Customer Relationship Managemen
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Lecture – 28
CRM in B2C Markets

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

We are in Week 5 and we are discussing, in this particular session in the and in the upcoming two three sessions we will discuss about CRM in B2C Markets. Customer relationship management in business to customer markets will be our focus.

So, we have discussed quite a lot of things in the context of customer relationship management, what it is, why it is used, how co-creation can be used, what are the strategies that you can take, here we will be majorly discussing in this particular session CRM. In the context of B2C and not in B2B. In a later point of time we will probably discuss B2B, but here major focus will be in the B2C market .

So, before I go ahead to discuss CRM in the context of the B2C market, we have to understand the B2C market a little bit and then we will have an idea of where this CRM will come up in it's applications.

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So, one of the important factors that comes up where CRM comes up in B2C is loyalty generation. So, if you remember, in customer relationship management when we talk about loyalty; I said that loyalty is majorly of multiple types and some of the loyalty are attitudinal loyalty and some of the loyalty are behavioural loyalty. And behavioural loyalty, we see repeat purchase is one kind of behavioural loyalty.

And then positive, word of mouth is one kind of behavioural loyalty and patronage of your brands; that means, whenever another brand is giving a lucrative offer, still I am not going to that particular brand and I am sticking back to your brand is also one example of behavioural loyalty.

On the other hand attitudinal loyalty is like, I like you, I like your brand. It might not always result in behaviour because behaviour does not only preceded by a positive attitude towards the brand, but behaviour also requires the control to do what you want.

For example, let's say I may want Vodafone or I may want Jio at a particular situation, but probably in a; I am going to a very remote place where the access of these private networks are not there and I might have to go with BSNL.

Now, in that kind of situation for a very long time, probably in the last 10, around 5 years back or 10 years back we face this kind of situation because these private networks were not available in multiple remote places in India.

Now if that is the situation then even if some person is fond of Vodafone or even if some person is fond of that and Jio was not there; some other private network. They will not be able to buy that particular network service because that particular network service is not available where he is staying .So, that kind of loyalty where I have an attitude in loyalty, but which will not convert into a behavioural loyalty that kind of situations are seen. Now, why is it more important in the B2C context? Now B2C is a specific kind of context where people take decisions based on value.

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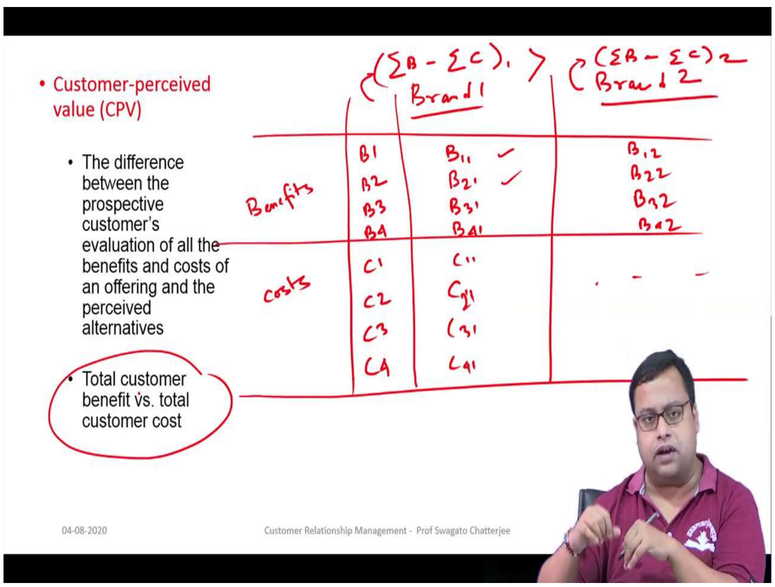

So, people take decisions based on customers perceived value. Perceived value is what? The difference between the prospective customer's evaluation of all the benefits and costs of the offering and at the alternatives perceived.

So, basically it is a combination of the costs and the benefit that you get. And so, what I decide let’s say when I talk about this mobile phone, what I generally go ahead and do is, let’s say I am discussing that okay there is a brand 1 and there is a brand 2. And I want to decide which one I will buy.

