



UNDERSTANDING AND ENGAGING IN THE CUSTOMER EXPERIENCE (BMSW 5103)

Organisation's Quality Systems and Customer Relationship Management



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Executive Summary

The psychological situation of fear of the present and uncertainty about the future has led to a global change in the values and needs of the consumer.

First, the epochal contraction of the economy has forced the consumer to redefine the decision-making factors at the basis of the shopping experience, giving primary importance to the quality / price ratio of the goods and services purchased. Secondly, the health emergency has contributed to putting the satisfaction of the need for safety at the centre of attention, which has manifested itself through greater attention by the consumer to the ethics of brands and the ability to act responsibly while respecting interests of the multiple interlocutors of the company, from customers to employees. Thirdly, the long period of forced isolation has given impetus to a strong digital transformation of the offer. This mechanism was triggered by the need for brands to respond to a sudden change in consumer habits that affected all generations.

The reading of this report will feature detailed and critical writing based on the company I served for four years, Vinoteca Ltd, a chain of six restaurants operating in the British restaurant business with the aim of generating a dining experience for the customer and increase customer loyalty through the use of Customer Relationship Management (CRM). The report will be structured first of all with an overview of the company and what are the problems that were caused by the Covid-19 pandemic, in addition, two different CRM methods will be compared analytically, the IDIC Model and the CRM Value Chain Model, with the ultimate goal of applying one of the two and solving one of the main problems that Vinoteca Ltd is facing, the Online Wine Tasting. Moreover, with the application of the IDIC model, the quality of the service offered by Vinoteca Ltd will be determined. applying the ServQual model, and the 4p model to determine the marketing mix of Vinoteca Ltd. The report will be supported by references based exclusively on the hospitality sector and by consulting the material made available by the teacher in the bibliography section, and some case studies addressed in the second semester in the Appendix section.

What is CRM?

The CRM in agreement with Buttle, is nothing else a tool that serves to manage contacts, sales, productivity control and more. Its purpose is quite simple: to improve all the interactions underlying the business. CRM solutions help you to provide an excellent customer experience throughout the customer lifecycle, through a marketing operation or a future sale etc. The concept of CRM can be broken down into four macro-areas, based on the role that strategies and systems assume within the relationship between company and customer:

Strategic CRM: it is based on the development of a corporate culture that aims to win and keep highly profitable customers. This culture must be reflected in all aspects of the company - from leadership style to brand identity - and all resources must be allocated in order to increase the value for the customer as much as possible.

Operational CRM: represents the set of procedures and tools aimed at automating, standardising, and improving all those processes that connect the company with the customer, through software that integrate marketing, sales, and service functions. By having this data, in fact, it is possible to segment customers, manage promotional campaigns, automate the processes of the sales force, and manage the services offered to the customer, such as after-sales and customer care.

Analytical CRM: represents the continuous acquisition, storage, processing, and analysis of data relating to current and potential customers. These data can be stored in databases disseminated within the various company departments. Internal data can be added to external data provided by business intelligence organizations.

Collaborative CRM: means communication tools between the inside and outside of the company useful for establishing a personalised and therefore lasting relationship with the customer. This is to obtain an ever-greater segmentation and knowledge of the customer and, for example, to offer them, after authentication, a personalized navigation within the company website. (Buttle, 2008)

While reading the report, we will see how all four areas will be important in solving the main problem of Vinoteca Ltd.

Vinoteca Ltd challenging Covid-19

Vinoteca Ltd was founded in 2005 by Charlie Young and Brett Woonton, both with vast knowledge of the restaurant sector, decided to integrate a wide range of wines imported from all over the world into the culinary experience. The initial goal was to offer to the customer a wine tasting during his experience inside the restaurant, over time there was the opening of four other restaurants, so recently the use of CRM has been introduced with the aim of collecting data from existing customers, to monitor purchases, customise future offers and develop new sales strategies using the E-Commerce platform.

