

## Module – 6

### Relationship marketing and International retailing

Relationship marketing refers to all marketing activities directed towards establishing, developing and maintaining successful relational exchanges.

- Relationship marketing draws upon number of areas(customer quality, customer service, social interaction)
- Relationship marketing implemented through various components(rewards, customer services and involvement of customers in planning and execution of retail strategy)
- Customer service is the vital part of Relationship Marketing

#### **THE EVOLUTION OF RELATIONSHIP MARKETING:**

Customer Relationship Management (CRM) originated in two unrelated places.

USA- Database Marketing was used when the marketers directed their efforts to increase selling effectiveness. Information Technology and Statistical analogy was also used for this purpose.

Scandinavia and Northern Europe – The Relationship marketing was emphasized in B2B marketing.

In the later half of 1990, there was a shift from Database marketing to Relationship Marketing. Marketers and Retailers started using IT to communicate with customers and that helped them to base their product offering.

Relationship Marketing emerged out of 2 major considerations

1. Macro level( At the macro level there was an increased necessity to maintain relationship with employees, customers, suppliers and government)
2. Micro level(At the micro level there was a shift from Transaction focus to Relationship marketing)

Transaction Marketing: - focuses on single sale, product features, little emphasis on customer service and moderate customer contact.

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Relationship Marketing:-focuses on customer orientation, high emphasis on customer service, High commitment. Related to this is Pareto's Law which states that 80 % of the company revenue comes from the 20% of the loyal customers. The fact is that acquiring a new customer cost 5 times of retaining an existing customer. Relationship Marketing attempts to optimise the resources for the retailing by retaining customers.

### **Relationship Strategies in Relationship Marketing:**

1. Personalisation: It describes the social content of the interaction between service employees and their customers. It can be regarded as a means of showing recognition and respect ex: Feeling of familiarity, personal recognition, friendship and social support by retailer. Sometimes retailers recognize customers calling by their name.
2. Special Treatment Benefit: Relationship marketing does not tell to maintain relationship with all customers. Customer focus and selectivity is the key aspect of Relationship marketing. It emphasizes relationship with the loyal customers. Differentiation required between loyal and the non-loyal one. Up gradation and service augmentation are the ways to provide special Treatment benefit to the loyal customers.
3. Communication Benefits: Efforts must be taken to "Stay in touch" with customers- is the key determinants of Relationship Marketing. Companies use Direct mail, e-mail and telephone and SMS service to keep in touch with the customers.
4. Rewards: Pricing incentives, money savings, free gift are the ways to reward loyal customers. Rewarding efforts must be more functional and economical.

### **Relationship marketing in organised vs. unorganised retail sector:**

Organised Retailers can be classified as in store retailer and Non store retailer.

Organised Retailer provide standardized service, large retail format with high quality ambience, well trained sales staff, wide range of merchandising.

Unorganised Retailers: (Kirana stores and Central Business district of a city)

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- The USP (Unique selling Proposition) of this unorganized retailer is locational convenience and customized service.
- They establish comfortable relationship, and the customers inform about their changing needs on a regular basis. Sometimes the retailers are considered to be the part of their family
- Relationship efforts of unorganized retailer are not only confined to Grocery but also garment, jewellery and durables. Customers depend on retailers than on brands. This is the result of relationship.

#### Loyalty Programme:

The use of loyalty programme is evident from the fact that the corporate expenditure on loyalty programme is booming.

The following are the bases for loyalty programme.

1. Loyal customers are cheaper to serve: Retailers may not be required to invest , maintain and communicate with customer(loyal) as they are already predisposed to search for information ( new arrivals and services)
2. Loyal customers are willing to pay more for a given bundle of offering: Customers normally stick into one business entity because of high switching cost and psychological stress. They therefore will to pay higher prices.
3. They act as Effective marketer for the service offering: The word of mouth marketing is very effective, and many stores justify their investment in loyalty programme by seeking profits not so much from the loyal customer but from the new customer the loyal one brings.

#### **RETAIL RESEARCH**

**Retail Research:** Marketing research specifies the information required to address the marketing issues (marketing opportunities, evaluate marketing actions, monitor marketing performance) design the method of collecting information, manages and implements the data collection process, analyses and communicated findings and their implications.

