Customer Relationship Management
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Lecture – 04
CRM: The Strategic Imperative (Contd.)

Hello everybody. Welcome to the course of Customer Relationship Management. This is Dr. Swagato Chatterjee from IIT Kharagpur, Vinod Gupta School of Management, who is taking this course for you. Today's discussions topic is a particular case on Customer Relationship Management. The case's name is Angels and Devils: Best Buy's New Customer Approach.

So, in this particular case I told you, why in the introduction video of this particular course that this course will be filled up with lots of examples, which had been applied in the real life situation. And, how those examples can also be applied in future or what kind of learning can be generated from those kinds of real life situations is something that is a crux of this particular course.

So, one such case that we are going to discuss today is something called Best Buy's New Customer Approach Angels and Devils.

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About Best Buy

- Leading provider of technology products, services and solutions. The company offers expert service at an unbeatable price
- In the U.S. where more than 70 percent of the population lives within 15 minutes of a Best Buy store
- Operations in Canada and Mexico
- CEO: Brad Anderson
- 1.5 million daily customers
- Sales of $24.5 Billion, Net income $705 million, 16.33% Y-o-Y growth in income

So, what is Best Buy? So, Best Buy is a leading provider of technology products. So, mainly they sell technology products, services and solutions to the various companies. And, the company offers expert services at an unbeatable price. So, one of the major aspect of Best Buy is their price. So, that is where they play, they want to give you certain products which are technology-heavy products. And, they are majorly, they do lots of cost cutting and that is why they play on the price.

Now, who buys technology products, what do you think? Is it in the, in the people who are in the lower income strata, or middle income strata, or upper income strata, who are the major customers of a company, who will be selling technology products, what is your thought? So, why do not you pause this particular video for 1 second and just think that, who will be my customers?

So, my customers if you have thought a little bit, that it will be the middle income group and the upper income group. Now, when I am playing in the low, I am offering unbeatable price and, I am giving expert service at an unbeatable price. I am actually targeting those kinds of people, who are middle income group, probably lower middle or upper middle income group.

But, I will try to give them services or experiences which generally the upper income group wants. So, that kind of a positioning they have that, I will give you something which is affordable, but you will get, the quality will not be compromised. So, in the US there were more than 70% of the population lives within the 15 minutes of Best Buy store. So, one of the very major thing that they had is their locations. So, I do not know whether you have seen companies like, let's say Decathlon, have you seen Decathlon stores?

So, Decathlon stores if in India if you see that they are not generally located within the city. They are located a little bit let us say 10-15 kilometers outside the city. And, that is a location that they choose, people that is the destination that becomes a destination people actually come to Decathlon. And, then spend the whole day in Decathlon and try to buy something.

So, that is something, which is Decathlon's I would say offerings. Similarly, Best Buys offerings were locations. So, they were located at very good places, they also had
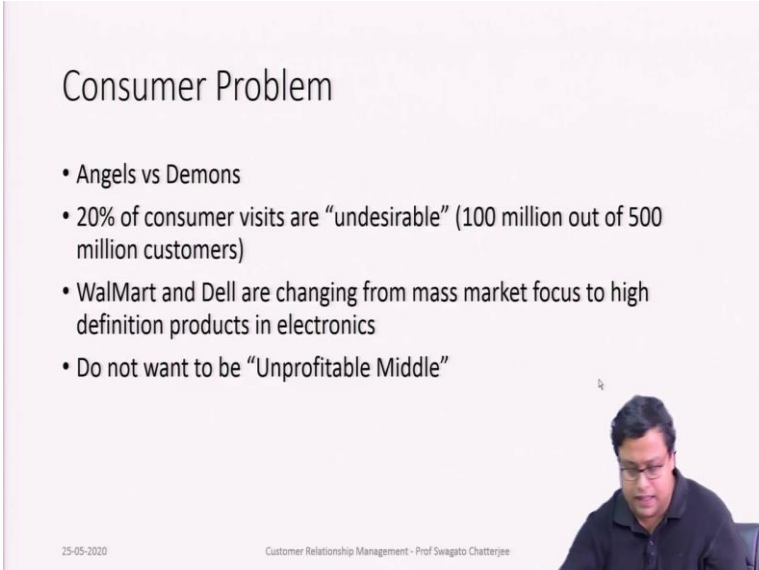
warehouse kind of stores, but they are located at very good places, such that 70%of US population will be within 15 minutes time.

So, not exactly in the city centre, but probably in the probably a little bit away from the city centre, but they have multiple locations and made sure that most of the people can access it very easily. At that time when this particular case happened, when the incident happened, which we are discussing today, at that time they had operations only in USA and sorry Canada and Mexico along with USA.

So, these are the three countries that they have their operations. The CEO was Brad Anderson and they had 1.5 million customers, daily customers. So, this is a brick and mortar stores. So, daily customers in their store there was 1.5 million. The yearly sales was 24.5 billion rupees, net income was 705 million and 16.33% year to year growth.

So, 16.33% year-to-year growth is a pretty good growth and also they were pretty much growing and 1.5 million customers were coming every day. So, these are the some of the basic details what they had. So, they were in a good stage.