According to an article in a hospitality magazine, we can see that normality is returning, also because there have been huge investments in the restaurant sector, as well as the fact that people are returning to the use of transports, this means that the sector catering is about to grow, but this does not argue that during the pandemic it was difficult for the company to continue to collect data, as the

IT department was not prepared for this urgency, and therefore it took some time to carry out a screening complete and access the customer segmentation phase, as noted in the Essential of CRM book, is much easier if the computers are equipped with all the necessary tools, and for Vinoteca Ltd it took a little longer to set up the computers. (Dogra, 2021)

Despite this difficulty in data collection, and therefore lack of customers, the need to maintain relationships with regular wine tasting customers has arisen, Vinoteca Ltd usually organises wine tastings in restaurants, the cost of the ticket is valid for a certain number of hours, members and especially occasional customers have the opportunity to taste different wines from all over the world, and unfortunately Covid-19 has had the greatest impact on the customers experience including a drastic impact also for the consumer behaviour, thanks above all to these Vinoteca Ltd events at end of the experience, asks customers to answer questionnaires, and this was the most common strategy for collecting customer data.

Despite various marketing strategies implemented, the wine tasting online experience was a great help for the company during the pandemic, but the customer experience went down, the price was not worth the good, moreover:

- good packaging but long delivery waits
- not many presents at the online events
- loss of control
- IT issues

but above all, many of the customers complained about the lack of sharing of emotions, sensation and the same was ascertained by a Wine tour Operator from Bulgaria. (Tours, 2021)

Now that the main problem has been identified, I will apply the most appropriate CMR method to improve the online wine tasting service, trying to program sessions with more original contents, to engage more people, with the hope of involving as much public as possible and therefore increase their level of satisfaction and thus make customers even more profitable for Vinoteca Ltd.

Models Review

According to chapter six of the Essential of CRM book, CRM is not a powerful tool for managers, more than a software program, but it is also true that there are several CRM models and in this section I will compare the IDIC Model with Buttle's CRM Value Chain Model, the first focuses more on customising sales strategies based on customer needs, while the second is based on five steps that start from the identification of customers, to then establish a relationship and involve them in acquaintance with

company members, finally create targeted offers only and exclusively for its very strict needs and then monitor and manage its lifecycle. (Bergeron, 2002)

The IDIC Model

One of the fundamental concepts behind the one-to-one marketing theories and CRM postulated by Don Peppers and Martha Rogers, refers to the need for companies to build a relationship continuous, profitable, and long lasting with its customers in order to deepen, their level of knowledge at every interaction and contact. (Shruti T, 2019) The IDIC is an acronym invented by Peppers & Rogers Group to remind us of what to do in a CRM operational strategy. This relationship, based on the trust and mutual learning, will allow companies to build a Customer Knowledge database, and to treasure this information both to create and propose new customised products and services, and to differentiate their customers based on the value they hold for the company ; only in fact, from collection and subsequent transformation of data into information and knowledge that leads to the production of such a relationship oriented to learning, allows companies to treat different customers in a different way, i.e. to differentiate their offer and their value proposition in order to improve their level of satisfaction, duration, loyalty and ultimately profitability in the medium to long term. In fact, it is proven that satisfied customers remain loyal over time and tend to spend more. In the Peppers and Rogers model it becomes important to think in terms of the customer life cycle and customer value throughout its life cycle (lifetime customer value)

- **Identify** The identification process involves recording the personal data of customers and knowing as much information as possible, everything is saved on a database.
- **Differentiate** A decision-making phase in classifying customers based on the percentage of profitability, unprofitable customers are abandoned, for the rest instead sales strategies are implemented.
- **Interact** The interaction phase is fundamental as customers must be informed through all possible channels, and the most important thing for CRM and receiving feedback through questionnaires.
- **Customise** In this final phase it is necessary to implement targeted strategies for the customer's needs in order to increase customer satisfaction and make him remain loyal. (Buttle, 2008)

