



# Changing Dynamics of Management Through Innovation and Creativity

## Sub Theme: CRM and Customer Loyalty

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### Abstract:

Customer Relationship Management (CRM) is the art of enhancing the relationship with the customers, since every company irrespective of the size invests in building long term relations with the customers. The biggest challenge for organizations today is to evolve beyond mere customer satisfaction forms. Globalization is a buzzword today which has led to excessive competition. In today's hyper-competitive world, organizations looking to implement successful CRM strategies.

CRM has to be imbibed within the organization and subsequently become an integral part of the organization and a part of their Corporate strategy. Only then can we think on the grounds of doing business that will foster a stronger relationship between companies and the customers they provide products and services to. Customer loyalty talks about a customer being loyal to the store for various reasons. The Company has to develop effective CRM strategies for building strong relations with the customers and one of the best ways to do this is to build up customer loyalty.

Factors defining Customer loyalty:

- The customer is highly satisfied (with the products, stores)
- The customer goes for a repeat purchase
- The customer recommends about the product, stores to his peers.

Though many of the Organizations succeed in the first point, the customer is highly satisfied, but this does not necessarily imply that he would come back to the store for repeat purchases. The goal of a customer strategy is to find out what the customers want. Once the company finds out what their customers want, they must give that to them as soon as possible. And the more the company tries to connect itself with the customers by way of gaining the confidence of the customers, the more loyal the customers become to the company. But the point here is does the company take any further efforts to retain these so called "Loyal customers"? Customer loyalty describes the **tendency of a customer to choose** one business or product over another for a particular need. Customer loyalty is often the outcome of well planned customer relationships, well-managed customer retention programs; customers who are targeted by a retention program demonstrate higher loyalty to a business. Customer retention programs are often designed with the intension of keeping the customer's status active.

It is not an easy task, but the best way to start is by listening to what the customers have to say. Gone are the days when companies believed that they could offer whatever products they wanted, and the customers will automatically purchase it. Not only is this practice a grave mistake, it is also a sign of arrogance. Today, with the advancement in technology one cannot ignore the level of awareness that the customer has. Sustaining the competition is another important factor that cannot be ignored. Thus the organization need to take steps

in driving the customer's needs and design the customer loyalty program accordingly. While the company had a great degree of customer service at first, it eventually declines because customers are unhappy with the products and the offerings with time.

A loyal customer can mean a consistent source of revenue over a period of many years. However, this loyalty cannot be taken for granted. It will continue only as long as the customer feels they are receiving better value than they would obtain from another supplier.

### Examples :

Two new business ventures were launched. Both businesses sold the same products with comparable pricing. Both spent considerably on packaging and on advertising their offerings. Both developed strong retail distribution locations and operations as well as driving a considerable share of sales over the Internet. Both appeared to be on an aggressive growth trajectory, initially garnering considerable marketplace attention and activity. A year later, one was still experiencing solid growth, while the other was forced to liquidate. The difference?

The business that succeeded realized the vital importance of strategically attracting and managing a customer base, and maintaining their trust; the other business did not.

We present this in a form of Case study of an Organized Retail Outlets in the Paper.

Key words: Customer Relationship Management, Customer loyalty, Customer retention, Organization.

### Sub Theme: CRM and Customer Loyalty

#### Introduction:

#### Retail Sector in India:

The Indian retail industry is the fifth largest in the world. Comprising of organized and unorganized sectors, India retail industry is one of the fastest growing industries in India, especially over the last few years. Though initially, the retail industry in India was mostly unorganized, with the change of tastes and preferences of the consumers, the industry is getting popular and organized. With growing market demand, the industry is expected to grow at a pace of 25-30% annually.

The Indian retail sector is highly fragmented with 97 per cent of its business being run by the unorganized retailers like the traditional family run stores and corner stores. The organized retail however is at a very nascent stage though attempts are being made to increase its proportion to 9-10 per cent by the end of year 2010 bringing in a huge opportunity for



prospective new players. The sector is the largest source of employment after agriculture, and has deep penetration into rural India generating more than 10 per cent of India's GDP.

#### Literature Review:

Existing research has found that some consumers intrinsically enjoy participating in marketing actions, such as coupons - Mittal 1994, price promotions - Chandon, Wansink, and Laurent 2000, or shopping in general - Reynolds and Beatty 1999.

The same intrinsic enjoyment could exist for participation in loyalty programs. So, customers may derive non-economic benefits from a loyalty program membership, when they intrinsically enjoy loyalty program participation. The only demerit that is observed is that the customers have to part with their personal information, while filling up for the subscription, for which the customers are not very keen.

