UNIT 1 INTRODUCTION TO CUSTOMER VALUE MANAGEMENT

Structure

1.0 OBJECTIVES

After studying this unit, you will be able to:

- Explain the concept, importance, and benefits of CVM (Customer Value Management)
- Discuss the determinants of CVM;
- Describe the CVM implementation process;
- Discuss the factors that influence customer value generation;
- Discuss the long-term implications of CVM; and
- Explain the process of institutionalising customer value philosophy.

1.1 INTRODUCTION

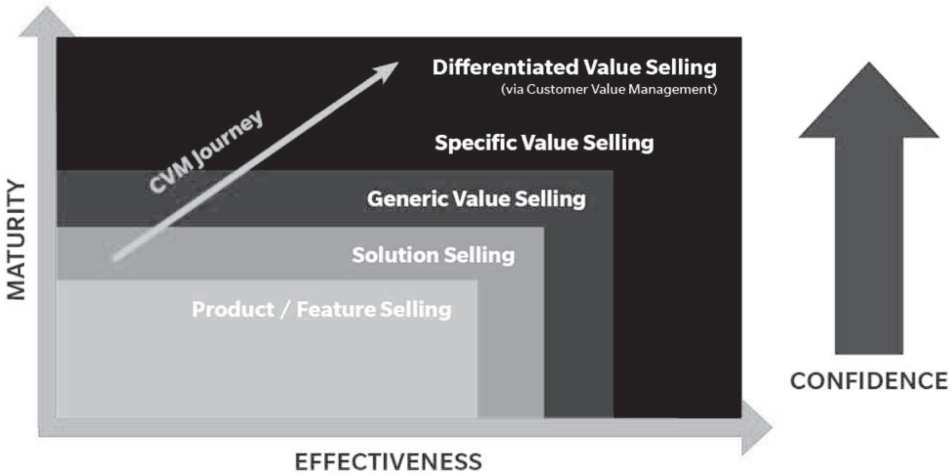
In the previous semester, you have discussed how customer is considered to be a king and is the prime focus of all the marketing activities and decisions. Every business aims have delighted customers to an extra edge vis-à-vis the competitors. The Retail Industry, like others, needs to be adaptive to customers who are unpredictable, choosy, and may not be loyal. One of the prime challenges managers face is attracting customers and retaining them in the business to attain growth in a highly competitive environment. This entails the company to earn accessible the loyalty of their customer; please remember it is always accessible and cost-effective to grow with Loyal customers. Engaging with new customers is always a costly affair.

The product and the prices among the competitors are moving steadily close together. The conventional bases for product differentiation are becoming ineffective day by day. It has become inevitable to look for new ways and means to differentiate fast introduction of technologies resulting in rapid changes in customers' perceived "needs" and "values." Customer Value Management, popularly called as CVM, is one of the practical approaches to attract and retain the customers in the business. ***CVM approach is now being used to identify the "value" that can be delivered to the customers***. This "value" is not related to the product and its benefit only, but also must be coupled with processes and services to be offered to the customers. It is a combined effort to build customer value management, for example, operations, product, customer service, quality of products, range of products, serve rates, faster checkouts, promotions, etc. For example, when a customer buys an air conditioner, he is not only given AC but is also given services with the AC like installation, demonstration, warranty, and a few free services.

Innovative and successful companies are making their strategies in a way so that they can deliver ideal "customer defined value" to their target customers. Companies, especially in the retail sector, are institutionalizing this approach to strike a proper chord between their customers' idea of ideal value delivery and the capabilities of the business to deliver that value.

Businesses that know customers value and its importance learn are learn how to deliver this value better than their competitors and when it is essential to communicate the value with customers so that they perceive that the actual value is returned. This helps the business to achieve a competitive advantage, better business results, and shareholder value. The challenge for business is to turn this understanding into practical action that delivers measurable results. The idea that business success comes from focusing on customers is not new, and vision and mission statements are complete of inspirational language about creating value for customers. Companies now measure the quality of their products and services from the viewpoint of customer delight rather than merely satisfaction. Why does a customer choose one company's product over another? Is it brand, price, service, or personal experience? Customer value management is proving its worth in increasing market share and shareholder value for the companies that practice it.

In this unit, you will learn about customer value management, its importance, the needs and benefits that it gives to the businesses, and the factors that influence CVM. You will also learn the long-term implications of CVM, the emergence of rural customers, and ways of institutionalizing customer value philosophy.



