B.com Semester 6
Subject: Business Management – XII (Retail Marketing)
Unit: Unit 3 Customer Relationship Management in retailing
Prepared By: Rozbin Madam [RAS]

Unit 3 Customer Relationship Management in retailing

INTRODUCTION

Definitions of CRM:

CRM is an information industry term for methodologies, software and usually Internet capabilities that help an enterprise manage customer relationships in an organized way.
Customer Relationship Management is a comprehensive approach for creating, maintaining and expanding customer relationships‖.
CRM is an integrated approach to identifying, acquiring and retaining customers. By enabling organizations to manage and coordinate customer interactions across multiple channels, departments, lines of business and geographies, CRM helps organizations maximize the value of every customer interaction and drive superior corporate performance.

CRM is a discipline as well as a set of discrete software and technologies which focuses on automating and improving the business process associated with managing customer relationships in the areas of sales, marketing, customer services and support. CRM software applications facilitate the coordination of multiple business functions (such as sales, marketing, customer services, and support) and also coordinate multiple channels of communication with the customer face to face, call centres and the Web – so that organizations can accommodate their customers‘ preferred channels of interaction.

Concepts of Relationship Management:
The focus [of CRM] is on creating value for the customer and the company over the longer term. When customers value the customer service that they receive from suppliers, they are less likely to look to alternative suppliers for their needs. CRM enables organisations to gain competitive advantage over competitors that supply similar products or services.

What does CRM involve?
CRM involves the following (3):
1. Organisations must become customer focused
2. Organisations must be prepared to adapt so that it take customer needs into account and delivers them
3. Market research must be undertaken to assess customer needs and satisfaction.

Benefits of CRM:

Benefits of CRM include (8):
1. Reduced costs, because the right things are being done (ie., effective and efficient operation)
2. Increased customer satisfaction, because they are getting exactly what they want (ie. meeting and exceeding expectations)
3. Ensuring that the focus of the organisation is external
4. Growth in numbers of customers
5. Maximisation of opportunities (eg. increased services, referrals, etc.)
6. Increased access to a source of market and competitor information
7. Highlighting poor operational processes
8. Long term profitability and sustainability.

Customer Relationship Marketing (CRM) refers to all marketing activities directedtowards establishing, developing, and maintaining successful relationship with their customers. The theories and concepts of CRM draw up on a number of distinct areas including service quality, services marketing, customer retention economics, and issues related to interpersonal and social interaction. However, the practice ofrelationshipmarketing is as oldas marketing and selling.

The relationship marketing philosophy suggests that, at a macro level, retailorganizations should consider their impact across a broad range of marketrelationshipsin the value chain.

The objective of relationship marketing is to attract, maintain, and enhance customerrelationships with the existing and potential customer. Many retailers and marketers have now acknowledged the relevance of relationship marketing in retail strategy.

Relationship marketing is implemented through various components such as rewards, customer services, and involvement of customers in planning and execution of retailstrategy. Retail stores that enact a system of rewards but neglect to have a focus oncustomerservice fail.

THE EVOLUTION OF RELATIONSHIP MARKETING

Customer relationship management (CRM) had its origins in two unrelated places.One was in the US where it was driven by technology. Under the direction ofmarketers, information technology and statistical algorithms were developed toincrease the efficiency and effectiveness of selling what a company makes. Thispopularly came to be referred to as database marketing. CRM systems such as call centres, websites, customer service and support teams, and loyalty programmes were used to manage the relationship with customers.

The second place where the CRM concept developed was in business to business (B2B) marketing in Scandinavia and northern Europe. The IMP (Industrial Marketingand Purchasing) Group has been instrumental in developing our understanding aboutthe nature and effects of

building long-term, trust-based relationships with customers, which are managed by the marketing and sales departments.

They may be based as much on the structural ties between ompanies as they are on Personal relationships among managers. Here, the emphasis is on understanding customer needs and then solving problems or delivering benefits thatcreate demonstrable customer value. While information technology is important inthis style of CRM, it is designed to support rather than drive the customerrelationship. The types of relationship that develop here are often deep andmeaningful-for both the retailers and the customers involved. In the latter half of the1990s, the focus of data base marketing began to shift to relationship marketing.

Marketers and retailers started using improved information technology to regularlycommunicate with a firm's customers and to base product offerings as per the consumer's buying behaviour. Speedy-computer connections help in the communication among channel membersand also have the added effect of creating a relationship between a buyer and a seller.There is an economic and non-economic incentive for both entities to remaincommittedto the relationship.

