

CRM –A tool for success in FMCG Sector

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Abstract - CRM is commonly recognized as an effective tool in B2B marketing. However, does CRM also work in B2C marketing in the FMCG industry? This has long been questioned because CRM is characterized by leveraging large customer base in order to offer customized one to one marketing, ideally at the individual level. It seems that there exists a paradox between the mass appeal branding (production driven) and one-on-one customer relationship of consumer goods. It is argued that consumers are too many and too scattered, products are purchased directly from retailers, and a particular brand is just one among the many products of the same category that the retailer sells. Therefore, the value of customers is more easily captured through the distribution channel. This is where CRM becomes critical. This is the reason why end-consumer relationship programs have been by and large disjointed in the FMCG industry, although customer relationship has always been an integral part of the philosophy of many FMCG manufacturers.

Relationship building is a slow process, especially in a market where the consumers are highly heterogeneous. Although FMCG companies have realized that the objectives of consumer-end CRM is to provide a platform to consumers to get closer to the company and encouraging them to offer solutions, feedback and suggestions, there is far less agreement on the model with which a CRM program can be successfully launched.

Key Words - CRM, Relationship Marketing, FMCG, Customer Value, Retail.

I. INTRODUCTION

In the marketing literature, the terms Customer Relationship Management and Relationship Marketing are used interchangeably. As Nevin (1995) points out, these terms have been used to reflect a variety of themes and perspectives.

As per Vavra (1992), CRM can be viewed as seeking customer retention by using a variety of after marketing tactics that lead to customer bonding or staying in touch with the customer after a sale is made.

It can be said that Customer Relationship Management is a comprehensive strategy and process of acquiring, retaining, and partnering with selective customers to create superior value for the company and the customers. 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 (A, Parvitayar & J.N Seth, 2002).

II. OBJECTIVES & METHODOLOGY

The study aims to examine the role of Relationship Marketing for producers in FMCG Industry and to discuss

the implications and limitations of Relationship Marketing in regards to the producer's remoteness to the end consumer. This study also aims to follow a suggestive approach to develop the understanding of how producers can improve their relationship with the end consumers.

The study is based on secondary data which is collected from thesis, reports, books, journals, periodicals, newspapers and published forms of data.

The limited nature of Relationship Marketing in the FMCG

Leahy (2011) found that consumers often have a negative attitude towards Relationship Marketing attempts because it lacks personal content, and in the cases where companies try to be personal, often communicates the impression that a pre-established relationship between the company and the consumer exists. Therefore, it can be concluded that there are several obstacles to overcome before engaging in Relationship Marketing (Grönroos, 2008). eloquently elaborates three elements that producers need to have before engaging in Relationship Marketing- the pursuit of direct contact with consumers, the development of a consumer database and a service system that puts the consumer first.

The findings show that no producer make use of these three tactical elements, which could explain why Relationship Marketing is lacking in the FMCG. However, it is naïve to believe that the entire FMCG consist of a single category, and that no producers make use of Relationship Marketing. Conclusively, the question remains how companies can establish, maintain, and develop long-term relationships with consumers through Relationship Marketing.

As Gummesson (2008) states, even though the producers deliver their products to telecom operating companies, they should understand what the end consumer wants in order to adapt their offering. The producer in the FMCG delivers products to their immediate customers (the retailers or the restaurants), who then sell to the consumers. This indirect channel structure reduces the possibility of a 'Moment of Truth'. Therefore, many authors argue that there is a need to not only compete with the goods, but instead with an entire service offering (Grönroos, 2008; Vargo & Lusch, 2004).

Some of the reasons why FMCG manufacturers are now interested in exploring end- user CRM are:

1. *Growth of large retail industry over last few years*

Over the last decade, a large number of retailers are joining the industry, leading to its rapid growth.

2. *Falling brand recognition versus increasing price consciousness*

The success of large discount chains in introducing private labels has resulted in a drop in brand recognition and an increase in price consciousness.

3. *Emerging of new sales channels*

Electronic markets are playing a major role in today's FMCG industry. E-commerce portals, taking online orders and home delivery has raised customer's expectations and so, the challenge for manufacturers, striving for success on e-markets, lies in strengthening brand awareness and customer relations.

4. *Decreasing efficiency of traditional advertising and marketing initiatives*

The number of marketing campaigns has increased and thereby increasing the expenditure in advertising in order to improve market presence and brand awareness. This is coupled with a constant decline in efficiency of traditional marketing due to diversified media channels.

As nowadays TV networks have increased, so the brands need more exposure to cover the same audience and at the same time the cost per 1000 viewers for TV advertising has increased. In other words, the advertising expenditures has increased rapidly.

5. *Need for marketing accountability*

At business level, as the competition is growing there is a need to decrease the margin which requires cost cutting.

Because of all these reasons, companies are in urgent need for highly targeted, measurable solutions that plainly show the gains they produce. In today's mature markets there are therefore many new challenges to traditional marketers. As a result, customer-end relationship marketing has been tested by various FMCG companies as a strategic response.

