

Customer Relationship Management
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Lecture – 12
Building Customer Relationships (Contd.)

Hello, everybody. Welcome to the NPTEL course on Customer Relationship Management. This is Doctor Swagato Chatterjee from VGSOM IIT, Kharagpur who is taking this course. We are in Week-2 and in this particular class we will be discussing Building Customer Relationship and specific concept on customer relationship which is Customer Co-Option. In this particular class we will discuss about that.

So, before I start with this particular video I will give a brief about what we have discussed before. We have discussed the strategic imperative of customer relationship management, why it is important, how it impacts.

The nitty-gritties, the minute nitty-gritties, probably the mathematical part we will come later in the class, but in the course, but currently we will be discussing about that. In this particular week we are discussing about how to build customer relationship. So, that also we have discussed quite a lot of thing. In this particular class I will discuss about customer co-option as a concept.

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Customers as a Source of Competence

	
Beta Testing	Customer Forum

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So, what is customer co-option, when we think about customer co-option what does that mean? So, customer co-option is a strategy which comes — which is the umbrella strategy and under which many things come. One of the major things that come in basically, is that how to use customer as a source of competence.

So, if you are competing in the market, oftentimes this competence is something that gives you a competitive advantage with your, for example, if I just think about IIT Kharagpur. IIT Kharagpur's rich alumni base, very strong professor base, probably — the faculty base, the huge infrastructure — these are the core competency. So, another institute if they want to compete with IIT Kharagpur, they have to build that — that big an infrastructure which we have got for quite some time.

Now, that is the competence that we have or let's say, you can still build a very good infrastructure or you can still build very good faculty members. But the alumni base you cannot generate in one year. You can invest and you can get faculty members, you can invest and you can get a very good infrastructure.

But, still the alumni base becomes a competitive advantage factor for IIT Kharagpur or any old institution and that is where we compete with other institutes probably along with many other things. These alumni become a very huge competitive advantage.

Now, competitive advantage that means what — any characteristics any anything that helps you to compete and beat your customer — beat your competitor or give an added advantage to you. So, in the run in the race you start a little bit ahead.

Now, oftentimes these — all the companies try to search for competitive advantage within the organization. For example, I told the three things are probably within the organization, though alumni base is not exactly within the organization, but other organizations when they come into the market they try to find competence, then they try to build competency inside the, inside the organization. They give training to their resources, they bring in new resources; sometimes they create new patents because patents become an internal competence then.

Sometimes it is also related to the culture of the companies. They create an innovation kind of culture or entrepreneurship kind of culture which creates revenue generation streams within the organization. All of these things they do. But, what we are suggesting

here in customer relationship management is you can also see your customer as your — as a source of competence. How?

For example, Microsoft, whenever Microsoft generally starts their products they go for Beta testing. Now, they have a rich base of customers who are users, who are, because Microsoft is heavily used in the industry so, their customers are also probably one of the stalwarts in the industry or sometimes very in very good positions who takes purchase decisions.

Now, if you pick up these people and put them in your beta testing panel who will be testing the bugs or testing for the usefulness of the product that you have developed, then your product that you developed will be in competition higher than the other products, other people, than other companies whoever is creating some products which is competing with Microsoft.

So, that beta testing part, you do not probably want to do it in house, beta testing is anyway is done with the customers, but you have to have good customers for that. If you do not have good customers, very strong customers, people who are actually the influencer in the market then or of people who know about these things quite a lot then there is a problem. So, keeping that in mind, Microsoft does beta testing with its customer and that is how they bring in the customers competence in the product development process.

Same applies for CISCO. CISCO does not do beta testing probably or they do, but that is the strong point of CISCO. CISCO has a customer forum. What does this forum do? The forum has two three objectives. First of all any forum creates, so we call it in a marketing term if you know the Post Purchase Behavior becomes very important in marketing market.

