

## **CUSTOMER RELATIONSHIP MANAGEMENT IN INDIAN RETAIL MARKET**

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Retail is most important industry of India. Retail industry in India is at the crossroads. In retail, one of the major factors playing a role is income—Increase in disposable incomes of customers across various sectors. The simple answer to effective CRM is a way of separation between customers to provide greater value to more valuable customers since the customer today is far more discerning than he was earlier. Every retailer today is aiming at an attempt to make a casual customer into a loyal customer who develops a bond with the retail store he/she visits. Customer relationship management as a transactional exchange helps the marketer to understand the customer's sentiments and buying habits so that the customer can be provided with products and services before he starts demanding them. In this paper describe the role of Customer Relationship Management (CRM) in Indian retail market and how to enhancing the Customer Lifetime Value (CLV). A successful and effective CRM programmed results in increase of Customers Lifetime Value for the store. The importance of the tangible and the intangible offerings are also discussed. A good CRM Strategy should focus on: Building dynamic relationship with the customer, CRM is the key element to building customer loyalty to a store brand and to build a significant competitive advantage [8].

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### **1. INTRODUCTION**

The Indian retail market, which is the fifth largest retail destination globally, according to industry estimates is estimated to grow from US\$ 330 billion in 2007 to US \$ 427 billion by 2010 and US\$ 637 billion by 2015. Simultaneously, organized retail which presently accounts for 4 per cent of the total market is likely to increase its share to 22 per cent by 2010.

India has one of the largest numbers of retail outlets in the world. Of the 12 million retail outlets present in the country, nearly 5 million sell food and related products. However, organized retail accounts for only 4 per cent of the total market, offering huge growth potential in this segment.

Retailing in India is gradually inching its way toward becoming the next boom industry. The whole concept of shopping has altered in terms of consumer buying behavior and format, ushering in a revolution in shopping in India. Modern retail has entered India as seen in sprawling shopping centers, multi-storied malls and huge complexes offer shopping, entertainment and food all under one roof.

Retail profitability is steadily moving away from Commodities to Customers. The focus is now on the customer as it provides the much-needed impetus to the rapidly sinking bottom line. This trend will define

tomorrow's businesses in a way that will fundamentally lead to an organized Retail sector with many of the players growing & being successful. Retailers should be able to build a two-way relationship with customers that create strong switching costs. For this bonding to exist, the concept of CRM (Customer Relationship Management) plays an important role.

Today the term CRM has become a buzz word in Indian Retail world. CRM is an enterprise approach to understanding and influencing customer behavior through continuous and relevant communication to improve customer acquisition, customer retention and customer profitability [7] [8].

### **2. TRADITIONAL CRM (INDIAN FRAMEWORK)**

CRM is not new to India. In India, it has traditionally implemented some of CRM concept strongly. In India the customer is treated like God. CRM has been present in some form or the other e.g. my local grocer from whom I buy my monthly provisions knows exactly what my requirements are and delivers it to my house. This is mostly because he has a good idea about what items I usually need and its quantity. In case I have forgotten to order a particular item he reminds me. His judgment is based on the record of my previous purchase history. I have been his loyal customer for over 10 years now. This is just one example of primitive CRM or how CRM exists in India. Another example of primitive CRM is the credit account facility provided by the local grocers. This helps the grocer in customer retention.

The traditional way of retaining customers has been mostly limited to things like smiling at customers and saying

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'Come again, sir' or 'Have a great day, Madame'. But is this enough, and more important, what do Indian Retailers really need to do, since today's customer-driven economy will necessitate differentiating your business from everybody else's in a fundamentally unique way [8].

This paper describes the concept of CRM and few strategies for Indian Retailers to gain loyal customers. A successful and effective CRM programmed results in increase of Customers Lifetime Value (CLV) for the store. The importance of tangible and intangible offerings is also discussed.

A good CRM strategy should focus on building dynamic relationship with the customer, making CRM is a key element to building customer loyalty to a store and to build significant competitive advantage [7].

### 3. CRM IN INDIA

In current era, the expectations of customers are increasing; customer ask to retailers have to deliver better value for the same operating costs and price. Today, every retailer is aiming to convert a casual customer into a loyal customer and want to develop a bond between the store and the customer. But how far has these progressed remains a question.

