



## Customer Relationship Management in Indian Retail Market

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**Abstract:** *In Indian economy, Retail Sector is playing a significant role in growth of industries. The major contribution of retail sector is towards employment generation and they are the largest creators of employment opportunities as globalization and privatization is taking place across the globe. Unorganized retail sectors are facing great challenges to survive and sustain in the market and even the organized retail in India is also facing a tough competition from all round the world. India is a land of increasing retail opportunities. Retailing has bright prospects, propelled by the lifestyle changes taking place among the customers. The retailers have realized that creating superior customer service is the key for their success. The challenge to the retailer is not only to satisfy the customers, but also to delight and retain relationship with the customers. In this situation, well carved-out retail marketing strategy is essential which is specially designed for maintaining Customer Relationship Management and also which is the need of the hour. 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).*

**Keywords:** *Retail outlets, CRM, Organized Retail and Customer Satisfaction.*

### Introduction

Retail in India is still at a very early stage. Most retail firms are companies from other industries that are now entering the retail sector because of its amazing potential. There are only a handful of companies with a retail background. Their achievement has led to the arrival of numerous other players, most with the backing of large groups, but usually not with a retail background. Most new entrants to the India retail scene are real estate groups who see their access to and knowledge of land, location and construction as prime factors for entering the market. New retail stores have traditionally started operations in cities like Mumbai and Delhi where there has been an existing base of metropolitan consumers with ready cash and global

tastes. The new perspective to this trend is that new entrants to the retail scenario should first enter smaller cities rather than focusing entirely on the metro's. Spending power in India is not concentrated any more in just the 4 metros (Delhi, Mumbai, Chennai and Kolkata). Smaller but upcoming cities like Chandigarh, Coimbatore, Pune, Ahmedabad, Baroda, Trivandrum, Cochin, Ludhiana, Shimla etc., will fast be catching up to the metro's in their spending capacity.

In India, after agriculture sector retailing is providing 15 % to 20 % of employability and it contributes significantly in the GDP. Organized retail sector has growth and high potential in creating new jobs. In India, retail sector has a significant role in creating direct interaction with



customers in the competitive world through proper maintains of products, product display, accessibility and assortment. According to the report of CII-Mckinsey retail sector contribute 10% of the GDP and near about of 6% of total employment opportunities including organized and unorganized labor work force<sup>1</sup>. In competitive environment organized retail stores are characterized by large formatted stores.

Retail sector is the backbone of India and it is called as "Nation of Shopkeepers" with the 15 million outlets. Indian organized retail sector contribute 2% of the total retail sector and it is increasing by about 5% since 2010. Indian economy contributes 11%-12% in GDP from retail sector. The organized retail market share was 8% in 2012.

**CRM in Retailing:** According to Levy and Weitz Retailing Management is "A business Philosophy and set of strategies, programs and systems that focuses on identifying and building loyalty with a retailer's profitable customers". Retailers can generate their profit by creating a sound and healthy relationships with customers.

Customer relationship management is a process to establish the customer behavior and purchase pattern. Many organized retailers have been targeting to increase their market share through various services and promotional activities.

While customer service has become necessary part of the retailing, it is equally necessary to evaluate the service quality provided. Retailers use various methods and programmes for obtaining information on customers and their level

of satisfaction. CRM is such a tool for servicing the customers. The first CRM initiatives launched in the early 1990s focused primarily on improving a single service channel-namely, the call center. Retailers adopted new technologies and performance measures designed to streamline the process of answering and handling customer inquiries, hoping to increase customer satisfaction and their own operating efficiency. Later, retailers widened this focus to include sales as well, implementing new automation tools to enhance sales force efficiency and productivity. In the mid-to late 1990s, the focus of CRM expanded yet again to include more service and sales channels (such as the Web, e-mail, and instant messaging) giving customers alternatives for interacting. The CRM process starts with constructing a customer database, containing the data about the customers and is the foundation for subsequent CRM activities. However, CRM is still in its nascent stage in retailing and so, an attempt was made in this study to identify the various customer practices followed by the retailers and relate the same to the concept of CRM.

#### Objectives of the Study:

The research was carried out with following objectives:

- i. To understand the CRM retail and customer satisfaction.
- ii. Evaluate the various CRM techniques adopted by organized retail firms and stores.
- iii. Examine the benefits of CRM to the retailers and customers.
- iv.



### Methodology

The present study based on secondary sources. Secondary Data was gathered from various sources such as journals, magazines, newspapers, published sources and websites.

### CRM in Retail Sector

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.

The Retail industry has made a paradigm shift in strategy from being product centric to consumer centric in the past decade. Also, there is a rapid adoption of Internet technologies. A major challenge that service providers face is to establish a robust Customer Relationship Management (CRM) process that accurately collates related customer information for their organization. The

current generation of shoppers is getting savvier in its options.

- Customer loyalty translates into reduced price competition
- Customer information allows companies to target profitable customers.
- Predictable buying patterns lower inventory holding costs, spoilage, and distribution costs.
- Customer loyalty reduces advertising and marketing costs.
- Customer loyalty extends products life cycle.

### 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.

**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.

#### **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.

#### **Conclusion**

The retailers have to be sensitive to the changes in the customers' needs and work out effective retail strategies. Through CRM the retailers must be appropriate in understanding the factors that determine the level of customer satisfaction. Most of the retailers have got several customer service initiatives which all ultimately lead to make the customers happy and more delighted, and consequently fulfill the very purpose of existence of a retail outlet. Effective retail strategies and effective CRM may certainly also benefit the customers in

obtaining the overall satisfaction. 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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