

BINDURA UNIVERSITY OF SCIENCE EDUCATION
FACULTY OF COMMERCE
DEPARTMENT OF MARKETING

JUN 2023

CUSTOMER RELATIONSHIP MANAGEMENT

BS 438

PROGRAMME: MARKETING

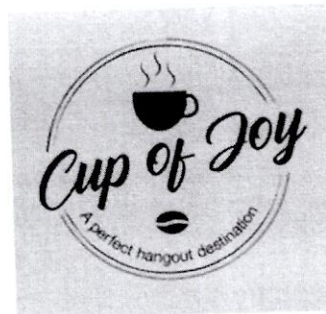
TIME: 3 HOURS

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: Cup of Joy Café



Cup of Joy owns nearly one-third of Harare's coffee bars. Almost all of Cup of Joy's locations in Harare are company-owned stores located in high-traffic, high-visibility settings such as retail centers, office buildings, and university campuses. This made Cup of Joy a very convenient coffee bar because of the many different locations. Cup of Joy also worked to add more depth to their product in the coffee shops.

In addition to selling whole-bean coffees, these stores sold rich-brewed coffees, Italian-style espresso drinks, cold-blended beverages, and premium teas.

Product mixes vary depending on the stores size and location; however, most stores offer a variety of pastries, soft drinks, juices, coffee-related accessories and equipment, CDs, games, and seasonal novelty items.

Cup of Joy also sold products through non-company-operated retail stores such as hotels, airlines, and restaurants.

Additionally Cup of Joy formed joint ventures to distribute a bottled Ice Coffee through Mount - Inyangani Coffee Estate and ice cream through Zimbabwe franchise, Cortina Ice Cream. This allowed the Cup of Joy brand to be recognized not only in freestanding Cup of Joy stores, but also throughout other channels as well as increasing their brand awareness.

Cup of Joy worked very hard to expand the number of retail stores as well as product innovations and service innovations. New products were launched on a regular basis, such as one new hot beverage every holiday season. The store-value card (SVC) was also introduced which led to reduced transaction times. Due to the innovations and brand equity Cup of Joy had built Cup of Joy was able to achieve extra-ordinary success.

The value proposition of Cup of Joy focused on an effective brand strategy best captured by the phrase "live-breathe-drink-celebrate coffee". This phrase reflected the importance of keeping the national coffee culture alive. From a retail perspective, this meant creating an encounter that people would want to incorporate into their everyday lives. Cup of Joy offered the highest-quality coffee in the Southern Africa and controlled much of the supply chain as possible to help insure that. Cup of Joy worked directly with growers to purchase green coffee beans, it oversaw the custom-roasting process, and it controlled distribution to retail stores around the region. Cup of Joy aims to please - this included simple things such as remembering someone's name or drink order. By providing a comfortable atmosphere Cup of Joy allowed a sense of community.

Cup of Joy was known for being widely available, their gourmet/specialty coffee, and being trendy. Customers also thought that the stores were clean and generally satisfied with the Cup of Joy product. Conversely market research findings discovered that Cup of Joy's brand image was weakening. The number of respondents that agreed with the statement, "Cup of Joy cares primarily about making money," was up from 53% to 61%. The number of respondents that

agreed with the statement, "Cup of Joy cares primarily about building more stores," was up from 48% to 55%.

The brand image of Cup of Joy also had some rough edges and as a result Cup of Joy customer satisfaction scores began to decline despite their overwhelming presence and convenience. In polls by customers "improvements to service," particularly speed of service, was most mentioned for improvement.

While some people go to Cup of Joy for the experience, many people get their coffee and are out the door. Therefore, wait time is exceedingly important. While wait time is a part of customer satisfaction it is not the only thing that determines customer satisfaction. The satisfaction level of customers also varies with the type of customer. Customers that visit more often, spend more often, and are more loyal tend to be more highly satisfied.

Cup of Joy trains their employees in two different directions. One direction is learning the procedures to making all the different drinks, learning and working the register. The other training is in customer satisfaction and creating customer intimacy. Cup of Joy wants their employees to remember the loyal or frequent customers' names and orders, have conversations with customers, etc. They want those customers to feel special and welcome when they enter the store. Cup of Joy believes if they are able to create customer intimacy then they can keep those customers and increase their sales. On the other hand, in today's time creating customer intimacy is harder than ever, especially in Cup of Joy.

