CHAPTER 3

Overview of CRM in retail sector

3.1 Introduction

The word ‘retail’ originates from a French-Italian word ‘retaillier’, meaning ‘to cut a piece off’ or ‘to break bulk’. In simple terms, it implies a first-hand transaction with the customer.

When individuals or groups left their community and settled elsewhere, some missed foodstuffs and other goods that were only available in their birthplace. They arranged for some of these goods to be sent to them, others in their newly adopted community enjoyed these goods and demand grew. Similarly, new settlers discovered goods in their new surroundings that they dispatched back to their birthplace, and once again, demand grew. This soon turned into a regular trade. Although such trading routes expanded mainly through the growth of traveling salesmen and then wholesalers, there were still instances where individuals purchased goods at long distance for their own use. Thus, retailing as an activity can be traced back to the times when human beings stopped producing all their requirements by themselves and trading came into being. Communities such as potters, blacksmiths and fishmongers sold their products to households. This was different from wholesale trade that led to spice routes from Kerala to Europe and beyond through Afghanistan and to silk routes in India and China. Retailers have now become an integral part of society.

The new retail formats that are now seen have their genesis in Europe. The earliest traders were believed to be the Cretans who sailed the Mediterranean and carried on trade with the people of the area. This flourished for 2000 years; their culture influenced other great trading civilizations major traders. They distributed the goods of Egypt and Babylonia. Tyre, Sidon and Carthage were the principal trading cities of the empire. After the Phoenicians came, the Romans established a different form of retailing; they set up numerous small shops with centres. In fact, ancient ruins indicate that the worlds’ first department store was in Rome. With the fall of this empire, retailing disintegrated.

During the period after the fall of the Roman Empire, independent peddlers were the only retailers. They carried their merchandise around on their back. They went from village to village selling their wares. By the twelfth century artisans and traders began to organize into ‘guilds’ and opened up small shops. These guilds
helped them gain social and economic advantages. During thirteenth century, fairs and markets flourished. Early fairs often had a religious foundation. People would gather at churches and exchange goods on feast days. Larger markets were also called fairs and people travelled long distance to participate in these. Tea centres run by Lipton were the first chain of stores. At the start of the twentieth century, markets were witnessing the precursors to the present-day retailing scenario:

- The retailers, and not the products sold, was the brand.
- Family-owned retail units dominated the market, but large retail corporations were also emerging in the form of corporate and cooperative stores.
- Small retailers were resisting the entry of large retailers.
- Many retailers and manufacturing had direct relationships.
- New technologies in transport and construction were influencing store decisions.
- International sourcing by retailers was also witnessed.
- City centres were becoming major points for comparison buying.
- Shopping centres were coming up at city centres and railways stations.

These developments were also witnessed in other countries, especially in North America. Large corporations were entering into retailing in United States of America and Canada in the early twentieth century. The history of America retailing can be traced back to shops located near ports where merchants from Europe would dock their ships and sell the merchandise. Many Americans retailing institutions originated after 1850. Prior to that, most Americans lived on farms and were self-sufficient. During this time, peddlers and general stores were the only retailers in the country. Department stores started gaining prominence after 1850. As department stores grew in cities, rural citizens used the first form of direct catalogue/mail order marketing. This allowed them to get the good they needed without the hassle of traveling long distances into the city.

The development of railroad system and refrigeration between 1890 and 1920 enabled shoppers to travel more widely and choose from a greater assortment of merchandise. The first set of department stores opened during this time. They offered more convenient and consolidated locations, longer hours and better prices. Americans retailing witnessed the proliferation of other formats such as supermarkets chains and shopping malls between the two World Wars. National brands such as Wonder Bread and Hostess were introduced in the market during this time. The first
convenience store, 7-11 (Texas) and the First McDonald’s (Illinois) also opened. The time between 1950 and 1970 witnessed the emergence of major players and formats. The first indoor regional mall was set up by Southdale. The next big retail shift came when Sam Walton opened the first Wal-Mart and discounters such as Kmart and Target opened their stores. These stores used low costs and high turnovers to provide customers with lower prices. Kroger installed the first retail barcode scanner and the first GAP store opened in San Francisco. Wal-Mart integrated computer system to its operations. These mass retailers also set up independent distribution systems to gain the volume necessary for negotiating with suppliers, track inventory, and allow for just-in-time replenishment. In the next decade (1970-1980), the retail industry witnesses the emergence of category killers and wholesale club stores such as Toys “R” Us, Home Depot, Circuit City, Sam’s Club, and Us. The industry started being consolidated at this time.

During the 1980’s, superstores and retail category killers made up about one-third of the over United States retail revenues. In response to these price players, other formats such as malls, specialty stores and grocery stores started stressing on ‘retailtainment’. Mall of America-the world’s largest mall- opened on Minneapolis. Sears exited its general merchandise catalogue business. This was the time when the retailers stated focusing on the ‘stores as brand’ strategy. The 1990s can be termed as the times of the Internet. Amazon.com launched its book retailing business using e-commerce. This period also witnessed major internalization efforts by larger retailers. The current decade is witnessing a lot of turbulence in the American retail industry. Retailers are turning into multi-format entities, especially with the help of the Internet. The focus has shifted to the emerging economies and retailers are searching for a different business model to succeed in these markets ruled by small retailers.

Retailing thus can be explained as an activity that involves a direct interface with the customer and the coordination of business activities from end to end-right from the concept or design stage of a product or offering, to its delivery and post-delivery service to the customer. The industry has contributed to the economic growth of many countries and is undoubtedly one of the fastest changing and dynamic industries in the world today.