So, I will buy based on certain benefits and certain costs. So, I will be doing it based on certain benefits and certain costs. And those benefits when I chalk it out. So, benefit number 1, benefit number 2, benefit number 3, benefit number 4, similarly cost 1, cost 2, cost 3, cost 4. And then what I do is, I do a comparative analysis. I write what is the benefit number 1, if I get from brand 1, how much will be the money for that.

So, I will write it in a context of, okay benefit 1-1. So, benefit then 2-1, benefit 3-1, benefit 4-1, exact monetary terms, we write it down. Similarly benefit 1-2, benefit 2-2, benefit 3-2, benefit 4-2, we write down. Similarly C 1-1, C 2-1, C 3-1, C 4-1 and corresponding things we write it down. Once we write it down in our mind, this is a mental accounting that we do in our mind; we create the benefits to create the cost might not be always correctly predicted.

The prediction, the perceptions might be wrong, but still I create the perceptions and based on that we decide which brand to buy. So, this man's net benefit is summation of all the B's minus summation of all the C's for brand 1 and similarly these guys is summation of all the B's minus summation of all the C's for brand 2 . So, if I can do that. If I can do this calculation, I will buy brand 1 over brand 2 only when this is higher than this.

So, that is the perceived value. So, basically total customer benefit versus total customer cost, the analysis of that is called. So, this is something that we do in our mind and whenever we find out that 1brand’s overall benefit is higher than other brand’s overall benefit, we buy that brand. Now this is a very personal activity. I as a customer, whatever benefits I get and whatever costs I incurred and you as a customer whatever benefits you get and whatever cost you incurred might be very different.

For example, let’s say I have gone to a retail shop. In a retail shop standing, in the queue while checking out; let’s say it is a big Big Bazar kind of it. So, you are checking out and there is a queue. Standing in a queue is not a big problem for you in comparison to going there let's say. So, you don't have a car let’s say, and that is why you have to take up auto rickshaw or something like that and you have to carry all your luggage and whatever you buy.

So, that will be heavy. So, that commute between your house to that particular place might be more costly than standing in a queue if you are a young person.

On the other hand let's say there is a person who lives very close by. Who probably has a car, but probably he or she is an old person. So, for that person standing in a queue will be a much more bigger problem than commuting from home to this particular retail shop.

So, the same commute cost and the cost of standing in the queue will be different for these two people, you and the old person. And with the weightage that you give to this cost will also be different. So, you might give more weightage to certain types of benefits, another person can give more weightage to certain other kinds of benefits. So, this is a very personal activity.

Now, as a marketer, how will I handle that if every customer is different? How will I handle that? I have to do a survey or I have to do an analysis to find out what is the majority of the people, how much is the importance level for various benefits? Or if I can cluster them out. So, one group of customers gives more importance to B 1 and B 3, another group of customers gives more importance to B 2 and B 4.

So, if I can cluster them out or if I can generalize some other findings then, that is something that will be useful for my further research. So, this is how people do mental accounting while they decide to buy.

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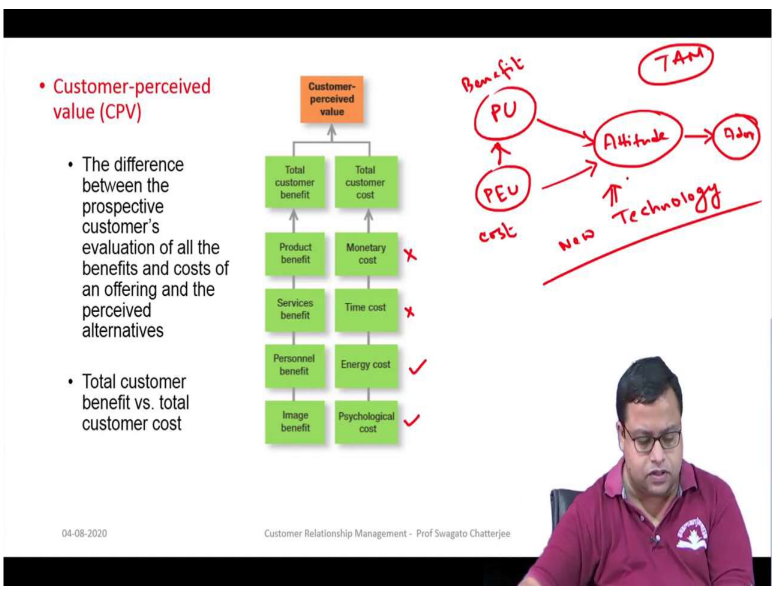

And, what is customer benefit when we talk about it? There are product benefit, there are service benefit, there is personal benefit. Personal benefit means the person who is the employees who are behaving with you, what kind of benefit that you are getting self-esteem or feel good factor, whether those kinds of things are giving you any kind of benefit or not and image benefit whether it is improving your image or not .

