perceived aggregator is responsible.

So, I perceive that the aggregator is responsible. When will I hold them responsible; when will I hold the aggregator responsible? I will hold the aggregator responsible, when this particular

problem is something that aggregator could have controlled. So, the control of this particular situation is very high for the aggregator.

For example, a driver behaving badly with me, probably the aggregator does not have that much control. But a driver cancelling the trip probably has a control; aggregator can actually not let the driver cancel or otherwise can penalize them heavily.

So, aggregators can control this situation very easily than a driver's behaviour. So, then whenever the control is high, my perception about aggregator control in this situation is high.

If I think that the aggregator has the highest control on this situation, but still the problem is happening; then, I will hold the aggregator responsible for this thing. That means you have control, but still it is happening means it is your failure, not the systems; not the person's failure, it is a systems failure and whenever the failure, the problem is systemic which can be handled.

Now, there is another kind of problem when I will hold the, this aggregator less responsible. When I see that this problem is very common, whether Uber ─ whether you go to Uber or Ola or taxi, taxi for sure or somebody else, everybody has the same problem.

If you think that everybody has the same problem, then you cannot hold the aggregator responsible because everybody is facing the same problem; nobody can actually have this situation under their control. So, basically these two are interrelated, but when this particular problem is consistent over multiple aggregator firms or multiple firms.

Then, we actually held them less responsible. We think that this is attributed to this failure and can be attributed to some situation which is beyond the control of the aggregator, something bigger than that.

For example, let's say these guys are rejecting their offers, rejecting their offers probably because they have created a cartel, the drivers have created a cartel and they will say that okay I will only take those kind of trips which we want; we will not take any trip which is below the power of our cut off level, whatever is the cut off level of profitability or whatever we think and that bar is very high let's say.

Now, if that kind of situation happens, if the drivers take lots of, the drivers become very picky and irrespective of which aggregator it is, then that is a stable problem and whenever stability is there, so **S** stands for *perceived stability*.
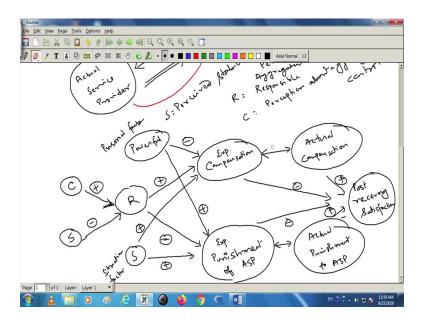
So, whenever stability of a problem is there, we generally have a less, we hold this particular, this thing less responsible. So, as stability increases, the perceived responsibility of the aggregator firm means how much I can say that the aggregator firm you are responsible, will come down.

Now, if the aggregator firm is responsible by any chance whatever be the cause, wherever be the cause. Whether control or stability or blah blah blah or whatever is the problem, if I by chance think that Uber is responsible, what kind of recovery expectation I will have?

What should I expect Uber to do for me? If I am in an aggregator situation; obviously, the first basic thing is apology, any service situation apology is the hygiene fact. It is the basic requirement that you have. But after that, if recovery is, if the responsibility of the aggregator is high, I think that blatant apology will not work.

I, they have to give you monetary compensation, why? Because we have a thinking in our mind that this is an aggregator, it is making money from these information asymmetries. So, if they are making money and still they're not able to give me proper services, then they should compensate me.

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So, they ask for compensation; compensation expected, compensation will be higher, when I hold this aggregator responsible. Now, if I do not hold the aggregator responsible for this problem in an aggregator business service failure, then if I do not hold the aggregator responsible; then, whom

do I hold responsible? — the actual service provider, the driver. If I do not hold Uber responsible, then the driver is responsible; any one of them is responsible for this problem. So, by chance, if Uber is not responsible — so, my perceived responsibility, for my perception about Uber's responsibility towards this problem is lower, then that will increase the expected punishment.

So, as this goes down, the expected punishment of the actual service provider; that means, the driver goes up. So, basically there is a negative relationship. As R goes down, this goes up or as R goes up, this goes down. If I think Uber is responsible, I will not ask any punishment for the driver, I will ask compensation from Uber's pocket; not something that will be deducted from the driver's pocket and then given to me.

No, I want Uber to pay me without touching the driver because Uber is not creating a good system which can if the problem is controllable and still it happens, then Uber is responsible. And if Uber is responsible, Uber should give me the compensation; the driver should not get punished.

So, even if let's say the drivers cancels this thing and I think that Uber can control this. I want them to create a system, not punish the driver for this particular mistake. But to create a system such that drivers gets encouraged to take the trips.