Retailing also involves the sale of merchandise from a fixed location, such as a store, for direct consumption by the customer. It can be defined as an activity that ensures that customers derive maximum value from the buying process. This involves
activities and steps need to place the merchandise made elsewhere into the hands of customers or to provide services to the customers.

Retailers organize the availability of merchandise on a large scale and supply them to consumers on a relatively small scale. In the process, they provide the accessibility of location and convenience of timing, size information and lifestyle support. When retailers perform these activities, they create value for their customers, who pay for these services. These values are created continuously through a combination of services, price, accessibility and experience.

One of the major roles played by retailers is to enable the adoption of products and services. Unless the product is made available at the store as is adopted by the retailers themselves, it is difficult to derive high values out of the marketing expenditure. The phenomenon, known as dual adoption, states that when a product is launched, customers adopt it symbolically, the actual adoption happens only when the retailers put forth the product in the right perspective.

With more and more customers, making purchase decisions at the store retailing has gone beyond being a part of distribution function. It merits an independent marketing activity that is a combination of distribution and communication. Moreover, the changing canvasses of marketing, where physical products and physical space of activity are also being joined by services and non-store retailing formats, pose new realities for retailers. They need to redefine the ways they have been managing so far. There has to be a clear shift from a distribution-oriented perspective, where physical aspects of merchandise availability and supply chain play an important role to a more consumer-value-oriented perspective for attaining sustainable competitive advantages.

3.2 History of Retailing in India

Retailing as an occupation came into existence when farmers started producing more food than they required. Trading was an important part of daily life in the ancient world. Different people had different skill sets, and people who had a surplus of one good desired the goods they did not have nor could not produce.

In India, the existence of the current kirana format and other shops can be traced to the Manusmriti and Kautilya’s Arthshastra. These texts provided guidelines for dealing with customers, after-sales service, and quality and price guarantees. Such

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scholarly works provided the equivalence for exchange in case of barter. They also defined the tax structure for retail and wholesale transactions. Kautilya commented on the location of stores dealing in specific products in the city. He also discussed the manner in which fund and investments could be managed for better results. Memoirs of traders who came from Europe indicate that Indian merchants carried out business with low margins in order to enhance sales. Indian history and archaeology record the existence of markets during the Harappan civilization also. Elaborate descriptions of local and periodic haats have been found. These were the places where commodity exchange was carried out and people congregated and derived several non-economic values.

Retail in India is still at a very early stage. Most retail firms are companies from other industries that are now entering the retail sector because of its amazing potential. There are only a handful of companies with a retail background. One such company is Nilgiri’s from Bangalore that started as a dairy and incorporated other areas in its business with great success. Their achievement has led to the arrival of numerous other players, most with the backing of large groups, but usually not with a retail background. Most new entrants to the India retail scene are real estate groups who see their access to and knowledge of land, location and construction as prime factors for entering the market.

New retail stores have traditionally started operations in cities like Mumbai and Delhi where there has been an existing base of metropolitan consumers with ready cash and global tastes. The new perspective to this trend is that new entrants to the retail scenario should first enter smaller cities rather than focusing entirely on the metro’s. Spending power in India is not concentrated any more in just the 4 metros (Delhi, Mumbai, Chennai and Kolkata). Smaller but upcoming cities like Chandigarh, Coimbatore, Pune, Ahmedabad, Baroda, Trivandrum, Cochin, Ludhiana, Shimla etc., will fast be catching up to the metro’s in their spending capacity.

Cities in South India have taken to the supermarket style of shopping very eagerly and so far the maximum number of organized grocery and department stores are in Chennai, Bangalore and Hyderabad. The north has a long way to go to come up to par. International stores now prefer to gauge the reaction of the public in these cities before investing heavily in a nation-wide expansion. Milou, the Swiss children’s wear retailer, recently opened up its first store in Chennai, bypassing Delhi and Mumbai.
Besides the urban market, India’s rural market has just started to be seen as a viable option and companies who understand what the rural consumer wants will grow to incredible heights. The bulk of India’s population still live in rural areas and to be able to cater specifically to them will mean generating tremendous amounts of business.

3.3 Categorization of Retail Industry

The retailing sector of India can be split into two segments. They are the informal and the formal retailing sector. The informal retailing sector is comprised of small retailers. As far as the formal retailing sector is concerned, it is comprised of large retailers. If the retail industry is, divided based on retail formats then it can be split into the modern format retailers and the traditional format retailers. The modern format retailers comprise of the supermarkets, Hypermarkets, Departmental Stores, Specialty Chains and Company Owned and Operated Retail Stores. The traditional format retailers comprise of Kiranas, Kiosks, Street Markets and the multiple brand outlets.

The retail industry can also be subdivided into the organized and the unorganized sector. Organized retailing refers to trading activities undertaken by licensed retailers i.e., those who are registered for sales tax, income tax etc., these includes the big hypermarkets, retail chains and privately owned large retail businesses.

Organized retail is one of the most notable emerging sectors of the Indian economy, continues to attract significant investments and interest from leading national and international retail players. According to Indian Brand Equity Foundation (IBEF)\(^2\) estimates, the retail sector in India is posed to grow from US$ 450 billion in 2012 to US$ 574 billion by 2015, at a 16.50% annual growth rate.

Organized retailers in India today remain primarily focused on the essential building blocks of a successful retail model. However, it is imperative that one understands the customers’ preferences and buying behaviour. This valuable information can be used to maximize Customer Lifetime Value (CLTV).