It might not be giving you any service or anything, but your image in the eyes of your peer groups or people through whose eyes you have to want to have a higher image, that image is going up. So, that will give you certain kinds of benefits. So, product is basically utilitarian benefit, services is also sometimes utilitarian, sometimes hedonic, but personal and image are basically hedonic benefits.

On the other hand, total task customer cost is not only the price that you pay. So, monetary cost is one thing, but time cost. So, how much time I have to spend to get this product or services. So, that is a time cost which also is an important factor. How much energy do I have to actually use to buy this product or to use this product?

So, that becomes the energy cost heavily applicable for new technology adoption, kind of thing. In new technology adoption, we say that the perceived usefulness and perceived ease of use.

Perceived usefulness, so when we talk about technology adoption, we say that perceived usefulness and perceived ease of use. These two things create your attitude and that leads to adoption of a new technology, when a new technology comes in. And these are the relationships. This is a TAM model; Technology Adoption Model. So, this is the relationship.

So, here you see this is the benefit and perceived ease of use is not a monetary cost, it is not a time cost, it is an energy cost and probably psychological cost also. So, how much, how difficult it is to learn. It is probably psychological cost that you have to incur and that will probably impact on your sense of benefit also and both of them together lead to attitude .

So, these are some of the kinds of models that we use generally in the B2C context also. This is used in new technology adoption, TAM stands for technology adoption model.

So, for new technology context, when you are deciding whether I will adopt this thing or not, this particular thing applies. Similarly, so basically here also you are doing mental accounting. This is where also you are doing a mental accounting to check what the perceived benefits perceived cost and doing a comparison between them. So, that is about the perceived benefit.

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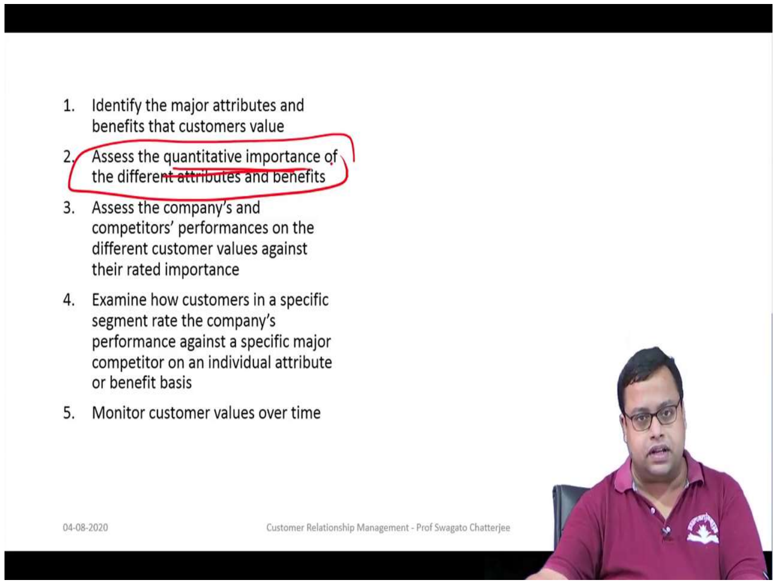

Other than that what kind of things that we do? So, we identify the major attributes and benefits that customer value as a marketer. Assess the quantitative importance of the different attributes and benefits. So, this is important. We have to assess the quantitative importance, not qualitative. We have to exactly measure it. Assess the companies and competitors performance on the different customer values against their rated importance.

So, like the one that I just said here, there are various brands and brands corresponding importance, brands corresponding benefits or performance we measure and examine how customers in a specific segment rate the company's performance against a specific major competitor on an individual attribute .

Sometimes those measurements are benchmarked in comparison to another brand. Sometimes it is not an absolute measurement, sometimes this measurement is a benchmark measurement, a relative measurement in comparison to somebody and monitor customer value over time.

