

## **MGT 243: Strategic Customer Relationship Management**

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## **Course Description**

Customer Relationship Management (CRM) is a management approach that recognizes the individual customer as the core of a business. Companies strive to use effective CRM to optimize the identification, acquisition, growth and retention of desired customers. However, as a marketer today, you have access to more customer data than ever; from email actions and demographics to social engagement and loyalty program activity, and it's often hard to know what to do with all this information. This course will teach you how to use customer analytics to learn about and market to individual customers. We will examine the different types of data analytics and how they fit into the CRM world. From understanding the historical patterns of your customers and predicting which of them are coming back, to designing marketing campaigns to alter their predicted behavior. Lastly, we will learn how CRM interconnects Marketing with Finance. Taking the customer as our main unit of analysis for the firm, we will compute her Customer Lifetime Value (CLV). This "bottoms-up" approach will in turn allow us to compute the company's customer equity, which complements the traditional finance valuation tools.

## **Learning Objectives**

By the end of the course, you will be able to:

1. Acquire a conceptual understanding of the data analytics processes, and design an analytics plan, in order to evaluate CRM questions such as:
  - Did a marketing promotion for an e-commerce retailer succeed?
  - Which acquisition channel is more effective for my business?
  - Which of my customers will churn in the future?
2. Develop a general framework for taking charge in new situations, as well as a personal philosophy and style of CRM management when collaborating and communicating with the data-analytic teams of your company.
3. Acquire a solid knowledge on CRM topics, such as Customer Equity and Customer Lifetime Value, Customer Mix, Social CRM, and Customer Based Corporate Valuations.

<b>Evaluation of Work</b>	<b>Weight</b>
1. Class Participation	25%
2. Homework Assignments	35%
3. Final Group Project	40%

Each of these is discussed below:

### **1. Class Participation**

- Class participation is 25% of your grade. Positive contributions that deepen our collective understanding of a topic and build class discussion increase your score. I am particularly sensitive to comments that demonstrate that you have been carefully listening to the previous speaker. You can also “earn” contribution points by sending me articles of general interest that are relevant to our class topics and discussions. A third way to enhance your participation score and for me to get to know you better is to sign-up for an office visit with me about your career plans.

### **2. Homework**

- There will be weekly or biweekly homework assignments. Instructions for these assignments will be posted on the course web site (Canvas). In fairness to everyone in the class, **late homework assignments are not accepted.** We will discuss homework assignments in-class the day that they are submitted. All assignments must be submitted electronically through Canvas.

### **3. Final Project**

- The final project requires you to apply the course concepts to a current business problem that you face or find interesting. You must develop a CRM analytics project that articulates how you will use data analytics methods to assess your business problem. Detailed instructions will be provided in class. You are expected to submit a project proposal on class 5. I invite student groups to set up a meeting with me and discuss potential

final projects and methods.

## **Grading and “Rules of the Game”**

### **Grading**

Your course grade is a weighted average of class participation, homework assignments, and the final project. In case, you have any re-grading requests, you must submit it via email within 10 days from when the assignment is returned. In your email, you should clearly explain why you are requesting a re-grade. While I will consider the specific concerns cited in your email, I will hold the right to re-grade the entire assignment. Please remember that small changes in your grade on a single assignment typically do not affect your overall course grade.

### **Honor Code and Classroom Etiquette**

You are expected to fully follow the UC Davis honor code. When you are in class, these are my three important etiquette aspects:

1. **Electronics:** All cell phones must be muted before the start of class. The computer should only be used to take class notes. All other programs should be shut down before the start of class. Any chatting, web surfing, e-mail etc. disturbs the class and is a breach of classroom etiquette.
2. **Seating:** All computer users should make sure to be seated in the last row of the class.
3. **Attendance and Punctuality:** Class will begin on time. Any unexplained absences, late arrivals, and/or early exits will count against students' class participation score. If you miss two sessions, this will not affect your course grade. Each additional absence will decrease your participation grade by 4%, i.e., a third absence will reduce your participation grade from 25% to 21%, a fourth absence to 17%, etc. **If you miss six or more classes, you will fail the course.** I realize that students face many issues during the quarter that impact class attendance. I will handle requests for excused absences and exceptions to the attendance policy on a case-by-case basis. Explanations must be provided to me via email no less than 24 hours prior to the start of the class. Late explanations will not be considered. When a guest speaker is scheduled for class, late arrivals and/or early exits are strictly prohibited regardless of the explanation. There are

