

CRM IN INDIAN RETAILING- FACTORIAL ANALYSIS

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Abstract

The Indian Retail Industry is the fifth largest in the world. Comprising of organized and unorganized sectors, Indian 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, however with the change of taste and preferences of consumers, the Industry is getting more popular these days and getting organized as well. Retail industry is going through a paradigm shift in its structure, composition and practices in India. Emergence of organized retailing in the recent past has strongly influenced the lifestyle of every consumer. Managing effective relationships with customer is the key to achieve sustainable competitive advantage in today's business environment. Understanding and responding to cognitive and emotional expectations serve as the core for developing, nurturing and sustaining lifelong relationships with customers. The present paper provides insights into behavioral dimensions of CRM in retailing and proposes valuable implications for professionals.

Keywords: CRM, Retailing, Customer Orientation, Behavioural Dimensions

INTRODUCTION

CRM has attracted the delayed attention of practitioners and scholars. More and more companies are adopting customer-centric strategies, programs, tools, and technology for efficient and effective CRM. This has led to the realization for the in-depth and integrated customer knowledge in order to build close cooperative and partnering relationships with their customers. The emergence of new channels and technologies is significantly changing how companies interact with their customers, a development bringing about a greater degree of integration between marketing, sales, and customer service functions in organizations. For practitioners, it refers to represents an enterprise approach to develop full-knowledge about customer behavior.

To create customer loyalty CRM relies on customer data. The concept of CRM was again the result of an evolution born out of necessity. When companies realized the need to obtain and maintain exhaustive and scattered customer data and were desperately looking for a tool that could compile, preserve use the data in a way they want, technology came to the rescue with exclusive methods called data mining, data warehousing that gave birth to data base management techniques.

CRM is a business strategy designed to help an enterprise understand and anticipate the needs of its potential and current customers. Customer data is captured in several different areas of the enterprise, stored in a central database, analyzed, and distributed to key points (called touch points). Touch points can include a mobile sales force, inbound and outbound call centers, Web sites, point-of-sale; direct marketing channels, and any other parts of an enterprise that interact with the customer. The distributed data is intended to help foster effective, individual experiences between the company and the customer.

CRM was engineered as a tool to manage customer data using IT-enabled techniques and to develop programs and strategies that encourage customers to continually enhance their business relationship with the company. CRM gives an outline for the activities. It decides on what to do - the objectives, what is required to do it - the resources, who should do it - the people, how to do it - the processes, how long to do it - the time frame. It could be ready made, tailor-made or handmade depending on the specific objectives it is set to achieve.

CRM is unique in the regard as it follows a pattern of pre-determined steps to collect and manage customer data, which was thus far unpracticed. Hence, CRM is defined as:

“a comprehensive strategy and process of acquiring, retaining, and partnering with selective customers to create superior value for the company and the customer. It involves the integration of marketing, sales, customer service, and the supply-chain functions of the organization to achieve greater efficiencies and effectiveness in delivering customer value”.

As is implied in the above definition, the idea behind CRM is to improve marketing productivity. Marketing productivity is achieved by enhancing marketing efficiency and by increasing marketing effectiveness (Sisodia & Sheth, 1995). In CRM, marketing efficiency is the result of cooperative and collaborative processes that help in reducing transaction costs and overall development costs for the company. Two important processes of CRM consist of proactive customer business development and building partnering relationships with the most important customers. These lead to superior mutual value creation.

In a sense, CRM is a natural and predictable extension of the evolution of marketing and sales. The first CRM-enabling technologies included basic contact management software linked to individual PCs. This primitive form of Sales Force Automation (SFA) soon grew to include—in addition to contact management—account management, opportunity management, mail merge, and forecasting. Client, product, marketing, and competitive information were eventually added to the mix. Other front-office applications, such as sales configuration engines, were added, as well as tight links to back-end ERP. Initially, CRM projects focused on unifying the spheres of sales and customer service, but in the last few years, a marketing function was added, as enterprises recognized both a need to tie marketing campaigns to sales and the significant impact service interactions have on sales lead generation. Now, CRM projects strive to provide data to every enterprise department that touches the customer.

The CRM literature recognizes the long-run value of potential and current customers. Increased revenues, profits, and shareholder value are the result of marketing activities directed toward developing, maintaining, and enhancing successful company–customer relationships. CRM is an integral part of a company’s strategy, and its input should be actively considered in decisions regarding the development of organizational capabilities, the management of value creation, and the allocation of resources. CRM principles provide a strategic and tactical focus for identifying and realizing sources of value for the customer and the firm and can guide five key organizational processes: making strategic choices that foster organizational learning, creating value for

customers and the firm, managing sources of value, investing resources across functions, organizational units, and channels, and globally optimizing product and customer portfolios.

