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**SCHOOL OF BUSINESS  
KANDOLI**

**UNIVERSITY OF PETROLEUM & ENERGY STUDIES  
DEHRADUN**

**End Term Examination – April 2018**

**Program/course: MBA (AVM)**

**Subject: Customer Relationship management**

**Code : MBACM 772**

**No. of page/s:**

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**Semester – IV**

**Max. Marks : 100**

**Duration : 3 Hrs**

**Section A: Attempt all the Questions [2x10 = 20 Marks]**

**Q1. Multiple choice questions.**

i.) The CRM is-

- (a) To save company
- (b) To maintain relationship
- (c) To terminate relationship
- (d) All of the above

ii.) CRM is known as-

- (a) Business philosophy
- (b) Business methods
- (c) Technology
- (d) Physical tool

iii.) Maintaining records of customers is an example of-

- (a) Training methods
- (b) CRM
- (c) Supply chain
- (d) Sales records

iv.) Companies have to get value from their marketing by going beyond the transaction to build-

- (a) Records
- (b) Relationship
- (c) Performance
- (d) All of the above

v.) The purpose CRM is-

- (a) To save cost
- (b) Improve relationship
- (c) Retain customers
- (d) All of the above

vi.) Steps in CRM are known as-

- (a) Planning
- (b) Implementing
- (c) Owning
- (d) All of above

vii.) Provide customer support is an example of-

- (a) CRM
- (b) Sales
- (c) HRM area
- (d) Financial management

viii.) CRM adoption is an effort between CRM and all stakeholders include-

- (a) Employees
- (b) Employers
- (c) Customers
- (d) All of the above

ix.) Customer complaint is-

- (a) Bad signal
- (b) Gift
- (c) warning
- (d) All of above

x.) Customer loyalty is rewarded as-

- (a) Discount
- (b) Gifts
- (c) Trials
- (d) All of above

**Section B: Attempt any 4 Questions (out of 5) [4x5 = 20 Marks]**

Q2. Analyze the influence of social networks on the development of trust and commitment in bilateral relationships between customers and organizations. Illustrate your answer for a company of your choice in the service industry.

Q3. Upon what aspects does the communication power of an IT-supported channel depend?

Q4. Can you explain why investments in customer satisfaction lead to a higher return on investment as well as a reduction in risk?

Q5. Gather the mission statements of a number of companies and evaluate to what degree these do justice to the objective of creating a relationship-oriented organization. Justify your answer.

Q6. Specify the wastes that occur as a result of a lack of data quality.

**Section C: Attempt any 2 Questions [out of 3] [2x15 = 30 Marks]**

Q7. Choose one of your service providers and reconstruct the dialogue you have conducted with this organization. How could the content of this dialogue be improved so that you would become more loyal to this service provider?

Q8. Formulate the outlines of a precision pricing policy for a four-star hotel in your country's capital designed to accommodate business guests as well as tourists from all over the world. Explain your answer.

Q9. Creating a distinction between the communication and service levels of so called gold, silver and bronze customers can lead to irritation among customers. How can this irritation be prevented? In your opinion, how should a company handle this situation?

**Section D: Analytical / Situational / Case based:**

**Q10. Attempt all the questions [2x15 = 30 Marks]**

**CASE:**

**Starbucks in the US**

In 2008, Starbucks, with over 15,000 stores in 43 countries and serving 50 million customers a week, was the world's leading retailer, roaster and brand of specialty coffees. During the 1990s and thereafter, the company expanded rapidly – especially in the US. However, trouble started brewing at Starbucks in 2006 and come 2008, it threatened to spill over. With sales of \$9.4 billion and its growth targets and expansion into Asia being on track, it would seem that all was well. In fact, Starbucks was facing its first serious crisis in many years – its share price had fallen by more than 40 per cent for the first time since it listed.

The question is what are Schultz's [the CEO's] priorities and how should he go about addressing them?

Starbucks was originally positioned as a 'third' place between work and home where one could come, listen to music, relax and drink great coffee. The Baristas were expected to be friendly and to know customers' names and their favourite drink on their next visit. The need to be pleasant and friendly with customers was emphasized. The company had a strong employee culture. Schultz acknowledged that he built the brand with his people, not consumers. Schultz's objective became to make Starbucks a national company with a presence in every major city. The company accelerated its store openings at the end of the 1980s and in the 1990s, it could count thousands of stores. All through the years the company invested heavily in these stores, as they refrained from franchising. Finding the right location was therefore crucial. An error in judgement on a new store would cost the company at least \$500,000 and even more for a flagship store.

The company also started a mail order business. It dates from the mid-1970s and allowed mail order buyers to obtain Starbucks' products. These buyers appeared to be the most loyal customers. Areas where they found concentrations of mail order buyers appeared to be the best locations for (new) Starbucks' stores.

Starbucks also formed a number of partnerships to serve a broader customer base. It sets up the North American Coffee Partnership with Pepsi to manufacture and distribute coffee drinks. The first product, Mazagran – a cold, carbonated coffee beverage – was a failure. However, the next product – bottled Frappuccino – was an instant hit and heralded Starbucks' entry into the supermarket and the ready-to-drink beverage business. Furthermore, the company initiated partnerships with bookstore chain Barnes and Noble and Chapters Inc., food and beverage company Kraft Foods, hotel chains Host Marriott International and Hyatt International and also got the United Airlines and Horizon Air accounts. In addition, it experimented with drive-through windows in locations where speed and convenience were important, with kiosks in supermarkets, lobbies and other public places.

The company started to use FlavorLock bags to retain the freshness of the coffee. It made the expansion strategy feasible, according to Schultz. Starbucks came to be known for its dark roast specialty coffees and also leveraged the brand to build complementary products and service. They produced a successful line of music CDs, as a result of an extremely popular in-house music programme. They further acquired their own music label, Hear Music and launched Hear Music Coffeehouses. The downturn began in 2006. An article was published in Business Week: 'The coffee quality has been declining, especially as stores went from brewing coffee to pushing buttons on machines. The atmosphere of the stores has become all-too familiar.' Store sales declined in 2005 by 9 per cent and in 2006 by 7 per cent. The introduction of a warm breakfast to boost sales did not help. In the meantime, prices for food commodities reached an all-time high in the US. Consumers were no longer willing to spend so much on a cup of coffee at Starbucks. In February 2007, Consumer Reports, a trade magazine, rated McDonald's filter coffee as better not just in flavour but also in price.

Starbucks' share, which had been on a constant upswing ever since the company went public, also slumped. The share price plummeted by 42 per cent – making it one of the worst performers on the Nasdaq stock exchange in 2008.

Questions:

- a. Treacy and Wiersema distinguish between three value disciplines, i.e. operational excellence, customer intimacy and product leadership. Which value discipline(s) has Starbucks applied in recent years? Give arguments.
- b. Would you characterize Starbucks' strategy as a defensive or offensive strategy? Give arguments for your choice. What are your recommendations for Starbucks in the US if you want to build a sustainable company that is expanding in line with shareholders' expectations?