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

Lecture - 09
Building Customer Relationships (Contd.)

Hello everybody, welcome to the course of Customer Relationship Management. This is Dr. Swagato Chatterjee from VGSOM, IIT Kharagpur who is taking this course, we are in Week-2 and in this particular week we will be discussing about Building Customer Relationship.

So, in the last video I was discussing about how data can be used in customer relationship management and I also discussed about various sources of data. I have asked you to put some things into the forum. I will also ask you that I have given some reading materials ─ some articles that I have collected from the internet, you can read them also to get an idea that how Swiggy is trying to help themselves and how data can be used and etcetera.

In this particular video, I will be focusing on the various stages of customer relationship management and how marketers can take various decisions in these various steps or various stages.

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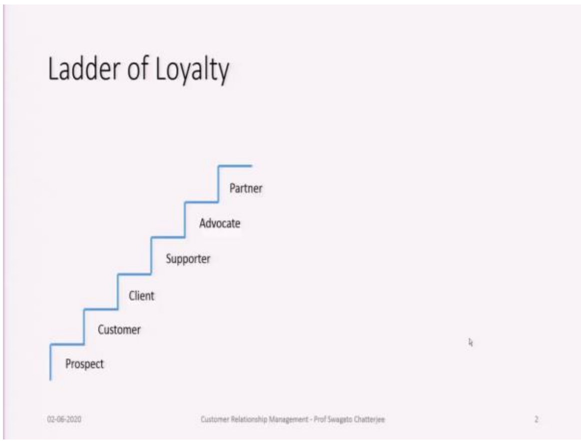

So, this is something that we call as the Ladder of Loyalty. So, what is the ladder of loyalty? So, the first step of a customer ─ o, you just think about, again every time when I talk about customer relationship management, relationship is, the human relationship becomes very important.

And you can see that exactly the same steps can be applied in the human relationship also. Let's try to see that: you are looking for your girlfriend or boyfriend or spouse or somebody who are going, who are partner, a marriage partner or something.

So, how do you do that? How do you find out? So, the first thing generally, if it is not something where the love is made in the heaven or something like that, the first step is prospecting; you try to find out what are the prospects that are there.

So, again in the context of customer relationship management the first step is prospect. You have to find out the prospects that are there, who are lying around in the market, who might be your customer, who might be somebody else's customer. So, then the next step is to change from this prospecting to making them customer.

Now, majorly this part is something that the sales guy does. But what the sales guys don't do is, the sales guys are very ─ generally we train the sales people to be very transaction oriented because you have this budget, you have this target, and you have to achieve that target. So, when and your first year's target has no relationship with your second year's target that is how the training goes.

But in B2B that does not happen there are some customers, who are stable customers whom you have to keep the relationship even if you are a sales person, even if you have to meet a target the relationship management is very important; and sometimes relationship starts from the prospecting itself.

The how much effort ─ frankly speaking that how much effort you have given before I gave you the business, sometimes becomes a very important factor that how much business I will give you even if I become your customer. So, that has a lot to say, that has that has I would say lot lots of contribution on the longevity of a relationship that how much effort you do in the very first day.

So, prospecting to customer the sales guys also have certain kind of customer relationship management to do. So, one of the classic thing is that data generation. At the least they can do is to create information about the prospective customer. Now, out of the 100 customers let's say 90 go away and then 10 come, but for those 10 customers you have information before the purchasing context started also, which helps.

Then you make them customer. From customer a customer becomes a client when multiple conversations happen, multiple transaction happens between one customer and a service provider or a manufacturer, in that context we call them a client.

So, who is a client? I have a client; that means, that I have multiple I am actually giving multiple services to them, it's not one time transaction that is happening there are multiple transactions that are happening with a client.

Then the next step is from the client you make a supporter. So, who is the supporter? A supporter will be trying to support in your steps that you take, whatever decisions as that you take as a service provider, as a company, he will actually support you.

He will not talk loud about you outside, but if you ask him that (Refer Time: 05:26) please will you give me a review yes he will give, you will ask him will you post about me in LinkedIn he will post, but he will not do it on his own. So, that is something that a supporter does.

A supporter will come for help only when the help is seeked. Then comes the advocate; the advocate will give you ideas he will help you on his own. So, from supporter to advocate, the relationship is self-driven by the customer.

Commented [A1]: Sought?

The customer wants to help you, the customer wants to give you data, the customer wants to talk good about you in front of other customers ─ that is a person who is an advocate. A supporter is when you seek he will do, advocate is whether you seek or not he will do. And then the partner is another customer who is not different from your company.