So, why does an Uber driver cancel a trip when it comes to him? Probably whatever he wants, wherever he wants to go probably, he wants to go his home or was to be close by to his home or within a perimeter of his home or whatever. That is not being maintained by Uber.

So, Uber is not creating a situation, where the driver can express his interest. If a driver can express his interest that okay, I want to move around in this zone only. Then, Uber can give in that zone and if the competition; if everybody wants in a certain zone, competition will go up for the drivers, anyway drivers will come out of that place.

So, let the driver choose, you give choice to the drivers. If you are giving, now they are doing probably; if you are giving choices to the drivers that okay, you can tell that okay now I want to go home this is my last trip of the day. They do that in the last 2-3 years that whenever the driver wants to go home, they say that okay this is my home then give me a trip towards my home destination and they try to allocate that.

Similarly, that kind of thing happened because there were lots of driver cancellations especially at night. So, that system was created. Now, that was a Uber case. It can be applicable in other cases as well. For example, if I am a delivery person, I want to deliver at a certain place which is close by to my home and then go to home.

I do not want to deliver somewhere which is ten kilometres from my home as my last delivery and then, go home by travelling 10 kilometres that will cost me half a litre of oil and probably, more in a city context. So, that kind of a situation has to be created.

So, the system is at failure and if the system is at failure, you cannot punish this actual service provider. You have to give compensation from your own pocket. That is my expectation. Now, another two/three factors that impact in this expectation for compensation and expectation for punishment.

One is the severity. If the problem is very severe, then irrespective of whether that can be controlled or not, I will ask for both compensation and punishment. If the problem is severe; for example, somebody actually molested somebody. So, he will want compensation from Uber and he will also want punishment of the person, or both sometimes. On the other hand, if you are a powerful person ─ so, this is a situational factor and there are certain factors which are personal factors. For example, if you are a powerful person, you think you are a powerful person .So, oftentimes powerful persons want to teach the actual service provider, teach a lesson. They do not want money.

So, let's say somebody behaves badly with Sachin Tendulkar. Sachin Tendulkar, will not ask for money. I do not think Sachin Tendulkar will take an aggregator service, but even if by chance if he takes. So, by chance if he takes, Sachin Tendulkar will not ask for compensation.

He is a powerful person, he is a rich person, powerful person; he will not ask for compensation. So, powered with compensation expectations is low, but he, any powerful person will want his ego to be boosted, his or her ego to be maintained. And ego maintenance can happen if the punishment of the actual service provider can be done and that intimation can come to this particular person. So, this goes up.
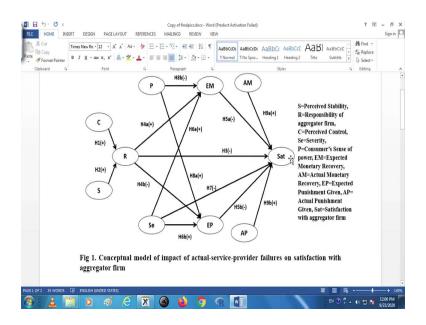
So, there are different situations which create the expectation of compensation and expectation of punishment. Understanding this is very important, why? Because based on this expectation and your actual compensation ─ whatever you give as the money. Finally, you give the money or actual punishment, how much punishment you expected and how much punishment you actually gave to the ASP, this gap will ultimately create post recovery satisfaction. So, post recovery satisfaction, *post service recovery satisfaction*.

We were talking about service recovery paradox, if you remember that sometimes these service providers actually fail in the initial service because they know that post service recovery the

satisfaction will be much higher, even higher than if they have done good things at the very first place.

Sometimes, the recovery satisfaction over shoots the actual satisfaction. So, that is why post recovery satisfaction is a very important component and that is what we are testing here. That is what happens when I give different kinds of compensation, different kinds of punishment to create a post recovery satisfaction? Now, this is the overall model that we have created.
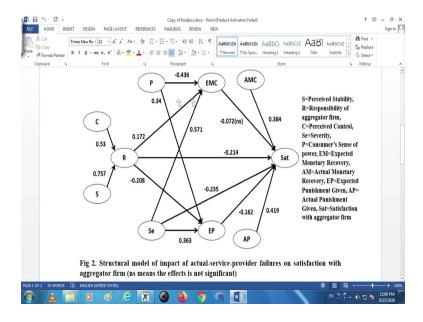
So, basically these two will have a positive impact and these two will have a negative impact. So, if their difference has an impact; that means, this actual punishment and etcetera will have a positive impact and the expected punishment and etcetera will have a negative impact. So, this is a model that we developed in that paper. So, you can read the paper carefully.