On the other hand, the unorganized sector mainly includes the local Kirana store and the mom and pop stores. Most of the Indian Retail industry is characterized

by an unorganized market but the growth of the organised sector in the past few years has been incredible.

3.4 Emergence of South India as a Hub of Retail activity

The total retail market in terms of consumptions off-take in the four southern states of India – viz., Tamil Nadu, Andhra Pradesh, Karnataka and Kerala constitute US$ 94 billion per annum, and out of that, organized retail is expected to be in the region of US$ 8.9 billion. Thus, the share of organized retail is around 9% of total retailing in South India. The growth of modern retailing happened in the Southern part of India much faster than in any other region. It is now estimated that organized retailing in South India is growing at around 35% per annum.

Chennai especially is a pioneer in the adoption of modern retail in India. 12% of Tamil Nadu’s retail market is estimated to be organised. Chennai came to be known as the hub of specialty retailing in India as organized ‘saree’ and jewellery retailing evolved from there more three decades ago. The emergence of organized formats in home electronics and household appliances retailing gained momentum in Tamil Nadu long ago with the established of Viveks, Vasanth, Rathna, VGP, etc. There are around 200 consumer durables and home electronics retailing in South India. Stores like Saravanas, Nalli’s, Spencer’s, Landmark, Kumarans, GR Thanga Maligai, Kirti’s, etc, are renowned ones in Chennai. In fact, the first large format in food and healthcare retail Spencer’s was established in the early 80’s. In addition, RPG established its supermarkets Foodworld (earlier in collaboration with Dairy Farm International), a few years ago. Reliance Retail Ltd., launched 12 Reliance Fresh Stores in Chennai in January 2007. With two anchor stores, Lifestyle and Landmark, the City Centre is the new mall scientifically planned and developed. Univercell is a chain of cell phone retail and allied services retail outlets launched from Chennai recently in addition to The Mobile Store of the Essar group.

The state of Karnataka boasts of a good share of organized retailing and the state has around 9.5% of its total retail market organized. Currently, Bangalore has state-of-art malls like Forum, Garuda, Sigma and Eva, which contribute largely to experiential retailing. Age-old organized players include Nilgiris Supermarket, specialty retailers like Deepam Silks, Sankar’s (the book people), etc. Organised retailing emerged in Bangalore with the development of two major high streets, viz.

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Brigade Road and Commercial Street over the last three decades, which house almost all the brand stores of IndAia. Modern retail companies like Café, Coffee Day, Monday to Sunday, Weekender, Ganjam Jewellery, Levi’s, Lifestyle etc., are headquartered in Bangalore. In March 2007 Reliance Fresh, the retail division of the Reliance group, has entered Karnataka by opening 11 stores in Bangalore, offering products ranging from fresh fruits and vegetables, staples, grocery to dairy items at competitive prices.

The state of Andhra Pradesh Hyderabad follows closely with 8.5% of its retail market organized. The famous supermarket chain of Andhra Pradesh Trinethra debuted in AP followed by the new hypermarket Magna in Vijayawada. RPG opened their first hypermarket format Spencer’s in Hyderabad a few years ago. The Future Group’s Hyderabad Central mall is a great attraction for shoppers. Abid Road is a famous brand high street, which is known for all its brand outlets. Jewellery, sarees, books, food, grocery, and apparel have more organized formats of retailing in the state of Andhra Pradesh. From has been opening many retail stores in the state of Hyderabad.

Kerala holds a share of 5.5% of organized retailing. Trivandrum and Cochin are estimated to have organized retailing at 4% and 8.5% respectively. Specially saree retailing is famous in Cochin with renowned retail stores like Seemati. Varkeys Department Stores is one of the oldest organized players in Kerala. The most important commercial centre in Cochin is the M.G. Road (Mahatma Gandhi Road), a retail destination for all Kerala consumers. Here, one can buy stuff ranging from clothes to cosmetics to knick-knacks. Some of the most popular brands that you will find here are Allen Solly, Louise Philippe, Benetton, Arrow etc. The world’s largest silk saree showroom, Kalyan Silks, has pitched tent. Alukkas Wedding Centre is arraying lifestyle products, gold ornaments and textiles under one roof. Big Bazaar of the Future Group has set shop and it has introduced to the Cochin housewife the concept of value and discount retailing. Malls like the Bay pride mall and the GDCA (Greater Cochin Development Authority) shopping complex adorn the newly developed marine drive in Cochin.

South India yet maintains its pace of growth in organized retailing and this growth is expected to continue its momentum in the tier two cities of Coimbatore, Trichy, Pondicherry and Madurai in Tamil Nadu, Vijayawada, Vishakapatnam,
Guntur and Rajamundhry in Andhra Pradesh, Mysore, Mangalore, Belgaum and Hubli in Karnataka and Kozhikode, Kollam and Kottayam in Kerala.

3.5 Coimbatore: Gearing up for retail revolution

Organized retail in Coimbatore so far is a high street story. Although Coimbatore is the second largest city in Tamil Nadu after Chennai, but it is yet to get attention from large number of retailers the way other cities in India have been receiving. The reason behind, according to the industry sources, is that there is no real catalyst in the form of shopping mall to boost the retail growth in the city. But this long wait came to an end as the city witnessed the opening of two gigantic shopping malls during 2010 and in 2012. With the opening of these two malls – Fun Republic and Brookfield Plaza – people in Coimbatore are experiencing organized retail boom and find quality space for shopping and entertainment.