So, these are some of the basic things that we can do to handle the customer perceived value or to get an idea about what customer values. So, we did this kind of analysis in a quantitative term in marketing analytics course, which is another course under NPTEL, but here we will be just discussing the strategy part.

You can, if you want, you can do that particular course to have an idea,that what kind of benefits you can get from knowing what customers want.

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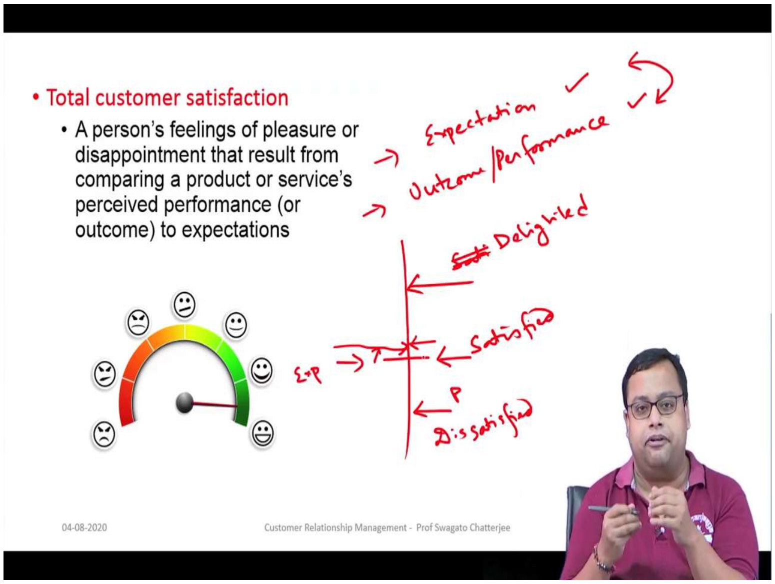

So, the next important thing is customer satisfaction. Now the previous one that I was telling about, the customer perceived value, the cost and benefit; that leads to satisfaction. So, what is customer satisfaction? A person's feeling of pleasure or disappointment. Can be either happy or dis-happy (unhappy) that results from a company or a comparing a product or service, perceived performance to expectations is called satisfaction.

So satisfaction – to generate satisfaction what you have to do? You have to have an expectation first, like this is something that I will get. And then you have to get something out of it; it is an outcome or performance or something that you ultimately get. This is what you expect, this is what you get . A comparison between these two will give you satisfaction.

Now, people say, often people say that there is a continuum like this and if this is my expectation, I will be dissatisfied here. If this is my performance, I will be dissatisfied here. I will be satisfied here or I will be delighted here basically and this is where exactly I will be satisfied.

These kinds of models are there. For people say that you will be delighted, it will result in customer delight, if you exceed the customers' expectation. And if you are below the customer's expectation then they will be dissatisfied. So, you have to be absolutely at the expectation level then only customers will be satisfied.

Now, this is also a very, very difficult thing because, how can I exactly point the customer's expectation and only give whatever he expects. It might happen sometimes because of my performance issues, my product performance issues and etcetera. I might give a little bit less there is always a chance of giving a little bit less than whatever I actually try to give.

So, then people say that why don't you give a little bit higher than the expectation. Something here; what happens is the moment you give a little bit higher than the expectation, a little bit above the expectation. Customer gets delighted; that is number one, but the customer also changes his expectation in the next time period . So, he shifts it and in the next time period his expectations become here.

Now, you have to give this much. So, this is a classic problem that marketers face that they have to keep on improving. You cannot sit idle, you have to keep on improving your performance because customers' expectations along with your performance goes up, goes up, goes up.

It is like your dad. let's say you have done pretty good in maths for two-three consecutive sessions or two-three consecutive classes your fathers expectation goes up and he says that okay now my son gets 90 out of 100 that something that he is expected.

So now if you get 85, earlier 3 years back probably he would have questioned a lot now he will not. So, he will not have questioned a lot if you have got 85, now he will question. He will say the last 3 years you got 90 out of 100, how come you are getting 85 out of 100 now, I am very dissatisfied exactly the same thing happens here.

