

BINDURA UNIVERSITY OF SCIENCE EDUCATION
FACULTY OF COMMERCE
DEPARTMENT OF MARKETING

CUSTOMER RELATIONSHIP MANAGEMENT

BS 438

PROGRAMME: MARKETING

TIME: 3 HOURS

INSTRUCTIONS TO CANDIDATES

1. Answer **Question One (compulsory)** and any other **Three Questions**.
2. Credit will be given for use of appropriate examples.
3. Start each question on a fresh page.
4. No cellphones are allowed into the Examination Room.

QUESTION ONE (COMPULSORY)

Case Study: Customer Retention at Hyundai Motor India Ltd

Hyundai Motor India Ltd (HMIL) commenced operations in India in 1996 and launched its first car in India – the Hyundai Santro – in 1998. Since then, there has been no looking back for the company. Its domestic and export sales figures have risen manifold each year and the car maker has gone on to become the second largest manufacturer in the Indian car market with a market share of 18.10 percent as of 2010-2011. By 2009-2010, most of the major international car makers were setting up production facilities in India. The market was set to become highly competitive and it became imperative for manufacturers like Maruti Suzuki India Ltd (MSIL) and HMIL to retain their customers in order to maintain their market share. Nalin Kapoor, General Manager (Sales & Marketing) was contemplating the marketing strategies he could use to counter the stiff competition. Customer retention was one of the major problems in the automobile industry as the purchase time span varied between three and five years and the cost of brand switching was nil. HMIL had been pursuing customer relationship management activities but its customer retention ratio was declining. Kapoor and his team decided to study the loyalty programs of some companies in the automobile industry to ascertain whether launching a loyalty card could solve their problem of retention. The marketing strategy department with the

help of a management intern extensively studied the existing loyalty program of Hero Honda, MSIL, and Ford to identify how those programs were designed and promoted to the customer. The reports also indicated the shortcomings of each program and the features which were highly accepted by the customer. The loyalty program also had cost implications as there was a need for a strong technical support team to run it successfully. With the reports in hand, Kapoor was in a dilemma on whether launching a loyalty card would be feasible or not. If yes, then how should it be structured to motivate the customers to stay loyal to the company? Also, how could the cost in terms of promotion, training, and technical support be justified? If not a loyalty program, then what marketing strategies should the company pursue to retain customers effectively? The problem demanded immediate attention and action and Kapoor was well aware of the implications that a delay in decision making would have for the market share of the company in the growing and dynamic automobile industry in India. *Source: Paul & Purkayastha, (2013)*

With reference to the passage above:

- a. Illustrate the significance of customer satisfaction in calculating customer retention rate. (10)
- b. Explain any **five** common causes of low customer retention ratio applicable to the automobile industry. (10)
- c. Suggest **four** ways in which Hyundai can implement an effective loyalty programme. (8)
- d. In addition to loyalty programmes explain **four** other CRM alternative strategies that management could pursue to retain customers effectively? (12)

[40 MARKS]

QUESTION TWO

Explain any **four** ways in which Key Account Management can enhance customer retention.

[20 MARKS]

QUESTION THREE

Apply the H.E.A.R.T Principle to Service Recovery.

[20 MARKS]

QUESTION FOUR

Using an organization of your choice within the hospitality industry, discuss any **five** service quality criteria required for exceptional customer service.

[20 MARKS]

QUESTION FIVE

A complaint is a gift (Barlow & Moller 1996). Discuss the implications of the respective statement in customer relationship management.

[20 MARKS]

QUESTION SIX

Explain the importance of computing the following Customer Relationship Management metrics:

- a. Defection rate (4)
- b. Lifetime Value (4)
- c. Customer Retention Rate (4)
- d. Customer Acquisition Cost (4)

[20 MARKS]

***** The End*****