



A study of customer relationship management in retail outlets at Bhopal, India

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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. Bhopal consists of different income groups from various segments like rural, semi-rural, urban, upper middle and lower. This study focuses upon the practices implemented by retail outlets. Retail outlets are implementing CRM practices for establishing the customer retention management. Research shows that as customer preferences and choices are dynamic and changing frequently. It helps the sector to understand the customer needs and how frequently they visit the retail outlets. Many retailers use the CRM software packages for understanding the customer needs and purchasing behavior. Through this, a company can make a clear prediction of customer's future outcomes.

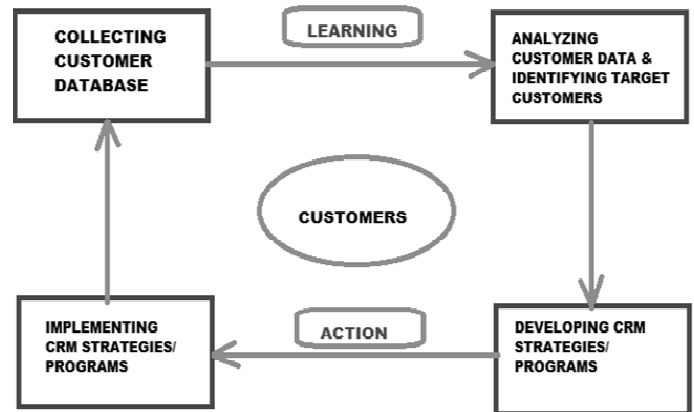
Keywords: Retail outlets, CRM, Organized Retail and Customer Satisfaction.

Introduction

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 force¹. 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 outlets². 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 sector³. 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 customers⁴. The main objective is to maintain the loyalty of the customers.



Source: Retail & Export News, September 5, 2010

Figure-1: Customer Relationship Management Cycles

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. It helps the retailer for increasing their sales revenue and profits. The sequential activities are shown in Figure-1 which includes the four major components for iterative process of customers like database, programs, strategies and target customers.

Major Retail Outlets in Bhopal: Retail sector is growing at a faster rate in Bhopal city. There are different segments of branded and organized outlets targeting the various income groups of consumers from different segments like rural, semi-

rural urban, upper, middle and lower income segments etc. The detail of organized retail store in Bhopal city is as follows --

Retail Outlets

Clothing and Apparels	Shoppers Stop, Pantaloon , Westside, Levis, Big Life, Vishal Mega Mart, V – mart, Big Baazar, Manyawar etc
Footwear	Nike, Lotto, Puma, Catwalk, Liberty, Adidas, Bata, Woodland, Reebok, etc
Food and Grocery	Hypercity, Kabuliwala, Apoorti, Priyadarshaini, V- Mart, Vishal Mega Mart, Reliance Fresh etc
Watch & Jewellery	World of Titan, Tommy Hilfigure, Shopper’s Stop, Paris, Tanishq, Alankar, Agarwal Jewelers, Orra, Punjab Jewelers, PC Jewelers etc
Durables	Lotus, Sony world, Tarang , LG, Reliance digital, Hypercity , etc

Objectives of the Study: The research was carried out with following objectives: i. Analyze CRM practices followed by the retail stores. ii. Evaluate the various CRM techniques adopted by organized retail firms and stores. iii. Examine the benefits of CRM to the retailers and customers.

Review of Literature: Parikh analyzed that organized retail sector develops in India; retail outlets will have to emerge the quality of their services extensively in order to struggle effectively in the international market place.

It is, thus very essential to know how customers appraise service quality and to measure and improve it⁵. Jain and Jain studied CRM practices of hotels in central India to measure the effectiveness against various factors like: recognition, customer orientation, reliability, relationship orientation and gestures⁶. Raab in Customer relationship management: a global perspective proposed a research work for the comparison of customer relationship management principles exercised by other multinational retailers in a global marketplace⁷.

Methodology

The study on CRM in retail outlets was conducted through structured questionnaire and interviews methods for collecting data. The sample size used was 10 organized retail outlets.

Results and discussion

Income Group of Customer’s of Retail Outlets in Bhopal: Spread of retail stores customers by income group at Bhopal is as Very high income group 10 percent, High income 32 percent, Middle income group 43 percent and Low income group 15 percent. Thus retail stores should concentrate more on Middle income group and High income group as they comprise of 75 percent of all customers.