Buttle's CRM Value Chain Model

In the 1980s, Michael Porter created the value chain, which is an analysis based on the concept of added value. The same Economist during his career has analysed and defined which are the 5 forces that determine the degree of competitiveness of a sector and its attractiveness, called the 5 driving

forces. The value chain is a very useful analysis and serves to analyse the entire cycle of activities within the company, with the aim of understanding how the company itself manages to maintain a competitive advantage, or how the company manages to sell more than others. despite there being a lot of competition on the market. In Porter's model, the organization is divided into "primary activities" and "support activities", but in this report I will focus only on primary activities. The primary activities directly concern the creation and delivery of a product. They can be grouped into five main areas:

- ✓ **Inbound logistics:** suppliers supply companies with goods and these will then be used in the future for the production of other goods.
- ✓ **Operations:** the added value to the final product takes place in this phase, where during the production the best raw materials are selected to be able to give value to the final product.
- ✓ **Outbound logistics:** this is the shipping phase, that is, once the production is finished, the products are divided into categories, selected by retailers, and then delivered.
- ✓ **Marketing and sales:** here an advertising process is created, where the person required to do marketing must be good at making sure that the product is addressed to the customer's request.
- ✓ **Services:** once the product has been sold, make sure to offer customers some sort of guarantee, or insurance etc. (EPM, 2021)

Justification

With the application of the IDIC Model it becomes natural to calculate the lifetime customer value which represents the sum of the net cash flows discounted over time. In practical and less "financial" terms corresponds to the overall profit we will make from a customer, for as long as it will remain so; in fact, customers are not forever. For Vinoteca Ltd's CRM services, the application of this method is always more appropriate, since creating original content and different contexts during online wine testing will create curiosity for existing and above all future customers, and by monitoring its life purchasing we can anticipate and customize new sales strategies for the needs of our customers.

Constraints

The reason why I did not choose to apply the Buttle's Value Chain Method, derives from the fact that problems have arisen in the development of the value proposition, since Vinoteca Ltd can guarantee the authenticity and quality of the wines, but is not able to guarantee the timing of delivery and this can create a dissatisfaction and therefore loss of customers and therefore money.

The IDIC Model applied to the CRM of Vinoteca Ltd

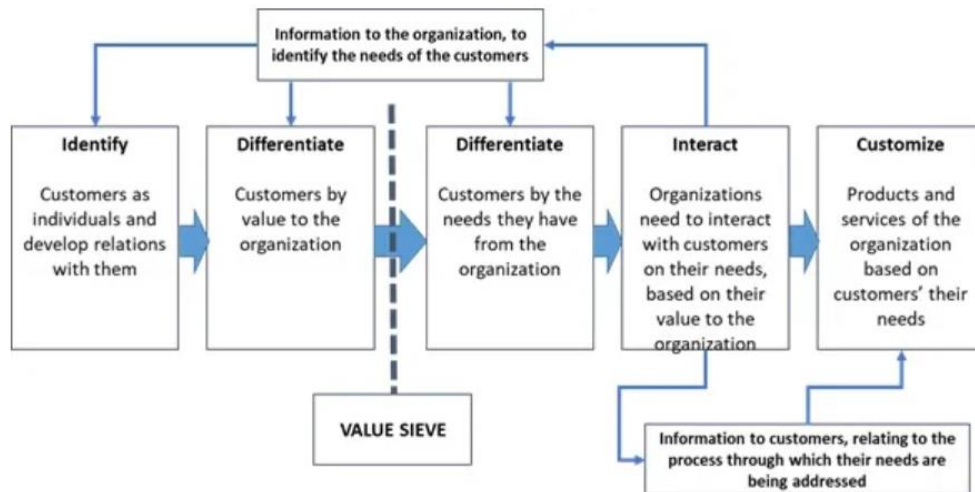


Figure 1: IDIC Model of customer relationship management (Buttle, 2009)