Required

- a. Which key aspect of Cup of Joy alludes to a discrete transaction? (2)
- b. Explain **three** components that made Cup of Joy value proposition compelling. (9)
- c. Recommend **three** strategies for Cup of Joy to create customer intimacy and improve the waning brand image. (9)
- d. Critically evaluate Cup of Joy with regards to the **5Es** of customer relationships. (20)

[40 MARKS]

QUESTION TWO

A Complaint is a gift (Barlow & Moller 1996). Discuss the implications of the respective statement in customer relationship management. [20 MARKS]

QUESTION THREE

Explain the importance of computing the following CRM metrics to an organisation of your choice;

- a) Attrition rate (5)
- b) Customer lifetime Value (CLV) (5)
- c) Customer Retention rate (5)
- d) Customer Acquisition Cost (5)

[20 MARKS]

QUESTION FOUR

Using an organization of your choice, discuss **five** challenges of implementing loyalty schemes. [20 MARKS]

QUESTION FIVE

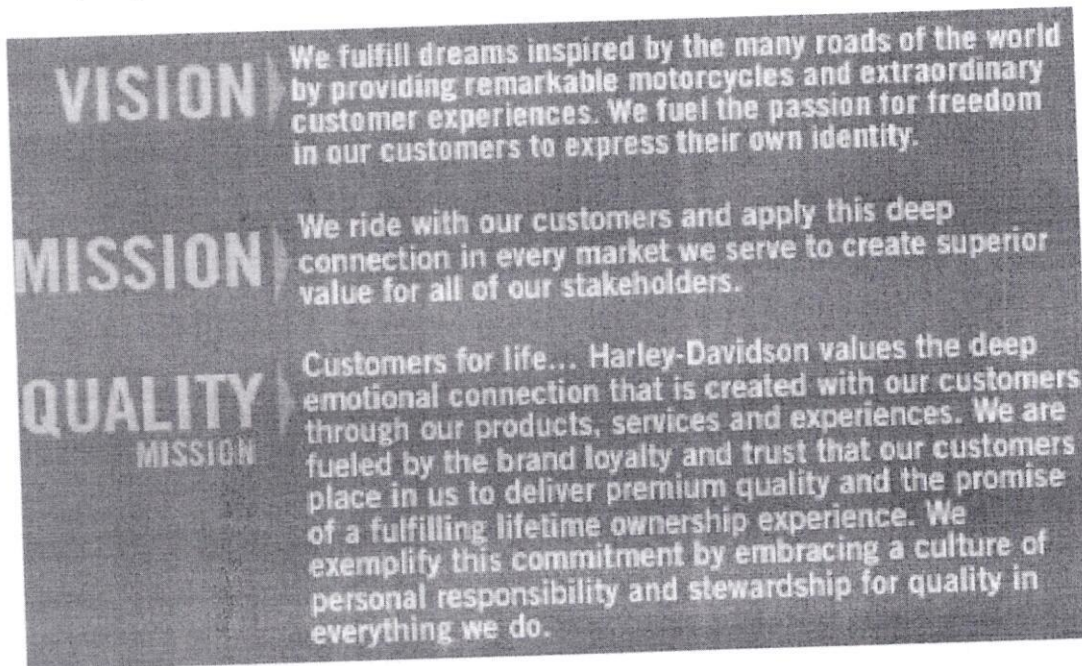
- a) Explain the importance of the 80/20 Pareto Principle in improving customer relationship. (8)
- b) Describe **three** barriers to the successful implementation of CRM and show how you would mitigate each. (12)

[20 MARKS]

QUESTION SIX

Harley-Davidson, Inc., is an American motorcycle manufacturer that was founded in 1903. It is one of the most legendary and beloved brands in human history. Harley Davidson motorcycles are built well and built to last. Thus they have gained an honest reputation as good for cross country travelling.

Harley's operations are guided by the following vision and mission statement;



Source: Berndt and Tait (2012) Customer Relationship Marketing.

Apply the five R.A.T.E.R dimensions of service quality to Harley's high levels of service quality.

- | | |
|-------------------|-----|
| a. Reliability | (4) |
| b. Assurance | (4) |
| c. Tangibles | (4) |
| d. Empathy | (4) |
| e. Responsiveness | (4) |

[20 MARKS]

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