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But, where the problem came was there were Angels and Demons in their customers. So, what are the Angels? Let us discuss about what are the demons first? So, out of that 1.5 billion customers that we just told, 20% of the customer visits are undesirable. So, if I am saying that 100 million out of 500 million customers were undesirable customers.

So, undesirable customers means, they will come to your store, they will take lots of so, let us see I am talking about Decathlon kind of store. If, I have gone that kind of a store, it is a huge store there are lots of products there and somebody coming in that particular store will do 2-3 things.

One is if there are lots of customers comes and do not buy anything, they will be crowding. The more crowding happens the less is the experiential value for the people who are actually buying the products, they will feel congested they will feel okay the lots of people is there. They cannot move around as per their wish so, first of all that is a major problem.

Second is that these kind of customers used to come and buy a small stuff. let's say, Y will buy something of 5 dollar or 10 dollar, but will take lots of services we will see this see that, we will change the order of the products, we will try this product, try out that product probably, this is electronic products so, technology products. So, they will probably try out an Apple mobile phone or probably play some games which are there, but then ultimately buy a small thing.

So, these kinds of customers were found out to be undesirable customers. Now, undesirable customers are a big challenge for many companies. In the other day I was telling that therefore, Airtel actually increased the minimum recharge that you do per month to from 0 rupees I initially it was 0 rupees in one some at some point of time. They increased it to 29 rupees and then 48 rupees or something like that, I made the denominations might be a little bit wrong, but something like that. What they wanted to do is, there were lots of migrant labors you know that there are lots of migrant labors in this particulars country.

So, often times when people go to another city for their job, they have two mobile phones; one in home, one in office, one in their job place and one is at home. And, they any one of these mobile phones will have we will have full-fledged (Refer Time: 07:36) recharge. The other one will, the only job of the other one was to keep alive.

So, that I can give a missed call to that other number you know that, the number whoever has the recharge will actually call back; so, that kind of a facility. Now, when you will give unlimited I would say validity, no validity issues ─ so, if we have unlimited validity of a particular talk-time and, your SIM also is valid for unlimited period of time, then if

you recharge 10 rupees and then don't recharge ever you can give miss calls. Because, that 10 rupee will remain alive and you if you can give miss calls you can probably connect. Because, the other person will call you back.

But, you have to understand that Airtel has to keep his services alive, his towers alive, his all, has to employ/deploy certain resources, in those kinds of places also where revenue is not generating. So, let us say from city X to village Y, village Y is where the people is giving miss call to a person in city X. Airtel has to have his facilities both at city X and village Y, then only this connection connectivity will happen.

So, everybody in that village Y who used to give miss calls was undesirable customers. This kind of a, this is a bad example that I am going to say, but this kind of problem IKEA faced in USA, that IKEA at one point of time gave this kind of a offer that I will give you this particular IKEA is a furniture business.

So, you know IKEA we have in Hyderabad new IKEA store. So, this is a furniture business and IKEA told that okay, in our store you can pick up anything and then you have to obviously, pay for it, but you can return it after 1 month. And, if you do not like it return it after 1 month, as long as no damage has happened and everything is okay, full amount is, will be returned.

Now, this happened in USA. And, USA has lots of migrants, workers, students, who come from outside. And, they settle at a home and they don't buy lots of furniture, because they are coming for 2 years, 3 years and then they will go away. So, they do not buy lots of furniture's, but within that 2 years 3 year sometimes their parents, relatives, friends, come to their to their home.

Now, when these friends, relatives, parents are coming to their home, what these guys used to do is go to IKEA store. Buy a new bed let us say, then the parents or relatives or friends stay on that particular bed and etcetera. Use that bed for 2 weeks, 3 weeks, whatever duration they stay. If, it is within 1 month duration, within 1 month if they return back, then these guys also will go back and return all the items to the IKEA store.

And, when that happens, IKEA found out that there were lots of, lots of losses that they are incurring, because people are actually buying it, but not using it ─within 1 month they were returning it. So, these are their different types of undesirable customers. In a

Uber kind of a platform let us say, you will see that people at one point of time were had that offer that okay, you can complain about the route choice of that particular driver.

If, the route choice is higher, longer, then that money will be returned. Or, if you just write that my driver has charged me 10 rupees extra, or 15 rupees extra, no questions asked Uber used to give that back.

Now, this is something that not many people knew, that this is happening, but some people knew. And, they started doing this thing, that they were every time they were in a the right, they used to complain that the driver has charged 10 rupees or 15 rupees or extra toll has been charged to me by cash and this and that.

And, Uber understood that this is actually a fallacy that is going to happening and they actually stop that. So, these are all undesirable customers. So, every store will have certain kind of undesirable customers. Another thing that was so, 20% undesirable customer is a big number and you have to tackle them in some way or other.

What are the other problems that they were facing? So, WalMart and Dell are changing from mass market focus to high definition products in electronics. So, this is something that was also happening. So, WalMart if you remember, what I told here is this Best Buy. So, if this was the structure: just let me open the market structure. So, this was the structure.

