Maintaining CRM in Apparel Retailing through Touch points: A Factor Analysis Approach

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Abstract

Customer Relationship Management is the most talked about business mantra these days. With the advent of CRM in late 1990s, marketers opine that proper vigil and analysis of customer data might bring wonders for the organization. Indian apparel retail sector is booming, leading to intense competition. The war is to attract new customers but most importantly to retain the old ones. The companies are tailoring CRM initiatives to increase their customer base. The role customer point is crucial in maintaining long term profitable relationships with the customers. This research attempts to study various touch points related to apparel retailing. The study aims at establishing the importance of customer touch points in CRM. The empirical study establishes the important touch points from customer’s point of view.

Key Words: Apparel retailing, Customer Touch points, CRM, Customer Retention.

1. Introduction

Customer relationship management (CRM) has emerged as the core marketing activity for the businesses operating in dynamic and competitive business environment. Customer Retention has taken the front seat in organization because its results are very lucrative. A survey by Bain & Co. in 2002 states that “5% increase in customer retention boosts lifetime customer profits 50%, on average, across industries, and up to 90% in industries like insurance”. CRM is bringing wonders for marketers in every field and all industries. Paravatiyar and Sheth (2001) defined CRM as a “comprehensive strategy and process of acquiring, retaining and partnering with selective customers to create superior value for the company and the customer”. CRM has developed as an approach based on maintaining positive and profitable relationships with selective customers. Mukerjee and Singh (2009) states that CRM is regarded as an important tool for delivering revenue growth through improved customer experience, customer retention and customer repurchase. (Gartner, 2004) states that CRM is a business strategy designed to optimize profitability, revenue and customer satisfaction by organizing the enterprise around customer segments, fostering customer-centric behaviors and implementing customer centric processes. CRM is used as a tool to make long term relationship with the customers for surviving in the fiercely competitive market scenario. The core theme of all CRM is its focus on a cooperative and collaborative relationship between the firm and its customers (Nath, V et al. 2009).

A touch point is any point of contact between the customer or the prospect with the company. The touch points are endless, because points of contact are innumerable. Touchpoints are the points of contact between an organization and customers. Each time a person relates to, or interacts with, a touch-point, they have an encounter with product and services of the company. This gives an experience and adds something to the person’s relationship with the company. There are a number of different definitions of touch points. Spengler and With (2009) explain touch points to be all the different contact points at which brands are experienced by customers, non-customers and other stakeholders. Websites, employees, call centres; recommendations from friends, products, physical stores and annual reports are all examples of this. All these customer touch points are maneuver for attracting customers and maintaining long term relationships with them. Today, customer relationship management has become the core of all marketing activity of the organizations.

Retailers face a dynamic and competitive retail environment. With increasing competition and more vocal customers’ Companies recognize that customer relationships are the underlying tool for building customer
value. Therefore this research will make an attempt to study to what extent customer touch points play a crucial role in profitable CRM particularly in apparel retail is able bring desired results. Apparel retailing is on boom in India. According to ATKEARNEY 2009 Retail Apparel index India stood on fourth position as the most attractive emerging market for apparel retailers, which automatically attracts the interest for research in the field. This suggests that apparel retailing in India is going to be very competitive in future. Various apparel retail stores like Shoppers Stop, Globus, and Westside are already working on customer touch points to woo customers. During the course of study various customer touch points related to the apparel retail stores were identified. The empirical research was carried out to find out most preferred customer touch points by the customers. The research establishes the important role played by customer touch points in maintain relationships with the customers.

2. Literature Review

Customer Relationship Management is the strategic activity which unites marketing efforts with technology. The concept of CRM originated in USA in late 1990s and became the success mantra for various companies across the world. CRM has different meaning to different people. There is no consensus about the definition of CRM in the available literature. Although there is no clear definition of CRM, Jeffrey Peel, CEO of Quadriga Consulting, defined it as follows:

"[CRM] is about understanding the nature of the exchange between customer and supplier and managing it appropriately. The exchange contains monetary considerations between supplier and customer -- but also communication. The challenge to all supplier organizations is to optimize communications between parties to ensure profitable long-term relationships. CRM is a key focus for many organizations now as a shift away from customer acquisition toward customer-retention and churn reduction strategies dictates a need for best practice CRM processes.

The essence of CRM thinking originates from three concepts in marketing management: (1) customer orientation, (2) relationship marketing, and (3) database marketing. With the advancement of information and communication technology (ICT), these three marketing tenets have come together in the paradigm of CRM (Langerak and Verhoef 2003).

