

**Graduate School of Management
Department of Marketing
University of California - Davis**

**MGT/ MGP 243: Customer Relationship Management
Fall 2014**

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Customer Relationship Management or CRM has become a marketing “mantra” of businesses over the past decade. This year about twenty billion dollars will be spent on CRM software and systems alone. The adoption and implementation of CRM systems represents a transformation of the firm from product-centric to a more customer-centric focus. The objective of businesses is no longer to just acquire customers and battle competition in making customers switch, but the objective is one of acquisition followed by development and retention, especially of those customers a business deems “best”. Much has been written about CRM from a strategic and operational viewpoint in the popular press and in academic literature.

Beyond the hype surrounding CRM, there has also been widespread disillusionment with the results achieved. Investments of millions of dollars in CRM systems have, in many cases, yielded results of little value. According to Forrester Research’s 2010 CRM report, this disappointment stems from a lack of focus on understanding how to improve the business and utilize the power of CRM systems to increase revenue and cut costs. Managers acknowledge that their main weakness lies in failing to understand how to harness its power, through refined customer analytics and customer strategy, to improve marketing. This course, aims to cut through the hype and get to the crux of the issues that affect a customer-firm relationship and a successful CRM implementation.

This course teaches you the important aspects of CRM often ignored by managers— How does CRM work? How does it accomplish what businesses seek? What is customer lifetime value? How do you calculate it? What happens if customers switch between brands, or buy and then come back a few periods later? What is customer equity and how is it determined? How is the customer database used? What is customer retention and how is it achieved? When should a firm know that a customer is not coming back? What is loyalty, how is it determined and are customers really loyal? How does one manage referral programs? The objective of the course is to examine the strategic and analytical aspects of CRM so that students will have a deeper understanding of the power of CRM, and how to put it to work effectively.

Course Objectives

This course emphasizes the importance of customer relationships. It aims to teach the basic principles involved in managing customer relationships. The specific objectives are outlined below:

1. The ideas behind customer equity and its components – brand equity, value equity and relationship equity
2. Different types of marketing channels – direct, indirect, electronic – and customer touch-points
3. The costs of customers and costs of serving customers in the different channels
4. Identification and Selection of customers (for both consumer and business markets).
5. Economics of CRM: Customer Life Time Value, Customer Life Cycle Analysis
6. Dealing with unprofitable customers and recovering from crises.
7. Understanding how to *quantify* different stages of the consumer's behavior and their purchase process and then use these insights to make business decisions – *this is the primary focus of the course.*

This course will *discuss* the various options for software available in the market place, however we will not cover any of them in detail. Finally, the course aims to enable participants to design a one to one customer relationship-marketing program.

Class Format

Each class is organized in the following way:

1. In class lectures
2. In class discussions
3. Case Analyses and Presentations (Group and Professor)

Class Rules

Academic Honor Code

There are several individual level assignments in this course. You are expected to complete the assignments on your own, without help from your peers – i.e., you are not permitted to work with others *on any aspect* of the individually graded coursework. In case you have questions regarding the material or assignments, I'm available either in my office, by phone or email and will be happy to answer your questions.

Use of Electronics in Class

You are allowed to use your laptop/tablet in class – however this use is conditional. You cannot use your laptops for any other activity other than those pertaining to the class. Hence, surfing, emailing, chatting, facebook visits and other related activities are not allowed. If such activity is observed in class, then laptop privileges will be revoked – *for the entire class*. Smartphone/phone use is not allowed in class – you are welcome to step out of class, with my permission, if you

need to answer a call. Failure to comply with this policy will result in the creation of ‘laptop zones’ (e.g., only the first two rows will be allowed to use laptops).

Course Material

Text Pak (Required)

Customer Relationship Management Text Pak, consisting of readings included in the lectures.

Course Requirement and Grading

The course requirements and their contribution to the overall grade are as follows:

1. Group Article Presentations	15%
2. Individual Case/Article Write-ups	10%
3. Assignment	20%
4. Class Participation	10%
5. Quiz	20%
6. Group Project	25% (see below for grade split)
• Project Presentation	15%
• Project Written Report	10%

Individual Work

Individual Case/Article Write-ups

Each student is expected to write up **two** readings for a grade. Case/article write-ups should be *in the form of an executive summary*. The write-ups should highlight the main takeaways (about ½ a page) and must contain original insight based upon your analysis (1½ pages) of the case. This original insight may be supported by including attachments that highlight your analyses. This can form the appendix of the paper. *They should be double-spaced; size 12 fonts and the write up should not exceed two pages (not including appendices). ALL case write-ups are due by Class 9. No exceptions will be made.*

Assignment

The homework assignment will be based on class material from both the lectures and the readings. The details of the assignment will be discussed during class.

Quiz

The quiz will be in Class 9. You’ll be allowed to bring **one** cheat sheet to bring to the class to reference during the quiz.

Class Participation

Meaningful class interactions add a great deal to the learning experience. Hence, I consider class participation to be an important component of your education in this course. While conversations are encouraged, I will discourage conversations that I believe do not add to the

discussion. Simply speaking in class without adding constructively to the class discussion will not merit any points. Also, class participation scores are distributed equally across every class, and your best scores in 9 of the 10 classes will be used to calculate your final score.