Customer relationship management facilitates the retailers to understand the customer's sentiments and buying habits so that the customer can be getting with products and services before they demand. This is possible through the integration of four important components i.e. people, process, technology and data. Today, every retailer in India is looking at some or the other form of CRM or its prime constituent loyalty based programs to draw the customers. These varieties of activities together play a vital role in bringing repeat customers and in turn generating positive word of mouth and new footfalls into the store. This leads to the development of an enthusiastic set of customers who can be approached to convey all new developments, events and promotions. Data mining activities through CRM also provides insights and knowledge about most valuable customers to the retailers which result in maximum sales [6].

Smaller retailers resolve their CRM-related issues by improving the attitude of the human capital that they employ. The retailers may end up losing a customer for life if their employees are not tuned to the customers needs. Organizations having large customer base and greater transaction volumes, in addition to being sensitive and focused are training employees to be customer-centric.

In the retail milieu, where generating and retaining footfalls is the greatest impediment to success, the challenge lies in constantly innovating methods of attracting repeat customers and keeping their interests alive. Loyalty

programs as part of CRM based activity are one of the ways of overcoming this challenge [7] [8].

#### Benefits of CRM:

1. Increases Customer Satisfaction
2. Increases Return on Relationships
3. Increases Competitive Advantage
4. Increases Number of Customers
5. Improves Retention Rate
6. Helps in the collection of analytics that enhances customer's value
7. Improves Revenue per customer

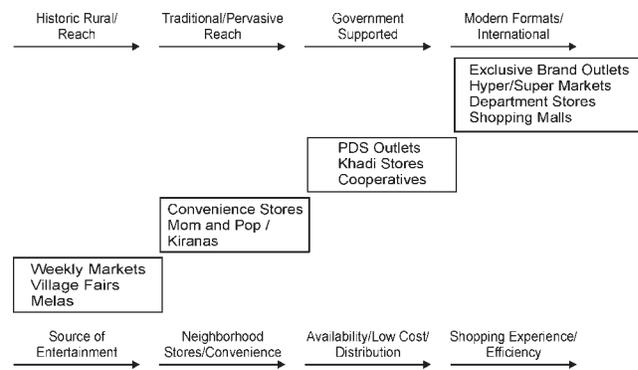


Figure 1: Evolution of Indian Retail

### 4. CUSTOMER LIFETIME VALUE (CLV)

The variety of activities plays together an important role in bringing customers repeatedly and in turn to generating positive word from his/her mouth and increase new footfalls into the store. This leads to the development of an enthusiastic set of customers who can be approached to convey all new developments, arrivals, events and promotions. Data mining technique used in CRM provides insights and knowledge about most valuable customers to the retailers which result in maximum sales. Based on information we can correlate the Pareto's Principle which talks about generating 80% of sales from 20% of the customers. This can only happen if the retailer has the 20% as its most profitable customers and not just normal customers. This completely depends upon the kind of business the retailer is into and there is nothing sacrosanct about this understanding [3].

A successful and effective CRM programmed results in increase of Customers Lifetime Value for the store.

#### Examples

Today these and similar kinds of involuntary are being run all across India by local as well as national retailers. Let's understand the kind of CRM involuntary offered by some

of the lifestyle retailers having a national presence to attract its customers:

#### **Reliance Fresh:**

Reliance Fresh conducts loyalty program called 'Reliance One'. Any customer can avail this loyalty card for free and can earn 1 reward point for every Rs. 100 purchased. Customer can then get a voucher for his reward points accumulated from the Customer Service Desk in the store and get any item worth that voucher for free.

#### **Big Bazaar:**

Big bazaar provides every day discount on each and every product to customer. Every day price of product does change. It also introduce, if customer buy more than Rs. 999 at one time, customer will get Suger, Iron box etc. based on its purchase.

#### **Pantaloons:**

It provide the 'Green Card' it is divided into three category: one star, three star and five star. Every point generated at all the levels is equivalent to Rs.1 Criteria for point's generations are:

- Up to 399 points – One Star – 1 point for Rs.50
- 400 or more additional points - Three star - 1 point for Rs.40
- 800 or more additional points – Five star - 1 point for Rs.25
- It also stays in touch with its loyal customers through Mailers, SMS, E-mails and Telephone informing them about the developments and promotions.