That is why when I say that how a B2C or how a customer decides what are the stages of their purchase decision making, we say that it is need recognition, then evaluation of alternatives, sorry then information gathering and then evaluation of alternatives then, making a choice or making the purchase and at the end there is this post purchase behavior.

So, one of the major post purchase behavior is called Customer Dissonance. What is Customer Dissonance? Let's say you have made already a purchase you have made something. Now, and just after that purchase after just after you made the purchase, purchase is complete, it cannot be reversed anymore; after you made the purchase you start feeling that I might have made a wrong decision, that would have might be better than this one that I have bought.

So, this kind of feeling that you have just after. We will see that the moment I bought a TV, brought in opened the TV and connected it and this that and then one week later one of my friend buys another TV I start feeling [FL] that TV is better probably. So, that kind of a feeling is called Dissonance.

So, then what customers try to do is basically find information gathered information which will support their decision, which will reduce this dissonance feeling. Customers always were in all individual decision making that happens that we will start gathering information that supports my decision — that makes me feel good about my decision that reduces the dissonance of the decision. So, that is something that we all do in any decision.

Now, why that is important in case of customer forums? This customer forums or clubs or groups are made to actually reduce that dissonance. Now, if you see that you not only you, but there are 10000 or 15000 other people who are in the forum or probably more than that who are in the forum has also bought the same product or also endorsing the same product, then you might feel less dissonance. So, that is a very important factor in a customer relationship management.

Now, but that is, that is one part. Now, you might feel there are, there are issues and customers, one of the major part of customer relationship management is customer service. Now, customer service becomes much more easier when there is a forum because other customers become — starts giving information.

The person who is sitting in the BPO — who is the customer service guy might not be a technical guy. So, he might pass the information — if any technical problem happens he might pass the information to the technical guy and the technical guy might take and there is a process involved and that process might take some time.

Now, what we can do and they try to create core competence to reduce that particular time period taken in answering the questions, but what better can be done is if I can connect you with another person who is — who has equal know how or pretty good know how or who has faced the similar kind of problem before, then he can help you in solving the problem that you are facing and that's what CISCO does in this customer forum. So, they keep all the problems open.

So, you have a bug, you have an issue, you have some difficulty, you put it there not only the customer service person can answer, but also another customers can also answer. So, if another customer can also answer, then you the chances that you will be answered quickly and in a better way in a proactive or effective way that probability goes up. So, that, then customer becomes your source of competence in terms of customer services.

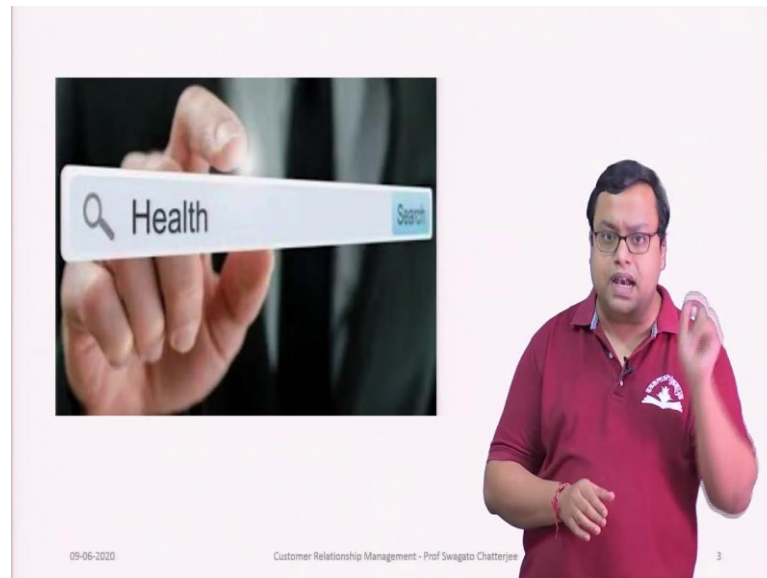
What else? Obviously, when you create a forum then people actually you can gather. So, we call it Lead Users. This term is very important in the context of innovation where we make the users —

So, the lead users are which kind of users? Lead users are such kind of users of a software or any product, who can give you futuristic innovation ideas; the ideas which will become a success in future. So, these, that people identifying those people becomes a very crucial challenge. It is a still a research challenge that how can you identify in a forum who are the lead users.