Some customers may not be very willing to provide personal information, especially if this concerns personal identifiers such as address information -Phelps, Nowak, and Ferrell 2000. This reluctance is caused by consumer's need for control and a negative attitude towards direct marketing -Phelps, D'Souza, and Nowak 2001.

#### All about CRM and Customer Loyalty:

CRM is the tool to magnify and study the needs of the customers. It helps companies make sense of customer needs and helps companies manage these relationships more intelligently and help predict the future. Such knowledge provides a crucial competitive differentiation for companies to gain market share and reduce operational cost with retaining their customers.

Loyalty is created only when customers perceive fairness, equity and transparency in their relationship with the Organization.

Customer relations are built on the basis of trust this is the only factor responsible for repeated purchasing and making the customers loyal to the Product or the Stores.

In today's environment, retail companies need to practice customer relationship marketing to gain a competitive edge. This is feasible if CRM becomes an integrated part of the marketing management paradigm.

#### Rationale of the study :

All companies are facing massive challenges in today's highly competitive market and strive to acquire the maximum possible market share in an overcrowded market. Since today's customer is wise and has several options to choose from, it becomes a difficult task to retain the customer irrespective of his satisfaction level with the Company. CRM is the key word wherein the Retailer tries to find out what is that the customer wants exactly and provides solutions accordingly.

There are certain threats which companies are facing such as:

- The nature of competition which is going global.
- The rate of change is accelerating out of control.
- Margins are being eroded.
- Customers are becoming more demanding and less loyal

- Customer churn is increasing.
- Product life cycles are decreasing.
- Industry barriers are collapsing, major brands entering new markets.
- The Internet is transforming the business landscape.

Every Retailer therefore is emphasizing on enhancing the Loyalty Programs in the stores.

#### CRM and Loyalty Program all about??

Loyalty programs are the schemes designed with an intention to retain existing customers and attract new customers by rewarding a customer with both hard and soft benefits for his loyalty and his patronage. Loyalty programs (either on the shop delivery' or web based') can be classified either based on types of rewards and recognition tools used or the mechanism by which customers earn their rewards, few of which are :

1. Earning points towards a reward of free or discounted product. Such kind of approach is normally used in applications where there is high transaction frequency and moderate price points .However, such kind of loyalty program increases functional loyalty rather than emotional loyalty, for example a frequent flier program.

2. Allowing customers to redeem third party currencies such as airline miles for retail purchases. These kinds of loyalty programs are successful but there are certain issues such as brand fit between two companies and a risk of brand dilution due to coalition partner's inefficiency. Offering rewards for using store branded credit cards. These kinds of programs are normally single brand loyalty programs i.e. they can't be used across various retail stores thus driving away shoppers who manage their credit through multiple cards.

3. Offering discount or margin for select items. This approach is primarily used to push across slow moving products or to introduce new products. Customer relationship in retail sector has changed across the Globe with passage of time, since the characteristics and the number of activities in retailing have been growing. CRM has emerged as the latest buzzword in retailing, especially in organized retail sector, and an important tool to enhance retailer performance.

Also, Social Networking is staking a claim as a tool for Branding, Community Building and also for gathering of Customer Intelligence Tapping into the new growth; Retailers are now trying to connect with Consumers on a more personal level. The ever present question of "What Consumers want"??can leave Retailers scratching their heads. Market Surveys though typically focus on Information relevant to the Shopping experience based on Consumer Profiling. Retail Industry, so far is trying ways and means to reach their customers at every channel – Mobile, Instore, Loyalty Programms and also through Multiple Social Networks.

#### Research Methodology:

Research Methodology comprised of Primary and Secondary data.

Primary data was collected from Store Managers and Department Heads. A structured questionnaire was designed for the same. Similar set of CRM strategies were used for all the Departments in Lifestyle.

Sample size : 30

Questions based on the CRM strategies and Customer Loyalty programs in the stores were asked. Both Open ended and Closed ended questions were asked.

Stores Visited:

- Lifestyle, Pune.

