

**“ENHANCING CUSTOMER VALUE PROPOSITION
THROUGH CUSTOMER RELATIONSHIP MANAGEMENT
IN RETAILING”**

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ABSTRACT

***“The purpose of business is to attract and retain a customer” - Peter
Drucker***

Retailing is emerging as the sunshine industry within the service sector in India with all the players in the game vying for a piece of the Indian cake. It is imperative that to have a competitive edge in the market, strategic initiatives are a must. Therefore, Customer Relationship Management (CRM) as a strategy will provide the cutting to the retailing business of almost all formats. The CRM initiative in retailing needs to think beyond just acquiring & retaining the customer. It should convert the satisfied customer to a happy customer and develop a bond to have a lifetime customer. This paper explores the ways how a CRM initiative can achieve ‘customer loyalty’ and create a sense of belonging to the retail outlet/chain of outlets, among the customer. As a solution a CRM initiative or programme is suggested. This is based on creation of a database of best or loyal customers, rewarding them and interacting with them through direct media. Thus making the loyal customer the brand ambassadors and

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achieving mutual value.

Key Words: *Strategic Initiative, Lifetime Customer, Sense of belonging, Mutual Value*

1. Introduction

The very philosophy of business revolves around the customer. Indeed the 'customer is the king'. Retention of the customer is of greater importance than any other activity of business. Therefore, organizations are constrained to look beyond traditional marketing that depends on heavy doses of mass advertising and price-oriented promotions to customers and channel members. Today, the tone of the conversation has changed from customer acquisition to retention. Research has proved that the cost of acquiring a customer is a minimum of six times to a maximum of twelve times to that of retaining a customer. Customer Relationship Management (CRM) is the single strongest weapon business has to ensure that customers become and remain loyal. CRM can be defined as follows:

“Customer Relationship Management (CRM) is a strategy by which business organizations identify, acquire and retain loyal customers to increase mutual values”

Most forward thinking companies have recognized from past failures that CRM is much more than a standalone project. It has taken shape of a business philosophy, which affects considerably, the company-at-large and when adopted as a strategy it provides a cutting edge to the business.

This paper aims at discussing the following key areas, so as to offer retailers practical guidelines on implementing a CRM initiative in retailing to enhance customer value proposition and its own profitability: The CRM business cycle, Walk-in-customer to Happy customer, Customer Loyalty Parameters,

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Cost-to-benefit Analysis, Technological Advantage, The Retail Industry in India, CRM: An Essential Strategy, The CRM Solution, Evaluation, Implementation

2. The CRM Business

Cycle

A typical CRM business cycle has the following stages: (1) Understand and Differentiate (2) Develop and Customize, (3) Interact and Deliver, (4) Acquire and Retain, (5) Prioritize and Change, (6) Creating an Action Plan, (7) Measuring Success. These stages are independent and continuous

3. Walk-In-Customer to Happy Customer

A retail business especially the organized retailing encounters the 'casual' or 'walk-in- customer' the service offered may convert this customer to a 'satisfied customer' by meeting his expectations. The company cannot rest with a satisfied customer they need to convert him to a 'Happy Customer' because it is only a happy customer whose loyalty can be guaranteed.

4. Customer Loyalty Parameters

Following are the measurable parameters of customer loyalty that need to be managed.

- The intrinsic quality of product or service as a satisfier of consumer need
- High perceived value of the service benefits to the customer
- Consistency in delivery of product/service
- After sales service i.e. customer care
- Bonding of personal relations with service staff

5. Cost-to-Benefit

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Analysis

Research has revealed that personal touch develops a lasting and strong relationship, which in turn results in more frequent or exclusive purchases. A customer with such a bonding entertains maintaining a constant communication with the retailer and will filter / block competitive marketing communication. The benefits of such customer loyalty are far outreaching compared to the costs, which are negligible as compared to the enhanced value.

6. Technological Advantage

The emergence of information management technology has enabled the development of CRM applications that enable organizations to have a one-to-one relationship with the customer. Now organized retailers with thousands of customers can build one-to-one relationship with the customer. CRM is more than mere technology it is about business strategy and the main driver is customer information. Thus the CRM initiative here can be termed as information-driven- marketing to build customer loyalty.

To maintain the competitive edge, companies should have a clear strategic plan based on best practices to develop a CRM programme that spells out the following : (a) Collect data about customer, (b) Differentiate customer, (c) Use direct media to offer,(d) communicate and interact.