Courtesy – https: decisionlink.com

1.2 THE CONCEPT OF CUSTOMER VALUE MANAGEMENT (CVM)

Customer Value management deals with ***understanding customers' expectations of the business, analyzing customers' value, and delivering that to them effectively to get delighted customers because delighted customers ensure success***. We will discuss Customers' expectations in detail in unit 2. Let us now understand what customer value is and how it should be analysed and discuss the Customer Value Management approach in fact.

1.2.1 Customer Value and its Determinants

Customer value is the customers' perceptions of what they expect to happen while buying (i.e., the consequences) in a specific situation with the help of a product or service offering to accomplish a desired purpose/goal.

However, customers define value as:

- Availability of products and services at lower prices compared to competition.
- Availability of range and fill rates (availability in a retail store)
- Whatever specification/features a customer wants in a product or service. Right product availability.
- The quality of a product/service a customer gets for the price he pays. Consumers invariably seek value for money.
- benefits-benefit analysis (Benefits from the product are a summation of functional benefits and emotional benefits, whereas cost involves both the price and time + effort)

- On-the-floor customer support is what they receive from the retail sales team. Helping customers get the product that is right suited to them.
- Customers would love to check new arrivals information and availability while buying products that meet their requirements.
- Faster checkouts (shorter time and queue while making payments) Help & support on returns and exchanges plus delivery of products at their home (Free home delivery).
- Attractive offers and schemes are comparatively more valuable than competitors.

Simply put, we can say that customer value perception is based on three critical factors. They are quality, service, and price. This is also known as customer value triad "qsp" (quality + service + price). However, we should always keep in mind that all the above-listed values form the perception of the customer or, to put it differently, how do consumers perceive the above-listed values?

COSTBENEFITANALYSIS

Value = Benefits / Cost

or

(Functional Benefits + emotional benefits) / (Monetary Cost + Time Cost + Energy Cost + Psychic Cost)

The process of determining customer value involves several steps, which are as follows:

Step 1: Identification of Customer Value Analysis (qsp- Quality Service and Price

Step 2: Deciding the most crucial element of qsp

Step 3: Analysis of customer value delivery mechanism (how well or poor the delivery is)

Step 4: Knowing the reasons for execution (customer value delivery)

Step 5: Studying the changing behaviour of the customers.

1.2.2 Customer Value Analysis

The first step that a business must take is to identify and analyse the customer value. Customer value analysis develops a quantitative picture of the markets in which the businesses compete. to get the view of the market, you as a retailer need to have certain information

This requires specific information. This information helps in understanding:

a) What do the customers want?

b) How are competitors performing against these wants?

c) Whether a business is delivering the desired value to customers compared to its competitors.

d) What is the actual worth of the product?

e) What improvements are required to make the product worth to the customers? To be checked.

f) How do we determine competitive prices?

g) How do customers perceive the business brand?

h) What service level customer is expecting the brand to deliver?

Various surveys and market research are done to get this information. Afterward, with the help of the experts, strategies are formulated for institutionalizing (practicing) Customer Value Management. Let us now discuss customer value management.

1.2.3 Customer Value Management

Customer value management, as defined by Khalid and Scott, is a systematic approach to:

1. Understand what causes customer purchase and repurchase behaviour behaviour behavior,
2. Predict the future purchase behaviour of customers and potential customers, and
3. Maximize future purchase behaviour by managing the predictors through User experience analysis and course correction in the CVM process

It is a process that enables businesses to determine how well they address the expectations, perceptions and needs of prospective and direct customers, distributors, and end users. It also involves the study of strategies processes/strategies adopted by competitors in institutionalising CVM. Customer Value Management can be described as a tool to manage each customer's relationship with the business or brand so that a business or brand can achieve maximum lifetime profit from the entire customer base. This enables companies to retain their customers and earn customer loyalty. Retaining customers is very cost-effective. Attracting new customers is a costly affair vis-a-vis retaining existing customers. A detailed discussion on this is presented in unit 7. Every customer is not necessarily equally profitable to the business. Some customers may be more beneficial. Still, each of them should be managed to maximise overall profit. Management undoubtedly gives more focus and attention to those customers who are highly profitable for the business.