For a successful consumer-end CRM program, following measures may be taken:

1. *Enhance connections with customers via new technology*

Technology like surveys, data mining, predictive analytics and business analytics must be used to increase customer value. This type of technology can be used to keep a record of customer's buying history so that, it could be used to target customers in a personalized way and offer them services to meet their needs. This personalized communication may help to increase customer loyalty. This can also be used to offer customers the alternate products of their choice.

2. *Understand the issues and challenges currently faced when interacting with customers*

"For example, does your team have the information readily available to respond to customer queries? Can you provide a seamless experience for your customer regardless of the channel? Is time being spent with customers or on repetitive manual tasks?"

An answer to these questions would help develop a clear understanding of internal challenges.

3. *Identify customer journeys*

"A customer journey is how a customer interacts with company's business, for e.g. purchasing a product or

reporting an issue. Company's internal business processes should then be aligned with these journeys. This would help in determining if the customers find it easy or hard to do business with the company.

4. *One to one marketing must be done*

It is true that FMCG marketing is characterized by a large mass customer base. However, customers differ in profitability, in particular since a minority of the customers account for the highest proportion of sales or profit. This is often called the 80/20 rule, Pareto rule or the customer value pyramid. A small group of high-value consumers account for a majority of sales and profits at brand, category, sector and company levels for FMCG. However, traditional media advertising insufficiently communicates with and persuades these high value consumers, because it reaches all consumers equally, irrespective of value. It does a good job in communicating brand advantages, but a poor job in bonding the consumer to the brand thus failing to capitalize on an enormous financial opportunity. Therefore, the key issue is how to use CRM to proportionately invest to build the relationship with the high value customers and appropriate the values accordingly. Using CRM tools can strengthen the brand loyalty of the right (i.e., most profitable) customers.

5. *Communicate frequently*

How often do you reach out to customers? Do the bulk of your communications focus on product offers and sales? For best results, it's important to communicate frequently and vary the types of messages you send. Instead of a constant barrage of promotions, sprinkle in helpful newsletters or softer-sell messages. The exact frequency you choose will depend upon the type of industry and even seasonality, but for many types of businesses, it's possible to combine e-mail, direct mail, phone contact and face-to-face communication to keep prospects moving through sales cycle without burning out on your message.

6. *Offer customer rewards*

Customer loyalty or reward programs work well for many types of businesses, from retail to cruise and travel. The more customers spend, the more they earn. These programs

reward your best, most profitable customers and cuts down on low-value price switchers.

7. *Use every tool and opportunity to create interaction*

Use every tool and opportunity to create interaction, including asking for feedback through your web site and e-newsletters, sending customer surveys (online or offline) and providing online message boards or blogs. Customers who know they're "heard" instantly feel a rapport and a relationship with your company.

8. *Enhance customer service*

Do you have a dedicated staff or channel for resolving customer problems quickly and effectively? How about online customer assistance? One of the best ways to add value and stand out from the competition is to have superior customer service. Customers often make choices between parity products and services based on the perceived "customer experience." This is what they expect to receive in the way of support from your company after a sale is closed. Top customer service on the sales will help you build repeat business, create positive word-of-mouth and increase sales from new customers.

9. *Launch multicultural programs*

It may be time to add a multilingual component to your marketing program. For example, you might offer a region based translation of your company web site based on the language of the customer, or advertising product in the customer specific language or use ethnic print and broadcast media to reach niche markets. Ethnic audience will appreciate marketing communication in their own language. Multilingual customer service will also go a long way towards helping your company build relationship with minority groups.

10. *Customization to deliver value and satisfaction*

Product customization helps brands boost sales on their own websites or gain share on a retailer's site. It helps them elevate customer loyalty and engagement- and use their customer base as an engine of advocacy to potential buyers.

For example: The companies such as Dabur and Hamdard are going forward by innovating and customizing herbal products for young consumers. Dabur is launching new

flavours of its oldest bestsellers -Chyawanprash in chocolate and mango flavours. Hamdard's Rooh Afza, which was available only in the family-sized glass bottles, is now being sold in the small ready to-drink Tetrapaks for youngsters to consume on the go.

Developing CRM strategy is a big task as it involves a lot of exercise. Before modelling a CRM strategy, companies need to do a lot of research and be very clear from the outset about what their key objectives are going to be, both in the short-term and the long-term. This should include every step of the process, from the business process to technology and to people. Focusing on just one or two of these and ignoring others can lead to problems further down the line, as each is part of the journey from the business to the customers. Generally, a comprehensive CRM strategy should have multiple levels, including business objectives, data strategy and analytics, experience/communications planning, channel strategy, content strategy, technology, continuous improvement and metrics/measurements. Once the objectives are set and defined, company may then start mapping the customer journey, utilizing all information, data and analytics at their disposal – understand where and in what way their business touches or interacts with the customers.

III. CONCLUSION

The goal of CRM is to improve customer experience of how they interact with the company, which yields more loyalty and more sales of products and services. However, the problem in FMCG industry is that the customer is not the end consumer of the product but more of a means to reach the end consumer. Therefore, producers need to figure out how the application of CRM can benefit the fast moving consumer goods (FMCG) industry and take measures to initiate a successful consumer-end CRM program. It is evident from research that, CRM for FMCGs has evolved from a customer facing application to a customer-centric strategy that manages the complete cycle from customer needs to product delivery.

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