

## **A Study on Contemporary CRM Practices followed by Organized Retail Industries**

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### **Abstract**

Customer relationship management is a comprehensive business strategy. It is a continuous, never-ending initiatives incorporated by many organized retail firms. Hence, CRM plays a significant role in organizing its activities around the customer. Retail is a kind of detail business activities where customers identify their requirement in specific premises. Customer loyalty and customer retention are the two important strategies of every business, these are always challenging task to the retailers. It is believed that a satisfied customer may revisit to make repetitive purchases and this long-term frequency of purchase ensures customer loyalty towards business operation. The customer retention and the customer loyalty programs initiated by the retailers are not common in all retail business. Hence, the study focuses on the value of customer relationship management and the practices followed by the modern retailers to increase the customer retention, loyalty and also suggest the feasible approaches which are appropriate for the success of retail business.

### **Keywords**

CRM (Customer Relationship Management), Customer loyalty, Customer retention, Everyday Low Prices (EDLP), Contemporary approach, Organized and Unorganized Retailing

### **1. Introduction**

A business is an money-making activity, which is related to constant and customary production and allocation of goods and services for fulfilling human desires. Retail is the process of selling consumer goods or services to customers through various channels of distribution to earn a profit. With access to social networks, product reviews, and company

information, consumer taste and preferences, industry is attracting more number of customers towards retail space. Since, fifteen years of its inception, many corporate giants have entered into retailing and have successfully professionalized this business. Many international retailers have entered Indian market and many are about to enter to explore retailing opportunities.

Customer relationship management is one of the most important strategies followed by most of the retailers to attract many customers. Consumer buying behavior and preferences are changing faster than ever and companies must respond more promptly to deliver meaningful improvement on shorter timelines. CRM tools and techniques adopted by the retailers will differentiate the business and competitors. In today's aggressive retail world ruled by a confidence and fleeting consumer, it's the little things that build you strong customer rapport and relationships. If you want to secure your custody and sales targets, you need the right customer dependability and promotional tools to continue your customer's faithful and loving you. Hence, it is very significant to study the conceptual information of contemporary CRM practices followed by organized retail industries.

## **2. Retailing**

Retailing is a well-located, influential and contented process of selling goods and services. Retailing might be as old as business; buying and selling activities have now taken new forms and shapes. New management, marketing techniques and ever changing and dynamic consumer psychology has given wide opportunity for retail industry to come up with better services.

Retail Industry, one of the best altering and energetic industries in the world, has contributed to the economic growth of many countries. The term 'retail' is derived from the French word retailer which means 'to cut a piece off or to break bulk'. In simple terms, it implies a first-hand transaction with the customer.

### **2.1 Divisions of Retail Industry**

The retail industry is mainly divided into two major categories they are:

- Organized Retailing/Retailer
- Unorganized Retailing/Retailer

**Organized Retailing**, are those retailing activities which have been undertaken by licensed retailers and are registered for sales tax, income tax, etc. For instance, hypermarkets, supermarkets, retail chains and privately owned large retail businesses.

**Unorganized Retailing** refers to those trading activities that are completely managed by traditional formats of low-cost retailing, for instance, the kirana shops, General stores, paan/beedi shops, convenience stores, hand cart etc.

## **2.2 Classification of Retail Sectors**

- Departmental stores
- Specialty stores
- Discount stores /Mass Merchandise stores
- Factory Warehouses /Wholesale clubs
- Factory outlets
- Hypermarkets
- Large supermarkets, (typically 3,500-5,000 sq. ft.)
- Mini supermarkets, (typically 1,000-2,000 sq. ft.)
- Convenience stores, (typically 750-1,000sq. ft.)

## **2.3 Common Retail Store Operations for better CRM**

- Better Store administration and Qualitative management
- Best Inventory techniques for better stock management
- Managing of receipts of the relevant activities
- Careful theft management to avoid pilferages
- Continuous Customer Care/Service
- Periodical/ regular Sales promotional activities
- Employee morale for better personnel management

## **3. Literature Review**

**3.1. Dheeraj Verma and Devendra Singh Verma (2013):** The study reveals that CRM practices followed and the strategies adopted by selected organized retail outlets of Indore city and discusses how these retail outlets can hold the customer relationship. The study also opinions that the lack of understanding on Customer Relationship Management was a concern among the service providers especially retail outlets. Hence, retailers have their own approach of managing their customers' relationship. Study also discusses about strategies

adopted by the retail outlets to hold the customer relationship and to appreciate the contribution of CRM of the retail operations. The study also identifies some issues which will impact on customer expectations through implemented CRM in retail outlets that can improve the relationship with customers' satisfaction.