#### **Shoppers Stop**

It provides the 'First Citizen Card' it is divided into three categories: Classic Moments, Silver Edge and Golden Glow and customer can earn reward point with help of following way

- Classic Moments–Earn 1 Reward Point for every Rs.100 purchased.
- Silver Edge–Earn 1 Reward Point for every Rs.50 purchased.
- Golden Glow–Earn 1 Reward Point for every Rs.34 purchased.

Every point generated at all the levels is equivalent to Rs. 1. It has a special scheme wherein it offers private label reward points to its silver edge and golden glow members.

#### **Lifestyle**

It provides the 'The Inner Circle' and customer can earn following rewards point based on following purchasing

- For every Rs.50 spent at any of the stores, 1 point is earned.

- For every 100 points earned, gift voucher of Rs.100 is received

#### **Westside**

It provides the 'Club West' It contain two type of membership: Classic and Gold membership and customer can earn following rewards point based on purchasing

- Offers 25 and 50 as the bonus points to Classic and Gold members.
- Classic–For every Rs.50 spent at any of the stores, 1 point is earned.
- Gold–For every Rs.40 spent at any of the stores, 1 point is earned.

#### **Piramyd Megastore**

It provide the 'Piramyd Power Club' it contain three type of customer membership: Silver, Gold and Platinum cards it offers. Silver, Gold and Platinum are awarded 1 point on every Rs. 80/-, Rs. 60/- and Rs. 40/- spent respectively to customer. This discount % offered into both place: Piramyd Store and its supermarket.

#### **Globus**

It does provide the Privilege Club card. It contains one type membership: Gold card. Customer can earn reward point in following way

- The monetary benefits which it offers is a holiday package depending upon the amount spent. The larger the spending the higher the value of the gift.

### **5. CRM PRACTICES BY RETAILERS IN INDIA**

#### **Reliance Fresh:**

##### ***CRM Program: Loyalty Point Redemption System***

Reliance Fresh conducts loyalty program called 'Reliance One'. Any customer can avail this loyalty card for free and can earn 1 reward point for every Rs.100 purchased. Customer can then get a voucher for his reward points accumulated from the Customer Service Desk in the store and get any item worth that voucher for free [1].

#### **Big Bazaar:**

##### ***CRM Program: Wednesday Offer***

Big bazaar conduct Wednesday program that it provide major discount on each product compare to normal day. It also announce time dependent discount on specific product based on limited time frame.

#### **Health & Glow:**

##### ***CRM Program: Weekend Offers***

Health & Glow conducts Weekend Offer programs by which it showcases and offers products at a low price to differentiate their offerings from other competitors.

**Levis Strauss:**

**CRM Program: Exclusive Invites to Get-togethers and Events**

Levis Strauss conducts Rock Shows & Concerts and invites all its customers for these events. This makes customers feel special

**Fab Mall:**

**CRM Program: Recommendations**

Fab Mall through their feed back forms tries to collect information like customers shopping experience, limitations in the store if any, suggestions etc.

**@Home:**

**CRM Program: Reserved Car Parking**

@Home store provides space for car parking for its customers easing their task to shop on weekends.

**Lawrence & Mayo:**

**CRM Program: Birthday and Anniversary Greetings**

Lawrence & Mayo maintains its customer’s birthdays and anniversary days and sends them greetings through phone SMS or E-mail.

**Bangalore Central:**

**CRM Program: Pay Back of Car Parking Fee**

For any amount of purchase done at Bangalore Central,

customers can produce the car parking fee receipt and get the amount paid by the store itself.

**Strategies of CRM by Indian Retailers:**

The CRM programs that are driving customers back to the stores can be understood in two perspectives:

$$\text{Tangible Benefit} + \text{Intangible Benefit} = \text{Loyalty to the store}$$

**Tangible Benefit–Discounts, Offers, Promotions, Payback**

Regular discounts comprising the yearly sale discounts, end of season sale discounts, festival discounts etc being offered compliment to customer relationship management. Over and above stores do offer additional special discounts targeting their customers who regularly visit and make purchases. Promotions indicate additional sale of products or a group of products with merchandise which get sold quickly, examples like buy one get one free etc. These footfall drivers to the store helps stores to keep changing offers from time to time and constantly align themselves to customer shopping habits [4].