RETAILING SCENARIO

The Indian retail sector is going through a transformation and the emerging market is witnessing a significant change in its growth pattern. Both existing and new players are experimenting with new retail formats. Consumers' are also in favor of these retail formats for trendy shopping. The overall retail market (organized and unorganized) is expected to grow at a compounded rate of 15% over the next 5 years from INR 23 trillion in 2012-13 to INR 47 trillion in 2016-17. Rising incomes will be the primary driver of this growth. Favourable demographics, increasing urbanization and nuclearisation of families are other factors which will drive retail consumption in India.

Organized retail, which constituted a low 7% of total retail in 2012-13, is estimated to grow at a CAGR of 24% and attain a 10.2% share of total retail by 2016-17. In short, both unorganized and organized retail are bound not only to coexist but also achieve rapid and sustained growth in the coming years. This is clearly not a case of a zero sum game as both organized and unorganized retail will see a massive scaling up of their activities. In fact, the retail sector, left entirely in the unorganized and informal segment of the economy, could well emerge as a major bottleneck to raising productivity in both agriculture and industry.

Retailing is the largest private sector industry in the world economy with the global industry size exceeding \$6.6 trillion and a latest survey has projected India as the top destination for retail investors. And the further upsurge is anticipated in the retail sector as the Government of India has already opened up 51% FDI in single brand retail outlets and 100% in cash and carry business. The Government of India launched a package of landmark reforms on September 14, 2012 allowing Foreign Direct Investment in multi-brand retail among other sectors. The Cabinet cleared the bill to raise foreign direct investment to 51% in multi-brand retail and 100% in single brand. The decision will be cheered by global retail giants such as Wal-Mart that have long been eyeing India's rewarding retail sector which is mainly occupied by small 'mom & pop' shops. Currently, organized retail, or large chains, makes up less than 10% of the market. An ASSOCHAM report states that India's overall retail sector is expected to rise to USD 833 billion by 2013 and to USD 1.3 trillion by 2018, at a compounded annual growth rate of 10% driven by the emergence of

shopping centers and malls, and a middle class of close to 300 million people that is growing at nearly 2% a year.

METHODOLOGY

In order to conduct a survey, convenience sampling was chosen by selecting 105 retail customers with experience of shopping in organized personal lifestyle retail. The data was collected using a standardized five point Likert type scale of CRM effectiveness, containing 33 items, developed by Jain and Jain (2005). The data was analyzed using PCA of Factors by Varimax Rotation Method. SPSS 19.0 has been used for the analysis of the data.

Results and Discussions:

Factor 1 - Customer Orientation

This factor has emerged as the most significant facet of CRM effectiveness in organized retail Industry. Major constituents of this factor are “customer is given due importance in organization (.728)”, “the organization uses latest technology to give better quality services (.638)”, “customer suggestions are valued (.603)”, “service provider effectively communicate with customers (.542)”, “the organization strives for customer satisfaction (.509)”, “service providers are very enthusiastic to serve the customers (.509)”, “customer satisfaction is assessed regularly (.509)”, “service providers are flexible to accommodate changes (.502)” and “store carefully evaluate the evolving needs of the customers (.411). Service provider has to be very sound before trying to build deep relationship with customers. While formulating business strategy for business success customer needs have to be given priority.

Factor 2 – Responsiveness

The dimensions covered under this factor are “store’s service providers take genuine interest in customer’s problems (.678)”, “store’s service providers are reliable (.647)”, “store provides relevant information to customers (.622)”, “customer complaints are promptly attended (.586)”, “store fulfills its promises (.524)” and “service providers are co-operative (.509)”. Each customer yearns for recognition by the service organization. They not only require that their service needs be fulfilled but also they be recognized as important entities in the organization. This also includes going out of the way sometimes by the customer service officers to fulfill their service requirements. Service propositions like “what can I do for you” clearly underline the importance

of customers.

Factor 3 - Relationship Orientation

This factor has a variance of 8.96 and is composed of “customer leave organization with a wish to visit again (.713)”, “customer can rely on store for their benefit and welfare (.711)”, “retail store is able to establish a relationship of trust and faith (.600)”, “customers do not feel ignored in the store (.574)” and “store generally sacrifices short-term gain for long-term benefits (.385)”. Considering the immeasurable mutual benefits of developing and sustaining long term relationships, retailers are integrating relationship orientation into all their operations and performances.

