6383   *Your Roll No...........................*

MIB / III Sem.

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Course 532
SERVICES MAREKTING AND CUSTOMER
RELATIONSHIP MANAGEMENT
(Admissions of 2004 and onwards)

Time : 3 hours   *Maximum Marks : 70*

*(Write your Roll No. on the top immediately
on receipt of this question paper.)*

Answer all questions.
Marks are indicated against each question.

1. Briefly answer <u>any three</u> of the following :
    (i)   What is the role of employers in a firm's relationship building process ?
    (ii) How can quality service be used for competitive advantage ?
    (iii) Why is it difficult to compare competitor's prices in a service context ?
    (iv) 'Service consumer tends to be loyal'. Comment.
                                                    3 x 4 = 12

2. Answer <u>any two</u> of the following :-
    (i) What is the difference between desired service and adequate service expectation ? Why would a service marketer need to understand both types of service expectations ?
    (ii) Discuss the significance of Search, experience, and credence attributes for the communication strategy of a service provider.

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(iii) Explain the dimensions of ambient conditions and how each can influence customer responses to service environment.   *2 x 7 = 14*

3   a)   Why is sevice process redesign necessary ? What are the main types of service process redesign ?

    b)   What criteria should a marketing manager use to decide which of several possible segments should be targeted by the firm ?   *6, 6*

OR

In what ways distribution of services is different from distribution of goods ? Briefly explain different ways in which services can be distributed.   *12*

4.   Write short notes on any two of the following :-
    (i)   Emotional Labour
    (ii) Service failure and recovery
    (iii) Relevance of Service Marketing triangle
    (iv) Strategic Service Management.   *2 x 7 = 14*

5.   Case Study :

L' Oréal Strengthens Brand Loyalty with Customer Relationship Management Solution

L-Oréal the world's largest skin care and cosmetics company, wanted to broaden the scope of marketing for its luxury products division. It decided to implement a company-wide customer relationship management (CRM) system, starting with a pilot project in South Korea. Working with

Siebel-and advised on architecture byMicrosoft ® Services-L . Oréal standardised on Siebel CRM and Analytics software running on Windows Server 2003 and a Microsoft SQL Server 2005 database. The CRM solution has helped boost customer loyalty and reduce churn. As a result of . more accurate targeting. the volume of direct mail has been cut by as much as 57 per cent for a single promotion, with a 62 per cent response rate. L 'Oréal now has a consistent view of customers across all marketing channeis.

Situation

With 18 global brands - including Ralph Lauren, Lancome and Garnier - L 'Oréal is the world's leading cosmetics, skin care, and luxury products producer. The company distributes to 130 countries on five continents and had sales of € 1 4,533 million (U.S.$ 17,589 million) in 2005. More than 51 per cent of L'Oréal customers are in Europe, with 36 per cent in North America, and significant business in Asia, including emerging markets such as South Korea. L'Oréal constantly innovates to maintain market share and, as a result, wanted to sustain its high performance in the industry by sharpening its knowledge of customers by rolling out a company-wide customer relationship management (CRM) system. The Paris - based company decided to focus on its luxury product division, which had an ideal customer foundation and the greatest potential to enhance its marketing campaigns.

Daniela Giacchetti, Head Customer Strategy Officer, L'Oréal, says: 'We wanted a consistent, integrated view of our customers across various marketing channels, including the Internet, point of sale, and customer call centres. We also needed to find a new business driver and combine the product-centric marketing approach with a greater focus on the customer. We were only too aware that, as competition

increases, business growth can be stunted by customer churn. We wanted a CRM capability that would provide us with more opportunities for building customer relationships'. Giacchetti was convinced greater knowledge of the customer would increase the opportunities for cross selling. For example, a data-mining study on customer behaviours for Lancome France showed strong cross-selling potential to market beauty products for lips with other products such as nails. To cross sell effectively, L'Oréal needed to create a single in-house database with all its customer data, which previously had been hosted by several different agencies. By standardising on one database solution, they wanted to improve their flexibility to respond quickly with new marketing campaigns and promotions.

Another driver was to make more effective use of marketing budgets through more accurate targeting. Increasing customer knowledge means increasing the productivity of marketing investments. For example, it is useful to know which 20 per cent of customers are responsible for 50 per cent of the total revenue-this knowledge helps to target promotions and service dollars on most valuable customers.