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Importance of research in retailing:

- Retail research can help retailers to take important decisions such as market positioning, which retail format will be most suitable for the particular target market, how best to display merchandise and so on.
- At the retail level, research is used for concept testing, business feasibility analysis, identifying the correct product mix, understanding the target market profile, understanding and analyzing consumer behaviour.

**Methods of retail research:**Qualitative Research Methods:

It is used to find out what is in consumer's mind. The retailer will be able to get oriented to the range and complexity of consumer activity and concerns. Such data may help retailer to know more about things (feelings, thoughts, and intentions, past behaviour) which cannot be directly observed or measured.

Focus group study is used to identify the most likely product positioning, and to know the cues on the various features which go into the shopping such as ambience, shopping needs and requirements, style preferences.

3 Major types:

1. Exploratory Research: defines the problem in detail, suggest hypotheses, used for generating ideas for new product.
2. Orientation Method: getting to know the consumer's best view and vocabulary.
3. Clinical: Gaining insights of issues which otherwise might be impossible to pursue structured research methods.

Qualitative research can take the form of Focus Group Discussion, Projective techniques (Word association test, third person role playing, and sentence completion test)

Quantitative Research through survey:

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Survey can help to understand the consumer's behaviour: Current shopping pattern, to know the size of the market, the retail formats currently being used, size of the core target.

The survey in many forms is one of the most widely used and well known method of acquiring marketing information by communicating with the group of customers through questionnaire or interview. It is efficient and economical.

#### Observation Method of Research:

-used to provide information on current behavior. The research design can be: Casual or systematic.

It will be easy to observe the following information:

- what is the in store traffic pattern
- what is the customer's reaction to the displays, visual merchandising
- what is the pattern of customer movement
- why is the reaction to private labels
- which are frequently asked questions by the customers

#### Forms of observation:

1) **Direct observation:** the retailer may use an observer disguised as a shopper to observe how long customer spend time in the display area.

2) **Contrived observation:** Buying teams disguised as customers will try to find out what happens during normal interaction between the customer and the retailers.

3) **Content Analysis:** used to analyse the content or messages of advertisement

4) **Humanistic Enquiry:** It involves immersing the researcher in the system under study. The researcher maintains two diaries.

1) Theory construction which records in details the thoughts, premises, and hypothesis.

2) A detailed date and time sequenced notes which are kept on the technique used for enquiry with special attention to biases or distortions

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5) **Behaviour recording devices:** help to overcome deficiencies of human observers. People meter, Eye movement recorders, voice pitch analyses.

Brand management in retailing:

Of the top 10 strongest brand in the world five are retail brand. Brand management possess several challenges to the retailer. The key issues are:

1. Brand management of the retail outlet, and
2. Deciding whether or not to opt for the strategy of self own branding.

The 10 strongest brands in the world:

Coco-cola, McDonalds, Sony, Nike, Microsoft, Wal Mart, Ford, Levis, Gap and Amazon

A retailers brand is valuable since it enhances reach and endurance with the consumer and ensures more focused strategic plan. The elements of store brand are

1. Format
2. Location
3. Visual Merchandising
4. Experience
5. Price
6. Product assortment
7. Service

Own Branding:

Own branding occurs when a retailer sells products under the retail organizations house brand name. Own branding can be of two types, integrated own branding (occurs when the retailer also manufactures the branded retail products).

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eg. Raymonds, Bose, Sony retail outlets) and Independent Brand (occurs when the retailer procures the products from other suppliers though, they are sold under the label of the retail house e.g. grocery, garments, shoes).

#### Significance of Own Branding:

Private labels have showed an increase in terms of both value and volume across countries. Private label share of the product categories such as food, drink, personal care ranged between 5% and 20% in value terms in most countries. A well run private label brand enhances store profitability by increasing pressure on branded manufactures.

#### **Internationalisation of retailing**

##### Evolution of International Retailing:

The geographic shift in consumer spending over the last decade has been enormous, resulting in a change of priorities for many retailers. Rising incomes, improved infrastructure and fewer tariffs have made a number of emerging markets both more accessible and more attractive. The lure of high growth rates fuelled interest and investment into these markets, sparking a sharp rise in the number of market entries from retailers across the world. Many developed markets, on the other hand, have faced long periods of stagnation and in some cases, decline. This has forced retailers from these markets to reconsider domestic store expansion and look for opportunities in new markets. Exacerbated by the rise of e-commerce, the growth in the size and number of internet retailers has made saturated markets even more competitive. These two forces of attraction and repulsion have propelled the internationalisation of retail.