Factor 4 – Personalization

This factor has a variance of 6.36%. It is composed of “store gives special incentives and privileges to its regular customers (.810)”, “store sends greetings to customers on special occasions (.600)” and “providing personalized services (.364)”. In order to make shopping a bliss for customer’s personal attention need to be given to them so as to make them feel important. Many retailers now identify their long time profitable customers and provide them with added services like sending greetings on birthdays and special occasions and providing them special discounts and free gifts. All these measures help develop an emotional bond between the customer and the retail store which goes a long way in maintaining a long-term relationship with the store which is one of the major aims of CRM.

Factor 5 – Consistency

This factor has a variance of 5.73% and is composed of “store personnel are expert in their area of operations (.644)”, “store makes effective use of IT facilities to enhance customer services (.588)”, “service performance is regularly assessed (.425)” and “store maintains consistent service standards (.411)”. An important component of CRM is customer satisfaction, which depends on customer’s perception of service quality. Parasuraman et al. (1988) found that customer’s perception of quality is a function of the gap between customer’s desires/expectations and their perception of the service that is actually received. Hence organizations should develop a program, which understands the needs/expectations of the customer and addresses four key areas of business: strategy, people, technology, and process.

Factor 6 – Reliability

Reliability is defined as performing the task dependably and accurately (Parasuraman et al., 1988).

To win customer trust, which is an important part of CRM, it is very necessary that processes and people in organized retail store should be reliable. This factor has a variance of 5.54% and is composed of “store is known for ethical business practices (9.681)”, “customer recommends the store to other people (.644)”, “strong desire to maintain a valued relationship with customers (.358) and “showing keen interest in knowing customer’s preferences (.366)”.

Factor 7 – Gestures

This factor has a variance of 4.65% and is composed of a single item but most important in retail services that is “facial expressions of service providers (.739)”. Customers feel emotionally elevated by the service provider’s attitude reflected through their facial expressions. Positive expressions result into happy feeling and vice versa. A large number of retailers train their sales personal in non verbal communication, particularly in managing body language – gestures and postures.

Factor 8 - Modesty

This factor has a variance of 4.63% and is also composed of only one item “service providers do not involve in arguments with the customers (.578)”. Customer is regarded as the most important person in the organization. Any argument or heated discussion may adversely affect the operating environment and create negative publicity. Disputes or conflicts over any issue needs to be approached in a very modest and humble manner to avoid any negative consequences.

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CONCLUSION

Today’s buyers are smart. They are aware, well informed, demanding and well equipped with the latest tools of technology and want to enjoy the best experience. As a result the customer tries to relate many things with the product and services, which leads to growth. Levitt (1986) also focused that customers are interested in the total buying experience, not just the core product. Hence retail stores should focus more and more on relationship marketing. In retail services customers seek an ongoing relationship with the store to reduce perceived risk and saving of time and energy. An

important component of CRM is customer satisfaction, which depends on customer's perception of service quality. Delivering a product after studying the type and nature of customers and their buying patterns increases the return on investment and makes the marketing strategy more scientific and goal driven (Panda, 2003). Another aspect of CRM which needs to be attended is customer trust. Processes and practices should be developed in firms, which establish faith of customers in company's efforts. Few other elements which customers look in a service are responsiveness, knowledgeable people, promptness, promises being kept, understanding, security, follow up, no surprises, accuracy, communication, accessibility and one to one interaction. (Knauer, 1992). Role of employees in a retail outlet is of significant importance in determining customer retention. Employees are the face of the organization and hence a good rapport amongst employees and customers help in maximizing service proposition. Thus employees should be more empowered to be able to cater to customer's needs effectively. Retailers need to address all the important issues brought out in the present issue while designing strategy for managing customer relationships.

SUGGESTIONS FOR FUTURE RESEARCH

The present research has explored important dimensions of CRM. In depth analysis of each factor can be further conducted to bring out better insights. Type of retail stores may also require different treatment. Studies across a variety of retail stores may lead to customized CRM solutions. Micro level studies using demographic correlates may further help in identifying specific issues considered by different customer segments leading focused marketing activities.