So, we are human beings, whatever we do in the other context we also do in some of the context which is applicable to marketing like it becomes a habit of getting on time delivery, better performance, good product quality and when that becomes a habit for a customer you cannot default on those key factors.

So, that is always a challenge for a marketer to keep on improving their services one by one, one by one and that is why customer satisfaction becomes a important factor. But, there are certain other people who have told you know that this can be handled in a different way.

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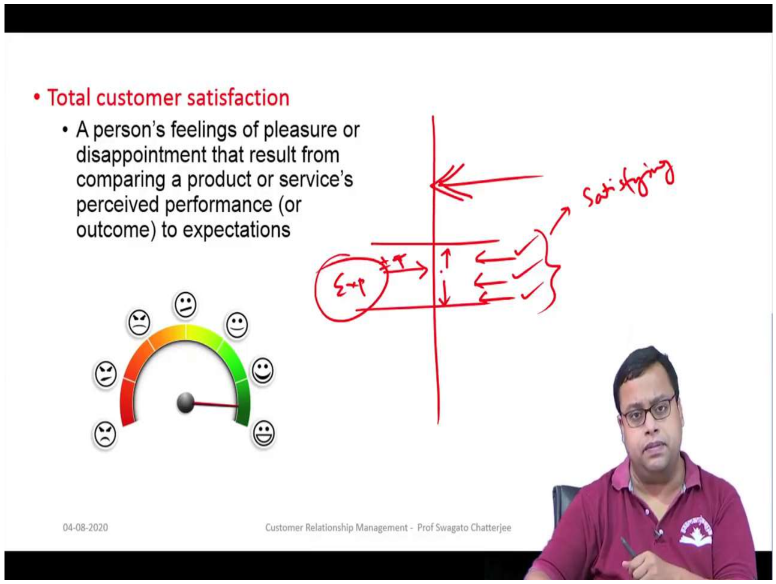

Why don't you, in place of find, instead of finding out the exact expectation of the customer why don't you find out the tolerance zone.

So, this is the expectation of the customer and what is the tolerance zone? The tolerance zones will be plus minus something, some plus minus some tolerance. So, this is what I expect, but this and this is also something that I will be not. Now, if I have a continuum which is a little bit, a little bit larger than a single point I can put anywhere here.

One year I can put here, second year I can put here, third year I can put here and I can say that a little bit of variability is something which is inherent. I cannot do anything about that and you have to deal with it. We can say that previously and then if that happens this expectation does not get updated or increased.

So, then you keep on satisfying the customer with the same cost. So, satisfying and delight, expected delight becomes very tough, but satisfying an expectation zone is okay, we can handle.

So, you have to make sure as a marketer, marketer often tries to do that but, this is very susceptible to competition. By chance your competition comes up here, all of these things goes for a toss. So, in a non-comparative, non-competitive environment where you are the, your customer is pretty loyal with you and nobody will switch right, now you can do that.

And because it is very much susceptible to competition I have to ensure somehow. the loyalty. So, how this customer perceived value and customer satisfaction will lead to loyalty is something we will be discussing as we go ahead.

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The next important factor other than the value, the satisfaction, another important factor that comes into B2C context is the product or service quality. The quality is not exactly proportional to value. So, one there is if you remember in the value there is a benefit called performance benefit.

Now, performance benefit is something which often comes from this service quality. Now if you have to remember that there are products where service quality or product quality might be very good, but I as a customer don't get performance benefit from that.

Because let's say, I have to do a normal Word, normal browsing, normal computer is okay for me. Browsing, writing in Word, creating some PowerPoints and watching some movies; this is what I do with my laptop.

Now, you give me a laptop which has 32 GB RAM which has a graphics card, which has SSD, this-that, blah, blah, blah. It is a very good laptop you give me, which costs around 75,000 you give it to me. Now that will be very good for gaming; that laptop will be very good for gaming, I can play, I can do this, I can do that with that particular laptop.

But I am not a person who does that. So, if that is the case then even if the product quality of that particular product is very high I might not get any performance benefit, any extra performance benefit from that.

But what will happen then? Even if I don't get the extra performance benefit from that, will my perception about that particular company or the product will go down? No, the product quality is very good, I will accept the product quality, but that will not give me value.

So, product quality creates a halo effect. It creates a halo effect irrespective of what kind of benefit you generate from that. Tt creates a halo effect and that halo effect also impacts the satisfaction.