So, as of now till the advocate part I will help you on my own, let's say I am a customer you are the service provider, I will help you on my own you do not have to ask me, I will help you on my own, but this I and you is still there. I am a different person, you are a different company and I am going to help you by talking good about you, by putting good reviews by more purchasing from you, by not purchasing from your competitor and blah blah blah. But when I became a partner I am you. So, I am a part of you. So, that becomes ─ that is the level that we try to achieve.

So, it is like you get the Moksha. So, it means you make the customers to get the Moksha something like that. So, these two persons the company and the organization merges with each other that is something is there.

So, what happens when you when I can make a customer a partner, because up to this level we have seen all of these things: we have seen a prospect, we have seen a customer, we have seen a client, we have seen supporter ─ when you ask for review somebody gives you recommendations, reviews we have seen that in a B2B context that is pretty common.

The advocate is somebody who talks about you on his own. What does a partner do? A partner co-creates, a partner is somebody who will drive you will hold your hand and probably face all the goodness and badness along with you. So, his identity and the company's identity is very much related ─ it is a high overlap between them. So, that is something that we call as partner.

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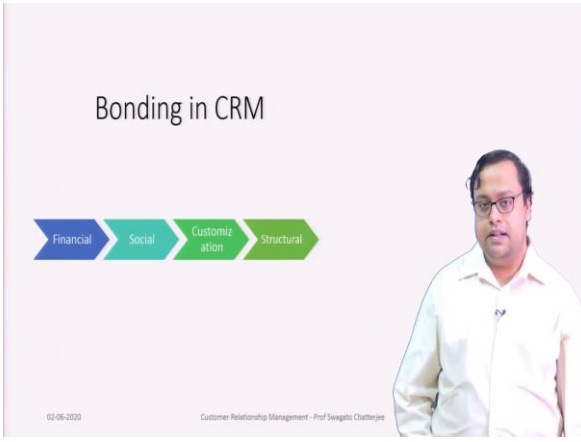

So, when we talk about these relationships, the partnerships, the bondings, there are different kinds of bondings that comes into this picture and all these bondings also acts as the barriers when we talk about customer relationship management ─so, barriers in terms of switching, so, all these bonding. So, what is a bonding?

A bonding is something which is a tie between two products ─ or let's say, two objects if they are binded; that means, there is a tie. What is the job of this tie? What these two things do when I when I put this? This thing this bending is making sure that these two objects are not cannot go away with each other.

Commented [A2]: Bound?

So, this is something which saves you from getting detached that is something which is called a bonding. A bonding is a tie whose goal is to stop you from getting detached. Similarly, here the bonding us are those kind of stuff whose job is to make sure that the customer do not switch or customer stays with you. So, the bondings are basically the barriers of customer switching. And what kind of barriers are there? What kind of bondings are there?

The bondings are: the first one is financial bonding or financial barrier I would say. What is a financial barrier? A financial barrier or financial bonding is that your, I would say; so, when you get generate economic advantage from a particular bonding that is called a financial bonding. So, by being in that relationship you are getting certain, the customers are getting certain economic advantage.

For example, a classic way is, let's say, we say that if you renew this particular thing. oftentimes when in the in the initial part the companies when whenever you try to come into let's say Vodafone; Vodafone gives you certain kind of offers like they have given me Amazon Prime free for 1 year.

Now, if I want to switch from Vodafone to somebody else within that 1 year, let's say after 2 months, 3 months I want to switch the moment I switch that particular activity with let's say Prime may go away, because they have given it for a free. I have not stayed for 1 year. So, that is a financial benefit that I am getting which will only existing as long as the relationship is there.

So, that is a financial bonding. Is it good? Is it strong enough? Does it stop people from switching? Sometimes, sometimes not, not depends on how much important, how much strong this bond is and how much important this kind of bonding towards the customer is. So, the strength and the weight of that strength in the eye of the customer: these two things will lead to whether that is good enough or not.

Then the next one which is also sometimes becomes prohibitory, is something called the structural bonding. So, what is the structural bonding? A structural bonding is basically a bonding between a customer and a client which is on and a service provider which is connected through some structure sometimes some legal laws or sometimes some I would say contracts.

So, there is a structure of this relationship, this relationship will start from this year prolong till this year, if you want to break this relationship in between that. So, for example, marriage registration. So, there is a structure behind that.

So, if you, if you want to break it there is a procedure, there is some fees that you have to pay, there is some damages that you have to pay whoever breaks, there are some other conditions where are the breaking will not have any damage blah blah. So, all this details are written ─ that relationship is structured.

So, have you seen Big Bang Theory? So, those who have seen Big Bang Theory will obviously, remember Sheldon and Sheldon used to have his relationships which are structured. So, everything has a rule, similarly, we have that kind of things in mainly B2B relationships we have that kind of thing. Because they have to the B2B guys have to protect their companies I would say goodwill or sometimes companies interests because these relationships have huge value in them, they create huge monetary benefits for both the companies.