With operational stores like Big Bazaar, Megamart, Nilgiris, Spencer’s Retail in value format and several national brands including Van Heusen and entertainment player like Big Cinemas in the city, with the launch of the Fun Republic mall, Coimbatore has witnessed the foray of Shoppers Stop and five-screen Fun Cinemas in the city, besides space for a hypermarket and a host of retail brands across segments. According to Girish Pande, COO, E-City Property Management & Services (EPMS), the company behind the development of Fun Republic mall in Coimbatore, the mall which was opened in 2012 and spreads across six floors encompassing a total retail space of around 5.5 lakh square feet. Fun Republic now has over 100 per cent occupancy of total retail space. Another project Brookfield Plaza by Brookfield Estate Development of around 5 lakh square feet size is also functioning in the city and is operational since 2010. The project is located at the old market of the city. The two malls, as the industry believes, will redefine the way people in Coimbatore shop until now.

In a recent report – ‘Coimbatore – An Emerging Real Estate Destination’ conducted by real estate consultancy Jones Lang LaSalle Meghraj (JLLM), Coimbatore is shown as hugely prosperous city with indisputable prospects and a perfect South Indian real estate investment destination of the future. The study further stated that this tier III city has everything in shape, including telecom, power, a highly skilled work force, a rapid pace of infrastructure development and a pro-active Government that is aggressively promoting the city. As a result, a number of top
multi-national companies are migrating into this city and the manner in which the organized retail, hospitality, entertainment and residential sectors are growing, the study says, Coimbatore is indeed going to be a hot spot destination of the future in-spite of being into tier III category.

On similar note, industry experts believe that the city will soon experience an entire gamut of retail development as people in Coimbatore are capable of enough disposable income due to their entrepreneurial nature and of late are equally becoming brand conscious and lifestyle aspirant as well. According to the industry sources, as the city is a very good market and was untapped for a long time, recently, lot of national and international brands have been found doing fabulous business in Coimbatore. Therefore, it is a very good time to come up with a mall in the city amidst changing consumption pattern of the localites and the behaviour of the people that are slowly but steadily taking shape according to the demand of modern retail.

3.5.1 Retail experience

Arvind Brands, the retail arm of Arvind Ltd, operates four stores in the city that include two large format Megamart stores and one store each of lifestyle brand Arrow and Flying Machine. Elaborating on the retail experience of his group, J Suresh, CEO, Brands & Retail, According to Arvind Brands, the stores are really doing well particularly during festivals like Diwali, there is an overwhelming response towards branded stores in this city. However, it is still believed that the company has not felt any major impact yet because of the absence of mall culture in the city, as organized retail turned out from high street only and the city has enough of it. Coimbatore, like any other cities in India, were traditional shopping centres are very much established and popular in absence of a proper mall culture are doing reasonably well.

Big Bazaar, the hyper market format of Future Group, also operates one store located at old market called Oppanakara Street in Coimbatore and the company is satisfied with the way the store has been performing. Sharing his retail experience in the city, Rajan Malhotra, president – Retail Strategy, Future Group, stated, “We have a very large store in Coimbatore. It houses products from general merchandise to fashion and also has a food court attached to it.” He further stated that the company has tried something unique in this market and offered Thali at Rs. 10 each in lunch
time and found a very good response from the customers on it. “The response was absolutely phenomenal,” asserts Malhotra.

3.5.2 Retail prospect

Industry experts say that people in Coimbatore are capable enough to experience the international standard of shopping experience in malls and modern retail but they don’t have the choices and options yet. There are some shopping complexes in Coimbatore that are traditionally conceptualized and these complexes have been witnessing very good footfalls. So from this observation, it is expected that the sooner the malls get operational the better the shopping experience would become and there would be enough footfalls not less than the footfalls at malls in places like Mumbai and Bengaluru. Elaborating on the structure of consumers of the city, Pande, at E-City Property Management & Services (EPMS) stated that Coimbatore is basically an entrepreneurial city and for the last few years IT companies are also coming in and modern job culture is picking up. “It is a very cash rich city as well. You can find A+ and A groups, B and C as well in terms of annual income of the households in Coimbatore,” stated Pande. He further mentioned that there is a potential group of young customers because of the exposure of latest options for jobs in the city and as a result lots of young professionals are migrating in. Pande stated that Coimbatore has all the possibilities and potential like other cities including Ludhiana, Lucknow and Chandigarh.

3.5.3 Coimbatore at a glance

**Key retail stores/ brands operational:** Big Bazaar, Megamart, Nilgiris, Spencer’s Retail, @home, Van Heusen, Big Cinemas.

**Prime retail locations:** Oppanakara Street, Cross Cut Road, BB Road, TV Swami Road, Avinashi Road and Trichy Road.

**Growth factor:** Coimbatore, the second largest city in Tamil Nadu, is strategically located between Chennai, Bangalore and Kochi. IT majors like Tata Consultancy Services, Cognizant, Spheris, Perot Systems and Bosch are operational. This tier III city has all the key pointers of infrastructure, including telecom, power, a highly skilled work force, a rapid pace of infrastructure development and a pro-active Government that is aggressively promoting the city.
3.5.4 Emerging market

Retail in Coimbatore is mostly high street centric and the locations are categorized as traditional high streets, new high streets and emerging markets. Traditional high streets include Oppanakara Street and Cross Cut Road, whereas new high streets include BB Road and TV Swami Road and emerging markets include Avinashi Road and Trichy Road. With the Fun Republic mall operational, the city will witness a full-fledged new market in the form of Avinashi Road, which is believed to be the widest road in the city that connects to the airport of the city. The other mall named Brookfield Plaza of around 5 lakh square feet, however, will strengthen retail scope in the old market in Coimbatore. “While Brookfield Plaza will cater to the old saturated market place, Fun Republic is going to cater to the new development area of the city,” stated Pande.