And this kind of situation happens in many other cases, I will give you an idea. So, there are certain situations when various people come to IIT Kharagpur or various other IIT's to do certain courses. Some people come to learn and they actually have the capability to learn and they learn and get benefit out of it. How much whatever for the continuing education programs and etcetera whatever they pay they get the required benefit out of that and they are happy.

So, the perceived value is pretty high. Now there are some other groups of people who want that experience, the experience of sitting in the IIT classroom, the experience of talking with the person who is an academician. Sometimes this kind of experience also gives me value or also gives a halo effect. You, it might not, you might not get something which has an immediate benefit or immediate perceived value from that.

But that halo effect, that okay I am talking with somebody who is so accomplished or who has so many patents or who has done so many these things or that things or this is a place where the best brains of India studies and I am also studying here. That halo effect is something that sometimes gives satisfaction which might not be driven by the service valve, the exact value that you generate from it .

It is a halo effect. Halo effect means an effect which is not exactly generating any value from you, but creating an aww; that aww feelings will give you a certain kind of satisfaction and that comes from service quality.

So, sometimes service quality, which is the quality in the totality of features and characteristics of a product or service that we are on, is the ability to satisfy stated and implied needs. And there are conformance and performance quality and there is.

So, perceived quality we all know what quality is and there are various ways to measure that, that quality sometimes gives performance benefit and that performance benefit will give you perceived value that will lead to satisfaction.

But sometimes this might not give you any perceived benefit, but it might give you a halo effect and through that halo effect it might impact your customer satisfaction.

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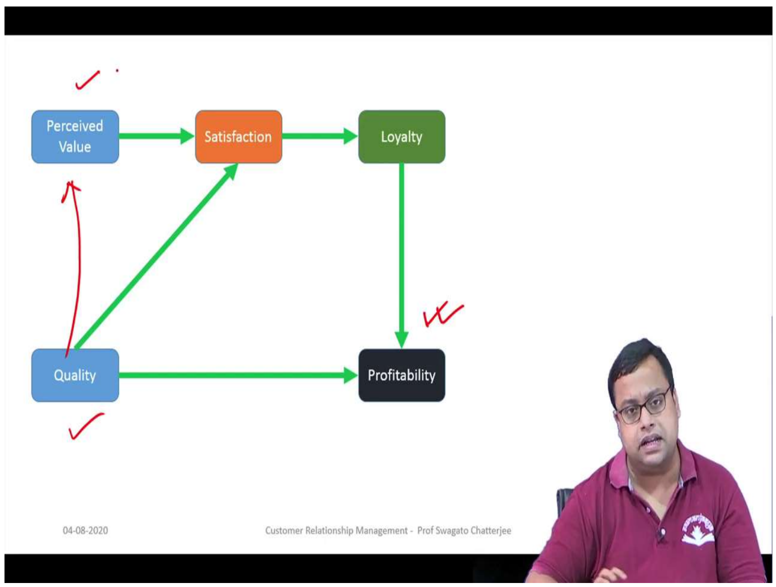

So, that is what we see. So, there might be an impact like this also, quality to perceive value and that leads to satisfaction or quality leads to satisfaction directly. These are the three things that can happen.

Now, satisfaction; when customers are continuously satisfied with a particular company that leads to loyalty not delighted if you remember. Delight might not lead to loyalty because delight increases your expectation.

And the next time period you might not reach the expectation and you might fail and the loyalty might not remain and the satisfaction will also might not remain , but if there is a if you can find out a zone a tolerance zone and if you can keep on hitting that tolerance zone with your performance then you will be keeping on this customer satisfied and the continuous two-three times, if the customer remains satisfied with you, that leads to loyalty and then loyalty in general, we all know that loyalty leads to profitability in the long run.

So, this is a relationship that we have to remember that we have to increase your quality obviously, but rather than increasing the quality, we have to also focus on the perceived value. Both of them together will lead to customer satisfaction and the customer satisfaction will lead to customer loyalty that leads to profitability. This is a triad that we generally try to create in the cost context of B2C customers in case of loyalty.

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Now, here I majorly talked about products. There are also situations where CRM can be used, customer relationship management can be used in the services market.