But, you at least you get the ideas of the future from your forum whether you can pick it up correctly or not that is an internal competence, but the idea generation is an external competence where the source of that competence is your customers. So, customer forums also walk in this way idea generation which you can apply in at a later point of time to improve your product and to make it more suitable, more futuristic more so, which will give a....So, if you can bring in an innovation in your product which is, which is one step ahead of your competitor, then that gives you competitive advantage. Because you bring in the product first, if you bring in the product first people who are willing to a pay lot for that particular feature will pay you, you can capture that market ahead of your competitor. And, if you can capture that market ahead of your competitor then you

probably generate a little bit more market share. So, these are all parts of how customers can be a source of competence.

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So, there are huge numbers of so, you cannot actually deny that that people are using health one of the one of the other area where this becomes very important where customers becomes your competence also.

So, I have seen many doctors say that the patients comes and patient is I know all kind of a patient; he has searched in Google and come up and tell me that sir whether this can be done, whether that can be done and blah blah blah and I become very pissed off because I am not very....So, so I have studied for so many years medical science cannot be learnt over Google.

You have to understand that you have to rely on the doctor and this and that. But, you have to understand these and that is where I personally have seen that customer-oriented — you have to, customer-oriented doctor and a medically trained doctor is a different type of doctor.

These are, it does not go always hand in hand and it does not go always with the, I would say, with the empathy also it is not only empathy that is important for a doctor when you are handling the customer.

You have to understand that a customer's — that knowledge that that particular information whether good, bad ugly that information is there in the market that is available in information and there is some purpose for that information why that is available in the market.

And, people, today's world people actually go to the internet while they search for health care services. They have probably come to you because they have seen, got certain good reviews from you either internet bar or through is social network which is also connected through internet.

So, if you are getting the benefits of foot fall of patients in your clinic, in your chamber because there is a word of mouth which has been done for you — in favor of you where internet has helped in spreading that word of mouth. Then a doctor cannot deny that there will be certain things which not — which is not something which will be pleasant they have to deal with that.

So, health care services, any health care services will deal with that because patients, everyday they are becoming more aware at least they have getting information and many patients probably if not all, many patients are getting credible information also.

So, oftentimes we see that there can be there are situations where the patient suggests that can we do this, can we do that patients ask for options. So, if the customers are aware if they have read something and they have they have studied something and then come to you have to take them in confidence. You cannot brush them off by saying that this is written in Google and that that if you do that the chance of losing that customer grows.

And, you have to understand that patients are also customers; if it is a business establishment, if you are making money out of it, it is not your salary, if you are not doing an government job, then you have to understand that patients are your customers and you have to deal with them as you deal with your customers.

You have to make sure that they are happy; they are satisfied in terms of their informational need also. It is not a doctors or health care for service provider's job to only make the patients physically okay. Giving mental strength, giving mental satisfaction and etcetera is also a part of this game and that is something that comes.