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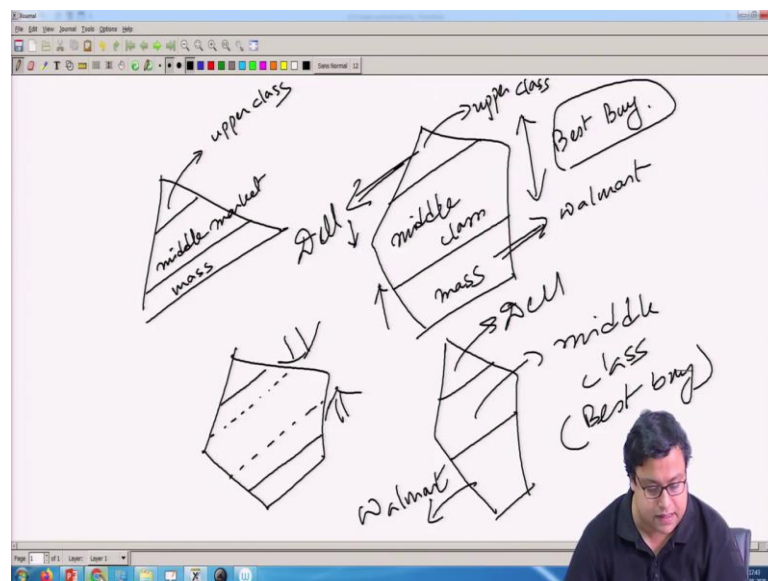
So, a market generally looks like: this is your mass, this is your probably upper class and this is your middle class market. But, oftentimes in USA kind of setup it looks like this the middle part is fat. So, this is middle class, this is mass, and this is upper class.

Now, WalMart Dell, Dell WalMart was here and probably Dell was here. So, Dell also had their own stores and WalMart is a big retail company for various kinds of products. So, WalMart gives you products at a lesser price, Dell gives you products at a higher price, in between that probably this Best Buy used to stay. So, what happened is WalMart also changed their focus from mass market to middle class and Dell also changed their focus from upper class to middle class.

So, when more companies are pushing towards the middle class these things gets shrinked. Whatever was here will now come up to be here, and whatever was here will now come up to be here. So, the market will become shrinked. So, this is this becomes middle class now, where Best Buy lies and this is where WalMart comes up. And, this is where Dell comes up.

So, there was a shrinking activity that was going on because people are pushing themselves towards this middle class. So, when that is happening, that is a competition, increase of competition that happens, which were happening in case of Best Buy also. And, they do not, they do not wanted to be, they did not wanted to be the unprofitable middle class.

So, keeping these in mind, they find out, they wanted to find out, what can I do as a marketing strategy ─ so, that these movements of price and positioning of my competitors; and my, there is a huge amount of undesirable customers in my customer base, this will not affect me, what can I do to that? So, that is where these angels versus demons this practice came in.

So, they wanted to do something such that the angels of my company will not move out to let's say Dell or WalMart. At the same time the devils of my company ─that means, the customer base devils of the customer base will move out from the customer base. They will be discouraged to come to the store and make the store, I would say, crowded or doing something else.

So, how they can be discouraged to come to the store? So, that was the major consumer problem.

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So, to answer these, they approached a very classic way which is called Customer Centricity. Now, customer centricity is a philosophy, where we are saying that being customer centric means looking at an enterprise from the outside in rather than inside out. So, you have to wear the spectacles of a customer and look at the look at the company.

And, you cannot wear the spectacle of an employee and look at the company. So, from the outside into inside out approach has to be taken, that is, through the lens of the customer rather than the producer. So, you have to look at the lens of the customer, you have to wear the spectacles of the customer.

So, what to wear the spectacle of the customer, you have to find out what the customer wants to see? So, Best Buy took the time to understand who it is customers are, how I can define my customers and what they need and then started selling solutions instead of products? So, mostly common sense solutions were majorly focused on.

So, this is something that I tell to my marketing students every time I start a class, that in any marketing strategy. We will first start from that okay: it is a mission and vision of the strategy probably what I want to do?
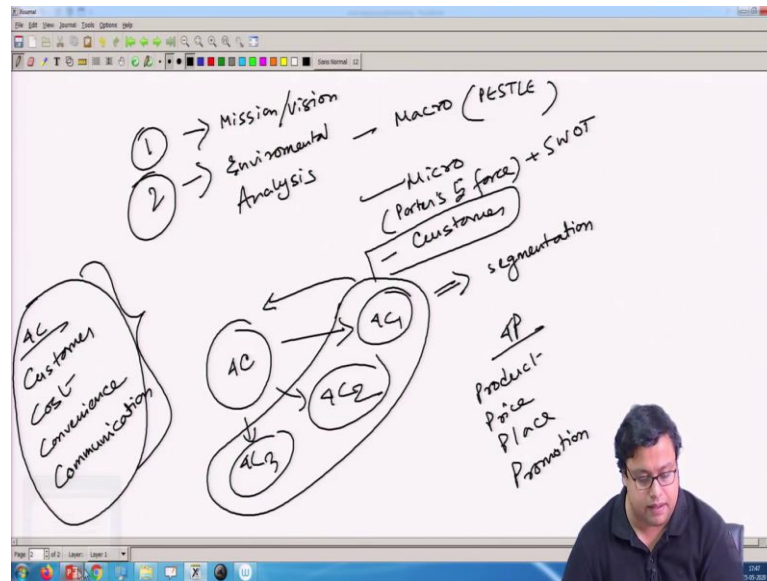
And, then the environmental analysis —so, environmental analysis like, there can be macro environmental analysis, there can be micro environmental analysis, in the macro we do PESTLE. And, the micro we do Potter's 5 Force model and then one part is basically the customer. The exact ,we also do SWOT here and the customer, who is my customer? And, while defining this customer who is this customer?