Elaborating on the catchment and the traffic that Fun Republic has to offer to the retailers, Pande stated that lots of residential properties are coming up in the neighbouring areas of Fun Republic, which are going to be the prime success factors of the mall. “Close to Fun Republic, there is a place called Tirupur, which takes around one hour drive from the location of Fun Republic, and is the knitwear hub of India. We are expecting a good traffic from that place as well,” informed Pande.

3.5.5 Future of Retail Market in Coimbatore

The JLLM report suggests that the city will soon poses about 1 million square feet of retail mall space in organized retail that is expected to come up by 2014. The retailers are also very keen about the market and want to explore the untapped market further. Malhotra at Big Bazaar stated that there is high demand for general merchandise products in the city and the company plans to open one more store. “The city has a good potential and we love to open one more store in that city,” affirmed Malhotra.

Not only grocery and fashion retailers, entertainment retailers as well expect a good return from the city. As part of the plan, Big Cinemas informed that it will open another six-screen multiplex in the city, though it did not disclose the location. But according to Pande two malls are not enough for the city of a population of over 20 lakh. He believes that there is a potential of around 4-5 malls that can be developed and can do enormous business in the city.
3.6 Departmental store

The retailing community, as member of the economic system, has been as innovative as any others. The technological and managerial contributions of the department store, as member of the consumption side of the economy are quite extraordinary. The rise of the department store from the 1850s to the end of 19th century and early part of the 20th century was nothing short of a major revolution, not only for business but also for the entire society. In fact, contribution of the department stores to the economy and consumers was as dramatic and as far reaching as any other major innovation the world has ever known. Hence, it was rightly said that the department store was marketing’s contribution to the Industrial Revolution.

The department store affected every facet of social and economic life through being a very entrepreneurial and innovative institution. The department store contributed directly and/or indirectly (as a major change agent) to the adoption of numerous new technological innovations. Its channel impact, both upstream and downstream the distribution chain, revolutionized the retail store itself, the shopping experience, availability and assortment of goods, credit policies, price awareness, media and promotional techniques, and was a major contributor to new managerial techniques from hiring practices to inventory control procedures Savitt, Ronald (1999)⁴. In fact, the department store was perhaps the first American business to use mechanical data processing equipment for sales analysis and other managerial needs William Forsell and Arthur Poole (1928)⁵. Some department stores through their catalogue divisions (Marshall Field, Eaton’s of Canada) brought the world of goods to rural areas and farmers, especially in the U.S. and Canada. Other retailers, such as Sears, began as catalogue retailers only and morphed into the department store business little later. It was around 1925 when the first fixed store location was opened to the public by Sears. Whatever their origin, such retailers helped establish mail delivery and parcel post serving rural consumers. Most people in the 19th century lived in rural areas as farmers. The availability of such retailers to rural consumers accelerated modernization not only in household goods but in farming equipment as


well which narrowed the cultural gap (i.e., life style) which has existed from time immemorial between those living in rural communities and those in living densely populated urban areas.

The sheer size of the department store required the use of new building materials, glass technology, new heating, cooling and lighting devices, and in-store people movement, which led to new store design, among other engineering and architectural innovations. The store layouts made shopping easier for consumers irrespective of their social or economic background. The department store also offered new customer services never seen before retail establishments such as restaurants, restrooms, reading and writing rooms, home delivery, wrapping services, health care services, art exhibitions, music appreciation, post office, travel services, funeral services, convenient store hours, new types of merchandise displays, and so forth in other words, a one-stop shopping experience with everything under one roof. The department store was one of society’s most democratic institutions and was a major force toward a more egalitarian society, especially for women. No wonder many social historians and feminist researchers firmly believe the department store liberated women and gave some women their rightful place in society. The department store made jobs available to women and opened new career opportunities, such as the professional fields, and even in politics. The department store changed society’s values in accepting that women could go and shop on their own without being accompanied by others. Until recent past only few places were available (such as a museum, the park, and certain leisure activities), where it was socially and morally acceptable for a woman to be seen in public on her own. It is no wonder that department stores offered them so many services so that they could shop at their leisure, eat, relax and even be entertained during their stay.

With the reviving of the economy, highly improved life quality booms service industries and causes economic growth. Among the service industries, the role of department stores is noteworthy in the economic development as it involves a huge volume of cash flow. Furthermore, many large department stores have been opened in the recent years and they do their best to promote in order to attract consumers and boost sales. The practice of giving a standard percentage of discounts for all and price reduction is very common, sellers start rewarding their customers with large numbers of prizes to draw their attention.
The speciality of the departmental store is that it provides service for its customers. In order to offer complete consultation and assistance, the department store must employ a lot of sales force, so their human cost higher than other retailers who sell general goods. In order to mould the excellent atmosphere in sales field, they pay much attention to the use of the promotion skills. For example, during festival seasons, the department store creates the atmosphere of celebrating the festival which can’t be overtook, even in dull season, it still carry on promoting to stimulate buying.