**3.2. Dr. Meera Mathur and Sumbul Samma (2008):** The outcomes of this research paper opinions that the customers don't take a single second when it comes to change the preference and break the loyalty for an organization, in such a situation it is the CRM of the organization will play significant role to induce the customers to visit the retail outlet again and again. And also opinion that customer relationship management is a promising tool which facilitate marketers to maintain their existence in the active marketing atmosphere. CRM is highly exercised in the industry like hospitality, services industry etc. but it is having equal importance in the retail industry.

#### **4. Objectives of the Study**

- To study the various CRM Practices followed by Retail industries.
- To understand the significance of CRM inference in retail sector.
- To discuss the various strategies adopted by the retail industries to enhance CRM practices.

#### **5. Research Methodology**

The paper has been developed through the understandings from various sources like statistical data, case studies, research articles, published and unpublished scholarly papers, and books, various international and local journals and websites.

#### **6. Retail Industry in India**

Retail refers to the activity of reselling. A retailer is any person or organization is a reseller who sells goods or services directly to end-users. The Indian retail industry has materialized as one of the most energetic and fast-paced industries due to the entry of several new players. Retailing is a prime private industry in the world. It accounts for over 10% of the country's Gross Domestic Product and around 8% of the employment. India is the world's fifth-largest global destination in the retail space.

### 6.1 Chart showing the Number of Supermarkets available in India



*Source:* [www.indiaretailing.com](http://www.indiaretailing.com)

**Interpretation:** The above chart defines that the rising number of supermarkets in the India. It has observed that from last 10 years, organized Supermarkets have mushroomed in tier-2 and tier-3 cities of the country. The chart reflects the massive growth in number of supermarkets i.e. from 500 numbers in 2006 to 8500 by 2016. Still there is a huge opportunity for the organized retail industries to enhance their business operations throughout the country. It has witnessed that only 9% of the retail industries were organized and rest of the 91% opportunities were completely controlled and dominated by unorganized retail industries.

## 7. Customer Relationship Management

Customer relationship management in retail operations is fundamental and highly essential practices followed by many retailers. It is kind of strategy to distinguish themselves from the competitors. Business around the globe is facing ever-growing challenges. Customer can prefer between more alternatives due to the mounting competition among the companies and each company is identifying some new approach to attract customers to their destination. Customer Relationship Management facilitates to focus on organization's relationships with individuals like customers, service users, colleagues or suppliers. Customer relationship management is an emerging tool that permits marketers to maintain their presence in the dynamic marketing environment.

### 7.1. CRM Functions to Improve Customer Relationship

- **Data Collection:** Collection of data from the customer on frequent purchases will be very difficult process without CRM tools. Hence, CRM assist the company to identify of Customer buying habits, likes, dislikes, interests, needs tastes and preference on a regular basis.
- **Stability of the customer:** Stability or a sustainability of a customer in specific purchasing point will be a challenging task for many retailers in this circumstances CRM ensures improvements in customer service to facilitate long term sustainability.
- **Condense obstacle:** Many relationships will be blemished without clearing the obstacles associated with it. Identification of such obstacles/ barriers between the firm and customer will be the regular practices of the customer relationship management. CRM eliminates such barriers on time by informing it to the retail operations.
- **Customer retention:** It is essential part of every retail operation. Survival of every retail business is significantly dependent on the loyal customers that business holds. CRM helps to retain such more number of loyal customers to the firm.
- **Better service:** Service is completely intangible in nature; it should be experienced and enjoyed by every customer. If the customers were delighted by the services offered by the retailers, it will retain them back to business. CRM helps the firm to focus its approach to serve better.
- **Business growth and modernized requirements:** CRM helps the company to achieve business growth through development of competitive edge & excellence. Identification of changing Customers demand are always challenging task for many retailers. However, customers' past records in the CRM Software reveals the complete summary of customer transaction, Customer buying habits, likes, dislikes, interests, needs, tastes and preference. Based on these information a retailer can easily forecast and predict the present or modernized requirement.

## **7.2. Strategies Used by Organized Retail Industries to Collect Customer Information through CRM**

- **Entry forms:** These are all the official forms or the documents maintained by the retailers to check number of customer walk-ins to the retail store. An entry form ensures accurate number of customer entry to the business and also differentiates window shoppers or prospective customers to potential or actual customers.
- **Feedback forms:** These forms specifically collected by the customers to evaluate company overall performance. Most of the feedback forms contain the information of customer services, customer interactions, customer support, and overall customers purchase experiences, etc.
- **Transaction History:** This is the past and complete purchase summary of an individual customer. It reveals the purchasing power of customer, nature of purchase, customer taste, preferences, requirement, likes, dislikes and their mode of payment etc.