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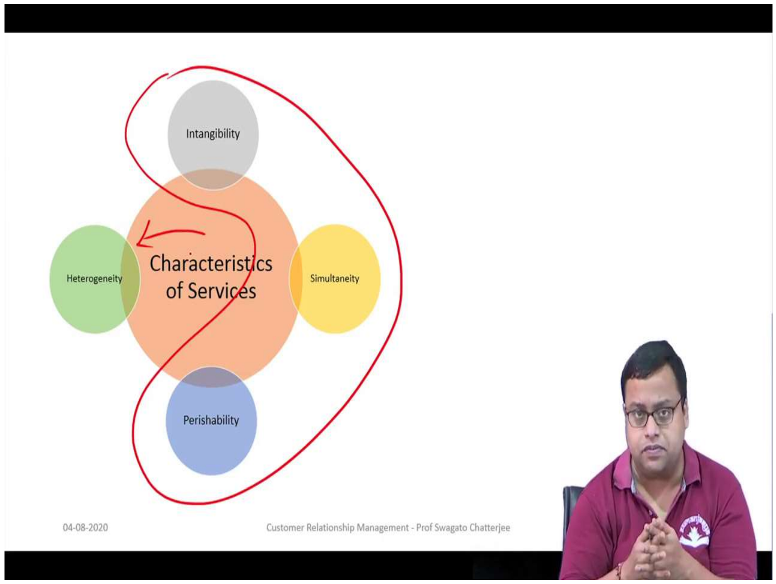

So, what are services, that is something that we have to discuss first. How services are different from products. Services are different in terms of intangibility.

So, services you cannot hold, it is not visible, it is not, it does not have a form, there is simultaneity; that means, the production of the service and the consumption of the service generally happens together. It is simultaneous the moment the person is giving the service at that same moment you are receiving the service.

So, it is not like you prepare the service beforehand, keep it stored somewhere and then you give it later that does not happen. So, even if let's say in the food, in the restaurants, your is the service the restaurant is providing is serving you the food, the restaurant is not providing the service of cooking. You are not seeing how the cooking is happening in the kitchen. The service that the case student is giving is the ambience, that ambience is not pre-made.

The ambience, the feelings of the ambience probably he has taken preparations, he has taken lots of preparations, but you will not give a value to the preparations if you will give value to the experience that you get. It is like if you go to a theatre where somebody is doing a drama and who is acting in a drama. He is, how good was the run through? How good was the preparations, is not something that you value on.

You get value from the exact acting he is doing on the stage, on that day when you are sitting there; that is what gives you service value. Similarly, the preparation that this particular restaurant did to achieve the moment of truth, to achieve that very very beautiful service at that particular time when you arrive. The preparations have no value in the context of the customer.

The customer will only value those things which he perceives which he gets at that time when he or she goes into the restaurant. So, that is something which talks about simultaneity. That there is a, the production of the services and the consumption of the services happens together.

Perishability; it cannot be stored. So, if you have not taken the service at some period of time, that particular service is lost . For example, a hotel room; if the hotel room is not being consumed, now somebody is not staying at a particular day at a particular time. That time, that day, that service is lost.

If we have not gone to a, if the seat is empty on a particular day in a movie theatre; the probable service that can be given to the person who is sitting on that particular chair or the seat in that movie theatre, on that particular show, that service is lost. It cannot be stored and it is perishable.

And then the last is heterogeneity. Heterogeneity means; if for the same service that you provide many people will have different kinds of experience. So, let's say you are creating a movie, you are giving the movie, and you are creating an ambience and etcetera. And there are 100 people who are sitting in the movie theatre. Each of them will have a different experience. There is a huge heterogeneity.

You will see why it is also there in the products, products also you create the same product, but people will have different kinds of experiences.

True, but the heterogeneity is generally, it has been seen that because service is not tangible because it cannot be stored because it is perishable and it is simultaneous for all these three reasons majorly; the heterogeneity in case of services these three reasons leads to this. The heterogeneity in case of services is generally high.

So, all of this creates a different kind of situation where CRM has to be handled in a different way.

I will stop here this particular video and in the next session I will start from this particular point and I will discuss that; how CRM can be used in a context of service where intangibility, simultaneity, permissibility and heterogeneity are the key factors.

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