1. Domestic saturation and the high growth nature of emerging markets are the biggest drivers of the internationalisation of retail.
  2. Acquisition of supply chain infrastructure and local knowledge mean grocery retailers are best suited to inorganic international growth.
  3. Vertically integrated retailers stand a much greater chance of success when internationalising compared to multi-brand retailers.
  4. High growth opportunities from luxury brand retailers will be geographically different from the rest of the retail world.
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5. The shortage of international home improvement and gardening retailers proves that some retail concepts are harder to export than others
6. Despite the importance of internet retailing, real growth abroad requires stores.

#### Motives of International retailing:

There are numerous reasons why to proceed internationally, however the objective of every company for going international is to expand its business, searching new market and expand its customer base. There are several reasons listing below for entering in international market:

1. Growth and Profitability - A lot of companies turn to global markets for growth. Introducing new products internationally can broaden their customer base, sales and revenue.
  2. Economics of Scale - Expanding size and scope of markets help to achieve economies of scale. International approaches give economies of scale while sharing of costs and risks between markets. Economies of scale occur when the unit cost of a product declines as production volume increases.
  3. Risk Diversification - Several companies move worldwide so that they can diversify. Selling products in numerous countries reduces the company's exposure to economic as well as political instability within the country.
  4. Uniqueness of Product or Services - The product with distinctive attributes isn't likely to meet competition in the abroad markets and enjoy massive options throughout worldwide marketplaces.
  5. Spreading R& D costs - Through spreading the marketplace, a firm rapidly recovers the cost incurred in R&D. it is especially true with regard to products including higher cost associated with R&D. As result of the large marketplace and also due to larger coverage of the right market segments in international markets, it facilitates speedy recovery of such costs.
  6. Resources and Ideas - Due to unavailability of resources in domestic country or at better competitive rate companies turn into global market. Also companies proceed internationally to collect the different ideas in the different lifestyle of various countries as well as to broaden their workforce.
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7. Employees - All organization wants skilled and well trained employees, as Company goes to worldwide marketplace to find alternate source of the labour at lower cost.

### **International Retail Environment:**

#### 1. Political factors:

- a. How stable is the political environment in the prospective country?
- b. What are the local taxation policies? How do these affect your business?
- c. Is the government involved in trading agreements, such as the European Union (EU), the North American Free Trade Agreement (NAFTA), or the Association of Southeast Asian Nations (ASEAN)?
- d. What are the country's foreign-trade regulations?
- e. What are the country's social-welfare policies?

#### 2. Economic factors:

- a. What are the current and forecast interest rates?
- b. What is the current level of inflation in the prospective country? What is it forecast to be? How does this affect the possible growth of your market?
- c. What are local employment levels per capita, and how are they changing?
- d. What are the long-term prospects for the country's economy, gross domestic product (GDP) per capita, and other economic factors?
- e. What are the current exchange rates between critical markets, and how will they affect production and distribution of your goods?

#### 3. Socio cultural factors:

- a. What are the local lifestyle trends?
  - b. What are the country's current demographics, and how are they changing?
  - c. What is the level and distribution of education and income?
  - d. What are the dominant local religions, and what influence do they have on consumer attitudes and opinions?
  - e. What is the level of consumerism, and what are the popular attitudes toward it?
  - f. What pending legislation could affect corporate social policies (e.g., domestic-partner benefits or maternity and paternity leave)?
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- g. What are the attitudes toward work and leisure?

4. Technological factors:

- a. To what level do the local government and industry FUND research, and are those levels changing?
- b. What is the local governments and industry's level of interest and focus on technology?
- c. How mature is the technology?
- d. What is the status of intellectual property issues in the local environment?
- e. Are potentially disruptive technologies in adjacent industries creeping in at the edges of the focal industry?

5. Environmental factors:

- a. What are the local environmental issues?
- b. Are there any pending ecological or environmental issues relevant to your industry?
- c. How do the activities of international activist groups (e.g., Greenpeace, Earth First!, and People for the Ethical Treatment of Animals [PETA]) affect your business?
- d. Are there environmental-protection laws?
- e. What are the regulations regarding waste disposal and energy consumption?

6. Legal factors:

- a. What are the local government's regulations regarding monopolies and private property?
  - b. Does intellectual property have legal protections?
  - c. Are there relevant consumer laws?
  - d. What is the status of employment, health and safety, and product safety laws?
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