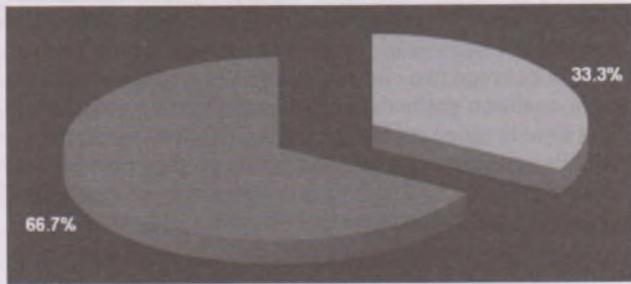
Following were the findings:

**Findings and Analysis:**

- The Major reasons for having Implementation of CRM strategies in the Retail Outlet:

Sample size - 30

	Reason	Percentage
Major reason	Retention of the customer	66.7
Minor reason	Marketing of the Product	33.3



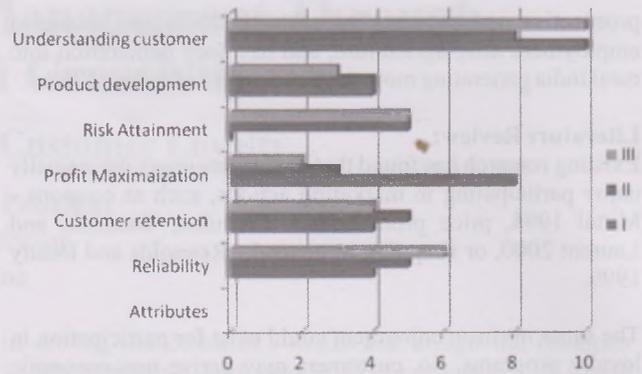
Also emphasis on the additional 3 p's of Marketing enhances Brand image.

People

Process and Physical evidence.

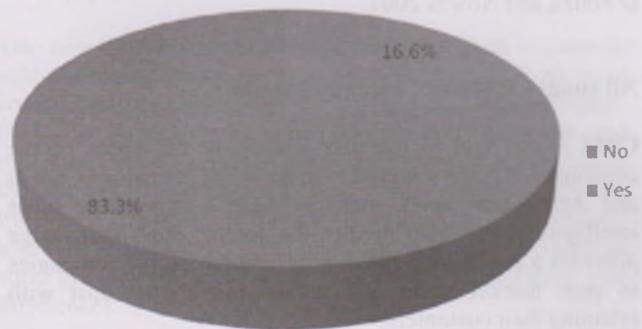
- Suggestions provided by customers on loyalty program (feedback taken for 3 consecutive loyalty programs)

Ranks	I	II	III
Attributes			
Reliability	4	5	6
Customer retention	4	5	4
Profit Maximaization	8	3	2
Risk Attainment	0	5	5
Product development	4	4	3
Understanding customer	10	8	10



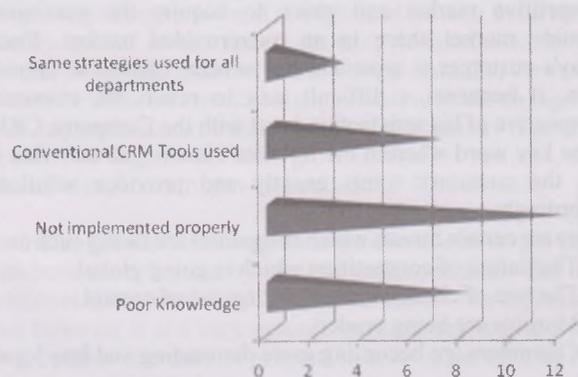
- Does the Loyalty program have an impact on the Sales of the stores?

	Respondents	Percentage
Yes	25	83.3
No	5	16.6



- What is the expected frequency of the Loyalty programs at Lifestyle?

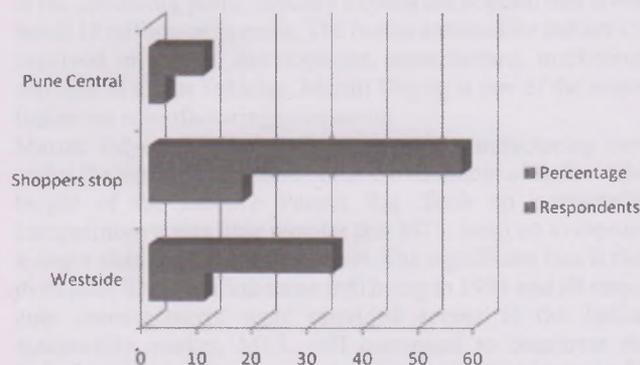
Frequency	No.
Once a week	3
Once a fortnight	12
Once a month	12
Once in two months	3





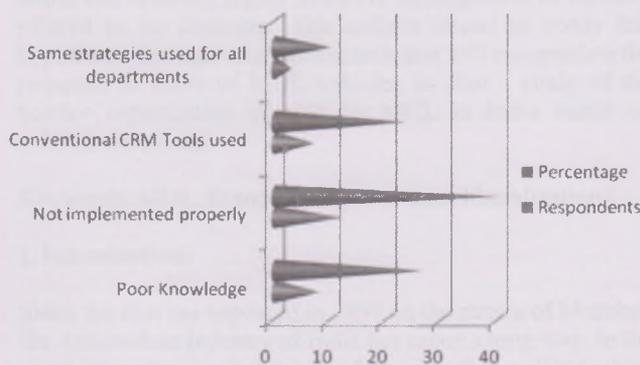
5. Which of these are the toughest Competitors to Lifestyle Departmental stores?