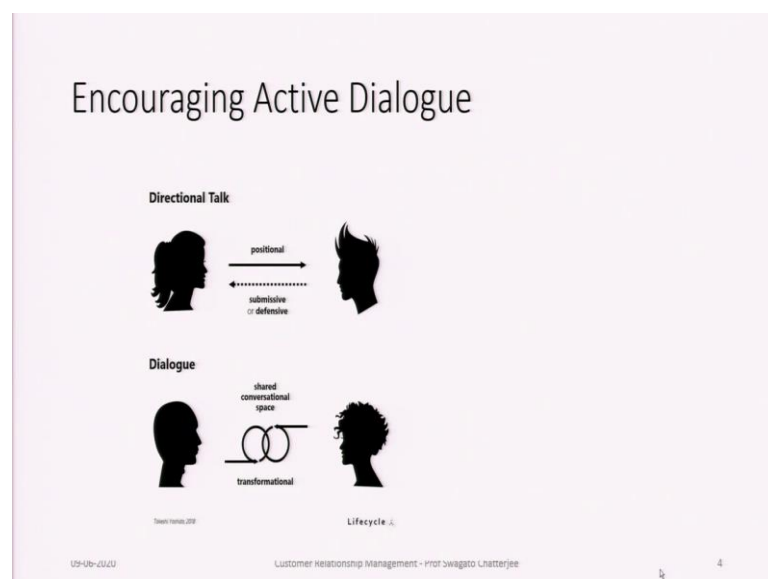
Now, where it becomes a competence that the customers coming up with the service, lots of service information and coming up to the health care service provider why, how that can be used as a competence? And, customers coming up —coming up with a lots of information and coming to your chamber how that's a pain that I understand, but still how that can be used as a competence?

You can actually co-create probably solutions with the customer you can tell, you can you can, you can understand what are the pain points of this patient, what are the information that he has got, what are the insecurities that he has generated through that information or whatever other ways he is okay with, how much informed he is in terms of his probability of success in terms of being good, being bad etcetera all of these information if you have in your hand, then you can give a service which is more targeted towards this particular patient.

If you do not know their service, if you do not, if you do not I would say the cultivate the patient properly even in his informational background, then the probability that you might be having a happy customer comes down; how much that depends on customer to customer patient to patient, but it comes down.

So, obviously, even in the health care the customer's knowledge becomes a competence and you have to, you have to consider that, you have to — you have to take into account while giving service provider.

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The next step that we say, so, there could will quite a bit of steps. So, the next step is basically encouraging active dialogues. So, what is active dialogue? Active dialogue is basically... dialogue is what? Dialogue is talking with communication between one person and another person.

So, you say something and then I say something, then again you say something then I say, I say something that is the dialogue it is like a, basically it is like a table tennis where I put the ball and then you also give me the ball back and then I put the ball once more.

But, what is an active dialogue? An active dialogue is: that a communication a conversation which gets generated through the dialogue process, it is not a question answer kind of thing that I want to — I want to cancel that air bus ticket.

Okay sir, what is your name? This what is your mobile number this which I can see that with this name and this mobile number X, Y, Z bookings have been done. Which one do you want to cancel? X one. Do you want to change it to some other date or do you want to totally cancel it? Totally cancel it and then would want the refund at your bank account or in our digital money — bank account.

So, all this is basically a Tik Tok kind of a kind of a conversation where it is a dialogue, it is not a active dialogue, it is a normal conversation where you say something and I answer and again you say something back and I answer.

But, what happens in an active dialogue is the conversation develops from the dialogue. So, often time we allow we in the in the customer which we allow the service provider to generate.

So, that kind of empowerment you have to give to generate a dialogue on its own and who can create a dialogue who can create a interesting dialogue becomes a significant important factor to divide a probably a good BPO agent and a not so good BPO agent or a good customer service person and not so good customer service person.

Dialogue is important and in a dialogue it's just there will be a in the middle there will be a shared conversational space we call it the Transformational Conversation, where both of the persons in the left side and the right side can contribute towards this conversation

space and also can take it from the conversation space. So, they can give and share and take back from that particular conversation space. So, that is something that becomes important.

Now, this is very easy said than done. So, how to create a good conversation? So, that itself is a very important factor and I would — I would actually stop here and we in management studies actually in the B-schools we do not give lot of importance to this particular topic, particular area of study, but I would say at this point because I got this opportunity, I would say that one of the most important topic, one of the most important subject that can be taught, one of the most important skill that can be taught in a B-school is ‘communication’.