## **7.3. Modern CRM practices followed by Organized Retail Industries to bring back their Customers**

- **Advertisement:** Attractive advertisements are always provoking many customers to try it once in their lifetime. Hence, many retailers revenue will be spent on creation of such catchy advertisement. This effort brings prospective and potential customer towards retail operations.
- **Loyalty programs (membership cards):** This is an important and regular CRM practices maintained by many retailers. Loyalty is nothing but faithfulness towards specific action. Loyalty program designed by the retailers facilitate more trustworthy customers in the business. They are more profitable customers and rarely prefer to change towards alternative option. Basically loyalty program constitutes membership advantages to the customers to maintain long term relationship. The Customer membership card will be given on enrolling to the loyalty program, on every purchases customer will gain some rewards points where he/she can redeem it as discount in the future purchases or can bought any additional item to the equal value of those reward points.

- **Gift coupons:** These are all the special gifting coupons given to the customers for purchasing higher valued products. These coupons are used for customers delight and bring them return to the store for next purchases. It may contain some of the gifting articles or some nominal value which can redeemed in store itself.
- **Discount vouchers:** These vouchers are given by the retailer to its customer to retain them back through nominal discounts. The discount might be in certain percentage or it might be in fixed amount. Customer can enjoy these discount in the same retail outlets or its subsidiary retail branches
- **Home delivery:** It is an additional facility given to the customer apart from in-house services. Here, the customer can order their products over the phone calls or through SMS or mails. Through this order confirmation The Products are delivered to the customer premises without delays. These services will have some restriction to the customers. This facility can be enjoyed by the proximate retail stores and not by the faraway retail stores.
- **After sales services:** Sales activities are not going to be completed once the products were sold in the business. In a traditional retail business, once the goods were sold out the entire process are going to be finished at that movement itself. But presently most of the retailers are not kept quite after closing the sales process. They are showing keen interest on after sales service. They felt importance of the after sales services in the competitive era. They call customers to enquire about product usage, complaints, maintenance and other services associated with it.
- **Phone calls and SMS:** One more modern strategies adopted by the retailers are making phone calls and sending SMS to the loyal customers. Phone calls will be made to all the customers to inform company's offers, if customer were not interested to receive calls from companies an SMS will be sent to their phones to educate offers.
- **Emails:** It is an official mode of communication sent to the customers through company websites. A common format of information regarding company offers will be communicated to the customers. A customer will get complete information without any hidden facts.

- **Sending Greeting cards:** On the special occasions like festivals, birthday, marriage anniversary etc. retailers use to send some greeting cards to their customers. This will be the latest trend adopted by most of the retailers. This strategy creates sense of belongingness towards the companies and attracts more customers to the business.
- **Discount pricing:** It is the price reduction strategy offered for regular and existing customer as well as to attract new customers.
- **Everyday Low Prices (EDLP):** Everyday low prices refer to the practice of maintaining a regular low price for the products to distinguish themselves from the competitors. Here, consumers are not forced to wait for discounting or for special occasions. This method is comprehensively used by supermarkets
- **Price bundling:** Price bundling (also known as product bundling) occurs where two or more products/services are priced as single package with a single price.
- **Psychological pricing:** Psychological pricing is a kind of strategy designed to have a positive psychological impact. Price tags using the digit like Rs.99/-, Rs.199/- or Rs.299/- etc. can be used to attract many customer attention.
- **Add-on, Up-sell or Cross-sell:** When customer selects their main purchases, customer sales representatives will try to sell a premium brand or higher quality item (up-selling) or can suggest complementary purchases (cross-selling) to the customers.

## **8. Findings**

- It has been understood that CRM plays significant role in organized retail sector.
- Every customer walk-ins either prospective or potential had given equal importance.
- It has been found that retaining existing customer will be the challenging task for many organized retailers.
- Most of the organized retailers have adopted customer loyalty program and CRM practices to retain existing customers.
- Distinguished loyalty program, regular and seasonal offers were the key strategies of many organized retailers to attract new and existing customers.

## 9. Limitations

- This paper is completely conceptual one
- Time was a major constraint to gather primary sources of data

## 10. Conclusion

In a competitive marketplace, retailers must create differentiated product and service experiences. The crucial goal of every retailer is to provide better services to their customers. A best retail experience always facilitates higher satisfaction and loyalty. By holding the consumers at the heart of modernization and reacting to marketing movements with rapid retailers can produce the products and merchandising strategies that will consistently win consumers' requirements. Apart from these strategies retailers are strongly following modernized CRM practices to serve better to their customers. Customer Relationship Management is a system which aims at improving the relationship with existing customers, finding new prospectives, and winning back previous customers.

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