Once the customer expectations have been identified and then customized, it is important to calculate the lifetime customer value, it is the sum of the net cash flows discounted over time. In practical and less "financial" terms, it corresponds to the overall profit that we will make from a customer, for as long as they remain so; in fact, customers are not forever. But taking into consideration the main problem of Vinoteca Ltd, that of creating new online wine tasting sales strategies, how is the customer's life cycle calculated then? What are the parameters on which it depends? Let's consider the following parameters:

- **acquisition costs:** Use of online banners, social platforms, and mailings to invite new customers to online wine tasting.
- **retention costs:** how much does it cost to maintain an existing customer, updates on wines and future Vinoteca Ltd events
- **retention or maintenance rate:** the percentage of customers who continue to stay with Vinoteca Ltd each year
- **growth or development rate:** percentage of economic value generated by customers

Over time these values are destined to change, and loyal customers are destined to remain faithful over time and increase the growth rate and the value of the average receipt (they buy more and more frequently). Furthermore, it has been verified that the retention cost, that is the cost of keeping an acquired customer it turns out to be much lower than the cost of acquisition (up to 10 times lower) as well as the growth rate. If we focus on a loyalty strategy, that is to improve the relationship with our customers, thus favouring the retention and growth rate, the benefits we will derive from an economic

point of view, in terms of increased turnover, they will be more than proportional to the increase in the retention rate itself. (Lipovic, 2019) Let's exemplify this concept with a couple of tables. Let's assume a customer lifecycle of 3 years, of acquiring thousands new customers during the 1st year, with an acquisition cost of 100 £. Then suppose we have a retention rate of 50% (that is, we lose half of our customers every year) constant for 3 years and that we spend £ 20 per year as retention costs (1/5 of the acquisition cost). From the table below we see that we will start earning from the 2nd year and we will have a peak of profits in the 3rd year, thanks to the loyalty effect.

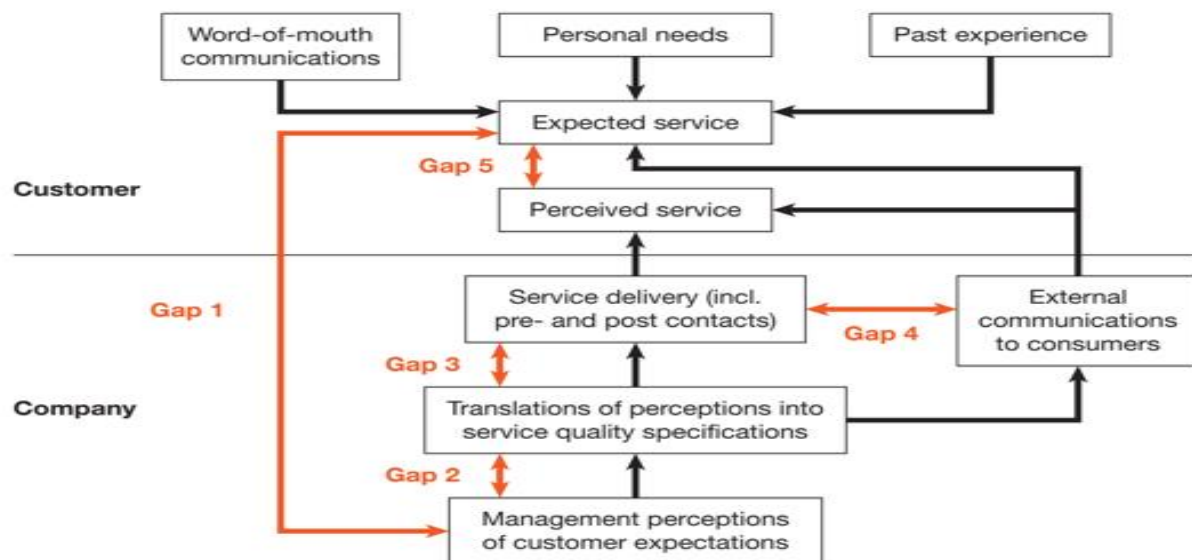
Vinoteca Wine Tasting	1 year	2 year	3 year
Numbers of Clients	1000	500	250
Acquisition cost	100£	0	0
Retention cost	0	20£	20£
Retention Rate	50%	50%	50%
Growth Rate	5%	5%	5%
Average spent per year	100£	105£	110.25£
Total Revenue	10.0000£	52.500£	27.562.5£
Total Costs	10.0000£	10.000£	5.000£
Total Profit	0£	42.500£	22.562.5£