So, this is step 1, this is step 2, while defining this customer, we define a customer based on 4Cs, what are the 4C? The 4C is my customer, the cost, the convenience, and the communication. So, these are the 4Cs marketing 101, that is how we define the customer? Now, often times this can be broken into 4-C 1, 4-C 2, 4-C 3 so, which is basically the segments.

So, this breaking these 4C into 4-C 1, 4-C 2, 4-C 3, this is not combination; 4C 1 is not 4 combination 1 or 4 combination 2, I am not saying that. 4C 1 means, the first type of 4C, the second type of 4C and the third type of 4C basically, segmentation, we do segmentation.

So, while defining the customers, I have to find out what are the customer segments. And, each segment, I will define them using these 4Cs, each segment separately. Then, I have to target any one of the segment, I cannot target multiple segments, in some situations we target multiple segments. Like in retail or in telecom, we can target more

than one segment but you have to create solutions for each of the segments separately; that means, for each set of 4C, you have to create one set of 4P.

And, what are those 4Ps? The 4Ps are product or in this case service also, price, place, and promotion. So, for each of these guys you can create 4P 1, 4P 2, 4P 3 and then you can choose that which one I will go for. So, that is something that they also did. So, they are here we only focused on the customer segmentation part.

So, I told that Best Buy took the time to understand its customer like I just told. And, then they created solutions rather than products. They didn't try to sell anything ─ they tried to solve the problems of the customers, using certain kind of solutions.

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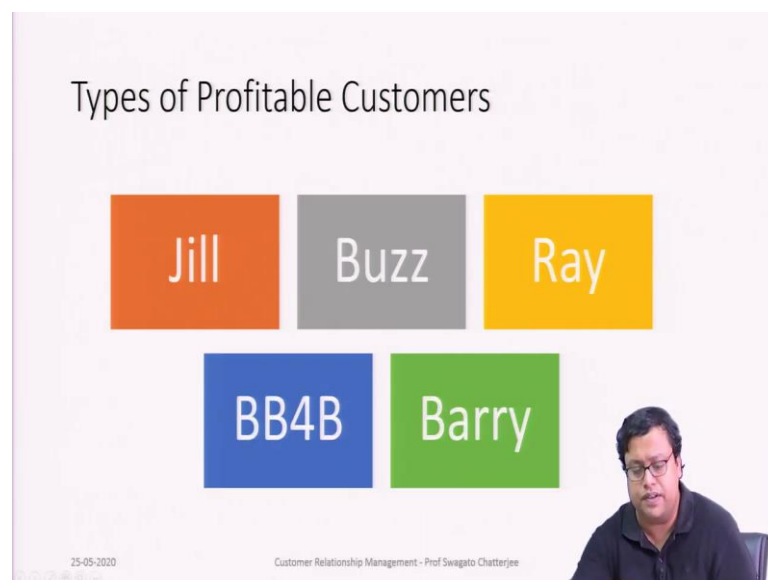
So, they, what they did is there are 5 different kinds of segments that got created. So, there is a Jill, there is a Buzz, there is a Ray, there is BB4B, and there is Barry. And, let me give the meaning of what these things are.

So, Jill is probably a mother who is a, probably a working mother or middle class mother, she is she has lots of probably 1 or 2 kids and she is also working; that means, she is busy at the same time. So, he manages the, she in this sorry, she manages her office and her home, both and the kids are dependent on her because the kids are still small at this moment.

But, still she engages in, so, she wants to buy those kind of so, she wants to have those kind of products and services, which will be helpful for her job to make the job more productive. At the same time will be liked by the probably the home people by her husband or her kids, which can help her in reducing the time, that is spent on food making, or cleaning, or washing and this kind of stuff.

So, this is Jill if, I can, if I. So, whenever we talk about a segment, where I told that what are the customers, what are the cost, what are the, these are the 4 things, that we will discuss on right. So, who is Jill, if I just try to discuss that ? So, Jill comes of the 4C.