The customer value management approach is a different marketing strategy because it advocates the shift of business focus from product and marketing campaigns to considering and managing the profitability of each customer over the entire lifetime of the relationship. A customer value manager should always be eager to understand and analyse who the customer is and what can be offered to them to increase their lifetime value, known as ***Customer Lifetime Value (CLV).***

To ascertain the CLV, we need to know the purchase size of the customer, frequency of the purchase made by them and the duration of their relationship with the business. Thus, CLV is a product of purchase size, frequency and duration.

CLV (Customer Lifetime Value) = purchase size x frequency x duration

So, the business goal of customer value management is to increase the size and frequency of purchases and extend how long the customer continues to buy.

From a managerial perspective, customer value management is a learning system in which customer strategies can be constantly improved & redefined based on continuous evaluations of prior customer strategies.

Companies can increase the value of their customer base by:

1) Attracting new customers,
2) Increasing customer retention, and
3) Creating customer expansion.

Companies institutionalising this approach should develop the analytical and operational capabilities.

Process/ Component of CVM

There are three essential components of customer value management. They represent the three stages in the process of customer value management.

Stage I : Right customers (acquiring the right customers)

Stage II Right relationship (developing strong relations with those customers)

Stage III Right retention (keeping valuable customers in the business) They are popularly known as 3 Rs of CVM

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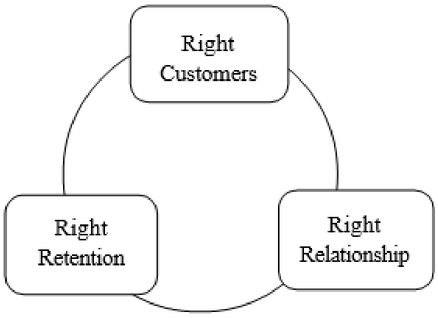

Figure 1.1 : The three Rs of CVM

a) Right Customers

The customer value management cycle starts with acquiring the customers most valuable to the business. Now the question is, who are these customers? Right customers mean those who will repeat dealings with the company for a long time. The rising companies can no longer afford to indiscriminately recruit customers without examining their long-term value. To sum up, we can say that the right customers are the ones who are highly profitable to the business, i.e., they have high CLV. Frequency of repurchase might reveal that a subset of these customers has a very high lifetime value,

b) Right Relationship

Even with the most well-chosen customers, managers must develop the relationship. Customers who do not receive the right touch or get too many conflicting offers lose rather than gain value. Customer service and relationship: solving customer problems is key here when it comes to building relationships with the customers.

c) Right Retention

Right retention means retaining the right customers (those who are profitable) in the industry because it is a cost-effective way of getting customers repeatedly. The point to be remembered here is that customer retention should be highly effective. Effective retention means retaining the right customers, not every customer. Managers need to focus their retention actions on customers to increase the highest lifetime value. You will learn about customer retention in detail in unit 7.

Check your Progress. A

1) Define customer value.

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2) What is customer value management?

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3) What is the customer's lifetime value?

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1.3 THE IMPORTANCE OF CVM

Customer retention is quite a cost-effective affair. Experienced customers become more efficient in dealing with the business. Loyal customers are very scarce. But they are a significant source of value and an asset to the company. A business manager must maintain this crucial asset.

The overarching strategy of CVM is to deliver a better value proposition than the strongest competitor in each targeted market segment. The premise is that a value proposition is at work. CVM provides a systematic methodology of modelling the value proposition relative to competition by operationalising the results through process improvements, communicating these improvements to the employees and customers, and linking them to financial performance.

The importance of CVM can be listed below:

a) CVM represents the best practices retailers use to attain their visions of finding out what their customers want and giving it to them.

b) CVM provides a rational set of techniques, methodologies, and strategies to weave the needs and wants of customers into key processes and management activities of a retail organisation.

c) CVM approaches drive customer loyalty and growth and are becoming pathways to understanding the needs and wants of customers, causing changes in the management process not just to retain existing customers but to influence new customers as well.

d) CVM is a way of doing business. It can help a retail enterprise create and sustain differentiating value if employed correctly.

e) It is the mechanism to understand what customers want from an organisationorganisation and how a retail organisation can go about aligning its business to provide that product/service consistently.

f) CVM sets the tone of the organisation right from top management to lower management. Once created by management, it becomes easy for companies to continue building seamlessly as the complete organisation is aligned and every employee takes it seriously.