TABLE – 1: Total Variance Explained

Componen	t	Initial Eigenvalues		Rotation	Sums of Squared Loadings	
		% of	Cumulative		% of	Cumulative
	Total	Variance	%	Total	Variance	%
1	6.652	20.157	20.157	3.662	11.096	11.096
2	2.417	7.324	27.481	3.286	9.958	21.053
3	2.047	6.204	33.685	2.959	8.968	30.021
4	1.804	5.467	39.152	2.102	6.368	36.390
5	1.652	5.007	44.158	1.893	5.736	42.125
6	1.505	4.560	48.719	1.829	5.542	47.667
7	1.364	4.134	52.853	1.535	4.653	52.320
8	1.353	4.100	56.952	1.529	4.633	56.952
9	1.189	3.604	60.556			
10	1.128	3.417	63.973			

11	1.075	3.257	67.230			
12	.966	2.926	70.156			
13	.919	2.786	72.942			
14	.850	2.575	75.517			
15	.813	2.465	77.982			
16	.724	2.193	80.174			
17	.676	2.049	82.223			
18	.634	1.920	84.143			
19	.543	1.647	85.790			
20	.525	1.590	87.380			
21	.481	1.456	88.837			
22	.466	1.412	90.249			
23	.432	1.308	91.557			
24	.414	1.253	92.810			
25	.386	1.169	93.979			
26	.362	1.098	95.077			
27	.306	.928	96.005			
28	.295	.895	96.900			
29	.261	.789	97.690			
30	.242	.734	98.424			
31	.201	.608	99.032			
32	.177	.538	99.570			
33	.142	.430	100.000			

Extraction Method: Principal Component Analysis

TABLE – 2: FACTORS DETERMING CRM IN RETAILING

	Component							
	1	2	3	4	5	6	7	8
VAR000 06	.728	-.093	.140	.075	.102	.042	.035	.013
VAR000 07	.638	.244	-.010	-.236	.294	-.220	.031	-.012
VAR000 08	.603	.264	.105	.114	.110	.150	-.021	.043
VAR000 04	.542	.190	.096	.273	-.167	-.220	.048	-.416
VAR000 09	.509	.314	.045	.152	.186	.241	.124	-.068
VAR000 24	.509	.151	.335	-.038	.117	-.115	-.074	.269
VAR000 17	.509	.463	.168	.057	-.006	.144	-.026	-.050
VAR000 05	.502	-.217	.424	.278	.059	.020	-.056	-.096
VAR000 27	.411	.114	-.085	.341	.058	.393	.045	.320
VAR000 15	.173	.673	.072	.264	.068	-.038	-.186	.207
VAR000 16	.229	.662	-.014	.169	-.125	.132	.032	-.091
VAR000 22	.155	.647	.346	-.160	.122	-.007	-.335	.033
VAR000 10	.168	.586	.027	.159	.428	-.178	-.009	.093
VAR000 18	.165	.524	.467	-.136	.300	.033	.190	-.103
VAR000 26	.095	.513	.197	.243	-.137	.188	.230	.458
VAR000 29	.070	.065	.713	-.079	.016	.059	-.037	.062
VAR000 25	.275	.069	.711	-.101	.057	.145	-.023	.116

VAR000 19	.157	.262	.600	.280	-.166	.206	.185	.041
VAR000 30	.115	.017	.574	.122	.147	-.124	.139	-.355
VAR000 23	.266	.160	.385	-.098	.257	-.109	-.280	.383
VAR000 11	.003	.130	.047	.810	.158	.083	-.013	-.032
VAR000	.300	.257	-.151	.600	.097	-.200	-.149	.009
VAR000 28	.100	.005	.063	.057	.644	.147	.012	.041
VAR000 32	.335	-.024	-.086	.138	.588	-.031	.300	-.001
VAR000 31	.175	.067	.370	.269	.425	-.040	-.119	-.063
VAR000 21	.069	.217	.299	-.061	.411	.146	-.101	-.341
VAR000 20	.054	.255	.240	-.045	-.044	.681	.061	-.110
VAR000 33	.092	-.303	.037	.018	.223	.664	-.107	.044
VAR000 02	.334	.261	-.069	.248	-.097	.366	.181	-.241
VAR000 03	.307	.174	-.066	-.271	.143	.358	-.263	-.083
VAR000 01	.110	.013	.108	-.001	.142	.026	.739	-.012
VAR000 14	.167	.169	.111	.364	.088	.116	-.575	-.230
VAR000 13	.056	.052	.011	-.015	-.010	-.070	.060	.578

Extraction Method: Principal Component Analysis. Rotation Method: Varimax with Kaiser Normalization. Rotation converged in 16 iterations.

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