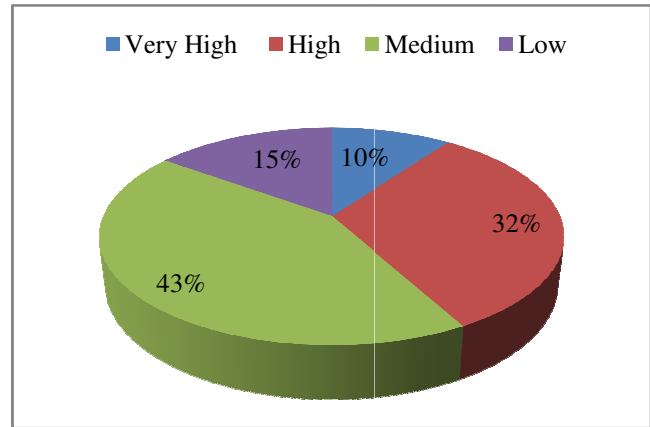


Figure-2: Percentage Target Income Groups

Retail Stores Collecting Customer’s Database: This data shows effective working of retailers. Sixty percent of the organized outlets collect customer information for their database. Customer database helps the retailers to identify purchases of customers. For implementation of CRM the other forty percent should also start building their database.

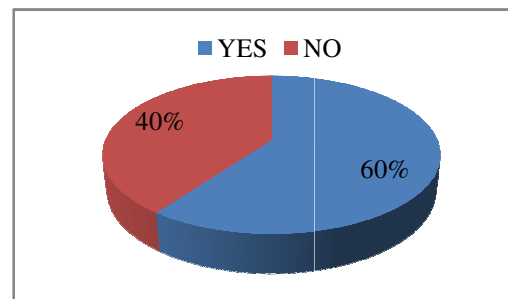


Figure: 3 Percentages of retail outlets collecting customer data.

Tools /Techniques Used for CRM: 50 percent of the organized retailers at Bhopal deploy E-services. Knowledge management is used by 30 percent which is most important for CRM implementation. Only 10 percent of the retailers use multi channel management. Thus nearly seventy percent of the retailers need to use knowledge management for effective implementation of CRM.

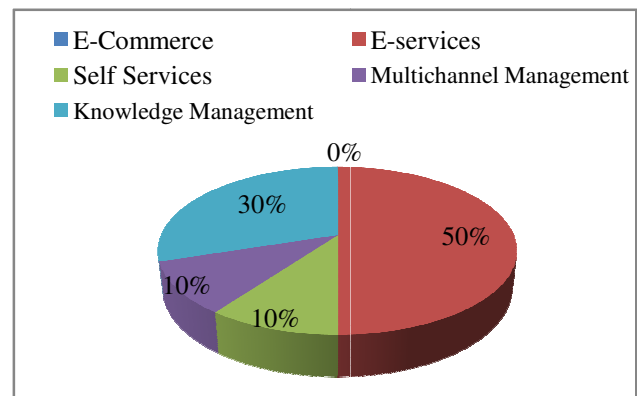


Figure: 4 Tools/Techniques used For CRM

Various Time Frame Schemes Offered by Retailers: Thirty one percent use special offer schemes like free gifts, coupons etc., to attract customers. This is done twice in a year (clearness sale July & January). Free product sampling is offered by nineteen percent, Gifts by twelve percent.

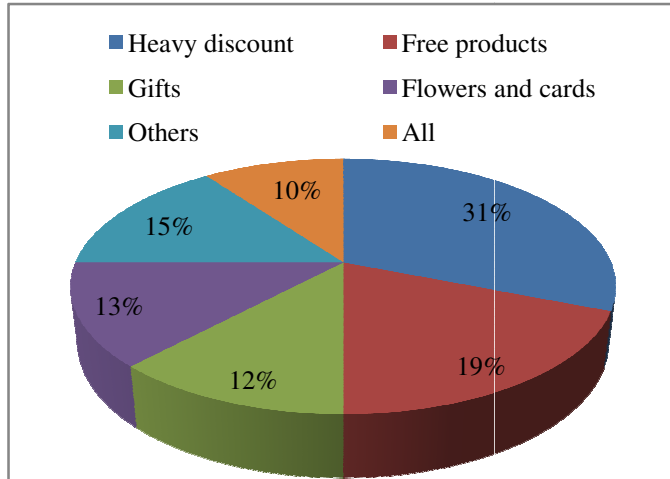


Figure-5 Special Schemes Offer

Frequency of Tracking Customers Satisfaction: About 60 percent of retailers interviewed believed that the frequency of tracking customer satisfaction is done daily whereas some retailers in organized retail do it monthly and very few do it Quarterly.