***Success stories of a few businesses which have institutionalised the CVM approach are given below to explain the significance of CVM.**

A. Box Plant Turnaround: Growth and profitability rebound in the middle of an industry depression

A prolonged cyclical downturn was squeezing manufacturers of corrugated boxes in the Midwest USA. One key competitor of the company's client, a leading paper company, had just folded. Using the value map and other tools, it became clear that, based on Plant A's customer-perceived positioning, there was a good chance that Plant A would be next.

The same data that showed Plant A's relatively poor customer-perceived value also led the way for Plant A to recover. For Plant A to improve customers' value for money, it needed to correct its poor delivery ratings and a few other attributes. In plant A's case, the solution was to focus on customers who were willing to schedule deliveries on a predictable basis and not try to serve those customers who needed high flexibility. Plant A greatly strengthened its customer-perceived value by changing its value proposition to focus on its strengths and on customers that valued those strengths. Customers loved the value they were getting, profitability skyrocketed, and sales, bucking continued downward industry trends, proliferated.

B. Electronic Controls Find a New Market: The voice of the customers' customer provides the key

The CEO of a major industrial equipment company was dissatisfied with the company's slow growth and launched a major growth initiative. Everyone in the company was on the hot seat to identify where incremental change could come from. The Controls Division had an idea involving components for a commodity piece of equipment. To the old hands at the company, the idea had all the hallmarks of a disaster. The company prided itself on its technology; the new market was low-tech. The company had a firm brand name; the opportunity was to manufacture a component inside a commodity product where the company's brand name would not be visible. But it was a new market, and that could mean growth.

While the old hands at first dismissed the idea, they started to warm to it as they explored the possibilities. They went to their customers' customers and profiled their needs. Then, they went to their engineers and prodded them to find ways to apply their advanced technology to the end user's problems. In the end, they came up with a component family that could vastly improve their immediate customer's products. They used value mapping and other customer-value displays to show how, despite higher prices, products featuring their new components gave customers better value. Their customers bought their concept, giving the company credit for measuring the end customers' perceptions better than they did. They made the sale and launched the product successfully.

C. **Tech Services Find Room for Improvement: Customer value analysis flags some pervasive problems**

Large companies are plagued with inertia; successful companies are beset with complacency. So, large, successful companies often find it difficult to react quickly to inroads by hungrier, smaller, and nimbler competitors. "Big Tech", the model of a successful company by all standards, found that smaller competitors were taking bites of market share out of some markets that they had considered "locked up." However, their customer metrics showed that their perceived quality was unrivalled, so the causes of the erosion were not apparent.

Using Customer-Value concepts, Big Tech added perceived price metrics to its analyses. The metrics showed that, although Big Tech had great products, the value that customers were getting was not necessarily good. The products were not quite good enough to justify the price premiums. However, looking at the performance data suggested several areas where Big Tech was not leveraging its scale and technology advantages as fully as it could. The way to better value was better service, not lower prices. Several director-level participants in a customer value workshop stepped forward as champions for major initiatives to ensure leadership roles for Big Tech in two areas where its scores were lagging its potential.

(* These cases are taken from http://www.cval.com/success-stories.)

Key Takeaways.

1) A company can increase its value proposition by focusing on its strengths.
2) An increased value proposition may enhance customers' perceived value
3) An increase in customers' perceived value would earn more profitability.

1.4 WHY IS CVM REQUIRED IN RETAIL?

CVM is required in retail to understand the different customer needs that reflect the corresponding customer value dimensions in the retail context. Customer needs are primarily of four types:

A) **Functional Needs** - Functional needs are those that motivate the search for products that solve consumption-related problems

B) **Esteem Needs**- Esteem needs are desires for the products that fulfil internally generated needs for self-enhancement, Role position, group, group membership, or ego identification

C) **Experiential Needs**- Experiential needs are desires for products that provide sensory, pleasure, variety, or cognitive stimulation

D) **Economy Needs-** Economy needs fundamentally consider the lowest cost options available in the market. Therefore, the above set of diverse needs necessitate the importance of CVM in retail. More specifically, CVM is required in retail because of two reasons:

1. In the customer's preference set, which store is considered
2. To understand the determinants of customer value

Customers' preference for a retail store depends on the threshold value (may be referred to as equi-marginal utility) allotted by the customer, and if the perceived value is less than the threshold value assigned, the customer may not choose the store for shopping. Both the threshold value and perceived value are connected to the customer's needs.