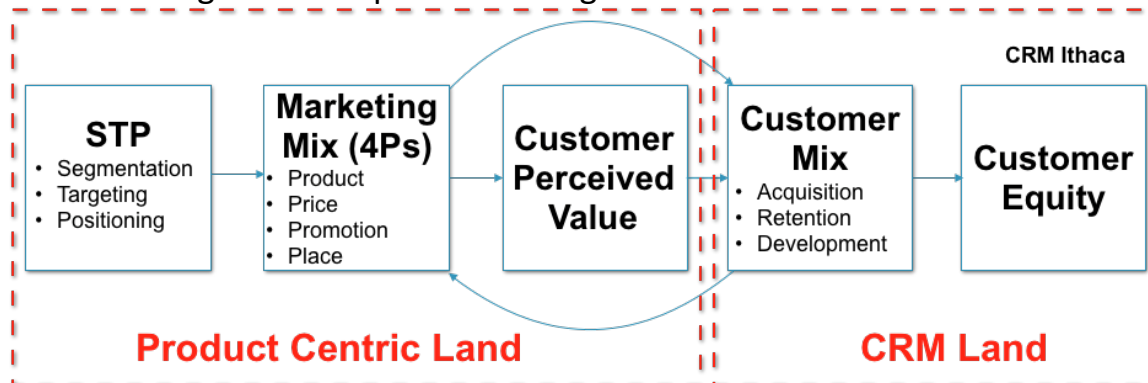
exceptions in accordance with UC Davis policy for religious holidays, funerals, and student/dependent hospitalizations. If a student has a medical condition that may occasionally necessitate their leaving class mid-class, this should be disclosed to me via email during Week 1 of the course.

## Feedback

Feedback about your course experience is super important to me. If at any point during the quarter you would like to tell me something anonymously, I have set up an online Suggestion Box.

## Class Roadmap

Below is a high-level map of Marketing.



The first three places, namely STP, Marketing Mix and Customer Perceived Value, constitute the classical landmarks of marketing management. In this class, we will focus on the last two places. Some journey instructions:

1. Customer Equity will be our Ithaca.
2. To get there, we will go through the land of Customer Mix (Acquisition, Retention, and Development).
3. Hopefully, you will realize that this is a never-ending journey. Once you arrive at Ithaca, you will have to go back to Customer Mix and improve.
4. To master this journey, you will also need to realize that the CRM land is an interconnected system with the classical marketing management land.

## Detailed Class Description and Readings

Please note that I will provide most of the readings in electronic format (try to save some trees by not printing everything!). You will only need to get the course packet with the case studies. Although we do not have an official book for this class, below is a list of recommended books for those who want to delve deeper into CRM:

1. Peter Fader (2012), Customer Centricity: Focus on the Right Customers for Strategic Advantage (Wharton Executive Essentials). **This is a very short and enjoyable read.**
2. V. Kumar and Werner Reinartz (2018), Customer Relationship Management: Concept, Strategy, and Tools (Springer Texts in Business and Economics). **This is a comprehensive book that includes the state-of-the-art CRM concepts and tools.**
3. E. Ofek, E. Muller, and B. Libai (2016), Innovation Equity: Assessing and Managing the Monetary Value of New Products and Services. **If you want to delve deeper into the adoption processes of innovation, or if you are interested in start-ups, this is a book to read!**

### Class 1: Customer Equity -- Our CRM Ithaca

#### Objectives:

1. Data and Marketing Revolution: What is new, what has changed?
  - a. Customer Centricity
  - b. Dataclysm
2. Learn about Customer Equity.

#### Readings:

1. Michael Haenlein (2017), How to date your clients in the 21st century: Challenges in managing customer relationships in today's world.
2. Elie Ofek (2014), Customer Lifetime Value (CLV) vs. Customer Lifetime Return on Investment (CLROI).
3. Deshpandé Rohit, Customer Centricity.

