

Capabilities and Applications of CRM in Retailing - an Overview

Key words:- Customer Relationship Management (CRM), loyalty Programs, CRM suites

With the passage of time, the characteristics and the number of activities in retailing as well as approaches to manage customer relationship in retail sector have changed across the globe, including India. CRM has emerged as the latest buzzword in retailing, especially in organized retail sector, and an important tool to enhance retailer performance. But, before understanding CRM system in this sector, one must know the growth of retail industry in India, why CRM is important, its applications, capabilities and components that helps in overall customer and retailer satisfaction.

Customer Relationship Management (CRM) has already emerged as the buzzword in retailing and is considered as an application as well as a tool to enhance retailer performance especially in organized retail sector. The hyper competitive and the dynamic business environment has forced many retailers not only to attract but also to retain the existing customers that too profitable ones. So in order to build and maintain one to one and life long relationship with large number of customers, CRM which stands for Customer Relationship Management is used by many retailers.

Overview of Retailing in India

The Indian retail industry is the fifth largest in the world. Comprising of organized and unorganized sectors, and is one of the fastest growing industries in India, especially over the last few years. With growing market demand, the industry is expected to grow at a pace of 25-30% annually and is currently growing at a great pace and is expected to go up to US\$ 833 billion by the year 2013. It is further expected to reach US\$ 1.3 trillion by the year 2018 at a CAGR of 10%. As the country has got a high growth rates, the consumer spending has also gone up and is also expected to go up further in the future. In the last four year, the consumer spending in India climbed up to 75%. As a result, the India retail industry is expected to grow further in the future days. By the year 2013, the organized sector is also expected to grow at a CAGR of 40%.

Why CRM is overall important

- To gain insight into the behavior of the customers and the value of those customers
- To provide better customer service
- To increase business revenues
- To discover new customers
- To simplify marketing and sales processes
- To help sales staff close deals faster

- To help Company to get continuous feedback

New convergence in CRM-

Telephony & Tele-marketing, Internet & E-mail, Mobile, SMS, Digital TV

Key Capabilities of CRM in Retail

1. Deliver complete Customer Intelligence: It streamlines all business processes that affect the customer, delivering complete customer intelligence to customer service representatives and ensuring a consistent customer experience across multiple business units and channels. Integrated customer list selection, segmentation, and fulfillment functions are also included.

2. Improve customer loyalty and retention-CRM improves customer loyalty and increases retention by tracking customer behavior across all brands and channels for improved customer outreach and service. The system analyzes customer data and recommends the optimal retention offer for each customer and matches the value of an offer to the value of the customer. It allows taking immediate action to retain an unhappy customer by facilitating the management of retention programs (like coupons and special offers).

Loyalty program and its benefits

Here customers are given the option of gaining points when they make a purchase. These points can be redeemed and exchanged for gifts or further discount coupons. This also serves as a stimulator for customer retention.

Some of the benefits are increased customer loyalty, lower price sensitivity, and stronger brand attitude, Access to important information on consumer and consumer trends, greater ability to target special consumer segments, increased success in implementing product recalls.

The steps through which companies develop loyalty programs are- 1. Setting objectives, 2. Developing a budget, 3. Determining and selecting the loyalty programme eligibility, 4. Co-Branding, 5. Developing and maintaining the loyalty programme database, 6. Evaluating the success or failure of the loyalty programme, 7. Taking corrective action

3. Increase revenue with cross-sell and up-sell programs- CRM allows generating significant additional revenue with closed-loop analytic capabilities that help to measure customer response rates and identify the best offer or marketing message that will derive the highest value from a particular customer. Such efforts validate the cost of capturing customer information and help determine the effectiveness of cross-sell and up-sell.

4. Maximize existing technology investments- CRM allows maximizing existing technology investments. By augmenting existing front- and back-end systems, the system integrates with any web site, contact center, point-of-sale device, or other application to enable intelligent customer interactions in real time. Custom interfaces unlock the value from existing systems, and rapid implementations provide fast ROI.

5. Get enterprise-class scalability and performance- It provides near-linear scalability on symmetric multi-processor systems and can be deployed across multiple, distributed servers to extend scalability and maximize reliability. Each server is capable of driving hundreds of thousands of intelligent, real-time interactions per hour.

6. Leverage industry best practices-CRM leverages retail industry best

practices and is easily configurable to adapt as the roles and processes evolve. Components include: Marketing, Sales & Service

CRM Tools

1. Database Marketing- Customer profiling, segmentation, scoring, and retention
2. Loyalty Programmes- Loyalty, Reward, Points, Club and Advantage Card
3. Retention strategies- membership card, welcome and thank you communications, frequent buyer programmes, Satisfaction survey through phone calls and letters,
4. Customer Experience Management- Sensing benefits, psychological benefits and emotional benefits, rational benefits and deep psychological drives.

Applications in Retail

- " Personalization
- " Communication
- " Rewards
- " Special Treatment
- " Moving towards profitable consumer relationship
- " Offering demonstrations
- " Repeat Purchase
- " Up selling and Cross selling
- " Customer acquisition
- " Maintaining line of communication
- " Encouraging consumer feedback
- " Offering gifts

Key Benefits to the Company who uses the CRM systems

" Can find out which customers are loyal to the company's brands and which ones are also buying other brands and the reasons for the switch of the brand and can work on winning customers back.

" The company can run detailed reports to track queries and complaints and ensure these are followed up promptly. The reports also help it to acknowledge its most valuable customers on important dates such as birthdays and anniversaries.

" To dispense with spreadsheets to record and track information. Customer data is entered and stored in a central database, eliminating the need for repetitive manual entry and ensuring the accuracy and currency of information.

" The system tracks details such as birthdays and anniversaries, which allows interacting with customers at those times that are meaningful to them.

" The call center staff can record feedback on calls

" To drive marketing campaigns and other business initiatives and better understand consumers' purchasing patterns and choices and can extend the solution to other parts of its business, such as the sales and quality management divisions.

" Increased productivity and freed staff to work on higher value work by eliminating the use of spreadsheet-based systems

Future of CRM

The desire to improve customer satisfaction and retention of customers will constantly drive the need to improve CRM systems. In short, the future of CRM is bright indeed. CRM will become deeply ingrained as a business strategy for most companies. Technology will evolve while technical and organizational challenges are overcome. Much will change in the years ahead, but one thing is certain: CRM is a

journey, not a destination, and customers have their hands on the road map and the steering wheel.

Conclusion

The organized retailing in India is moving towards a tough environment where only those retailers who understands their customers survives

and for that they need to develop a strong bond with them by developing and implementing appropriate

CRM strategies and programs effectively. In the time to come, CRM is going to be the most dominant marketing tool that will enhance the overall retailer performance and profitability.

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