Shopping in the department store is a main recreation to many urban residents. In recent years, many new department stores are opening up. In the intensely competitive market of department stores, how to entice and retain customers is the most important lesson to every business owner. Especially in the modern society, shopping in the department stores is not only the way to satisfy customers experiential desires but also a social activity. Department stores have become indispensable for the domestic customers to do shopping and to spend their leisure time. It does not merely provide the sales of commodities but also combines entertainment and fashion authority. Furthermore, the prospect of department stores could indicate the economic status of a country. It also reflects the standards of education level and culture for a country hence, it is called “Window of Economy”. The decreasing demand of consuming market and the expansion of enterprises size caused competition become more and more intense. The enterprises make all their efforts to draw customer’s attention through certain strategies and extra resources. In the service business that always needs to contact with customer, it is important for department store to know how to develop customer relationship Coyles, S. and T. C. Gokey (2002).6

3.6.1 Definition

Generally a large retail store offering a variety of merchandise and services and organized in separate departments.

1. A Department Store is defined in Business Dictionary as: “A large retail store having a wide variety of merchandise organized into customer-based departments. A department store usually sells dry goods, household items, wearing apparel, furniture, furnishings, appliances, radios, and televisions, with combined sales exceeding $10 million”.

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2. Britannica Concise Encyclopaedia defines it as a “Retail establishment that sells a wide variety of goods. These usually include ready-to-wear apparel and accessories, yard goods and household textiles, house-wares, furniture, electrical appliances, and accessories. In addition to departments (supervised by managers and buyers) for the various categories of goods, there are departmental divisions to handle, for example, merchandising, advertising, service, accounting, and financial strategy”.

3.6.2 Department Stores – Indian Perspective

India has sometimes been called a nation of shopkeepers. The epithet has its roots in the huge number of retail enterprises in India, which totalled over 12 million in 2012. India’s retail sector appears underdeveloped not only by the standards of industrialised countries but also in comparison with several other emerging markets in Asia and elsewhere. There are only 14 companies that run department stores and two with hypermarkets. While the number of business operating supermarkets is higher (385 in 2012), most of these had only one outlet. The number of companies with supermarket chains was less than ten. Sales through supermarkets and department stores are small compared with overall retail sales. However, their sales grew much more rapidly (about 30 per cent per year during the review period). As a result, their sales almost tripled during this time. This high acceleration in sales through modern retail formats is expected to continue during the next few years with the rapid growth in number of such outlets in response to consumer demand and business potential.

Indian retail is expanding at a rapid pace driven by changing lifestyles, strong income growth and favourable demographic patterns. According to At Kearney’s annual Global Retail Development Index (GRDI), the country may have more than 600 new shopping centres by the end of the year 2014. Mall space is expected to touch an estimated 80 million square feet by end-2014.

Today, retailers’ especially departmental stores face their toughest competition ever. With the advent of modern retail formats departmental stores face multi-dimensional challenges. Moving from a product-and-sales philosophy to a holistic marketing philosophy, however, gives them a better chance of outperforming the competition. The cornerstone of a well-conceived holistic marketing orientation is

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strong customer relationships. Marketers must connect with customers—informing, engaging, and maybe even energizing them in the process. Customer centred stores are adept at building customer relationships, not just products; they are skilled in market engineering, not just product engineering.

3.7 Creating Long-term Loyalty Relationships

Creating loyal customers is at the heart of every business. As marketing experts Don Peppers and Martha Rogers say “The only value your store will ever create is the value that comes from customers the ones you have now and the ones you will have in the future. Businesses succeed by getting, keeping, and growing customers. Customers are the only reason you build factories, hire employees, schedule meetings, lay fiber-optic lines, or engage in any business activity. Without customers, you don’t have a business.”

Exhibit – 3.1

Traditional Organization Vs Modern Customer-Oriented Organisation

Managers who believe the customer is the company’s only true “profit centre” consider the traditional organization chart in Exhibit 3.1(a)—a pyramid with the president at the top, management in the middle, and frontline people and customers at the bottom—obsolete.
Successful marketing companies invert the chart as in Exhibit 3.1(b). At the top are customers; next in importance are frontline people who meet, serve, and satisfy customers; under them are the middle managers, whose job is to support the frontline people so they can serve customers well; and at the base is top management, whose job is to hire and support good middle managers. Customers are added along the sides of Exhibit 3.1(b) to indicate that managers at every level must be personally involved in knowing, meeting, and serving customers. Some companies have been founded with the customer-on-top business model, and customer advocacy has been their strategy—and competitive advantage—all along. With the rise of digital technologies such as the Internet, increasingly informed consumers today expect stores to do more than connect with them, more than satisfy them, and even more than delight them. They expect stores to listen and respond to them.

3.8 Customer Perceived Value

Consumers are better educated and informed than ever, and they have the tools to verify retailers’ claims and seek out superior alternatives. How then do customers ultimately make choices? They tend to be value maximizers, within the bounds of search costs and limited knowledge, mobility, and income. Customers estimate which offer they believe—for whatever reason—will deliver the most perceived value and act on it. Whether the offer lives up to expectation affects customer satisfaction and the probability that the customer will purchase the product again. In one 2008 survey asking U.S. consumers “Does [Brand X] give good value for what you pay?” the highest scoring brands included Craftsman tools, Discovery Channel, History Channel, Google, and Rubbermaid.

Customer-perceived value (CPV) is the difference between the prospective customer’s evaluation of all the benefits and all the costs of an offering and the perceived alternatives. Total customer benefit is the perceived monetary value of the bundle of economic, functional, and psychological benefits customers expect from a given market offering because of the product, service, people, and image. Total customer cost is the perceived bundle of costs customers expect to incur in evaluating, obtaining, using, and disposing of the given market offering, including monetary, time, energy, and psychological costs. Customer-perceived value is thus based on the difference between benefits the customer gets and costs he or she assumes for

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different choices. The marketer can increase the value of the customer offering by raising economic, functional, or emotional benefits and/or reducing one or more costs. The customer choosing between two value offerings, \( V_1 \) and \( V_2 \), will favour \( V_1 \) if the ratio \( V_1 : V_2 \) is larger than one, favour \( V_2 \) if the ratio is smaller than one, and be indifferent if the ratio equals one.

