FACULTY OF SCHOOL OF BUSINESS AND LAW

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Course code: MF-202-1
Course name: Customer Relationship Management

Date: May 18, 2015
Duration: 3 hours
Time: 0900-1200
Number of pages incl. front page: 3

Resources allowed: Dictionary (Norwegian/ English)

Notes: The exam consists of 5 main questions, which will be weighted according to the percentages in parentheses. Make sure you allocate sufficient time to all the questions. You may answer in Norwegian or English or both

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Question 1: (10%)

"Customer Relationship Management (CRM) is first and foremost a business strategy that can be effectively executed through the appropriate business process and technology management capabilities that best match an organisation's customer-facing goals" (Buttle, 2009)

Define CRM in your own words. Discuss the characteristics of the <u>four different types</u> of CRM and outline the strategic benefits of CRM for an organisation.

Question 2: (20%)

Choose <u>3</u> out of the following 4 questions (a-d), and briefly outline what they mean in a CRM context:

(a) According to Buttle, what defines a relationship, and what are the major attributes of a relationship?

(b) Explain the difference between behavioral loyalty and attitudinal loyalty, and how they can be measured.

(c) What is Customer Portfolio Management (CPM), and what are the 5 basic disciplines for CPM?

(a) Describe the main components to managing the customer life cycle: SCOPE

Question 3: (10%)

Customer lifetime value (CLV) is an important marketing metric, particularly within the service industries. It basically provides a profit measure, on a per customer basis, of a customer over the lifetime that they deal with the firm.

There are three elements to the calculation in its simplest form:
- customer acquisition costs
- customer retention rate
- customer profit per year

Describe <u>briefly</u> what each of the elements are, and what they mean in terms of calculating CLV.

Question 4: (20%)

In this scenario CLV is calculated as follows (sample has been discussed in lectures):

Customer lifetime value = 1/ (1 – customer retention rate) X annual customer profit less customer acquisition cost.

Underneath are four different scenarios of a CLV calculation, using the above formula:

a) Acquisition cost = 500 euros, retention rate = 80%, annual profit = 250 euros
b) Acquisition cost = 1,000 euros, retention rate = 60%, annual profit = 500 euros
c) Acquisition cost = 10,000 euros, retention rate = 75%, annual profit = 2,500 euros
d) Acquisition cost = 100 euros, retention rate = 50%, annual profit = 100 euros

The scenarios are calculated for you in the following table:

	Sample a	Sample b	Sample c	Sample d
Retention rate	5	2,5	4	2
Annual profit	250	500	2500	100
Acquistion cost	500	1000	10000	100
CLV	750	250	0	100

Using the table as your reference, what elements appear to be the most significant in the calculation – that is, if you were a marketing manager facing these scenarios, which elements would you focus upon? Explain why.

Question 5: (40%)
Analyze and discuss in depth. Choose 1 out of the 2 following questions
(a OR b):

(a) Explain what is meant by the term customer retention. Outline the customer retention strategies available to organisations as well as the benefits of pursuing such a strategy.

(b) Discuss the five major phases in a CRM implementation and outline the importance of project management and change management throughout the implementation process.