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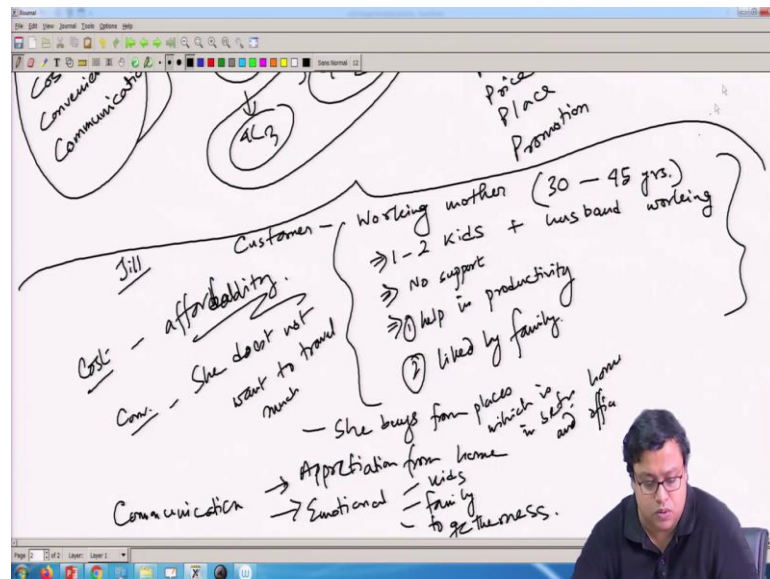
So, who is Jill? So, Jill is a working mother. What will be the age of a working mother? Let's say around 30 to 45 years something like that, in this range. And, you might have one to two kids, and husband might also be working, and understand that it is USA. So, they are staying, they are staying separately; not staying there with the parents or something.

So, no support at home probably or probably partial support not always there is a support system available at home.

And, yeah so, what he wants, what this customer is looking for? He is looking for products which will help in productivity. Productivity means: oftentimes it has been seen that these moms are very, they find it very difficult to manage the house and the office.

So, they have to get something which will be majorly focusing on their productivity, because they want to think, do things faster, that is number 1. Number 2 is, so that can be both in the office and in the home. So, in the home probably a mixer grinder or a vacuum cleaner can be something, which will be more productive or in the office probably, let's say some kind of electronic product can be more productive than whatever he is use, she is using right now.

And, another important thing that she wants is something which is liked by family. So, products which are liked by family; it can be movies, it can be games, because she has some kids, she has some kids who likes to play, who like to play games: so, games or movies, family movies or children movies. So, those kinds of things come into the picture this is customer.

And, what is this cost? So, Jill is the middle class so, affordable price is something; affordability is something that is important for her. Just check the ─ and what is this convenience? She does not want to she does not want to travel much. And, also she wants, she wants something which is in the office within her home to office that particular destinations will fall.

So, she buys from places which are in between home and office. So, such kinds of things are there. So, she buys those kinds of products which is in between home and office. So, that is one thing. And, what about communication, what she wants to hear? So, now, this is a lady who strives for let's say, she wants appreciation from home.

So, she wants that. So, people will appreciate whatever she is doing this particular thing that, she is doing for her family and also at the same time, managing the job this should, she is sometimes is very struggling with this, and she wants appreciation for whatever she is doing. So, that is number 1 thing.

Number second thing is probably, she is probably emotional because she is she has kids. So, things which are related to kids or family, or that kind of emotions, when are, togetherness: when those kinds, those kinds of emotions are communicated in any kind

of ad or any kind of product, those things is something which is of high value to her. So, that is Jill.

So, this is how if I can define Jill this is the person called Jill, this is one particular segment. And, I would ask you, this is a homework small homework, that you can do that how why don't you try to define like this the whole other things? And, I will give you the definition of other things. Buzz is a young person, let us say a college goer let's say one B.Tech student of our institute; who is coming from a well to do family not very humble background from a well to do family.

And, he is very much probably well-known, well-accustomed (Refer Time: 26:00) with the latest technology, he watches the latest movies or probably latest songs, that are coming up or latest series that are coming up. Tech savvy young person, young college going student or college going kid, a male in this case is Buzz.

On the other hand, Ray is a person who is absolutely probably a gender male version of Jill. But, he is also a father of two kids, and a middle class family member, he is a family person, practical buyer, while Jill sometimes probably might buy something based on her emotions and etcetera,

Ray he generally does not do impulse buying, he is very practical in terms of his buying, but which become which becomes sometimes a difficult thing, because the kids or the family members sometimes wants to enjoy, which where the Ray, where there is a problem with some kind of problem happens with Ray.

Because, Ray does not, sometimes does not become able to understand that, that sometimes if buy is certain staff or does not by certain staff, which probably will be appreciated by the family members. So, that kind of a mismatch sometimes happens because he is a practical buyer, middle class person. So, at the end of the month he has to take very calculated decisions and so on.

Now, BB4B is a person which is Best Buy for Business actually. So, Best Buy for business is basically one group of customer which is small SME customers. They buy let us say cartridges or they buy certain kinds of lots of 10/15, I would say the monitors or computers, sometimes they hire computers from BB; Best Buy. Or certain other kind of let us say storing devices like pen drives and etcetera in a bulk.

So, all of this kind of thing which is office stationeries or office accessories, these are the things which they buy in bulk again very practical, very production oriented, but these are majorly SMEs. So, they have to take calculated decisions, more calculated decisions than Ray, but they will buy in bulk. So, that is another customer base.