Solution

L'Oréal already worked with Microsoft for IT services worldwide, but the company turned first to Accenture for consultancy on implementing a CRM solution. L'Oréal chose Siebel Consumer Goods 7 7 software running on Windows Server 2003, in addition to Siebel Business Analytics. The company is also using HP Storage Works for its storage area network, as well as other HP hardware. The major advantage of Siebel Consumer Goods 7.7 is that marketing, sales, and customer service are fully integrated.

This helps companies improve their brand management, increase trade and customer marketing return on investment, decrease their customer service costs, and build customer loyalty and demand. With the Siebel solution running on Windows Server, L'Oréal achieved a 57% decrease in the volume of direct mail on one promotion. Through more accurate targeting, they achieved a remarkable 62% response rate.

The technical architecture was defined by Microsoft Services, aided by Avanade-a joint venture between Microsoft and Accenture that specialises in solutions implemented in a Microsoft environment. Together, the team designed and implemented a pilot CRM solution in South Korea, which was chosen because of its sophisticated multi-channel marketing-including point of sale, Web, e-mail, and wireless messaging. Initially, Siebel Consumer - Goods and Siebel Analytics were implemented on top of a Microsoft SQL Server 2000 database. Through the volume licensing Enterprise Agreement L'Oréal has with Microsoft, SQL Server 2000 was later upgraded to Microsoft SQL Server 2005.

L'Oréal also chose the Microsoft environment for the development of its Web sites. Denis Kraus, Chief CRM Architect, L'Oréal, says: 'When we were choosing the appropriate environment to run Siebel, we already had a great deal of confidence in Microsoft technologies. We've been using the Microsoft .NET Framework and Microsoft SQL Server for several years to develop and run more than 200 e-business applications and Web sites worldwide'.

In December 2005, following the success of the pilot in South Korea, L'Oréal extended the solution to support the mass-market domain in France, which is already increasing the customer knowledge segment of the database for

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direct-mail promotions. Giacchetti says: 'We're looking at a global rollout of the solution over three to five years. Change management in CRM takes time, especially when 99 per cent of promotions are targeted on the product rather than the customer. However, we're working on introducing the CRM solution in the United States and China in 2006 and are starting several projects in Europe. We're seeking to cover half of the total number of country operations in three years and 70 per cent in five years. In some of the smaller centres, CRM will not be applicable'.

Benefits

L'Oréal has improved customer brand loyalty, benefited from a significantly improved response rate and lower cost of direct mail. It now has a consistent 360-degree view of its customers across multiple marketing channels .

Customer Satisfaction Strengthens Loyalty

L'Oréal operates in a highly competitive market for luxury beauty products, where customer retention is a key performance indicator. The most significant benefit for the company has been, improved brand loyalty. The company can now classify 'value customers' more easily and aggressively retain them. There is less risk of customers switching to other brands because of their disappointment at 'random treatment.' Previously, customers were targeted based on their age, but now the company considers past purchasing history and other benchmarks, which makes targeting much more effective.

Higher Response Rate, Lower Costs
Siebel Business Analytics is helping L'Oréal mount cost-efficient direct-mail campaigns and increase revenue per

sale. Giacchetti says: "With the Siebel solution running on Windows Server, we achieved a 57 per cent decrease in the volume of direct mail on one promotion. Through more accurate targeting, we achieved a remarkable 62 per cent response rate. In another campaign for skincare, we cut the volume of direct mail by half and achieved a 78 per cent response rate."

360-Degree View of the Customer

L'Oréal is building a CRM system that provides a complete view of the customer, spanning all available brands across multiple channels, including the company's 200 Web sites and thousands of offline point-of-sale terminals and call centres. In the past, campaigns were product based, and company did not retain a history for each customer. With its knowledge about the customer, the company can now integrate data from different channels and segment customers according to value and behaviour. Georges-Edouard Dias, Strategic Business Development Division, L'Oréal, says: 'Siebel is the best solution we have found to manage an end-to-end process from consumer analysis and segmentation to creation, execution, and measurement of the success of marketing campaigns' .

Product Campaigns Generated Faster

By implementing a single CRM system and a powerful in-house database solution, L'Oréal has improved time to market for its product campaigns. It is now easier to share best practice and make use of sophisticated data-mining scoring for targeting. Giacchetti says: 'We are now more agile as a business. We. can accurately quantify the effectiveness of marketing investments and customer / segment profitability'.

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(i) Discuss flow L'Oréal managed to restructure and revive its business through its CRM practices.

(ii) Discuss the relative importance of customer acquisition and retention from the perspective of Customer lifetime value.

(iii) What strategy did the company employed to generate loyalty among its customers. *(7, 7, 4)*