Group Work

At the beginning of the course students will form groups that work together for the entire period of the course. *Please note that all group work will be subject to a peer assessment at the end. One-third of your total group work grade will be determined by your score on the peer evaluations.* Individuals who do not contribute their fair share to the group (*as determined by the group*) will be penalized. Finally, the group activities will require you to employ a variety of skills which include (but not limited to) quantitative/statistical analysis, interpreting these results, good presentation abilities and writing. So when forming your groups, I would recommend choosing your peers who have complementary strengths in these skills, rather than simply sticking to friends.

Group Article Presentation

Each group will also present readings that will be discussed in class. The presentation *should be about 30 minutes (maximum)* and should provide a good overview of the article to be discussed **and** a well thought out critique. Use this opportunity as a way to incorporate the rest of the class in the learning – for example, involve the class in the review of the insights and criticisms of the case. The articles will be assigned to the individual groups around the beginning of the course.

Group Project

The project for this course will be to design a Customer Relationship Management Program for a company of your choice. It will be graded based on how well it incorporates the constructs that have been covered in the course. The readings from the course will also prove useful in formulating your ideas and concepts on the topic you intend to study. The project topics could emerge from:

- a. Any CRM-related work that the students could be involved with in their work place.
- b. Or they could be projects from local companies involving assessment of their CRM strategies and implementation.
- c. Or it could be a firm that you select to examine how CRM could help their case.

In all cases, the analysis should be at the firm/brand level. Typically, projects will involve analysis of the following components: (1) Background and Context: type of industry, products/services, existing channels, competition – what are the changes in technological, competitive and environmental dimensions that call for a CRM strategy, (2) how the firm approached (or should approach) CRM, the specific CRM strategy and how it dovetails with the business model, (3) why they turned (or should turn) to that specific CRM strategy, how appropriate it is, and how it differs from that of a competitor, for example (you could compare and contrast if needed), (4) your final recommendations and/or what the desired and actual

outcomes were (will be). This could also touch upon implementation, measurement issues and ROI.

The information needed for the project could come from secondary sources and/or primary sources (for example, you know someone in the firm whom you could interview). While much information is available in the popular press, most of it is played up and superficial. I would urge you to ensure that the written report is devoid of clichés and keep it direct, insightful, and specific to the problem at hand. Please remember to support assertions/ claims/ recommendations with relevant research.

The group project report should be limited to a maximum of 10 pages (not including attachments and appendices). Finally, each group will also present the findings and analysis from their study in class towards the end of the course. ALL submissions are due by the last lecture day of class (i.e. the last lecture). No exceptions.

NOTE: Please submit a two page summary of your proposed project by Week 5 (11/3).

Examples of past topics include:

- (i) improving CRM at car dealerships
- (ii) setup and implementation of a CRM project at a Sacramento non-profit
- (iii) improving reach and co-ordination among suppliers for a food manufacturing firm
- (iv) developing a better customer targeting program for a major online beauty products retailer etc.

TextPak Readings:

Students are expected to read the indicated articles and/or cases before each class.

Class 1 (10/6)

Introduction to CRM & its Fundamentals

Reading the Signs of Your Customer Value – Villanueva

When Giving Your Customers Less Is More – Fader

Class 2 (10/13)

Developing Customer Intelligence and a CRM Strategy

EMC²: Delivering Customer Centricity – Steenburgh & Avery

Transforming Strategy One Customer at a Time – Harrington & Tjan

Class 3 (10/20)

Calculating Customer Lifetime Value

Marketing Analysis Toolkit – Steenburgh & Avery (Excel Sheet)

Customer Profitability and Lifetime Value – Ofek

Class 4 (10/27)

Using Customer Lifetime Value to Make Marketing Decisions

Rosewood Hotels & Resorts: Branding to Increase Customer Profitability and Lifetime Value –

Dev & Stroock

How valuable is Word of Mouth? – Kumar, Petersen & Leone*

Class 5 (11/3) (*Two page summary of your proposed project due on this day*)

Applying Customer Value in Other Fields

Harrah's Entertainment Inc.: Real-Time CRM in a Service Supply Chain – Lee, Whang, Ahsan, Gordon, Faragalla, Jain, Mohsin, Guangyu & Shi*

Olympic Rent-A-Car U.S.: Customer Loyalty Battles – Deighton & Kindley

Class 6 (11/10)

Managing Unprofitable Customers

The Right Way to Manage Unprofitable Customers –Mittal, Sarkees & Murshed*

Pandora Radio: Fire Unprofitable Customers? – Shih & Tecco

Class 7 (11/17)

Predicting Churn and Managing It

Hubspot: Lower Churn through greater CHI – Martinez-Jerez, Steenburgh, Avery & Brem*

Role of Employee Incentives in Customer Centricity

Terror at the Taj Bombay: Customer-Centric Leadership – Deshpande (DVD)

- Read supplemental article for the above case
 - o HBR: The Ordinary Heroes of the Taj – Deshpande and Raina

Class 8 (11/24)

Incorporating New Media

Adding Social Media to the Marketing Mix – Armelini & Villanueva*

Sephora Direct: Investing in Social Media, Video and Mobile – Ofek & Wagonfeld*

Class 9 (12/1)

Quiz

Using CRM to Optimize Ad Allocations: My Media Mix (Professor Presentation)

Class 10 (12/8)

Group Project Presentations

Group Project Report Due

*Items marked with an * are available for Group Article Presentations.*