And, the fifth customer segment is Barry. Now, Barry is a very well to do person he is a professional, he is a probably manager, or a lawyer, or a doctor, who wants pretty good probably top 5% of the society. And, he has very good taste for technology products and he actually expresses himself, his luxurious feeling, his feelings and his luxury, his identity through buying these kinds of products.

So, that is Barry. Now, if these are the 5 customers, I would first suggest, it is a small homework that why do not you go back and write down what are these 4Cs for this each of this customer base. I wrote for Jill. You should be able to write it for Buzz, or Ray, or BB4B, or Barry. So, that is how the first objective gets fulfilled and you understand what your customer best are customer segments are.

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Now, what next? So, what next, what they did next is they actually targeted any; so, they found out that in a particular store which of these 5 segments are coming more.

And, whoever is coming more, whoever is coming significantly more, not only more significantly more, than the other groups, only they have chosen those stores initially.

And, they turn the whole store altogether to target that particular customer. For example, they made a Jill store. So, Jill store is a store, which is close by to the home, which is situated in a locality, which is residential locality not a commercial locality.

And, you know that their family members stay there. So, that kind of a particular place has been turned to a Jill store. Now, I have given the description of Jill's, Jill. Now, what is what will a Jill Store look like? She will come with kids. So, there will be very colorful store it will be; so, pink, and red, and white balloons, festoons at the entrance of the store because that is something that attracts the kids, sometime their moms also. So, that is something that were there.

There were TV that is playing 'The Incredibles' which is a show which goes on which kids show. So, the kids will enjoy. It is a family show, as well so, the kids and family will both enjoy. So, that kind of, that kind of TV ─ TVs were playing those kind of shows. And, there is an expanded selection of home appliances, as I told that Jill focuses on productivity.

So, expanded selection of home appliances as well as display stock, Hello Kitty, Barbie SpongeBob Square Pants that kind of electronic equipment. So, all these equipments were more targeted probably to towards the productivity of the mother and nooks are set up.

Nooks means, small corners where which is, which looks like a certain thing that you want to make. So, nooks are set up to look like dorms or recreation rooms. So, for kids there will be dorms right. So, let us say if you have 2-3 kids. Sometimes for space crunch you create probably 2-3 stories of beds or probably a dorm room, where many ─ your kids stay and then play and do whatever at that particular room.

And, there is a recreation room also probably so, where the mom and children can play. So, that kind of rooms, the setup of rooms, dummy rooms, which we are calling here as nooks that were setup.

Where actually when the moms and the kids are visiting this particular place, they can sit and play, and enjoy, and can think, that what would have happened if the same setup were made at my home. So, that was created and with high tech gadgets. So, along with these nooks, which looks like homely which gives you a homely feeling they also have

given this high tech gadget. So, this particular line remember, this particular thing I will come back later.

So, it is these nooks were created to give you a homely feeling, but at the same time you have been given high tech gadgets. Because, then you will not be scared with these high tech gadgets, you will think that these high tech gadgets are also very homely in nature probably affordable, probably practical to buy. So, that kind of a feeling they were trying to give in their mind and this is something that many other companies did later.

When I come back to the next videos I will discuss about that this thing again. Just keep this in your mind. So, that is a Jill store. So, that does not mean that Barry's and BB4Bs and other guy's Rays will not come in the store. So, they have done it very, in a very not very much visible manner, something which is, which will play with your psychology, but will not describe the other guys.

So, it will attract Jill, but not, it will not say that Ray, don't come here or Barry don't come here. So, that kind of feeling was not there.

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Describe Other Stores

• Barry Store?

• Buzz Store?

So, again if you can, so if you go to this particular link you will get the description of other stores as well, but I would ask you do not go to that this particular link. Why do not you try to write down, how a Barry and Buzz store will look like on your own?

So, a store which is focused trying to focus on Barry, a store which is trying to focus on Buzz, how will it look like? Why do not you stop this particular video here and try to, I will not stop. I will go on for another few minutes, but I am asking you to stop this video here, write it down, check with this particular link that whether whatever you think that how the Barry store will look like.
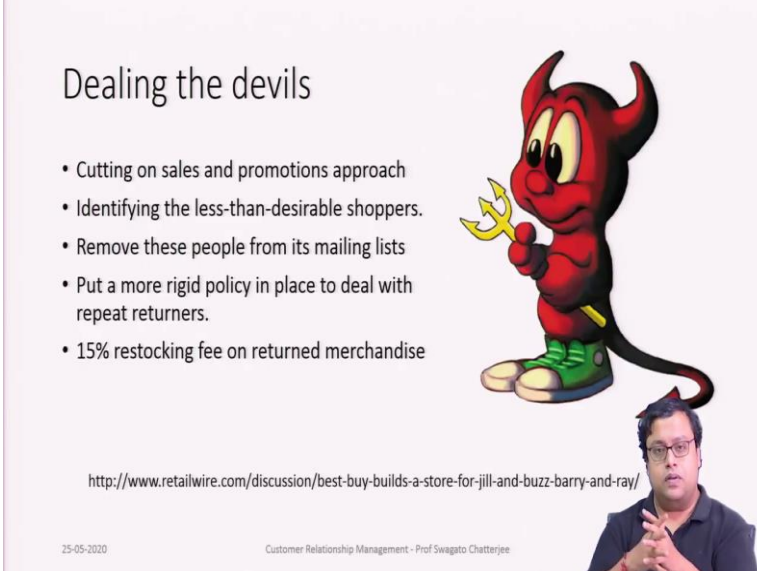
Or whatever you think, whatever the Buzz store should look like ─ whether that matches or not. Because, that's now how you will you can guess that whether you are thinking like a marketer or not. I am not saying that whatever you are writing will be wrong, that can be discussed, in a, in your discussion forum. And, or why do not you do one thing? Why do not you put this in the discussion forum?