Now if one company go away that will create a huge opportunity loss for the other company for that this structural kind of bonding come up again whether that is a good enough, strong enough depending on how strong the bonding is.

But what is more, now we are bringing in a little bit from the huge scale to a small scale. Now I am calling something called social bonding and customization. Customization is very personal towards the customer. So, where I have customized the services for you over time; so, for example, why do I prefer Netflix over somebody else let's say Prime video or Zoom the Voot or somebody else?

Because I have spent lots of time in Netflix and Netflix has understood my pattern and then Netflix is finding out lots of videos that is, Netflix has huge repository of videos also, they are finding out lots of videos from here and there and putting it in my front page.

So, these recommendation engines that this particular guy is has created base is based on the data that I have given him., But what why I want to still give Netflix some thumbs-up is because now with that data he is creating such an experience for me that I do not want to switch. Now, Netflix is just an example, it might be somebody some other company for some other person.

So, when you get very much attached to that personalized experience that is being given by these firms towards you which is only made for you, you do not want to switch. So, that is also one kind of bonding which is very much personal and then there is another called as social bonding. For example, let’s say at so, I was, means I am the person of that time when Orkut was there. So, when we were college students in Btech times Orkut was very very heavy.

And then in the last one year let’s say, third year we are we are in the third year or some time like that or fourth year when Facebook was coming in the market. Now for a very long time I thought that I will not go to the Facebook. What is there in Facebook why so many accounts? All my friends are in Orkut we talk in Orkut we, chat in Orkut. I have so much, so there were some recommendations at the time, if you know those who are of my age or a little bit older will know that Orkut profiles has lots of recommendations from your friend that this is this guy.

So, the how the friends perceive about you that grows kind of recommendations for return and we wrote very fabulous which I actually got very fabulous recommendations because I used to also give pretty good recommendations to my friends who can write well. So, that was an asset, I thought that okay this is my image, this is me or at least this is how I meant to pose me in the social media.

Now, if I move from Orkut to Facebook all of these things are lost all these assets that I have generated which is basically a social asset, a social capital you can say though it does not create money, but social. I don’t know social capital in the context of social media which I have created will be lost if I move to Facebook. So, for very long time I didn’t want to move to Facebook and then at one point of time I thought there was I have to try. So, that is the prospecting part, they were put poking me poking me and I was getting stuck with this Orkut; Orkut because of this social bonding that I have created with Orkut.

And then one point of time from being prospect I became a customer, I in this case a user and from user I become a client and slowly I moved everything from Orkut to Facebook. Because I found, So, I have, I personally if you go to my profile by chance I have some albums which is Orkut albums. So, with the name of the albums is Orkut albums and the good pictures of Orkut’s were downloaded and again put back in the Facebook.

So, they were transfer from there to here. So, all I am trying to say here is that social bonding is a very important bonding. If I ask you those who use Snapchat why do you use Snapchat? Those who use WhatsApp why do you use WhatsApp why not the other one? Why the Snapchat guys do not use the WhatsApp and the WhatsApp guys do not use the Snapchat?

You will know that your generation, the people who are, you want to talk with you are there in the respective platforms. The younger generations are in Snapchat, the older generations are in are in are in WhatsApp and because my social connections are there in these platforms, I want to be also there in this platform. So, oftentimes we try to create this social bonding within the network, within the within the platform so, that the switching does not happen.

So, the idea is that, if you got a customer in with you, get his friends also the more friends you get inside that particular network, the whole group will stay. So, that is something that you can that companies can take an approach.

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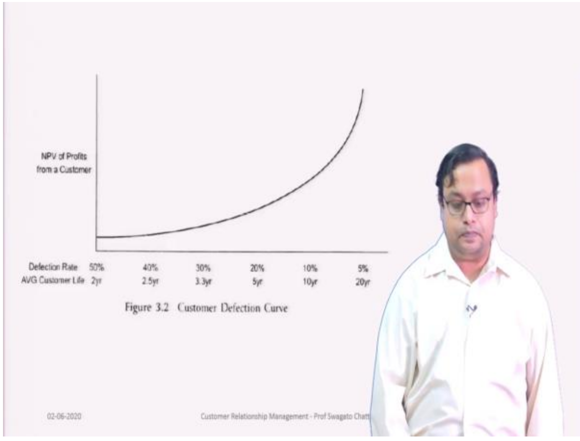

So, it has been seen that the net profit value also goes up the net NPV also goes up. So, profit from one customer also goes up as the customer and customer defection rate also comes down you see the as the as the years goes from 2 year to 2.5 year to 3 year to 5 year to 10 year to 20 year this curve also goes up. It’s actually a linear curve because your X-Axis is not linear.

