

JAIPURIA INSTITUTE OF MANAGEMENT, NOIDA
PGDM / PGDM (M) / PGDM (SM)
FIFTH TRIMESTER (Batch 2017-19)
END TERM EXAMINATIONS, Dec2018-Jan 2019

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| Course Name | Customer Relation Management in Retail | Course Code | MKTSM509 |
| Max. Time | 2hours | Max. Marks | 40 MM |

INSTRUCTIONS:

- a) All questions are compulsory.
- b) Answer your questions with examples.

Read the Caselet given below and answer the questions mentioned at the end of the Caselet.

THE BEAUTY OF NEIGHBORHOOD NETWORKS

In today's age of digital technology and the World Wide Web it would be easy to dismiss door-to-door direct sales companies as something of an anachronism. Borne out of nineteenth-century America, where door-to-door salesmen peddled everything from health tonics to encyclopedias, direct selling was as much a means of self-employment as it was for companies trying to reach outlying communities. However, the success of the direct-selling model has led to its adoption in virtually every country in the world and its growth into the global, multi-billion dollar industry we see today.

According to the Direct Selling Association (DSA), direct sales account for over £2 billion a year in the UK and the industry is the country's 'largest provider of part time, independent earning opportunities'. The DSA represents a wide range of companies covering a variety of products, who between them make up nearly 80% of the UK direct sales market. Big names include Kleeneze (household products), Avon (cosmetics), Betterware (household products), and Herbalife (health supplements).

Of these, Avon is perhaps the oldest. The company was founded in 1886 by door-to-door bookseller David McConnell. As a sales incentive, he gave customers a bottle of perfume with each book purchase. He soon realized that the perfume was more popular than the books and so began selling this instead. McConnell now found himself very much in a woman's world and thus came up with the idea of using women to sell to women. The first 'Avon Lady', Mrs P. Albee of Winchester, New Hampshire, was therefore hired. She quickly established the role of 'general agent' and used her networks to recruit other women as 'depot agents', thus establishing the Avon business model we recognize today. The actual name 'Avon' was adopted by McConnell after visiting Stratford-on-Avon in England and being struck by its beauty.

The Avon Company itself did not arrive in the UK until 1959 where its fashionable products and quirky 'Avon Calling' catchphrase quickly established it as a top beauty products brand. Avon Ladies (or sales representatives, as they are now known) began by selling to their

friends or colleagues through a catalogue containing all of the products. They could work either independently or build up a network of their own agents in order to boost their income. The company gives numerous examples:

- Kay: 'started working for Avon when she was just 18-selling beauty products to college friends'
- Sarah: ' I can sell to mothers at the toddler group, neighbours and people in the area'
- Charlie: 'started selling Avon when an expectant friend from her daughter's playgroup asked her to lend a hand on her rounds'
- Lucinda: 'likes the networking opportunities offered by her Avon life and feels Avon has brought everyone together in the community'

Indeed, one of Avon's greatest is its ability to attract sales representative who can build up business through their own networks. The company now employs over 160,000 representatives in the UK, selling to around six and a half million women. Avon's successful formula has attracted newer rivals to the direct selling market including Oriflame and Virgin Cosmetics, but it still remains first choice for most women who buy their cosmetics direct from an agent.

But has the source of Avon's success- its direct selling model-now become its straitjacket? Growth in the UK has stagnated and share prices have dropped. The younger market in particular has struggled to identify with Avon's brand and image and with no High Street or media presence this presents a problem. In the overall global beauty market Avon has slipped behind rivals who use a multitude of channels to reach the market:

World's Top Beauty Companies (ranked by 2005 revenues from beauty products only)

- L'Oreal (\$18.1 billion)
- Proctor Et Gamble (\$17.9 billion)
- Unilever (\$12.1 billion)
- Estee Lauder (\$6.3 billion)
- Shiseido (\$6.1 billion)
- Avon Products (\$5.8 billion)
- Beiersdorf (\$4.6 billion)
- Johnson Et Johnson (\$3.3 billion) (adbrands.net,2005)

In the UK, Avon is fighting back with a raft of new products (including male cosmetics along with male sales agents!) and brand-building repositioning initiatives (such as TV sponsorship deals with hit drams show Footballers Wives, or product endorsements from girl band Atomic Kitten). Interestingly, the company has also embraced the internet. Around half of the company's UK representative now manage their accounts online, but perhaps more significantly, customers can now buy direct online too.

Answer the following questions Q1 & Q2 after reading "The Beauty of Neighborhood Networks"

- Q1. When David McConnell started the Avon business, why didn't he just open a shop? (10)
- Q2. What role do relationships play in the Avon business model? (10)

RAKESH STORE

Rakesh Singh, a small shopkeeper started selling groceries in a locality by opening up a shop. The personal service that he provided his customers was impeccable. He took personal interests in their affairs and he understood his customers needs through their past purchase patterns and since he was himself involved in serving them this was easy for him to do.

The shop had all that his target audience required, moreover he was also helping them in home delivery if they required. But the customers were very happy to visit his shop most of the times as he was able to engage with them at a personal level.

The customers base kept on growing and it was realized that the customers from the neighboring localities wanted him to open up a shop in their locality. Rakesh is also thinking of expanding the business as that would increase his revenue. But he is also concerned about how would he would manage the same level of personal touch that he has been managing at the first shop.

Answer the following questions Q3 & Q4 after reading "Rakesh Store"

- Q3. Do you suggest that he should expand or he should remain with one shop that he has? Explain. (10)
- Q4. Suppose he decides to expand, what Customer Relation Management strategies should he employ so that philosophy of relationship is maintained at both the shops that he operates and a provision for the future shops that he would open? (10)
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