Very often, managers conduct a customer value analysis to reveal the company’s strengths and weaknesses relative to those of various competitors. The steps in this analysis are\(^{10}\):

1. **Identify the major attributes and benefits customers’ value.** Customers are asked what attributes, benefits, and performance levels they look for in choosing a product and vendors. Attributes and benefits should be defined broadly to encompass all the inputs to customers’ decisions.

2. **Assess the quantitative importance of the different attributes and benefits.** Customers are asked to rate the importance of different attributes and benefits. If their ratings diverge too much, the marketer should cluster them into different segments.

3. **Assess the company’s and competitors’ performances on the different customer values against their rated importance.** Customers describe where they see the company’s and competitors’ performances on each attribute and benefit.

4. **Examine how customers in a specific segment rate the company's performance against a specific major competitor on an individual attribute or benefit basis.** If the company’s offer exceeds the competitor’s offer on all important attributes and benefits, the company can charge a higher price (thereby earning higher profits), or it can charge the same price and gain more market share.

5. **Monitor customer values over time.** The company must periodically redo its studies of customer values and competitors’ standings as the economy, technology, and features change.

### 3.9 Delivering High Customer Value

Consumers have varying degrees of loyalty to specific brands, stores, and companies. Oliver defines loyalty as “a deeply held commitment to rebuy or repatronize a preferred product or service in the future despite situational influences and marketing efforts having the potential to cause switching behaviour.”

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The value proposition consists of the whole cluster of benefits the company promises to deliver; it is more than the core positioning of the offering. For example, Volvo’s core positioning has been “safety,” but the buyer is promised more than just a safe car; other benefits include good performance, design, and safety for the environment. The value proposition is thus a promise about the experience customers can expect from the company’s market offering and their relationship with the supplier. Whether the promise is kept depends on the company’s ability to manage its value delivery system\textsuperscript{11}. The value delivery system includes all the experiences the customer will have on the way to obtaining and using the offering. At the heart of a good value delivery system is a set of core business processes that help deliver distinctive consumer value.

3.10 Total Customer Satisfaction

In general, satisfaction is a person’s feelings of pleasure or disappointment that result from comparing a product’s perceived performance (or outcome) to expectations. If the performance falls short of expectations, the customer is dissatisfied. If it matches expectations, the customer is satisfied. If it exceeds expectations, the customer is highly satisfied or delighted\textsuperscript{12}. Customer assessments of product performance depend on many factors, especially the type of loyalty relationship the customer has with the brand. Consumers often form more favourable perceptions of a product with a brand they already feel positive about.

Although the customer-centred firm seeks to create high customer satisfaction, that is not its ultimate goal. Increasing customer satisfaction by lowering price or increasing services may result in lower profits. The stores might be able to increase its profitability by means other than increased satisfaction. Also, the company has many stakeholders, including employees, dealers, suppliers, and stockholders. Spending more to increase customer satisfaction might divert funds from increasing the satisfaction of other “partners.” Ultimately, the company must try to deliver a high level of customer satisfaction subject to also delivering acceptable levels to other stakeholders, given its total resources\textsuperscript{13}.

How do buyers form their expectations? Expectations result from past buying experience, friends’ and associates’ advice, and marketers’ and competitors’ information and promises. If marketer raise expectations too high, the buyer is likely to be disappointed. If it sets expectations too low, it won’t attract enough buyers (although it will satisfy those who do buy). Some of today’s most successful stores are raising expectations and delivering performances to match.

3.11 Monitoring Satisfaction

Many retailers are systematically measuring how well they treat customers, identifying the factors shaping satisfaction, and changing operations and marketing as a result. Wise firms measure customer satisfaction regularly, because it is one key to customer retention. A highly satisfied customer generally stays loyal longer, buys more as the store introduces new and upgraded products, talks favourably to others about the store and its products, pays less attention to competing brands and is less sensitive to price, offers product or service ideas to the store, and costs less to serve than new customers because transactions can become routine. Greater customer satisfaction has also been linked to higher returns and lower risk in the stock market.

The link between customer satisfaction and customer loyalty is not proportional, however. Suppose customer satisfaction is rated on a scale from one to five. At a very low level of satisfaction (level one), customers are likely to abandon the company and even bad-mouth it. At levels two to four, customers are fairly satisfied but still find it easy to switch when a better offer comes along. At level five, the customer is very likely to repurchase and even spread good word of mouth about the store. High satisfaction or delight creates an emotional bond with the store, not just a rational preference. Xerox’s senior management found its “completely satisfied” customers were six times more likely to repurchase Xerox products over the following 18 months than even its “very satisfied” customers.

The retailer needs to recognize, however, that customers vary in how they define good performance. Good delivery could mean early delivery, on-time delivery, or order completeness, and two customers can report being “highly satisfied” for different reasons. One may be easily satisfied most of the time and the other might be hard to please but was pleased on this occasion.

3.12 Customer Relationship Management

Customer relationship management (CRM) is the process of carefully managing detailed information about individual customers and all customer “touch points” to maximize loyalty. A customer touch point is any occasion on which a customer encounters the brand and product—from actual experience to personal or mass communications to casual observation. For a departmental store, the touch points include check-in and check-out time spent in the store, quality of service, employee interaction, add-on facilities (parking etc.,) good ambiance, product quality, and handling of returns. The customers tend to come back to the store on personal touches, such as a staff that always addresses customers by name, high-powered employees who understand the needs of customers, and at least one best-in-region facility.