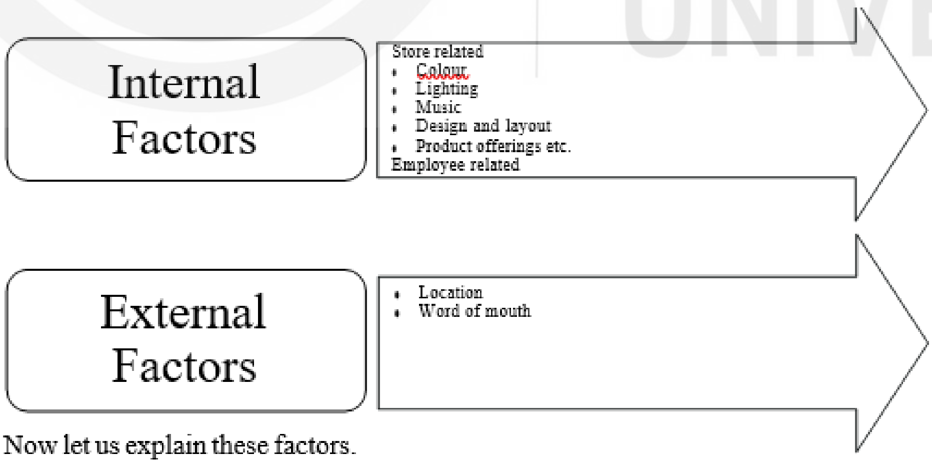
The retail atmosphere consisting of environmental elements such as bright or dim lighting, classical or familiar music, attractive window dressing and layouts, magnificent architectural design, freshness and fragrance, appropriate temperature to make it cosy and comfortable, soothing, and trendy colour, cute logo, and gentle crowding are ideal conditions that can affect the current and future behaviour of consumers (Smith and Burns, 1996). These are explained in more detail in the next section, along with the impact of employees' interaction with customers and external factors such as store location and word-of-mouth of customers.

1.5 FACTORS INFLUENCING CUSTOMER VALUE GENERATION

Factors influencing customer value generation are broadly categorised into two categories:

1 Internal Factors

2 External Factors



Now let us explain these factors.

1.5.1 Internal Factors

A. Store Related

Atmospheric Cues: Customer spending behaviour can be significantly influenced by the store atmosphere and the customer's mood. Customers require a store layout that maximises the number of products seen within the context of a customer's need for the product. Customers who experience a form of personal control, whether orienting themselves to the store section they need to go to or finding the products they want, generally feel good about the store. Good feelings lead to more purchases, especially if products are presented within a display that shows the potential usefulness of the product for them.

Atmospheric Cues, which denote symbols or objects in the store environment proximity, have been at the centre of numerous discussions recently as a means of creating a pleasurable consumption experience, engaging and luring customers, with hopes that they will increase their likelihood to purchase, revisit and recommend to others.

Seven of the atmospheric cues are discussed below:

1 Colour

Customers often associate brand and store image with their colour. Brands like Mcdonald's use red and yellow colours to communicate leadership and happiness. Colours have differences in their significance, with changes in cultural context. For example, the colour black has of different importance in Western and Eastern cultures. Universally, pink is used to communicate femininity, green is used for freshness, natural, vegetarian, and so on. Moreover, consumers' colour preferences change with change in fashion, fad, and trend.

2 Lighting

Discussions with retailers in India revealed that lighting affects customer's attraction and choice of retail store and visibility in evaluating products' features, price, ingredients, labels, etc.

3 Music

Music variations like fast, slow, classical, instrumental, and hit numbers influence customers' moods. Changing music in different parts of the store was to be an influencing factor that can alter customers' moods or appeal to different customer segments. Music can potentially increase customer value and shopping volume by providing relaxation and calmness to the customer so that beneficial associations are created in the mind. The customers' interest in shopping, pleasure, and time spent depend on the nature of these associations.

4 Design and Layout

Design factors can create attraction and uniqueness to appeal to people at a focal point by signalling a pleasant and worthwhile experience. The design aspects of retail stores are an ideal convergence of artistic ideas, instinct, and business in a planned and profitable manner.