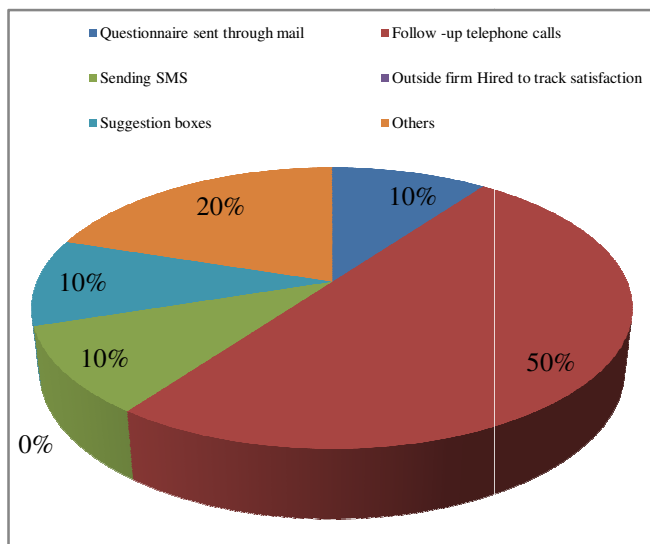


Figure-6: Tracking Customers Satisfaction

Methods of Tracking Customer Satisfaction: It is evident that most used method of tracking the customers satisfaction is follow up through telephone. Retailers also track customers by making them fill questionnaire, by keeping suggestion boxes and other innovative methods.

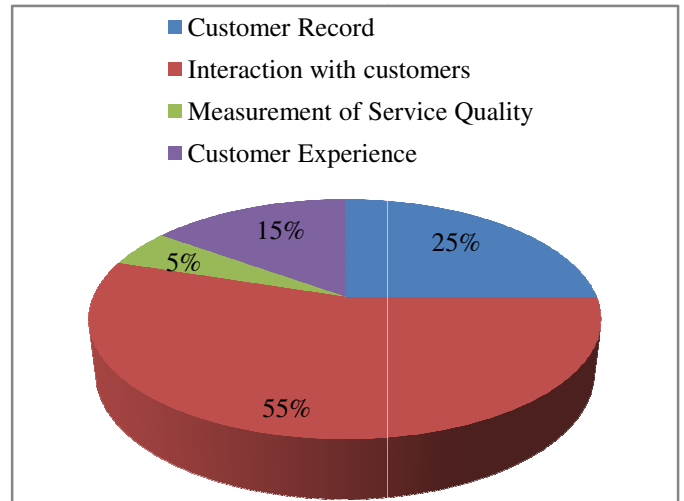


Figure-7: Methods of Tracking Customer Satisfaction.

Data Required for CRM Implementation: According to the views of respondents regarding data required for the CRM implementation in the retail outlets main source was interaction with customers, 55 percent. The customer's record and customer experience are the next two sources of data for CRM implementation.

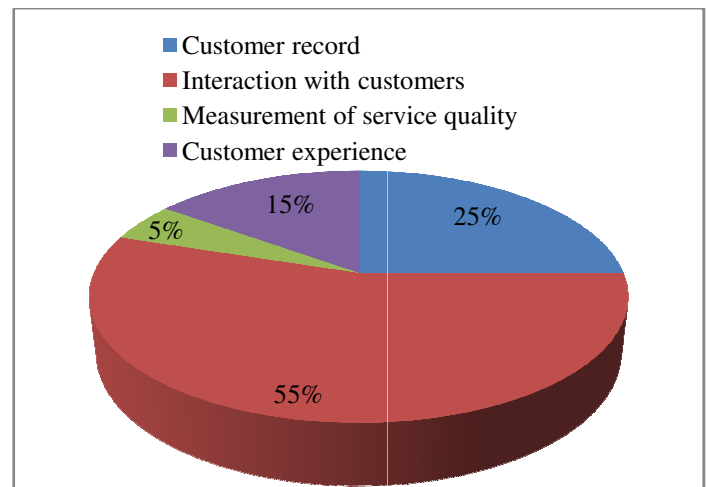


Figure-8: Data required for CRM

Methods of Collecting Customer's Data: Thirty two percent stores collect the information through entry form feedback forms thirty percent through feedback forms and twenty eight retailer uses bill records.