And, I am I suggesting every other viewers is to come to this discussion forum and, probably try to, try to give a feedback on whatever other people are saying, whatever you are saying other people will give peer review and you also give peer review to whatever other guys have given a plan.

And, until and unless you post something you don't see the discussion forum. So, that is very important, because otherwise you will see the, what other people have written, you will see whatever this guy had written and based on that. So, see this is a learning environment that we are trying to create there is, no this particular exercise will give you no points extra or no brownie points.

But, you will probably learn how to think like a marketer? So, please think like a marketer, post it and then why do not you review, what other people are saying and, see that whether that makes sense. And, I will also ask my TAs and probably me also to give comments on the descriptions that were given.

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So, that is how they were targeting the angels? Now, how to target the devils, how to handle the devils? So, to handle the devils; that means, the unprofitable customers, they, what they did is they cutting, they cut down the sales and promotions approach. So, all the sales, all the discounts and etcetera were reduced. So, that is a very major thing.

So, when you reduce that, as I was telling for Airtel that they increase the no unlimited validity thing to at least 29 rupees per month kind of an approach. So, similar approach these guys have taken. Identifying the less than desirable shoppers and remove them from the mailing lists.

So, that was another job. So, they used AI best techniques and I will in a different class really if you take my marketing analytics course, which has been given in the last semester, you will know that how to find out the unprofitable customers, who have low customer lifetime value.

So, we have taught there how to calculate customer lifetime value. Here also in this course also we will discuss about that a little bit. So, based on that you can find out that, who are the unprofitable customers and then remove them from the mailing list so, that these customers are not attracted towards your store. And, put a more rigid policy in place to deal with repeat returners.

So, as I was telling for IKEA, what they did is they created a restocking price? So, here also they created a restocking price. So, if you have bought it and you want to return it 15% will be charged. So, I will give you an example a classy example, it was a government hospital in a particular organization, certain organizations run hospitals for their employees, and in those kind of hospitals medicine is free.

So, what happens is for many organizations these patients go to that, actually they are not patients always. They go to the store to the hospital. And, they go to the doctor and write down lots of medicines. Many of the medicines probably they do not even need or they have not checked with the doctors that whether I will need it. Sometimes it is routine, some of the medicines are routine.

But, some of the medicines whether they are routine or not they have to be taken or not they do not even check they create a major list of this medicines and go to and I know there are certain people, who even buy those medicines and probably sell in some other stores. So, what they do is they go to the doctor, create a huge list and then go to the dispensary get those medicines and go away.

So, these are the customers which are also undesirable customer's in this case undesirable patients. So, what happens is, what how to deal with it, what this kind of, some of the examples that I will give, they what they did is, that we will not charge anything from you in terms of the in terms of the monthly deduction that happens in terms of your medical thing, that deduction will be reduced.

But, whatever price, whatever you, whatever is the price of the particular medicine, you have to pay 10% or 5% and I will pay 95%. So, the moment you give that that kind of a thing that the employer will pay 95% and you have to pay 5%, but not free it cannot be free, it can be as low as 5%, but cannot be free.

The moment you give that kind of thing a huge amount of people will not come, this is, and this is psychology. So, because we give huge value to something which is free. Similar things applied here. That, even if this 15% is talking free, as 5% is talking free there were, quite a few people who would have not bought. Because you understand 5% of a 1 lakh rupees TV is 5, 000 rupees.

Question is will you buy a TV and then use it for 1 month and return it back and pay 5000 rupees for that usage many customers will not do that. And, who which type of customers will not do that? Those kind of customers who are undesirable, who wants to buy the TV will actually buy the TV by 1 lakh rupees and keep it in most of the cases, but the guy who had returners are generally price sensitive as well. So, even if that cost is 5000 rupees or in this case 15000 rupees they will not do that. So, that is how you are dealing with the devils in the customer base.