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Fig 1. Conceptual model of impact of actual-service-provider failures on satisfaction with aggregator firm

And this is how the model looks like. I will just. So, this is how the model looks like, whatever I told till now and there was a direct effect from the responsibility to satisfaction as well. So, that. This is how the model looks like.

Fig 2. Structural model of impact of actual-service-provider failures on satisfaction with aggregator firm (ns means the effects is not significant)

And we tested this model and we tested this model; more or less whatever we told came significant, only one thing did not come significant which is this expected monetary compensation to satisfaction this relationship. So, this did not come significant, but all others came significant. And you have to understand, there are certain other situations which you have to understand carefully. So, first of all stability and control ― so, if a problem is controllable 0.53, high responsibility. If the stability is high actually, this is and this should be negative. If the stability is high, if the control is stable okay. Okay, so, here we talked about stable, within the aggregator context.

So, repeatedly this problem is happening within the aggregator context

― so, within Ola, not in the industry. So, if it is in the industry it will have a negative effect, but by chance if it is happening only for Ola repeatedly, then I will hold Ola responsible.

So, this will be a positive relationship then. When I say perceived stability, I mean to say that this problem is repeatedly happening for this aggregator, not for other aggregators. So, that will have; so, stability we will see that more impact on responsibility than control.

So, even if you have less control to a situation, if the problem keeps on happening, I will be very less apologetic. Then, I will be less, I would say forgiving in that kind of situation, I will hold Uber or Ola responsible. Even if they have no control on this situation, but the situation keeps on arising; that is number one― so, 0.757 and 0.53.

The second thing is that this responsibility has positive impact on expected monetary compensation 0.172 is the beta parameter and less impact negative impact on EP which is expected punishment minus 0.208 and then, other things as I told power will have a negative impact; power will have a positive impact on punishment.
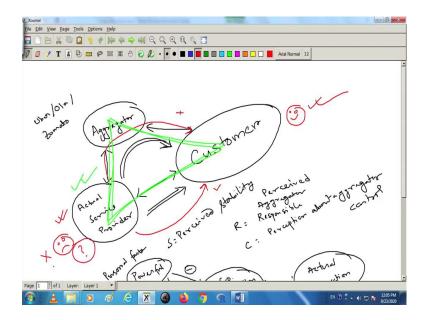
Similarly, severity will have a positive impact here, positive impact here and negative impact on satisfaction. So, these are all fair enough. Now, another important thing that you have to one, you will be interested to see that out of the actual monetary compensation or out of the punishment, which one affects post recovery satisfaction?

You will see that I might have created an expectation about the monetary compensation **EMC**, but that expectation has no effect on satisfaction now; the only thing that affects it is actual monetary compensation. What does this mean? This means that whatever monetary compensation you will give, you should give something. It should, it might not be related to my expectation.

Let's say I expected 50, you gave me 30; even that will have a positive impact. So, you have to give monetary compensation in case of an aggregator firm. So, this is what it is trying to say that it is not related to EMC; it is related to **AMC**. So, my expectation does not matter, you have to give some compensation.

On the other hand, the effect of compensation will be lower than the effect of punishment; punishment gives you a different kind of. Punishment of the actual service provider gives you a different kind of booster — 0.419 and that impact from MC is 0.384. Now, this is a careful situation. You have to understand also that though punishment is something that gives satisfaction, it is a triad relationship that we are trying to handle here.

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These three guys are interrelated with each other. If I keep on punishing these people, then this triad will break. So, I have to also keep a balance between how much I can make the customers happy and how much I can make the actual service providers happy and this is an area which is still not in the research world at least, those who have academic background and doing this course with me might want to explore that how I can keep this balance.

How I can keep the customers happy and at the same time, I get to keep this actual service provider happy and maintain a balance of service failure and service recovery. In such situations, when the service failure is happening due to this ASP. Means this guy is creating a problem, this guy is creating a problem, I have to make this person happy; one way of making this person happy is to make this person sad, but I cannot make this person sad a lot.

So, how will I manage this dilemma? So, till now the whole paper or whatever I discussed is focusing on these, but focusing on these has not happened and how to make a balance of these two things have not happened, we might want to or you might want to focus on that in an upcoming research probably.

So, that is all for this particular video. I will come up with B2B, CRMs application into B2B in the next videos and then, we will discuss about some, what is that I have done in this same area. Thank you very much for being with me. See you in the next video.