Now supposed to increase the retention rate from 50% to 55% in the 2nd year (5% increase); this will lead to a greater number of loyal customers in the third year and a profit in the third year equal to 10% of the profit obtained in the first table (£ 24.818.75 compared to £ 22.562.5). In this example we have considered a constant growth rate, although we could reasonably think of an increase percentage of this value as well. Here is the second table:

Vinoteca Wine Tasting	1 year	2 year	3 year
Numbers of Clients	1000	500	275
Acquisition cost	100£	0	0
Retention cost	0	20£	20£
Retention Rate	50%	55%	50%
Growth Rate	5%	5%	5%
Average spent per year	100£	105£	110.25£
Total Revenue	10.0000£	52.500£	30.318.75£
Total Costs	10.0000£	10.000£	5.500£
Total Profit	0£	42.500£	24.818.75£

For example, if we are able to offer our customers related products that are consistent with what they have previously purchased, we will have a good chance of increasing their average receipt and repurchase rate. Let's take a practical example, during the wine tasting of Vinoteca Ltd, it is usual to try a sparkling wine, it can be a champagne, or a brut, it does not matter, what is recommended to do in that case and propose to the customer to combine the oysters provided by a local shop, giving him the opportunity to receive a percentage discount and therefore not only increase the average cost of the sale but also increase the quality of his experience.

ServQual applied to the CRM of Vinoteca Ltd



Several factors can affect customer satisfaction, and it is here that we introduce service quality, in agreement with Buttle F., it is nothing more than the final judgment that the customer gives to the service provided in relation to the quality he expected. quantitative, empirical, and rigorous evaluation for a model suitable for measuring the quality of the service called ServQual. The system is based on customer expectations and perceptions for quality measurement. To each of the five dimensions, both in the section of perceptions that in that of system expectations, twenty-two propositions are matched to evaluate, through a scale of points from 1 at 7, (where 1 indicates complete disagreement and 7 absolute agreements with the proposition) the general expectations of the consumer relating to a category of services and perceptions obtained from the use of a service of a specific company. The difference between the score assigned to perceptions of the quality of service, referring to a specific company and that assigned to general expectations, determines the extent of the deviation no. 5.

In fact, a bad perception of the quality of the service is caused by the gap between customer expectations and perceptions of the service (gap 5). But this deviation is the result of four other deviations:

1. The gap between customer expectations and management perceptions:

it is the result of a divergence between customer expectations and management's understanding of these. In the case of Vinoteca Ltd, the customer is asked to complete a questionnaire at the time of purchasing the ticket, the questionnaire is based on questions of personal tastes on wine, and on lifestyle, for this reason there is a safe and clear vision of data collected and that is why the first gap is not created.

2. The gap between managers' perceptions and service quality standards:

It is determined by the belief in the impossibility of setting quality standards in the world of services that correspond to customer expectations; The management of Vinoteca Ltd follows the standards imposed by the wine sector, the wines that customers buy are certified and have all the characteristics that help the environment and eco-sustainability.

3. The gap between quality standards and actual performance:

it is caused by the inability of employees to meet the established standards. In this case Vinoteca Ltd does not need a large number of staff, even though an online system the customer pre-orders the wine and the tasting online, and only one worker will be engaged in the preparation and sorting of the goods. Also, in this phase there is no risk of a gap.