Your finance, your marketing, your this-that can be — these are technical probably, but communication is something which has to be slowly developed. It’s not something that you teach in maths, you teach, write some equations and it gets solved.

It is a slow, even never ending learning process and that should start as soon as possible and probably one of the most important factor that might contribute towards your success or failure in any part of management studies or management profession is communication.

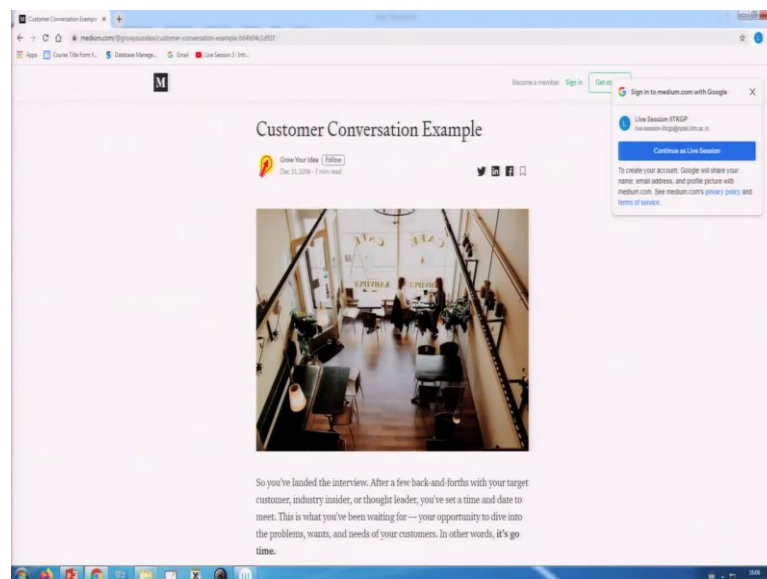
So, how you can generate a communication, how you can extend the communication, how you can probably make the conversation more intelligent, more I would say interesting, all of these things comes from the space of communication and which becomes very important factor when you when you try to do. So, I will in the next part what I will do is I will give a small example of a better communication strategy.

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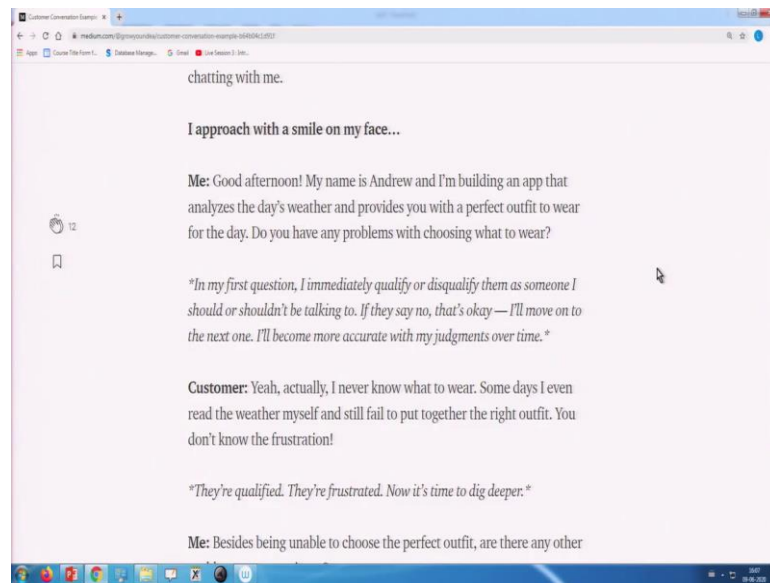
So, this medium.com this particular link — if you go to this link you will get a small conversation strategy that how a good conversation with a customer can help a person who is developing a new App or new product can help him in generating some ideas. So, this is free, this particular link is free and you can go to this link and have the conversation.

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And, I will just I have just open this link and let me come to the conversation directly.