## **Class 2: Customer Lifetime Value -- Our key CRM metric**

### **Objectives:**

1. Learn and apply lifetime value calculations.
2. Introduce Customer Lifecycle.
3. Apply Customer Centricity and CLV.

### **Readings:**

1. Thomas Steenburgh and Jill Avery (2017), EMC<sup>2</sup>: Delivering Customer Centricity.  
**(in-class case)**

## **Class 3: Data Analytics Framework -- Our tools for the road**

1. Understand the three pillars of analytics – descriptive, predictive and prescriptive.
2. Recap of Prescriptive Analytics Methods:
  - a. A/B Experiments
  - b. Natural Experiments
  - c. Quasi Experiments
    - i. Matching
    - ii. Diff n Diff
    - iii. Phased Roll Outs
3. Recap of Predictive Analytics Methods

### **Readings:**

1. Eric T. Anderson and Duncan Simester (2011), A Step by Step Guide to Smart Business Experiments.
2. Florian Zettelmeyer and Matthias Bolling, Big Data Doesn't Make Decisions, Leaders Do.
3. Foster Provost and Tom Fawcett (2013), Data Science and its Relationship to Big Data and Data-driven Decision Making.

**Homework 1 (Individual):** Due at the beginning of Class 5.

## **Class 4: Customer Mix Pillar 1 -- Acquisition**

### **Objectives:**

1. Understand Cost of Acquisition vs CLV.

2. Learn about acquisition funnel.
3. Learn about adoption diffusion processes.

**Readings:**

1. Thales Teixeira and Elizabeth Watkins, Building an e-Commerce Brand at Wayfair. **(in-class case)**
2. Eva Ascarza, Tomomichi Amano and Sunil Gupta, Othellonia: Growing a Mobile Game. **(in-class case)**

**Plan ahead:**

- **For class 5, you will need to submit your project proposal.**

## **Class 5: Customer Mix Pillar 2 -- Retention**

**Objectives:**

1. Learn the classic RFM framework.
2. Learn how to model and predict churn.

**Readings:**

1. Charles Duhigg, How companies learn your secrets. ([link](#))
2. Arthur Middleton Hughes, Quick Profits with RFM Analysis. ([link](#))
3. In-class case.

## **Class 6: Customer Mix Pillar 3 -- Development**

**Objectives:**

1. Managing Unprofitable Customers.
2. Learn about cross-selling and up-selling.

**Readings:**

1. Shih and Tecco, Pandora Radio: Firing Unprofitable Customers. **(in-class case)**
2. A.G. Lafley and Roger Martin, Customer Loyalty is Overrated.
3. Wagner Kamakura, Cross-Selling: Offering the Right Product to the Right Customer at the Right Time.

**Homework 2 (Group):** Due at the beginning of Class 9.



## **Class 7: Customer Based Corporate Valuation (CBCV)**

### **Objectives:**

1. Learn how to use CLV and Customer Equity to value companies.

### **Readings:**

1. Daniel McCarthy and Peter Fader (2020), How to Value a Company by Analyzing its Customers.
2. Daniel McCarthy and Peter Fader (2017), Subscription Businesses Are Booming. Here's How to Value Them.
3. Phillip E. Pfeifer, Robert M. Conroy, Valuation of Netflix, Inc. **(in-class case)**

## **Class 8: Social CRM**

### **Objectives:**

1. Advanced Topic: Learn about social CRM.

### **Readings:**

1. Elie Ofek, Barak Libai, and Eitan Muller (2018), Customer Lifetime Social Value (CLSV). **(in-class case)**
2. Pantelis Loupos, Alexandros Nathan, and Moran Cerf (2019), Starting Cold: The Power of Social Networks in Predicting Non-Contractual Customer Behavior.

## **Class 9: CRM Strategy and Omnichannel CRM**

### **Objectives:**

1. Develop and apply a CRM strategy.
2. Advanced Topic: Omnichannel CRM.

### **Readings:**

1. Darrell Rigby, The Future of Shopping.
2. Daniel McCarthy and Eric Schwartz, Blue Apron: Turning Around the Struggling Meal Kit Market Leader. **(in-class case)**
3. William Youngdahl, JetBlue and Gladly: Omnichannel Customer Service. **(in-class case)**

## **Class 10: Projects Presentation - Your time to shine!**