CRM enables stores to provide excellent real-time customer service through the effective use of individual account information. Based on what they know about each valued customer, stores can customize market offerings, services, programs, messages, and media. CRM is important because a major driver of company profitability is the aggregate value of the stores customer base.

Companies are also recognizing the importance of the personal component to CRM and what happens once customers make actual contact with the company. Employees can create strong bonds with customers by individualizing and personalizing relationships. In essence, thoughtful companies turn their customers into clients. Here is the distinction:

“Customers may be nameless to the institution; clients cannot be nameless. Customers are served as part of the mass or as part of larger segments; clients are served on an individual basis. Customers are served by anyone who happens to be available; clients are served by the professional assigned to them.”

Don Peppers and Martha Rogers outline a four-step framework for one-to-one marketing that can be adapted to CRM marketing as follows:

**Identify your prospects and customers.** Don’t go after everyone. Build, maintain, and mine a rich customer database with information from all the channels and customer touch points.

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Differentiate customers in terms of (1) their needs and (2) their value to your company. Spend proportionately more effort on the most valuable customers (MVCs). Apply activity-based costing and calculate customer lifetime value. Estimate net present value of all future profits from purchases, margin levels, and referrals, less customer-specific servicing costs.

Interact with individual customers to improve your knowledge about their individual needs and to build stronger relationships. Formulate customized offerings you can communicate in a personalized way.

Customize products, services, and messages to each customer. Facilitate customer interaction through the company contact centre and Web site.

Thus from the above discussion it could be concluded that the benefits of customer relationship management are considered abound. The department store, therefore, has to construct perfect CRM functional programs to make consumers satisfied and gain consumers’ trust, and then, in turn, to earn consumers’ promise to continually visit the store in the future. To establish long-term cooperation and reciprocal relationships for the future with customers to be able to have a good interaction will be the important factors of influencing consumers to continue to go to the department store.

3.13 Profile of Coimbatore – the study area

Coimbatore is the third largest city in Tamilnadu, with a population of more than 20 lakhs. There are more than 30,000 tiny small, medium and large industries and textile mills. The city is known for its entrepreneurship of its residents. The climate is comfortable round the year.

The city is situated on the banks of river Noyyal. Coimbatore existed even prior to the 2nd Century AD as a small tribal village capital Kongunad until it was brought under Chola control in the 2nd and 3rd Century AD by Karilalan, the first of the early Cholas. When Kongunad fell to the British along with the rest of the state, its name was changed to Coimbatore and it is by the name that is known today, except in Tamil, in which it is called Kovai.

The rich black soil of the region has contributed to Coimbatore’s flourishing agriculture industry and. It is fact; the successful growth of cotton has served as foundation for the establishment of its famous textile industry.
Coimbatore is also famous for the manufacture of motor pump sets and varied engineering goods, due to which it has earned the title “Detroit of South”. The Development of Hydro electricity from the Pykara Falls in the 1903’s led to a cotton boom in Coimbatore, The result has been a strong economy and a reputation as one of the greatest industrial cities in South India.

3.13.1 Historical Background

According to ancient manuscripts, Coimbatore’s history can be traced to the Irula tribal chief Kovan and his clan who were its earliest settlers and the founders of “Kovanpatti” a part of Kongunadu. Years later, the surrounding forests were cleared, and a new villages was formed called “Kovanputhur”, which over the years came to be known as “Coimbatore”.

In spite of its prominence as a bustling industry city, Coimbatore still remains one of the most pollution free cities in India. Covering an area of 23.5 square kilometres, the city houses some of the biggest names in Indian industry; the major industries include textiles, textile machinery, automobile spares, motors, electronics, and steel & aluminium foundries. Tiruppur – a neighbouring district has carved a niche for itself in the garments market. Agriculture however remains the major occupation, the rich fertile soil and tropical climate is excellent for the growth of millet, paddy, cotton, tea, oil seeds and tobacco.

The city is also known for its educational institutions. Coimbatore Agricultural University is renowned as one of the best colleges of its kind in South Asia. In spite of its industrial and technological growth, traditional and age old customs are still held in high esteem. The temples bear witness to the religiousness and love of art and architecture of the people. There are also a number of places of tourist interest around Coimbatore. Ootacamund (Ooty in short) is one of the most popular tourist spots in India.
### Table 3.1
Demographic profile of the Coimbatore District

<table>
<thead>
<tr>
<th>Area</th>
<th>~254 Sq. Kms</th>
</tr>
</thead>
<tbody>
<tr>
<td>Population</td>
<td>32,12,913 (Coimbatore District as per 2011 census)</td>
</tr>
<tr>
<td>Altitude</td>
<td>411 Meters, above mean sea level</td>
</tr>
<tr>
<td>Climate</td>
<td>Mild winter and moderate Summer</td>
</tr>
</tbody>
</table>
| Temperature| Summer – Max. 34.7°C / Min. 21.1°C  
             | Winter – Max. 32.2°C / Min. 19.2°C |
| Rainfall   | 61.22 cms annual      |
| Rainy Season| September to November |
| Clothing   | Tropical              |
| Literacy   | 73%                   |
| Language   | Tamil, Telugu, Malayalam, Hindi, Kannada and English |

### Exhibit 3.2
Coimbatore District Map