The store's layout may communicate value by increasing search efficiency, comfort, inventory capacity, product quality, price, product displays, etc. Signage and window dressing is the face index of the store that can attract or repel customers from the store. Customers may develop associations of trust, value, quality of goods and services, price, warranty, and guarantee etc as they come across visuals such as signage, window dressing, logo, etc., based on past shopping experiences. Signs and graphics used in the store act as a bridge between the merchandise and the target market. Design factors create theatrical effects, add personality and beauty, and communicate store image.

5 Olfactory Factors

Olfactory factors (related to the sense of smell) like scent, freshness, etc. These are also very important in keeping customers happy as they may influence the customer's mood.

6 Tactile Factors

Tactile factors like temperature and smoothness of floor. Many customers enter retail outlets to escape the unpleasant temperature or weather outside and for fun and end up making impulsive buys. once they enter the store once they enter store, and these customers can be included in the industry.

The tactile factors create an aesthetically sensitive environment that potentially increases customers' value due to personal comfort and aesthetic values. Customers in India often choose stores that facilitate comfort and environmental control. For example, during summer, customers usually prefer to seek solace and comfort in stores with air-cooling facilities. These factors increase customers' exploratory tendencies and sensation-seeking behaviour.

7 Product Offerings

This includes types of product items, product assortment and a variety of brands offered for each product.

8. Employee Related

Retail store employees offering the highest quality of customer service will create Customer value. Providing customers value through their people element can be demonstrated by some companies like South-West Airlines.

Max HealthCare operates a Mentor Programme: Under this unique program, each patient is assigned a member (maybe managers, nonmedical people, executives or even doctors) who are the single contact point for every requirement of the customer (either for the doctor, cleaning, food or maybe even for general enquiry). A mentor acts as the first touch point to the patient for every requirement; his job is to get the work done.

Employees should be proactive in dealing with the customers on the floor. They are groomed well. They should be helping customers by knowing their exact needs or requirements. Try to resolve the same through proactive solutions to the customers on the floor. End of the day, customers should be happy with what they intend to buy through high-level customer service and the right product offering, focusing overall on value.

1.5.2 External Factors

1 Location

The importance of the location of the retail store is substantial in generating customer value that relates to convenience or in fulfilling the esteem needs of the customers or maybe both. For example, when a customer shops from big stores, for instance, Shoppersstop in Select-City Walk, in Saket, New Delhi. It serves the esteem needs of customers just to be seen shopping there. A good location brings with it ample parking space so that customers find it convenient to park their vehicles and enjoy hours of shopping.

2 Word of mouth

Customers' buying decisions are influenced by the word of mouth of the customers' social environment, which could include family, peers, and friends. They affect buying decisions by offering information and feedback, recommending the retail brands they like and enhancing a customer's self-image.

There will be more of a discussion on this in Unit 4

1.6 BENEFITS OF CVM

Customer value management is beneficial to both the parties: retailers and customers. Let us discuss the benefits of CVM.

A Benefits to Retailer / Business:

i) Helpful in the development and implementation of a business vision to become customer-centred centred i.e.; be number one in the eyes of their customers.

ii) Easy to implement a strategy to differentiate and compete on service and value to customers, not merely on products and price.

iii) It is helpful to understand what drives customers' loyalty and deliver them the same.

iv) It helps to understand its customers and benefits a retailer or any business in creating, growing, and retaining customers.

v) Helps to know and understand customers' needs and expectations.

vi) Enables the businesses to increase customer loyalty.

vii) Helpful in tothe formulation of future planning with a view to meeting customer expectations.

viii) Helps identify profitable customers, which also improves business profitability.

ix) Builds an emotional bond between retailer and customer, which helps in retaining customers, and retention of customers reduces the sales cost.

x) Enhance excellentcustomer satisfaction and retention, ensuring the business's good reputation in the market.

xi) It helps increase sales because every retailer tries to provide the product/ services according to the needs and expectations of the customers.

B Benefits to Customers

i) Customers get products/services as per their needs and expectations.

ii) Every retailer/ business tries to meet the customers' expectations, which automatically helps them economically and provides them with the desired services.

iii) Helpful in building strong emotional bonds with retailers/businesses.

1.7 INSTITUTIONALISING CUSTOMER VALUE PHILOSOPHY

Customer Value Management is a potent tool to make the company truly customer-oriented and attain top-of-the-line growth and bottom-line results. It is a formal, systematic approach to compete and grow based on delivering customer value.