Kerr and Anderson (2001) see CRM as a strategy, a tool or even a weapon that keeps the company on course and to be able to anticipate the changing landscape of the marketplace As customers became more difficult to reach with mass advertising, CRM emerged to more accurately target customer segments on a one-to-one basis. Deans (2004), states that CRM is a strategy for companies to build and manage long-term relationships with their customers. According to the researchers, by implementing CRM, better customer service, as well as improvement and management of customer expectations and loyalty can be provided. Kotler and Armstrong (2004) define CRM as “the overall process of building and maintaining profitable customer relationships by delivering superior customer value and satisfaction.”

In CRM, the focus is upon using technology to organise and automate relationships with customers and prospective customers. It is often centred upon automating and integrating interactions, often with a focus upon efficiency rather than upon the customer experience:

CRM is a management approach that seeks to create, develop, and enhance relationships with carefully targeted customers to maximise customer value, corporate profitability, and thus, shareholder value (Payne and Frow, 2004).

Customer touch point has been defined differently by different researchers. Due to this, the term “touch points” can mean different things to different researchers and the definitions we have come across during our literature studies have similarities but also differences. Stone et al. (2002 p. 40) call touch points “the points at which products and services are purchased or serviced”. A definition that focuses on the products and/or services that a company has to offer. Mårtenson (2008) takes this definition a bit further by suggesting that touch points are every contact customers have with a company. This includes everything that brings a customer to think about the specific company: from word-of-mouth recommendation to marketing activities such as for instance a TV commercial, Spengler and Wirth (2009) expand this definition still further by including customers as well as non-customers and other stakeholders. They also talk about different touch points before, during and after a purchase.

From these wide definitions, we can tell that the number of a company’s touch points can be quite huge. To exemplify, mid-sized firms usually manage over one hundred touch points (Spengler and Wirth, 2009). Different touch points also have different roles to fulfil and these roles may vary between different companies. They also work in different ways in order to fulfil those roles (Hallward, 2008). Mårtenson (2008) exemplifies this by stating that it is important for a company to understand these different roles and purposes in order to be able to focus on those touch points influencing the consumer behavior the most. There are various opinions on which touch points that are the
most important ones. Boatwright et al. (2009) state that among all available touch points, the product itself is one of the most important ones due to its potential of creating strong relationships with the customers. Furthermore, the recent years’ fusion between the on- and offline worlds has made many online activities such as for instance online-forums, become more and more important (Spengler and Wirth, 2009). About ten percent of the customers are influenced by new types of information sources, such as the Internet, e-mail, mobile phones etc, when making buying decisions. Web 2.0 and popular online communities such as Facebook and MySpace are also of bigger importance than before. Furthermore, there is also a trend going towards on-demand services such as over the mobile or digital television. Companies are leveraging technology to make their touch points interactive and attractive.

The customer touch points play instrumental role in making a customer happy and satisfied. The importance of customer touch points has been largely discussed in CRR related literature. The term touch-point has been used within CRM literature in the context of maximising profitability and shareholder value. Recent developments in CRM practice show a new attention towards touch-points as part of the customer experience (Choy 2008). A white paper by Intervox (2005) states that “Touch points impact perceptions and decisions of both prospects and customers, and their resulting relationship with the organization. Management of customer touch points are essential in customer relationship management. The study was carried out in this theoretical background.

3. Purpose
The research was carried in order to study the customer touch point related to apparel retailing. The major research objective is to find out which customer touch points most significant and important from customers point of view. Since all customer touch points are not considered equal from the customer end, this research attempts to establish which customer touch points are very important. As customer touch points helps in creating customer experience, a major focus of all CRM efforts, the study would also aim at providing suggestions on the basis of empirical study.

4. Research Methods
In order to accomplish the objective of the study both primary and secondary data was collected. Ten apparel retail outlets were visited to find out major customer touch points is apparel retailing; the apparel retail outlets were selected on the basis of convenience. The information related to customer touch points were also collected from retailer’s website, magazines, research papers and articles.

On the basis of collected information, customer touch points were listed. The Consumers of Delhi-NCR formed the population of this study. Sample was collected on the basis of non-probabilistic convenience sampling. This sample was due to the respondents being easily accessible, their availability, as well as it being less time consuming and inexpensive to gather the required data. Bickle, R., & Papaginnis, G. (2001) contend that “the advantage of non-probability samples is that they are less complicated and more economical than probability samples.” In order to collect the data, a structured questionnaire was formed based on the listed customer touch points, questionnaire were distributed amongst the sample of 500 respondents of 18-25 years of age. Out of 500, 307 questionnaires were found fit for further study, leading to a return rate of 61 percent. In order to check the reliability of the data, Cronbach alpha test was applied In order to find out the most preferable customer touch points from customer’s viewpoint Factor Analysis was applied. All the analysis was carried out by SPSS.16.0.