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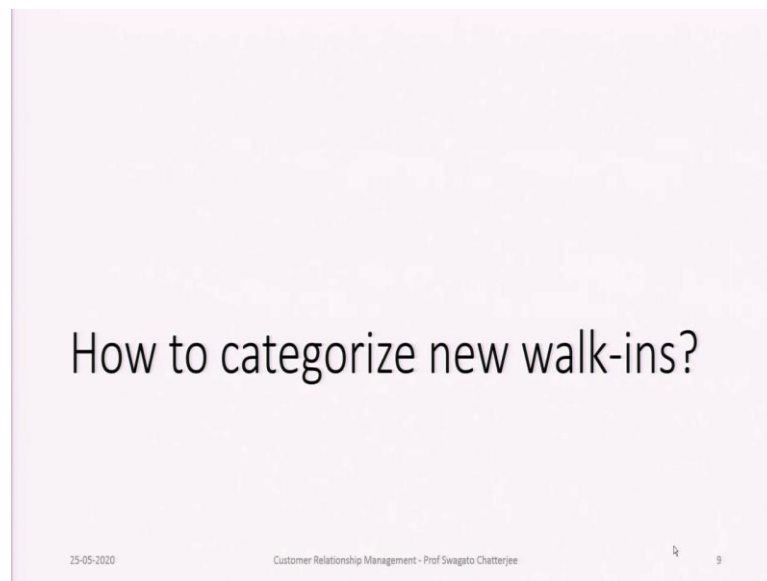
Now, what happens is this is also a classic question I am opening it to the to my students that okay, I can use my techniques and etcetera to find out, who are my undesirable customers and remove them from the mailing list. But, how will I know, when a new walk in happen? How will I know when a customer comes in for the first time, that whether he is a devil or he is an angel, he is a desirable customer?

Because, if he is an angel I will deal with him differently if it is a devil I will deal with him differently.

So, this is a very crucial question, I am probably keeping it open for you I will not answer it today. You probably want to put it in the discussion board and I will answer or I will discuss it in the discussion board of this particular course ─ that, what are the possible ways to find out that from a walk in whether a customer is good or bad.

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So, that is where, when they did it the results were like this that initially they did it for 32 stores in Chicago, LA and WDC. The sales growth happened in general in the other stores 10%. But, in these test stores it was 17%.

The gross margin was 0.5% higher than the average stores. So, even not only the sales improved the profitability improved, but the profitability improved very less 0.5 %, that is because the cost were 2.4% higher.

So, the cost went up because when you try to do the all this stuff which is when targeted your marketing cost goes up. So, the marketing cost went up, but they also analyzed that this cost difference will fall to 0.5%, rather than 2.4%, if 110 stores are added.

So, currently there are 32 stores, if another 110 stores were added. So, if you try to do the same thing in 142 stores the cost difference for of these 142 stores and the other stores will be 0.5%. As low as so, practically no cost difference at all, so, but the sales will grow up by 17% instead of 10%.

So, the growth will be much higher. So, what Best Buy planned is to do a spin around how much; this is 0.45 million dollars per store in labour training and, costs and in the long run they actually did it for 600 stores out of their 750 stores. So, they actually applied this technique to majority of their stores. So, that is something that they did and they succeeded and that is why it has become a case.

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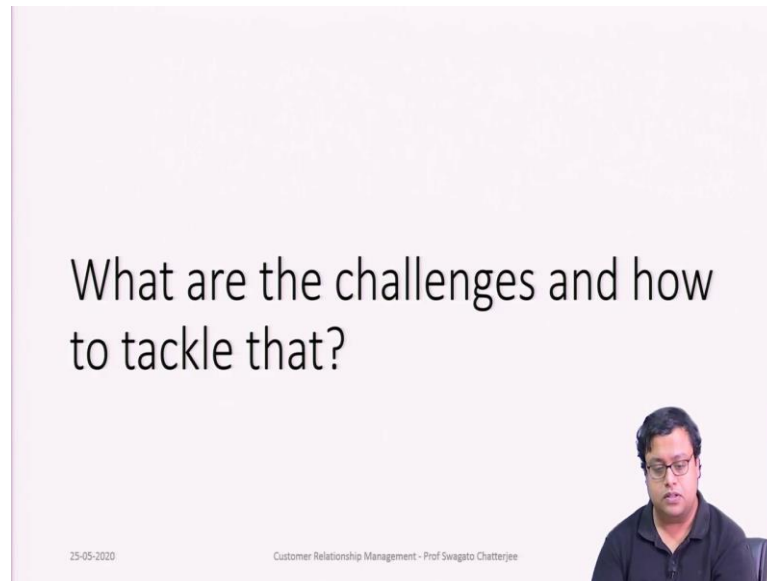
So, the question is that how to tackle these and how to make it in a bigger scale, it is easy to do it for 32 stores; how to do it for 600 stores is a very major I would say AI question. So, basically I would, I am giving you 3 questions, 3 small jobs to do in your to put in the discussion board whoever is interested to take this course seriously.

One is to answer this, how the Buzz and Barry's store will look like. I will create a thread for this. Second one is how to categorize new walk-ins? And, third one is if you want to replicate the same operation, same modification of the stores, from 32 stores to 600 stores, what will be your steps, what kind of challenges will you face and how to tackle those challenges.

So, these are some of the questions that I am keeping it open for you, I will not answer that let us come to the discussion board to discuss about these things.

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