JAIPURIA INSTITUTE OF MANAGEMENT, NOIDA
PGDM / PGDM (M) / PGDM (SM)

FIFTH TRIMESTER (Batch 2023-25)

END TERM EXAMINATIONS, JANUARY 2025

REAPPEAR EXAM

Course Name	Customer Relationship Management	Course Code	20127
Max. Time	**2 hours**	Max. Marks	**40 MM**

INSTRUCTIONS:
a. Please answer all the sub parts of every question.
b. While answering, do ensure that you are entering the answer in the correct question and sub part column, in the given Excel template.
c. Please do not leave any unnecessary spacing within the text of your answers

Q1) Read this Case Study: *How Netflix Utilizes CLV to Increase Its Revenues*, and answer the following questions

Have you subscribed to Netflix? Even if you have, then the chances are that you will be there for 25 months only. The data recorded on Netflix's lifetime value metric indicate that an average customer stays on for as long as 25 months providing a customer lifetime value of $291.25 per customer. The importance of this number comes from the fact that based on them, Netflix determines how much money to spend on each customer.

First, an average customer pays around $11.65 a month and $139.80 a year. Assuming that Netflix pays $150 to get a new customer, had you been at the company's place, would you spend the same amount of money? The revenue it earns per year from each customer is $139.90 and is spending $150 on each of them; therefore, it would lose $10.2. But because an average customer stays for around stays for around 25 months, the company can easily compensate for the losses.

However, during this whole process, it must be made sure that the CLV is known if it is worth losing the money in the short run because then you would know that you can cover up the losses in the long run.

Now, all customers are not the same; some might subscribe for 6 months and some might even go for as long as 6 years without even cancelling the subscription. To make sure of this, Netflix tracks every customer individually. For example, it knows very well that if you are not renting movies continuously, you might cancel the subscription sooner or later. To tackle this, the company has a particular feature where it asks you to make a queue of the movies you want to watch. Once you are done watching that movie, it suggests you the next.

Moreover, it knows that not all customers are as patient. A lot of them simply cannot wait for their movie to arrive in the mail, so the company has added another feature where customers can stream movies on the web. This way Netflix continuously track the customers performance and predict what customers will do next and hence provide customers with what they want. This strategy is great for identifying the moves of customers and hence fulfil their needs accordingly. Netflix has reduced its churn rate to 4% by simply tracking such behaviours.

Second, Netflix pays around $16 to affiliate marketers for each customer they bring. It might seem a little amount to you, but it is not. A lot of new customers who subscribe tend to use the free 1-month trial and then cancel the subscription. So, $16 has been paid for bringing a customer who might not even stay for 2 months. It is obvious that Netflix would not have paid this amount if it was

not receiving any benefits. Netflix is a big company, and it knows its lifetime metrics well, which is why it spends so much into marketing, Hence, if Netflix was not well versed with its CLV metrics, it would not have stayed in the game for so long and it would not have been such a big company. Hence, it is imperative to keep track of your CLV to achieve more revenues.
(source: Marketing Analytics by Seema Gupta, Avadhoot Jathar)

a) How does Netflix determine how much money to spend on each customer?   **(5 Marks)**

b) Overall, how would you analyze Netflix's CLV strategy? Is it effective or not? Support your answer with 2 reasons   (2*5=10 Marks)

c) Explain 3 changes that you would like to make in the existing CLV policy of Netflix?
                                                                                          (3*5=15 Marks)

Q2) **Solve** the following numerical, visualizing yourself to be Lenskart's Customer Experience Manager. Lenskart conducted a survey to measure its Net Promoter System (NPS) and received responses from 500 shoppers, with the following scores:
        400 shoppers gave a rating of 9 or 10,
        50 shoppers gave a rating of 7 or 8, and
        50 shoppers gave a rating of 0 to 6.

a) Briefly explain 2 differences between using the Net Promoter System and the customer satisfaction survey method?   (5 Marks)

b) Calculate Lenskart's NPS score.   (5 Marks)