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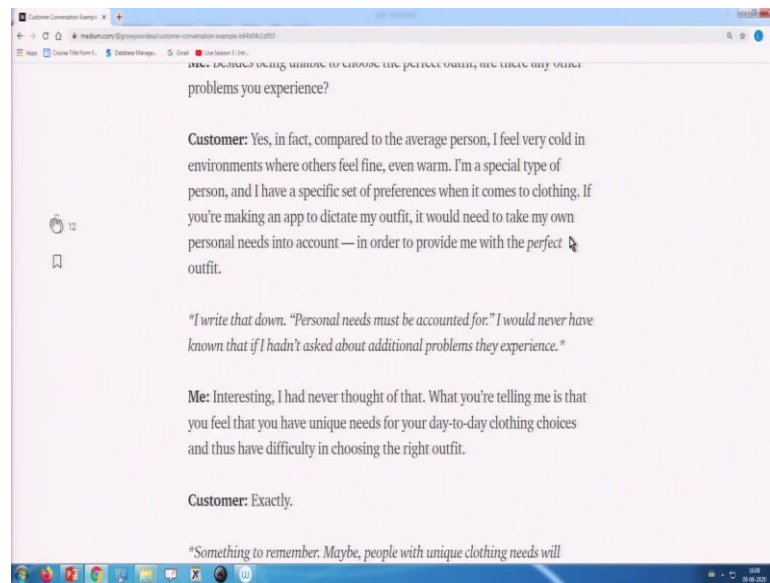


So, somebody starts with: Good afternoon. My name is Andrew and I am building an App that analyzes the day's weather and provides you with a perfect outfit to wear. So, you — he is developing an App which will be, which will be generating ideas of apparel which is matching with that particular day's weather conditions, whether it is raining whether is sunny, whether it is...

Now, probably that might not be very, very much important for a, for a Indian context, but main many developed countries or even in the metro cities in India people want — people actually take fashion as an important thing. And, oftentimes those who take fashion as an important thing do not know in the morning every day, morning they are so fashion conscious, they have to create a new look probably every day; they cannot carry the same look for some time. So, that becomes a important factor that how they can create new ideas of dresses every day.

And, that becomes a challenge and of and the weather condition also changes every day. And, some particular dress might not suit with the, with the weather condition of that particular day which becomes a challenge for customers.

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Now, first thing that you have understand that whether that is a pain point of the customer. So, he asks that: “do have any problems in choosing to wear?” The customer answers: “Yeah, actually, I never know what to wear.

Some days I even read the weather myself and still fail to put together the right outfit. You don't know the frustration.” So, the moment the customer answers that in a conversation you know that okay the customer has some problem. Whatever he, you are, whatever ideas that you have is not so much bad of an idea you can probably cultivate more.

So, besides being unable to choose the perfect outfit, are there any other problems you experience? So, you want to know more so that you can create a whole round solution and he says: “yes, in fact, compared to average person, I feel very cold in environments where others feel fine, even warm.”

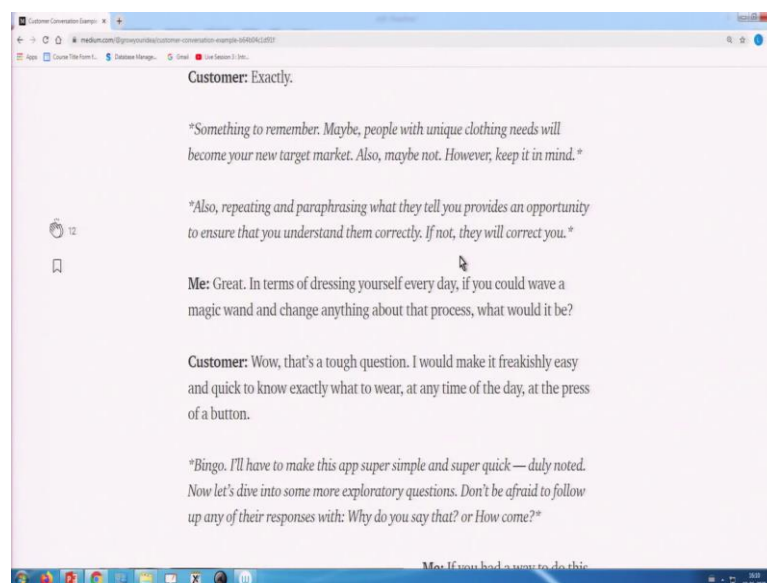
So, I am a special type of person. So, you know that there now there are heterogeneity in the customer base also. There are some people who feel more cold, some people who feel more warm depending on the...for example, if I can give an example because of my physical physic probably I feel more hot; there might be some other people who might be feeling more cold even in the current situation. So, you will see that we and this is a very classic thing that I have seen, I have read somewhere when women, most women feel cold in the — when they when they go to the office because you will see that women are