4. The gap between service provision and external communications:

As already mentioned above, any form of advertising practiced by the company must be understood as a promise to be respected because even this type of communication contributes to the formation of customer expectations. In the previous section, we found that by applying the Buttle's Value Chain to the CRM of Vinoteca Ltd, we had encountered a problem in the delivery and timing of the delivery of wines for online wine tasting, and also in this phase the same gap is created, but the management of Vinoteca Ltd ensures its current and future customers that it is preparing to collaborate with the best delivery platform in the area, as long as it guarantees the customer seriousness, with the aim of maintaining and strengthening customer relations. (Buttle, 2008)

Recommendation

During this report I have applied the Buttle's Value Chain model, and it resulted in a problem delivering the product to the customer's destination, customers complained about the delay and many times

also about the conditions in which the packages arrived at their homes, and for this reason a high percentage of customers preferred to go to other companies. Likewise, by calculating the level of customer satisfaction, I applied the SERVQUAL model, and upon reaching phase four, I found that the gap that has been created, and because the problem of delivery remains the main factor that determines the low purchase of tickets., the low involvement in online wine tasting, often angry from some customers. Consequently, the management of Vinoteca Ltd must develop a strategic plan that provides for the research of the main rankings and charts in the area, with the aim of concluding an employment contract with one of the best delivery agencies in London.

After extensive research, after many phone calls and an overview of the delivery companies present in the English territory, In agreement with trustheritagelogistics.co.uk, an online platform based on the United Kingdom logistic archive, I consulted the City Sprint, located in first place of the ranking, a company that has thirty-five points of sale throughout the territory, and guarantees one of the fastest and most effective services in the UK, the merit is also thanks to the use of the internet, since customers can install an app that allows you to see real where the parcel is.

By doing this, the management of Vinoteca Ltd will help the company to sell more wine tasting online, especially because if we evaluate the marketing mix, Vinoteca Ltd has all the criteria to guarantee the customer a high level of experience satisfaction.

Marketing Mix

Marketing mix is the set of tools that make available the company put the right product on the market, at the right time, at the right price. (Dub, 2021) According to McCarthy's classic 4P model, here listed we can see the fundamental levers:

The **product** must include all its features. Vinoteca Ltd has selected more than three hundred wine labels during these years of activity, each single winery and winemaker guarantee the genuineness and protocol standards of wine processing and bottling, furthermore the wineries are chosen on the basis of high research standards, Vinoteca Ltd supports plastic free environment and organic fruit.

The **price** in addition to the price it also includes discount policies, gift vouchers or rewards, terms, and conditions of payment, granting of credit and so on. Vinoteca Ltd guarantees customers that the company covers the costs of production and purchase, and calculates 30% of revenue on sales, since wine tasting is online and therefore not in restaurants, Vinoteca Ltd does not offer any type of customer service face to face and therefore the costs are zero, there are no employees to pay, glasses to wash etc, since the cost is lower when compared with a wine tasting in a restaurant.

Distribution in a nutshell, it concerns the structure of the distribution channels and the inventory policy. Vinoteca Ltd, does not ask customers to pay shipping costs, the company that ships the product has contractual margins on the sales of Vinoteca Ltd, for this reason the customer is free of fees.

Promotion: includes all the strategies aimed at promoting sales, advertising, promotion, events, web marketing and so on. Vinoteca Ltd has studied a packaging design, which communicates the date and details of the future wine tasting online to the customer, including interactive sessions with famous personalities in the wine sector, emerging artists and involving local communities with the aim of donating a part of the ticket proceeds, a hot meal for the homeless and all people in urgent need. (Taylor, 1995)

Conclusion

In sum, the reading of this report was based on the research and application of the most suitable model for Vinoteca Ltd's CRM, with the aim of solving the problem of delivery to customers who purchase the ticket for the wine tasting online. In the first section, an overview of the main problem caused most by Covid-19, followed by a description of the two models chosen, Buttle's Value Chain and The IDIC Model, the second was chosen and applied to the CRM of Vinoteca Ltd, the result showed a gap that was also found in the application of ServQual, i.e. the timing and conditions in which the package was delivered to customers, and in conclusion an explanation of the marketing mix, and how Vinoteca Ltd respects all four criteria to provide the customer a highly satisfying experience.

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