In implementing CVM, how a customer perceives the company and obtains value should be identified and managed. If employed correctly, it can help a business enterprise create and sustain differentiated value.

The implementation of CVM begins with the company identifying the needs/wants of their customers and building on specific capabilities and business practices to fulfil these needs/desires. CVM is thus a top-down approach.

Customer Value Management is a systematic approach that enables a company to fulfil its vision of becoming a premier service provider to its target customers. This can be applied at the level of an individual service or organisation-wide basis. CVM is an ongoing process:

Customer Value Management

a) To monitor the changing needs of the target segment

b) To monitor changing customer perceptions of the company's performance

c) To exchange business improvements

d) To monitor and measure results.

Process of developing and implementing effective CVM strategies:

The process of developing and implementing effective CVM strategies can be done in various ways, like

Tools and Techniques

- Internal CVM Review
- Map of customer acquisition, service and delivery processes
- Employee perceptions of where and how they add customer value

Review Consolidated Findings

- Identify significant business processes and products/services valued highest by customers.
- Present gaps between employee and customer value perceptions.
- Identify strategic market segments and competitive positioning of your products/ services.

CVM Plan Implementation

- Phase-in required organisational alignment changes.
- Conduct Customer Relationship Management (CRM) and CVM employee training.
- Implement customer business processes and product/service improvements.
- Launch customer marketing and communication program advancements.
- Implement CRM and CVM performance tracking systems.

1.8 OPPORTUNITY IN RETAIL INDUSTRY & CVM

The Indian retail industry has emerged as one of the most dynamic and fast-paced industries due to the entry of several new players. It accounts for over 10% of the country's gross domestic product (GDP) and around 8% of employment. India is the world's fifth-largest global destination in the retail space. India ranked 73rd in the United Nations Conference on Trade and Development's Business-to-Consumer (B2C) E-commerce Index 2019. India is the world's fifth-largest global destination in retail and ranked 63 in the World Bank's Doing Business 2020.

The sizable middle class and nearly unexplored retail market in India are the main enticing factors for international retail behemoths seeking to move into newer markets, which will help the Indian retail business grow more quickly. The urban Indian consumer's purchasing power is increasing, and branded goods in categories like apparel, cosmetics, footwear, watches, beverages, food, and even jewellery are gradually evolving into business and leisure that are well-liked by the urban Indian consumer. The retail sector in India is expected to reach a whopping US$ 2 trillion in value by 2032, according to a recent analysis by the Boston Consulting Group (BCG).

India is the world's fifth-largest global destination in the retail space. In the FDI Confidence Index, India ranked 16 (after the US, Canada, Germany, United Kingdom, China, Japan, France, Australia, Switzerland, and Italy).

According to Kearney Research, India's retail industry is projected to grow 9% over 2019-2030, from US$ 779 billion in 2019 to US$ 1,407 billion by 2026 and more than US$ 1.8 trillion by 2030. Revenue of India's offline retailers, also known as brick and mortar (B&M) retailers, is expected to increase by Rs. 15,000-18,000 crore) in FY23. India's direct selling industry is expected to be valued at US$ 2.54 billion by the end of 2023. E-retail has been a boon during the pandemic, and according to a report by Bain & Company in association with Flipkart 'How India Shops Online 2023' the e-retail market is expected to grow to US$ 120-140 billion by FY26, increasing at approximately 25-30% p.a. over the next five years. Despite unprecedented challenges, the Indian consumption story is still robust. Driven by affluence, accessibility, awareness and attitude, household consumption stood at Rs. 150–170 trillion in 2022.

India has the third-highest number of e-retail shoppers (only behind China and the US). The new-age logistics players will deliver 2.5 billion Direct-to-Consumer (D2C) shipments by 2030. Online used car transaction penetration is expected to grow 9x in the next ten years.

Courtesy ibef.org

1.9 EMERGENCE OF RURAL CUSTOMERS

With the high-speed growth, the Indian retail industry is enjoying the taste of success. Several retail chains like Tata's Westside, Pantaloon's Big Bazaar ,Rahejas' Shoppers Stop, etc.; which are tapping the vast potential of the economy. Few global players are on the list, for instance, McDonald's and Benetton; few are still trying to share their experience and try their luck in the vast Indian potential market such as Marks and Spencer and Mango. They all functionall function under one roof in mega malls such as Lifestyle, Fun Republic, and Big Bazaar.