7. The Retail Industry in India

Retailing, one of the largest sectors in the global economy, is going through a transition phase in India. For a long time, the 'Kirana' or Pop & Mom store was the only choice available to the consumer, especially in the urban areas. This is slowly giving way to international formats of retailing. Organized retailing is spreading and making its presence felt in different parts of the country.

In the United States, retail both in number of establishments and number of

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employees. It is also one of the largest worldwide. The retail industry employs more than 22 million Americans and generates more than \$3 trillion in retail sale annually. Retailing is a U.S. \$7 trillion sector. Retail sales in India amounted to about Rs.7400 billion in 2002, expanded at an average annual rate of 7% during 1999-2002. With the upturn in economic growth during 2003, retail sales are also expected to expand at a higher pace of nearly 10%. Across the country, retail sales in real terms are predicted to rise more rapidly than consumer expenditure during 2003-08. The forecast growth in real retail sales during 2003-2008 is 8.3% per year, compared with 7.1% for consumer expenditure. Modernization of the Indian retail sector will be reflected in rapid growth in sales of supermarkets, departmental stores and hypermarkets. Sales from these large-format stores are to expand at growth rates ranging from 24% to 49% .Per year during 2003-2008, according to a latest report by Euro monitor International, a leading provider of global consumer-market intelligence.

7.1 Key Drivers of Organized Retail Sector in India

- The Demographic Change
- The Nuclear Family
- The Emerging Service Sector
- Realty Boom
- Acceptance In The Job Market
- The High-Income Consumer

7.2 Future of Retail Industry in India

The main factors that are expected to lead and create means for the continued growth in the retail industry are:

- Rapid economic growth in large cities
- Increasing income levels leading to greater disposable income.
- Higher exposure to mass media leading to awareness of western shopping and entertainment trends.
- Almost two thirds of the population is estimated to be in the age group of 14-45

by 2013.

7.3 The Retailer in India

The retail management in India is marked by some less attention paid areas which are as follows:

- Establishing a personal bond every time a new person attends to a customer.
- The information given by different people varies with little or no promise and commitment.
- Delay in responding to first contact or sending required information in expected time frame by the customer

In addition the retailer in India needs to address some of the following issues: Customer Differentiation, Recognize their best / loyal customers, Increase profitability and customer value

8. CRM: An Essential Strategy

Retailing business works on low margins and high volumes. Retailers struggle to make profits in a competitive market. A low barrier to entry and the ease with which competitors copy services undermines differentiation.

The customer today is knowledgeable and belongs to the middle-class, upper

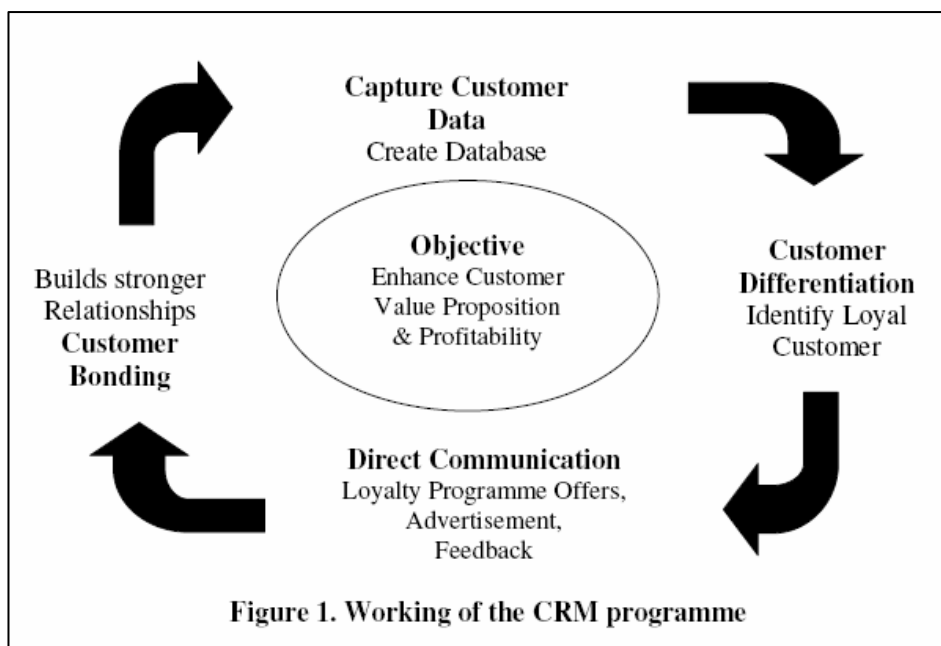
middle-class and the upper class income groups. He is a definitely a satisfied customer as far as the quality of service is concerned. Hence this customer is so loyal to the retailer/retail outlet or brand that they seldom venture out to competing retailer or brands. Thereby giving an opportunity to the retailer to convert a 'satisfied customer' to a 'loyal customer' and recognize and reward the loyal customer. This can be achieved by developing a lasting relationship with the customer through a marketing programme that speaks about the retailer's attitude and approach to its customer. Therefore, it would be essential to adopt CRM as a strategy with an objective to build customer value.