Competitor	Respondents	Percentage
Westside	10	33.3
Shoppers stop	17	56.6
Pune Central	3	10



6. Main reasons for failure of CRM Strategies:

Reasons	Respondents	Percentage
Poor Knowledge	8	26.6
Not implemented properly	12	40
Conventional CRM Tools used	7	23.3
Same strategies used for all departments	3	10



**Reasons for CRM Failure and Recommendations:**

With CRM in place, Organizations strongly believe they can not only buy customers, but can also win customers. But the difficult part which is yet to be inferred is that managing customers would not just happen with buying of a technological solution.

Rather, it is a business culture with well-defined and implemented business processes, measurable business objectives, and an ability to quickly and efficiently adapt to the changing customer demands for products and services.

All of the reasons for failure can be summed up into one resulting cause:

“The belief that you can buy a Customer Relationship Management solution”.

- In spite of all the marketing hype, managing customer relationships is not a technology solution. It is better defined as a business culture with well-defined and implemented business processes, measurable business objectives, and an ability to quickly and efficiently adapt to the changing customer demands for products and services.
- In fact, although CRM has become one of the leading initiatives for many companies, these companies often can't define what Customer Relationship Management means within their own organization.
- Redefining CRM : CRM is a methodology for doing business that provides growth, improved products/services, increased revenue, and the ability to cost effectively understand customer needs and provide service utilizing legacy and new channels of communication. CRM includes every aspect of how you conduct business, from back office to front office to “e” everything.

CRM is a methodology for doing business; therefore, you must understand, control, monitor, and continuously improve how your company conducts business.

Since, CRM is not just a technology solution, the question remains: How to work towards achieving success after implementing the CRM tools?

- Involvement of people from all Management levels and making CRM an integral part of the Organization.
- Clarity in disseminating the roles for the Business process development, and to work towards continuous improvement of the Organization.
- Select a consultant based on his/her ability to manage enterprise-wide projects, facilitate meetings, stimulate thought, document finding, and keep the project moving forward.
- Make sure to define the objectives of the business and ensure these are attainable.
- Perform gap analysis.
- Reengineer the business processes to resolve problems areas, provide additional customer products/services, improve customer support, improve information sharing, and promote the ability to change. Ensure that each process contributes to reaching the company goals.

**Top Five Consumer Goods Spending Trends in 2011:**

**1. Restraint remains the new normal.** American confidence has been slower to rebound compared to other parts of the world. The need to save money, unemployment and other economic issues continue to be top of mind, suggesting that any return to past behavior may take some time—if at all.



**2. Value is a top priority.** With no signs of readiness to open wallets, a focus on low prices at the expense of all other variable threatens margins. Value messaging must also include some point of differentiation beyond pricing. Manufacturers and retailers that “drive the recession wave” and take an active role in innovation and ad spending are likely to be the big winners.

**3. Store brand growth continues.** Even with year-end 2010 softness in store brand dollar share growth as retailers cut prices across the store to be more competitive, unit share growth continues and retailer focus has never been stronger.

**4. Grocery consolidation intensifies.** Local and regional players, unable to drive profits in the soft economy, will become acquisition targets and some larger national and regional grocers will divest unprofitable formats and banners to strengthen investments behind their winning formats and banners.

**5. Assortment wars escalate.** Retailer efforts to simplify the consumer shopping experience by eliminating aisle and shelf clutter will cause market share land grabs for small and medium-sized brands in pursuit of elusive revenue growth. Retailers may lose sales as they shift away from in-store merchandising that drove impulse buying and built shopper baskets. Look for brands caught in the trap of greater store brand focus and assortment optimization.

**Conclusion:**

Though every organized retail outlet today has loyalty programs in place, the emphasis should be more be customer driven than profit driven. Many of the Organizations are yet to create a clear line of discretion between these two. Therefore a loyalty program designed by keeping these two important factors in view would definitely lead to good results.

Yet, they are to devote time, resources, and money to a CRM effort.

CRM is a methodology for doing business; therefore, you must understand, control, monitor, and continuously improve how your company conducts business.

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