Customer relationship marketing in retailing has emerged out of two major considerations:

- At a macro level, the recognition that marketing influences a wide range of areas including customer, employee, supply, internal, referral, and `influencer' markets such as the governmental and financial markets; and
- At the micro level, the recognition that the nature of interrelations withcustomers is changing.Theemphasisisonmovingfromatransactionfocustoarelationship focus.

Thus, customer relationship marketing is different from the old concept of marketing, which used to be based more on increasing the customer base. Relationship marketing focuses on using relational strategies to acquire customers, retain them, and enhance relationship with them. In fact, as per Pareto's Law, 80% of the totalsales comes from 20% of the customers, and, thus, relationship marketing attempts tooptimize the resources for the retailer by retaining the most profitable of thecustomers.

The retailing industry plays an important role in the success of relationship marketingas it serves as the major link between the supplier and customers. Therefore, it engages, maintains, and enhances the relationship with the ultimate entity of the value chain, which in turn determines the success of all the members of the valuechain. The retailers have always acknowledged the importance of long-term relationship with customers in their business.

Strategies of Customer Relationship Management

1. Proper Business Strategy

First step in CRM strategies is understanding & analysing your business properly. CRM technique is concerned with improving the business performance. Unless & until business nature is clear, CRM technique cannot be effective.

Business goals, aims & objectives should be clearly analysed. The difference between the present position & future target position to be achieved should be measured. This will help in designing proper plans.

Try to gather all required information about customers in the market. Interact with your buyers to understand market conditions. Based on these information, design your production strategies.

2. Suitable Interaction Medium

It involves creating a proper means through which your customers reach you or gets information about you. It is concerned with what the company does to prove its existence in the market.

It involves several types of paid advertisement, maintaining company's website & email marketing. Customer should be easily able to reach you & contact you.

Through proper interaction medium, you can clearly get an idea about market trends. After that, a proper content plan can be formulated.

3. Train Employees

Your employee's involvement & participation for implementing any plan or strategy is important. You need to train them as per requirement of the technique.

Your employees should have full information regarding your company goals & what are the plans to achieve them. Your employee's motivation & dedication can help you win your customer.

Provide a better working environment & management plan to your employees. They should be happy & comfortable in performing their roles.

4. Proper Sales Process & Channel

It is concerned with the manner you are delivering your products to customers. If your customers are not getting timely service from you, they will definitely shift.

Business should design such a model where it is directly delivering to its customers.It should try to eliminate all the middlemen involved in selling process. It will reduce the time & cost involved in that,

4. Set Targets for Team

Defining your team their roles clearly is another important task to be performed for implementing a proper CRM. Your team should be properly aware of their roles & responsibilities.

Unless they don't know what to do, they can't perform well. To increase the efficiency of your company, you should set goals for each group & department in your organisation.

For example, for marketing department particular sales target, for production department increasing efficiency etc. Proper strategies should be used for tracking the overall performance of these groups. Standards should be set to measure their performances.

5. Establishing Data Management Techniques

Data management is one of important function for every business. If data is not timely available, it can affect the functioning & performance of business. Data should be regularly collected in a systematic way.

Certain standards should be set for collecting the data. It should ensure that data is updated & all old junk files should be deleted. Proper management of data helps in easy access to required data without wasting time.

Therefore should be a universal format for storing & collecting information from databases. It helps in easy understanding by all people.

6. Choosing Proper CRM Software

Choosing the right software for your CRM technique is another challenging task for every business. There are lots of CRM software's available in market.

Every software differs in its cost & specifications. You first need to analyse your business requirements. After that according to that you should select among lots of available software.

Loyalty Programmes

What is Loyalty Program?

Loyalty program is a program or system made by companies to give additional benefits to loyal customers. A loyalty program is a tool or strategy adopted to retain good customers by giving them additional benefits like goodies, cash back, vouchers etc. The objective of a good a loyalty program is to appreciate a repeat customer & ensure that they remain loyal. This helps companies build a strong repeat consumer base.

Importance of Customer Loyalty Programs

Companies face intense competition in the sector in which they operate and there is a limited scope of differentiation in terms of products or services. Customers have several options to choose form when it comes to buying products or using services. In order to stop customers from switching to a competition brand, companies adopt various methods to retain customers. One such strategy of customer retention is through a customer loyalty program. A brand loyalty program empowers the customer with more benefits & incentives which he or she gets along with the products or services that they use. With such a loyalty discount & rewards, a customer becomes happy and satisfied and it adds to the customer loyalty.