Payback which is linked to the parking fee charged for vehicle parking would be reimbursed against purchases made at the stores. The following are the various strategies that can be taken up by the Indian Retailers to offer tangible benefit to the customers [1]:

| Strategy        | Description  | Benefits  |
|-----------------|--|---|
| Reward Point    | The loyalty points earned by the customers are reimbursed any time after minimum specific points   | Increases Customer Satisfaction, Increases Return on relationships & Improves Retention             |
| Specific Offers | <ol style="list-style-type: none"> <li><i>Exclusive Offers:</i> These are offers designed for the regular customers to make them come back or may even be designed to showcase and differentiate their offerings from that of the competitors.</li> <li><i>Differentiated Offers:</i> These are offers which are linked to behavior of any particular set of customers depending upon a mix of their demographics and previous purchase habits. Lot of times product bundling is done as per the area where the store is located since it catches a specific area.</li> <li><i>External Offers:</i> A retail store offering discount coupon or some freebie which is connected to a different brand.</li> </ol>  | Rate Increases number of customers, Increases Competitive advantage & Improves Revenue per customer |
| Services        | <ol style="list-style-type: none"> <li><i>Car Parking Space:</i> Offering customers’ space for car parking is like inviting them with arms wide open. The reason for this is the increasing inconvenience customers face to shop on weekends due to non-availability of parking when the stores are huge crowd pullers.</li> <li><i>Smart Card Payment:</i> Stores accept smart card payment to attract customers who want to purchase with smart card.</li> <li><i>Special Counters:</i> To facilitate and serve the loyal customers better, stores designate special counters both for cash and customer service so that the premium customers can be attended with ease.</li> <li><i>Free home delivery:</i> These are add-on service to loyal customers by delivering the products as per their convenient time.</li> <li><i>Tot Play Area:</i> Stores can provide play area for kids to ease the customer in shopping.</li> </ol> | Increases Customer Satisfaction, Increases Return on relationships & Increases number of customers  |

## 6. INTANGIBLE VALUE–THE EMOTIONAL CONNECT & SHOPPING EXPERIENCE

This implies the homeliness aspect which the customer feels for the time he/she spends inside the store. It is the inner feeling which they develop for the store. The reasons for visiting may not always be purchase, however if emotional connect is developed with the store then as and when need arises the stores enjoy top of the mind recall from the customers. The emotional connect coupled with strong functional value is creating a long lasting relationship with customers.

**Example:** Local grocer and supermarket. At the local grocer's the customer has to be clear with the requirements and there is little scope for choice. However at a supermarket, the customer is at ease to choose products without any limited time frame. This is an example for the shopping experience. E.g. for emotional connect is 'Raymonds'. For occasions related to marriage, customers prefer to shop at Raymonds because of the emotional connect associated with it [5].

| Strategy                                      | Description   | Benefits  |
|---|---|---|
| Exclusive Invites to get-togethers and events | These are invitations to loyal customers to make them feel special. Customers can be invited when any celebrity comes to the store for any new launch at the store or they can be invited for any event happening in the city or town | Increases Customer Satisfaction & makes customers feel special  |
| Birthday and Anniversary Greetings            | To make the customer feel special, stores send greetings and special customized offers to its customers   | Makes customers feel special  |
| Recommendations                               | Customers are invited to provide their suggestions and recommendations for improvement of their shopping experience.  | Makes customer feel important and helps retailers to find out the loopholes and take necessary actions. |

The following are the various strategies that can be taken up by the Indian Retailers to offer intangible benefit to the customers:

## 7. CONCLUSION

A shopper always wants to feel that he/she is treated important, when he enters a retail outlet. A satisfied customer with a pleasant customer experience will always revisit. CRM enhances customer satisfaction & offers a pleasant shopping experience where the customer is treated important. Indian retailers have to implement these strategies to have a better growth & to improve customer satisfaction. The traditional thought of "customer is god" has been improvised with modern methodologies to provide the best services to customers.

Today it takes a lot of thought process and effective thinking to launch an effective and efficient CRM programmed. The various examples and the tangibles as well as intangibles point to the importance of the customers aspirations from the retailer.. Here CRM plays a major role in meeting customer's expectations.

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