having a small cardigan or something like that or wearing a sweats shirt more commonly when other men are actually wearing a T-shirt probably.

What happens is that men are generally having higher so, higher I would say the men are more warm in that sense that they do not feel that much cold when they are outside and that is why when our offices are there are more men in that those offices, the average temperature that will be feeling soothing for men, will be lower than average temperature that will be feeling soothing for a women.

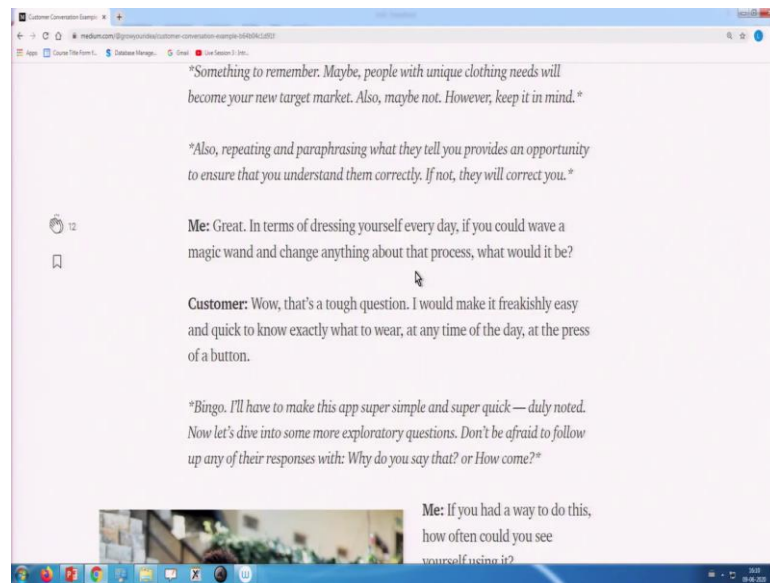
But, now the offices there are more men fortunately or unfortunately there are more number of men in that particular office and then the temperature remains probably 2 degrees lower than what a women will feel comfortable with. Now, that becomes a challenge again. So, the women have to choose an outfit that does not only go with the external weather condition, but also will go good with the office.

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So, you can create an App for that and that comes from this conversation: “Interesting, I never had, never thought of that. What you are telling me is that you feel that you have unique needs from day-to-day clothing choices and thus have difficulty in choosing the right outfit.” The customer says: “yes, exactly.”