These days companies ensure that they have a strong customer loyalty program in place for its customers. Since customer retention is an integral part of business today, it is the responsibility of the marketing teams to make sure they attract customers with such benefits. A loyalty program can be seen as a tool to not only keep a repeat customer happy, but it is also a mechanism to improve brand equity. A happy customer contributes to the brand management of a company as he or she becomes a positive brand advocate by spreading constructive brand awareness about the products & services and its benefits. All these things make a brand loyalty program important for any contemporary business.

Bases for customer loyalty program
1. Adopt a multi-channel customer service system.
Building customer loyalty begins with being in tune with your customers' needs. A multi-channel service system is one of the best ways to connect with your customers, especially when they need help. Customers will have more access to your service team, creating more customer interactions, and the more you interact with them, the more often you can influence their experience.

Multiple channels also allow you to offer an omni channel experience, where customers have a consistent experience across channels, platforms, and devices. This increases customer satisfaction as your customer service is more accessible, which is exactly what you want for frustrated customers who need support.

Consider adopting help desk and live chat tools to help your customer service team cover multiple channels. For smaller teams, AI software like chatbots can relieve the workload of organizing and distributing incoming requests without having to hire more employees.

2. Provide exceptional customer service.

Going above and beyond customer expectations to provide exceptional service doesn't mean giving away free products, discounts, and perks. It's quite the opposite. Customers want solutions to their problems, not a free sample. Giveaways and discounts simply put a bandage on the problem.

Instead, challenge your team to listen to what the customer is saying and process the feedback. More often than not, your customer will be happier with the solution than they would be with a replacement or perk — although those can help sweeten the deal.

3. Focus on the customer, not the competition.

There's a time and place to scope out competitors, but it's not as beneficial as you might think, as mirroring them to win over their customers doesn't guarantee the same results. To be the best in the eyes of your customers, you'll need to know what your competitors do, then get even more creative than they are.

Big gains in customer loyalty are the sum of several small decisions. What that means is this: Your success isn't riding on one breakthrough. Every customer interaction, product purchase, and referral by a devout customer contributes to brand loyalty every day.

So when you're tempted to see if the grass is greener on the other side, know it's probably watered with a different sprinkler.

4. Be consistent.

Franchises like McDonald's are so successful mainly because of consistency. Customers know what they can expect from these businesses when they go, no matter where they are in the world. On the surface, that doesn't seem like a contributing factor toward customer loyalty but it is — here's why.

When brands provide consistency through their products and service, their customers can easily incorporate them into their lives. For instance, imagine wanting ice cream, and all you can think about is your favorite cone from McDonald's. You can count on them to be open and deliver exactly what you had in mind. After enough visits, you'll begin to trust it because it's proven time and time again that it can consistently deliver on its promise (and ice cream!).

5. Build credibility through meaningful customer interactions.

Nearly three out of five consumers report that good customer service is key to feeling loyalty toward a brand. Additionally, 76% of customers say they would stop doing business with a company after one bad experience.

Every business makes mistakes, but the key to retaining customers is acknowledging mistakes and correcting them when they happen.

Loyal customers expect a positive experience from your brand every time they interact with it. They want to feel like you value them as much — if not more — than they value you. If they sense their business isn't appreciated, you might lose them to competitors.

A CRM can come in handy here as it records the past experiences that a customer has with your brand. It stores messages like emails and calls, as well as customized notes that relay specific information about a customer. This creates a more personalized experience as employees can leverage important historical data regarding past interactions with a customer.

6. Deliver added value.

You're not the only one vying for your customers' attention — your competitors are too. Everyone races to show their customers that they can best fulfill their needs. So, how do you edge them out? Go above and beyond their expectations.

Research shows that one in four customers is willing to pay 10% more in almost every industry if there's a guaranteed good experience. Other than offering a loyalty program — which we'll talk about soon — you can do this by building a relationship with your customers that extends beyond the moment of purchase to demonstrate that you're invested in their lifestyle, not just their money.

One way that your company can add value to the customer experience is to host events or contests that your target audience would be interested in. For example, the energy drink brand, Red Bull, has built a massive customer following by sponsoring extreme sporting events and teams.

Another way to add value is to create a customer community. This could be something simple like a knowledge base or ideas forum, or it could be complex and include a devout network of loyal advocates.

Take Harley Davidson, for example. It founded a community of brand evangelists who advocate for Harley Davidson at different dealerships throughout the U.S. These communities make customers feel like they're part of an in-crowd with a social status exclusive to the group members.