8.1 The CRM Solution

The CRM solution or application for a retailing organization should necessarily look at building a robust database of all customers, on line analysis of the data with the help of latest tools, the application should identify the 'best' or 'loyal' customer on the basis of the user defined criteria so as to reward him and facilitate direct interaction with the customer by the organization.

8.2 How does the CRM application work?

The working of the CRM application / programme is diagrammatically represented in Figure-1. Customer data is captured on purchase made at outlet and a **customer database** is created. The **customers are differentiated** on the basis of purchase value, likes and dislikes or any other criteria the retailer chooses. **Direct communication** with customers through telephone both mobile & fixed line, or e-mail (Internet) or mail service, Thereby building a **Strong relationships**.



Customer Database

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The Customer Database begins with creating a repository of personal data of all the customers. The application captures data of any purchase transaction at the outlet by a customer. The application identifies a 'new customer' or an 'existing customer'. The data base includes Basic Information such as name and address, Age, income, occupation and family status and buying intention.

All the customers are registered with the outlet or central organizational database and are issued with a smart card to be used at the outlet or any of the chain outlets for future purchase. Thus the organization can track repeat purchase by its customer at any of its outlets. The organization based on its marketing policies may choose to reward or offer special service to the customer who presents the card at any of the outlets.

Differentiate Customers

The application can use latest tools offered by information management technology for analysis of the customer database, their shopping habits, likes dislikes, etc. Thereby identifying the best or loyal customer on the basis of the criteria defined by the user.

Customer Bonding

The essence of the CRM initiative here is to build a relationship with the customer by opening a direct communication with him through telephone (Mobile & Fixed land line), E-mail (Internet) or direct mail. The communication will comprise of the latest offering, discounts, new arrivals etc. Thus increasing the customer value. This gives a sense of belonging to the store/outlet and thus resulting in customer bonding or a life-time-customer

Evaluation

The success of any CRM initiative depends on: How user friendly the application is from the user (Personnel at the retail outlet) point of view? , A sturdy database management

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system , The methodology & mechanism of capturing customer data ,Direct interaction with the customer can be outsourced to a third party or train and equip a team from within the organisation, Achieve Increment in the customer value proposition by proper service, incentives and rewards.

Implementation

The CRM programme will definitely ensure customer loyalty and begets word-of-the- mouth advertisement for the organisation however its efficiency depends on following factors:

- Training of the Human Resource not only on the operational aspects but also the conceptual background of CRM.
- The personnel involved in capturing customer information need not be in a hurry to do so. Casual conversation, to find the shopping pleasure derived by the shopper during a visit can elicit personal data of the customer.
- Data relating to the purchases made by customers / members may be sent online through an internet connection to the central facility or on a weekly basis through a file transfer system.
- Installation of a card reader (optional)
- The enrolment of the customer as the member of the loyalty programme includes issue of an embossed smart card.
- Requisite hardware and software application that can be picked up off-the-shelf or custom built as per the requirement of the organisation.

Conclusion

In conclusion it may be said that loyalty is the fundamental engine of profit and growth in a competitive marketing scenario. Loyal customers create word-of-mouth advertising and referrals about the company / brand. Word-of-mouth advertising and referrals are most reliable and convincing to potential customers since it is based on a first hand experience and an unbiased opinion. CRM is the single strongest weapon one has, to ensure that customers become and remain loyal. Customer loyalty when recognized and

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rewarded results in enhancing the customer value proposition.

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