So, that is why it is taking that kind of ─ so, it is a linear curve the NPV goes up and also the defection rate comes down. So, that is something is very important to understand. So, the defection rate comes down that is why the NPV goes up. Defection means switching the changing. So, why ─ what are the various reasons for which people switch? I told you till now that why people will not switch? What are the various strategies that you can take to make sure that the customers will not switch?

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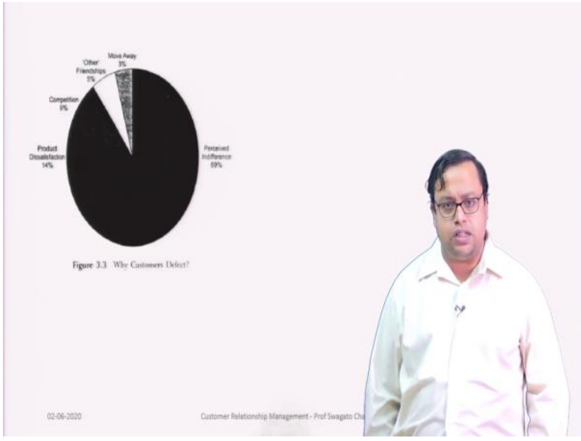

Now, I am asking that what are the various reasons for which they switch? So, one big reason which is this black part, the huge black part 69 and 14% ─ it is taken from a book and that colour difference is not being visible properly, but the 69% and 14% if I add up 83% is because of product dissatisfaction. So, you will know that 69% the majority percentage because of the perceived indifference. Indifference of whom ─ Indifference of the product seller or the service seller!

So, majorly people switch because you were indifferent about the customer, not because they are dissatisfied, not because of competition, not because of others' friendship or moving away from that particular place to another place. But you, the customer the company had been indifferent, so, when that indifference becomes very huge, customers want to switch that is one of the biggest predictors.

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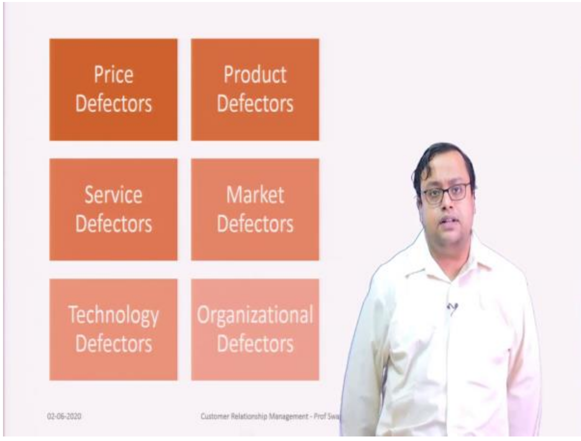

And what are the various kinds of other reasons like what are the different types of defectors that I can say? One is Price Defectors, Product, Service, Market, Technology and Organizational Defectors.

So, price difference is one of the major thing based on which people switch, next is the product. So, if I get a better product from my customer in the same price from, my from the, from the competitor, then I will switch to the competitor rather than the service provider. So, that is also one thing then Services Defector service means the product is good, but your service is very bad that might also lead to certain kind of switching from one service provider to other. The market defector, sometimes we shift from the market itself. So, I have not remained your customer classic applies in the life cycle stage.

So, let’s say I will not remain a customer of the restaurant in this particular place or let’s say even I there is a canteen there is a canteen in IIT Kharagpur. I will not I am not anymore a major customer of this particular IIT of the canteen because I have changed I have, When I was a student I used to go to that canteen a lot, when I become a professor I will not go to that go to that particular canteen anymore because my market, I have I am in a different market right now, I am not in the student market.

I have hygiene concerns, I can pay little bit more than the students, I need very quick service very personalized service, I do not want to wait and chitchat and do ─ spend lot of time in that canteen while the students can ─ will be happy to do that. So, I am in a different market right now and that is why I switch probably. So, that is called market defectors.

Then Technology Defectors, I can switch to a different technology altogether and Organizational Defectors I can switch to a, the whole organization can switch to a different organization. So, these are the major six types of defectors and we can create strategies for each of them.

So, in the next video, I will discuss about what are the various kinds of retention strategies that we can take, till now we were discussing about what are the various reasons people go away and how you can keep them. How — what is the importance of keeping them and why they go away. In the next video we will discuss about how you can retain them, what are the various strategies that you can take to make sure that they do not go away.

Thank you very much for being with me in this particular video, I will see you in the next one.