7. Share positive customer experiences.

If you're doing a good job generating positive customer experiences, why not let people know? Gather customer feedback and share reviews to inform others about the benefits your company brings and broadcast these stories across your different channels. Customers tend to trust other customers more than your advertising, so it's important to leverage positive interactions to maximize customer value.

If you're unsure where to find feedback, third-party review sites like Yelp give you access to a lot of customer feedback in one place. You could also consider adopting NPS® and other feedback tools to gather qualitative information about your brand or encourage customers to share testimonials that you can share on your site.

8. Reward your customers.

Customers loyal to your brand are also the most valuable to your business. In fact, customers who have an emotional connection to your brand tend to have a lifetime value higher than your average customer. These customers spend more with your business and should be rewarded for it — this is where a loyalty program becomes essential to building customer loyalty.

Requirement for Customer Relationship Programm

1. To know your audience

An important element of implementing a successful customer loyalty program is ensuring that the rewards reflect what your customers actually want in a rewards program. This requires that companies make a genuine effort to understand their most loyal customers and what would entice them to come back again and again. It is all about research. Use surveys, customer service data and customer interviews to gather insights into who your customer is. You need to have that foundation of knowing who your customer is and what they will respond to.

2. To give customers something to strive for

A benefit of tier-based programs is that they give customers something to strive for. Sephora's Beauty Insider loyalty program is a good example. The program has three tiersand the higher a customer gets, the more benefits they get. Tier-based programs engage customers while making them feel special. It feels like a badge of pride to know you made it to the highest level.

3. Genuinely provide value for your customer

If your loyalty program is more about benefiting your business than it is your customers, customers will see right through it. It is crucial to ensure customers feel like they are getting something back. For example, you might offer bonus points so customers will get more rewards the more they spend.

4. To add a personal touch

With so many brands offering loyalty programs, adding a personal touch is one way to stand out—and customers increasingly expect it. A clothing company could look at customer behavior. It could use that data to encourage customers to shop in different categories relevant to their

interests and needs. If a customer has always been a dress shopper, you could target them with discounts on accessories to get them to buy in another section of your store.

5. To offer an incentive

When you build a new loyalty program, offering an incentive encourages customers to take advantage of the deals. Some brands offer a welcome discount as an incentive to sign up. Panera gives MyPanera loyalty members their first month of membership for free and a free sweet treat when they join.

Classification of Programms

1. Points programs (Marriott)

Points programs are among the most popular types of customer loyalty programs. They are useful because points are easy to earn and easy to redeem. Customers can redeem points for credit toward their next purchase, discounted services or giveaways. Customers can track points programs with a loyalty card, online account or mobile app. Because so many brands employ a points programme, it's an easily recognisable format for customers. They understand how to take advantage of them and it is a seamless experience. For example, Marriott has a popular customer loyalty rewards program called Marriott Bonvoy Benefits. Travelers can redeem points for free hotel nights, dining and other experiences. They can also earn points with car rentals and flights, share points with friends and family, and get free wifi and special rates. Personalisation has been vital in driving Marriott's increased brand loyalty. The benefit of rewarding customers using a points-based system is that it allows Marriott to analyse customer behavior and use that customer data to create a better experience tailored to each customer. The more they know about their customers' preferences, the more the company can offer personalised rewards.

2. Tier-based programs (DSW)

A tiered program starts with a points program that allows customers to earn rewards with every purchase. Tier programs are like video games. Once you complete one level of spending, customers can unlock a new level that gives them access to more significant benefits and more perks.

Tiered programs can also align with your brand marketing strategy. To create an element of exclusivity, you could have a tier of "diamond level" clients. Customers at this level could earn exclusive pricing for your most expensive products and services. This will motivate your customers in lower tiers to make an effort to get to the next level of spending. The more exclusive the reward, the greater the customer appeal. DSW, the popular shoe retail outlet, announced its VIP customer loyalty tier program for Canadian customers in 2019. Tiers were designed based on customer buying behavior and include rewards like free shipping and extra points for donating unwanted shoes. Loyalty programs Survey data source

The benefit to adding a tiered rewards customer loyalty program to a points program is that it offers a structure that customers can rely on for months or even years at a time. It gives them something to strive for.

3. Mission-driven programs (Ben & Jerry's)

Not all rewards programs focus on tiers and discount codes. If your company has a strong social mission, then you may want to try a customer loyalty program with a cause.