5. Analysis and Findings
The data which was fit for further studies was subjected to analysis with the help of software. The reliability of data was checked with the help of Cronbach’s alpha test, the value of alpha for the data was 0.804 which is greater than 0.6 showing the data is reliable and suitable for the analysis. KMO test was applied to test sample adequacy, the resultant value was 0.798 which is greater than 0.50 showing that the sample was adequate for the study. The resultant value of Bartlett’s Test was 0.000, showing that it was significant.

The research was conducted to study the customer touch points related to apparel retailing, on the basis of observation and secondary research a list of customer touch points was prepared. The table I enumerates the touch points.

On the basis of the secondary data and observation 24 customer touch points were found. Factor analysis test was applied to club the variables and to find out important customer touch points. The analysis of the result of the test helped in reducing the 24 customer touch points into 8 major factors by clubbing the touch points. The 8 major factors were named as follows: Communications, Customization, Exclusive, Quality Encounters, Building Loyalty, Leveraging Technology, Organizing Processes and Controllable. The customer touch points were clubbed into various factors on the basis of factor loading value.
The result of factor analysis reveals that the first factor termed as “Communications” which includes touch points like T.V and Newspaper reports, online advertisements and merchandise display are primary customer touch points, this factor explains 20.410 percentage of variance. The second factor “Customization” is also important factor and includes touch points like product price, Customer service and personal invitation. The result shows that vouchers and billing process converged under the head “Controllable” does not impact the customers to a great extent. However, the factor “Controllable” is important from retailer’s point of view, as it includes those customer touch points which can be controlled and effectively managed by the organization. The factor “Quality Encounters” which includes customer touch points like Product Quality, Phone Calls and Physical Layout are also important from both customers as well as from retailer’s point of view. The factor “Building Loyalty” includes customers touch points like Recommendations of Friends and Relatives, POP Display, Word of Mouth, Loyalty Schemes is closely related to the objectives of Customer Relationship Management initiatives which aims at retaining customers.

This research brings forth the important customer touch points related to apparel retailing. The past literature suggests that effective management of customer touch points may lead to profitable customer relationship management. The important customer touch points like T.V and Newspaper reports, online advertisements and merchandise display personal invitations, product price and Customer service may become a crucial part of CRM initiatives of the apparel retailers. Customer touch points are the point of interaction for the customer and act as the first step for profitable customer relationships. The efficient management of touch points ensures long term relationship with the customers.

6. Managerial Implications

In the fierce competition in the present scenario customer relationship management has become a strategic tool to retain customers. In order to maintain long term profitable relationships with the customers,
proper check on customer touch points is necessary. The touch points are the points where customers come in contact of the organization, with the experience they get they make their perception about the organization. Therefore the study of customer touch points becomes important from retailers point of view. The study put forth the important customer touch points which an apparel retailer should manage properly to retain customers in long run. The study shall be helpful in devising the CRM strategy and tailoring CRM initiatives. A major focus of CRM practice remains on customer experience and customer touch points. The touch points are crucial in creating unique experience for the customers. This research has studied the customer touch points related to apparel retailing, on the basis of customer responses important customer touch points have been laid. The result shows that customization is the key to attract customers, personalised services and attention paves the way towards profitable relationships. The results possess major implications for the retailers tailoring CRM for maintain relationships with the customers. The result of the research suggests that the customers have preferences related customer touch points; the preferred customer touch points may become instrumental for apparel retailers in customer relationship management.

7. Conclusion & Future Research

The study establishes the importance of customer touch points in CRM. The efficient management of customer touch points is instrumental for any effective Customer Relationship Management initiative. The research studies the customer touch points relate to apparel retailing. The empirical analysis establishes that some customer touch points are crucial from customer’s point of view. The findings of the result are very important due to its managerial implications for the organizations which tailor CRM initiatives and work on creating customer experiences through customer touch points. However, the study suffers from some limitations as well. The study has been carried out on the customers of specific age group i.e. 18-25 years at one point of time in Delhi NCR. Therefore, the results might be distorted due to age, situational and regional factors. The findings of the research cannot be generalized because research was carried out on a very small sample. Therefore the findings of the research cannot be generalized. The study opens avenues for future researches in related areas. The research can be extended to the consumers of different geographic region and age. The scope of study can also be expanded by taking a larger sample. The study can be replicated for the sectors other than apparel retailing.

Key References


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