Initially, many retail outlets in India were, in a way, grocery shops. This pattern has been changing in urban and rural markets in recent years. India has a sizeable rural population, creating an expanded potential untapped market, and retailers realised this. For them, it is a new area of growth. Few supermarket chains, for instance, TATA and ITC, are now focussing on rural customers. ITC launched the country's first rustic mall 'Chaupal Sagar', offering a diverse product range from FMCG to electronic appliances to automobiles, attempting to provide farmers with a one-stop destination for all their needs. Besides, Godrej and DCM Shriram Consolidated are launching `one-stop shops for farmers and their communities. A few other examples are Godrej Agrovet and Aadhar stores. The Hariyali Kisaan Bazaar Chain, a one-stop shop, caters to a variety of farmers' needs by providing access to retail banking, LPG outlets and even a motorcycle showroom. Organised retail sectors like Reliance Fresh and Metro are bringing a revolutionary change in rural India.

With Wal-Mart, famous for its 'Always Low Prices,' coming to India with Bharati as an equal partner, Indian farmers and rural craftsmen can hope for a better direct deal. Retailing does not benefit just the customer. It can give huge benefits to other industries, to the government, and the entire economy.

Hence, we see that marketers are trying to grab this untapped market, but still, the reach of those players is meagre, and they should be more focused and rural-oriented.

Some . Still, thehighlyretailers have closed their functions, but the growth story in rural areas is highly positive in India.

Area	**Household**	**Population**
Rural	79%	70%
Urban	21%	30%
Total	100	100%

Rural customers are now becoming a preferred target for Indian retailers. They are considering options for expanding into the 6.3 lakh odd villages. Modern retail formats in the rural areas are likely to revolutionise the shopping habits of rural customers. It is also expected to generate considerable employment opportunities.

Rural markets are pretty attractive for all the retailers in the country. They are moving from tier 1 towns to even tier 4 towns. This is a way to build a rural market. Today, customers are demanding, and a shift in social class also has led to improvement in aspirational behaviour. Internet and mobile penetration have removed the barrier of distance and information flow. Today, consumers, even in rural markets, are well aware of leading trends and brands; hence, the growth story of India is quite encouraging. However, this journey is not without hindrances. Poor infrastructure, supply chain inefficiency, and product pricing still need to be adequately addressed.

Check your Progress B

1. Enlist the importance of customer retention.

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2. What are the factors that influence Customer value Generation?

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3. State the benefits of CVM.

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1.10 LET US SUM UP

To understand the concept of CVM, it is vital to know the various dimensions of customer value and how CVM can be implemented through multiple stages of the process. Furthermore, companies have to manage the determinants of customer value effectivelymanage the determinants of customer value effectively with special reference to the retail setting. The long-term implications of CVM are clearly poised in the right customer acquisition and retention through managing the emerging segments and optimizing the various communication channels used extensively by the customer.In the scenario of growing competition right customer value management provide a competitive edge and help to achieve sustainability in the long run.

Customer Value Management thus provides the guidelines to acquire, develop and retain valuable business customers. For this, the managers have to put in lots of effort. Such as staff trainingregarding product knowledge, customer service etc. creates positive perception in the customer's mind which adds value to the offering of the retailers. They must develop the analytical capability to understand their customers and value their individuality. Thiswill reap the sustained and increased profitable relationship, which is the most crucial asset to the business. This effort will bring increased revenue from its customer base.

1.11 KEYWORDS

Customer Value: Needs and expectations of the customers from the company and its product

Customer Retention: Maintaining the existing customers in the business

Customer Relationship: Keeping the Customers happy and satisfied to keep them in the business for a long time

Customer Value Management: It is a very powerful tool to make the company truly customer-oriented and bring success to the company/ business.

Customer Defined Value: Value of the product and services perceived by the customers.

Vintage Analysis: This tool allows for performance comparison between portfolio segments.

1.12 TERMINAL QUESTIONS

1) What is CVM? How can it be institutionalised in a business firm?
2) Explain the 3 Rs of the Customer Value management cycle.
3) "Choosing the right customer is the first step to Customer value management". Comment.
4) Why is customer retention cost-effective? Give instances from your experience.
5) Explain the benefits of CVM to a company.
6) What is the process of determining customer value? Explain with suitable examples.

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