Aligning with a mission or cause allows you to build customer engagement and drive repeat purchases through your share values. These programs can be more effective when you partner with a nonprofit organisation with a strong connection to the company's mission. Ben & Jerry's creates social justice-themed ice cream flavors and donates sales to charities that support animals, the environment, social programs and other causes.
A mission-driven customer loyalty program allows customers to feel like their purchase, whether big or small, helps improve others' lives. Before you start this type of programme, make sure that your company's values and mission are aligned. Then, identify organisations or causes that would resonate with your customer base.

4. Spend-based programs (Azerbaijan Airlines)

We have already discussed loyalty campaigns that offer points to customers for every purchase they make. But how do you reward those customers who are spending more money in a shorter period? How do you encourage those customers to continue spending their money with you as opposed to going elsewhere? Spend-based customer rewards programs allow companies to recognise high-spend customers. Airlines, in particular, are transitioning from the points programs to spend-based systems. It allows them to engage deeper with frequent fliers who pay more for fewer flights. Azerbaijan Airlines rewards frequent flyers with travel points based on each ticket's base fare. Loyalty program Those travelers who reach elite status sooner get perks like complimentary lounge access, early boarding and additional checked baggage allowances.

This type of programme benefits business travellers who are paying more money for last-minute flights to their next meeting or scheduled events. It recognises both how often customers buy and how much they spend.

5. Gaming programs (Starbucks)

Gaming programs introduce an element of fun into the mundane task of making a purchase. Let us look at Starbucks as a great example of a customer loyalty program based on gamification. Starbucks switched from a simple points program to a gamified approach in 2016. In addition to these changes, Starbucks recently announced new features to incentivise occasional customers to become frequent customers.

Prior to these changes, all customers were rewarded with one point for every purchase, regardless of how much money was spent. The challenge was that the customer who purchased a grande iced vanilla latte and a slice of pumpkin loaf earned the same reward as someone who only ordered a tall cappuccino. With the gaming system, customers earn two 'stars' for every dollar spent, rewarding those who spend more money during shorter periods of time. However, it does not stop with stars. The newly introduced tier component expands the points program, allowing customers to redeem their stars for other items beyond just cups of coffee, like an extra espresso shot or even select merchandise.

Customers play the game on a mobile app, which Starbucks also uses to notify customers of opportunities to earn extra points. Gamified loyalty programs encourage future purchases by making make the points process more fun and keeping customers hooked.

6. Free perks programs (Grubhub)

Who does not love gifts? Free perks programs gift loyal customers free products and services. Grubhub's loyalty program allows customers to redeem ongoing offers, which can total more than $400 in free food at any given time. In doing so, the program also helps its restaurant partners promote their restaurants on the app by introducing customers to places they have not tried.

7. Subscription programs (Dirty Lemon)

Amazon Prime is the holy-grail of subscription-based customer loyalty programs. But you do not have to be a tech giant to implement this kind of rewards model. Dirty Lemon, an e-commerce start-up specializing in lemonade with a kick, gives subscribers a discount—everyone else has to pay full price for their charcoal lemonade.

8. Community programs (Sephora)

Sephora's Beauty Insider program gives customers a choice of gifts based on a points system. But it also offers something unique: an online community. The Beauty Insider Community is an online community where the beauty-obsessed and beauty newbies alike can ask questions, share their looks and swap tips. Experiential rewards like Sephora's online community adds an emotional element and strengthens customers' relationship with the brand.loyaltyprogramImage source

9. Refer a friend programs (Freshly)

Referral programs are a type of customer rewards that reward customers for referring their friends and family. They help turn loyal customers into brand advocates. Freshly's referral program gives an existing customer a $40 discount for every new customer they refer and that friend gets $40 off, too.

10. Paid programs (DoorDash)

A paid loyalty program requires customers to pay a fee for loyalty perks. DoorDash customers can become DashPass members for a small monthly fee. In exchange, they get free delivery for a wide range of restaurants, so customers that use the app often ultimately save on orders. Paid customer loyalty programs only work when the value outweighs the cost.

11. Cash back programs (Bank of America)

The most successful loyalty programs make customers feel like they are getting something in return. Cash back rewards give customers cash back or money to spend with the business. This type of loyalty program is popular for financial companies. But Gap also gives customers Gap Cash to spend at the store or online. Bank of America's Preferred Rewards gives customers cash back rewards when they spend money in the category of their choice and use their debit or credit card at national retailers, restaurants and other companies.

Assignment Programs

Q:1 What is CRM ? Explain its strategies in detail.

Q:2 Write a note on classification of customer loyalty programs.