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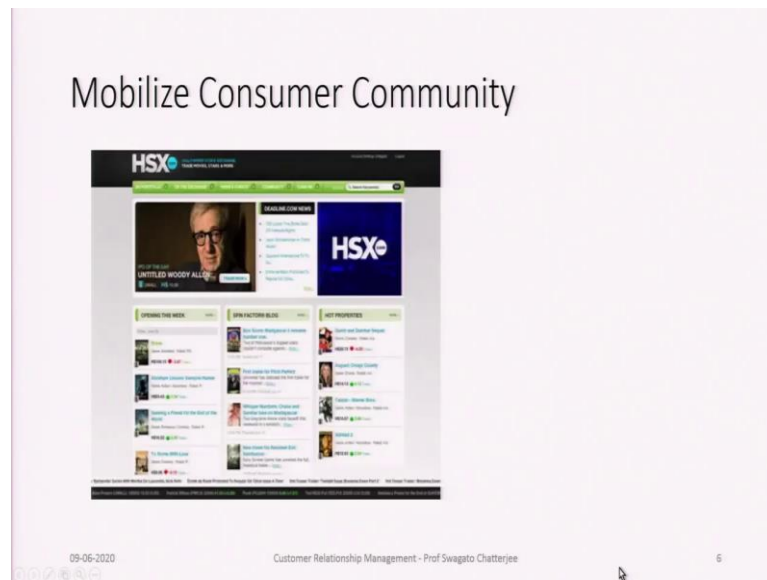
“Great! In terms of dressing yourself every day, if you could wave a magic wand and change anything about that process, what would that be?” Customer’s answers: Wow, that is a tough question, I would made it freakishly easy and quick to know exactly what to wear, at anytime of the day, at the press of a button. So, now, the App the need of the App is settled.

So, all I am trying to say is that these kind of conversation oftentimes sometimes with your friends, with your family members can create ideas, but in this context he is talking with the customer. Let’s say if I am I am an App developer and I have lots of installations, I might want to talk with the customers of my app to understand what kind of new information, new ideas that can be generated and that can be generated only when you give a space to create information by this customer.

So, you have to create a conversation, you cannot put words on their face — on their mouth. You cannot ask close ended questions, you have to have open ended questions. You have to let the customer talk quite a bit, so that you can take whatever is important from that quite a bit of information and then you can develop.

So, conversation dialogue is and one of the important factors in this. We will go back to the PPT that we were discussing about.

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And, then the next step is, that okay, we created a forum, we created we are getting competence from the customers and we also have created a platform where they can talk. Now, what? Is it enough?

So, there are certain strategies which many cases have done and we will be discussing some of these case studies in this context. So, one of the example is this Hollywood stock exchange. Hollywood stock exchange is a consumer community.

What is a consumer community? It is not run by Hollywood, it is basically endorsed by Hollywood; Hollywood actually in the backend, they backed it, but it is basically a consumer community which is run the consumers themselves.

And, here they talk about new launches, here they talk about new products, and they even probably sometimes predict the box office performance of the new movies that are coming up. Now, this creates buzz in the market. This creates — this is the customer-created buzz; this is not the organization-created buzz.

This is the customer created buzz. It sometimes makes a particular person a hero or villain or the ups and downs of the brands; the brands means the movie brands or the actor-actress brands or probably the movie production house brands, everybody gets influenced, impacted by this people, this group.. This is customer community.

Now, if you can create the community in your industry space that helps, but that has a boomerang effect also. Sometimes if you do something bad, say any massacre happens there is a chance that you will be hit back. So, if you are well established in the market, if you are probably one of the leaders of the market it is better if you mobilize your customer community which creates lots of...But, it is more applicable to such kind of industries where industries very volatile in nature. For example, the one music industry you can say.

Music industry or any creative industry in that way is very volatile in nature a person or artist who is one of the favorites probably singer in today's — this decade might not be a very good singer or not be a most preferred singer in the next decade. The singing faces change.

If you know in our Bollywood — if you just see that there was let's say Udit Narayan and then there were Sonu Nigam, probably Shaan and we have some other singers now. The most prominent singer faces have changed. If you write down the top 10 singers in this year the faces will change the. The popularity, if that is volatile in nature it becomes very handy if one person can basically mobilize the customer community.

Then he can probably tweak the consumers, so, over all consumers mindset also, he can probably advertize in these things, he can probably create a buzz in this kind of communities, so that he can extend his lifetime, extend his benefits for some more period of time.

So, there are lots other things that we will be discussing in this particular context. I will stop with this a few examples and I will come back with the new set of examples in the next video.

Thank you very much for being with me.