Benefits through CRM: About thirty one percent of the total retailer believed that most important benefit of CRM to the retailers is that there is an increase in the number of customers followed by repeat purchase and increase in profit. The other benefits are that new customers are attracted and enhanced service quality. Their perceptions may not be correct as CRM largely benefits in regards to customer loyalty.

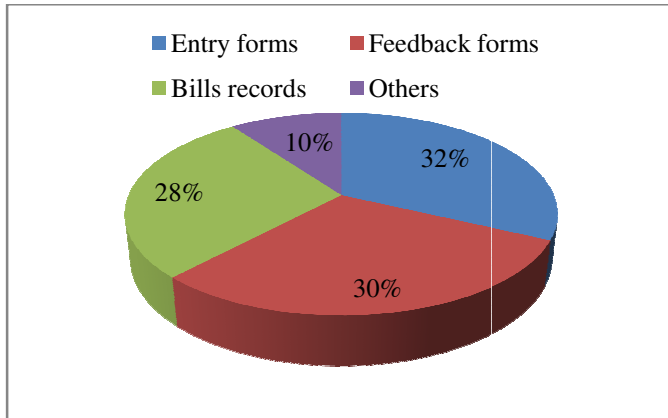


Figure- 9 Ways of Collecting Data

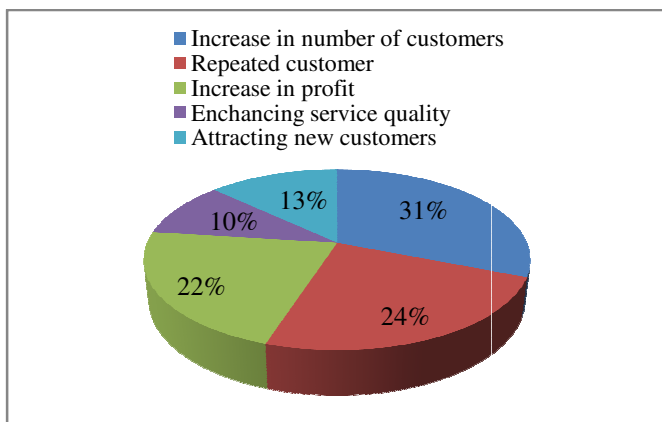


Figure-10: Benefits of CRM

Basis for Evaluating CRM: Most of retailers in organized retail at Bhopal believed that the most common basis of evaluating the CRM is by counting the number of customer complaints, by looking at the market share and by seeing the reduction in expenses. Some other retailers also took as revenue, retention and new customers as the basis for evaluating the CRM.

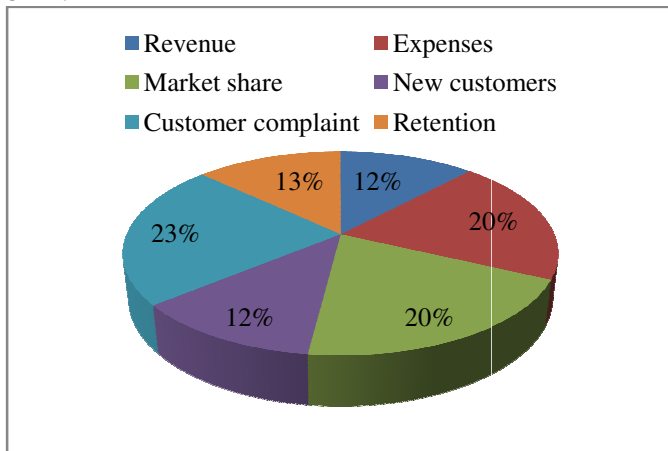


Figure-11: Basis for Evaluating CRM

Conclusion

The study helps us to identify the CRM practices which are being followed by the organized retail stores at Bhopal. Through CRM tools and techniques retailers and customers are benefited which helps in future relationship. The customers are attracted and thereby the retailers increase their service quality. This study can be used by researcher for identifying the taste and preferences of the customers. It will help in understanding reasons of frequent store visit of customers to retail stores. The study can be used by the consultants for making various training programs and CRM software for the organized retail stores.

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