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

Customer Relationship Management  
MGP293-1&2, MGT293  
Fall 2008

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Customer Relationship Management or CRM has become a marketing “mantra” of businesses over the past decade. This year over seventy billion dollars will be spent for CRM software and systems. CRM represents a sea change in focus for businesses from a post industrial revolution product-centric focus to a customer-centric focus aided by the developments in the information economy. 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.

However, from a business student’s viewpoint it is also important to understand the aspects of CRM often ignored by managers– How does CRM work? How does it accomplish what businesses seek? 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? 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.

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. The course, aims to cut through the hype and get to the crux of the issues that affect a customer-firm relationship.

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 touchpoints
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 (LTV), Customer Life Cycle Analysis
6. The notion of customer loyalty and customer development

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. Group Case Presentations and Group Case Analysis

Course Material

Text Book (Optional)

Text Pak (Required)
Customer Relationship Management Text Pak, consisting of cases included in the lectures.

Course Requirement and Grading

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

1. Group Project & Presentation  50%*
2. Group Class Presentation  10%*
3. Individual Case Write-ups  30%
4. In-Class Quiz  10%

Individual Work:

Individual Case Write-ups

Each student is expected to write up two cases for a grade. Case write ups should be in the form of an executive summary. The write ups should highlight the interesting points of the
case and must contain some original insight based upon your analysis 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 the last day of class (i.e. the last lecture).

**In-Class Quiz:**

There will be one in-class quiz on a date that will be announced in the class. The quiz will be based on portion reviewed in class.

**Group Work:**

All grades for group work will be moderated by each individual’s peer evaluations. For example, if an individual’s peer evaluations are lower than the rest of the group, then that individual’s grade for the work will also be lower than that given to the group project. This is necessary to ensure that all members contribute their fair share to the project.

**Group Project & Presentation**

The major project for this course will be to design a 1 to 1 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 and the detail with which you incorporate these ideas.

The project topic could emerge from any CRM-related work that the students could be involved with in their work place. Or they could be projects from local companies involving assessment of their CRM strategies and implementation. 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 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 if 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.

Limit the group project report to a maximum of 15 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 day of class (i.e. the last lecture).
Group Class Presentation

Each group will also present cases that are to be discussed in class. The presentation should be no longer than 10 minutes and should provide a good overview of the case to be discussed and a well thought out critique. This will then lead to a review of the insights and criticisms of the case by the whole class. The cases will be assigned to the individual groups around the beginning of the course.

TextPak Readings (Tentative):

Introduction:
HBR: Dabbawallahs of Mumbai - Larry Menor, Chandra Sekhar Ramasastry
Is Your Company Ready for 1-to-1 Marketing? – Peppers, Rogers, Dorf

Fundamentals:
Organizing for CRM – McKinsey Quarterly
HBR: Customer Relationship Management: Get Inside the lives of your Customers – Patricia Seybold

Loyalty? Where art thou?
The Loyalty Effect: Essay #5 – The Satisfaction Trap, Frederick F. Reichheld
HBR: E-Loyalty, Reichheld and Schefter

CRM in Retailing:
HBR: Customer Relationship Management: The Old Pillars of New Retailing – Leonard L. Berry
HBR: Eddie Bauer

Customer Lifetime Value:
HBR: Rosewood Hotels & Resorts: Branding to Increase Customer Profitability and Lifetime Value
HBS Toolkit - Lifetime Customer Value Calculator – 1 copy per student
(http://hbswk.hbs.edu/archive/1436.html)

Customer Equity and its Opportunities:
HBR-Marketing when Customer Equity Matters – Dominique Hanssens, Daniel Thorpe and Carl Finkbeiner
Getting more from prepaid mobile services – McKinsey Quarterly

Anger Management Programs:
HBR: The Customer’s Revenge – Dan Ariely
HBR: The Right Way to Manage Unprofitable Customers – Vikas Mittal, Mathew Sarkees and Feisal Murshed

International CRM - How to ride the new silk road?
How half the world shops: Apparel in Brazil, China, and India. - McKinsey Quarterly
Financing Latin America’s Low Income Consumers. – McKinsey Quarterly
A Grassroots Approach to Emerging Markets Consumers. – McKinsey Quarterly
HBR: Grupo IUSACELL (A)