
UNIT 8 CUSTOMER VALUE COMMUNICATION

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8.0 OBJECTIVES

After studying this unit, you will be able to:

- Explain the needs of customer value communication;
- Describe various methods of positioning of retail services;
- Describe the ways to design a promotion programme;
- Describe the concept of integrated marketing communication;
- Explain the meaning and relevance of data mining;
- Describe the best practices of customer value communication and
- Discuss the role of social networking in creating customer value.

8.1 INTRODUCTION

While learning the perceptual process (Unit 3) we learnt about how a customer 'perceives' a product/service and makes the purchase decision based on this perception. Perceives meaning – How customers feel about

offering to customers vs. the thoughts of a customer regarding their purchases. We have also learnt that 'perception' about a product or service is based on advertisement by the manufacturer/service provider and opinions of friends, family, peers and customers' personal experiences, etc.

In light of the 'perceptual process', which leads to the 'purchase decision', it is essential for a retailer to communicate its value offerings to its existing (loyal) customers and target new ones.

Customer communication is an essential component of marketing strategy. Once a product is developed and priced, the following very important task of the business is to formulate a suitable plan to communicate it to the customers. Customer communication includes information about the product, its price and the value offered by the business. It is communication which persuades customers to purchase products and influences their buying decision. : The success of any product or service depends not only on a single component of its quality but also on how a business communicates its value to target customers. Nowadays, retailers are trying to communicate their value proposition as much as they can, because every company is in the race of competition and everyone is trying to persuade customers and influence their purchase decision. In this unit, you will learn how communication creates value, the different tools of customer value communication and the best practices of customer value communication.

8.2 CUSTOMER VALUE COMMUNICATION

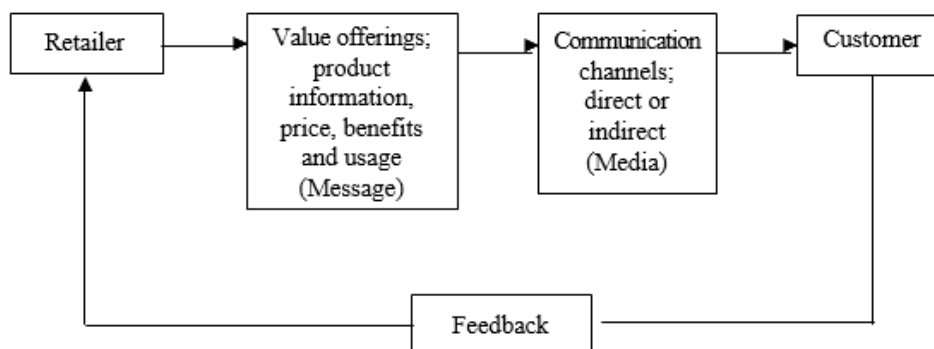
Communication refers to the art of transferring facts, ideas, feelings, etc., from one person to another. Customer value communication is the message that deals with the retailer and customer relationship.

Value communication occurs only when the proper message reaches the retailer to customers. Such communication could be oral or written, from one customer to another customer. The retailer needs to communicate his target customers effectively and provide them relevant information in a persuasive language.

Customer value communication attempts to inform, persuade, and remind customers – directly or indirectly about the products/services and brands that the retailer sells. It represents the voice of the products/services and also a means of establishing a dialogue and building solid relationships with customers.

Customer communication performs many functions, such as how and why a product is used and when and where it is used. It is not just about the information passing process; it also includes feedback because without the customer feedback and proper management of their feedback and complaints, no retailer can satisfy their customer and make them loyal. So essential, it is essential to manage customers' feedback and complaints correctly and in a meaningful way. Communication with customers about value offers is a

process shown in the following chart.



The above figure shows how a retailer convey his value offerings message through various channels that may be direct or indirect, and after transferring information, the retailer may try to collect customer's suggestions to improve his offer and create customer loyalty by attaining customer satisfaction.

Creating Value

The ultimate way to create value for products is to ensure that they have a 'Meaningful and Sustainable Differentiating Advantage (MASDA)', as coined by Daniel A. Nimer.

This requires a close understanding of customer's need and selection criteria throughout the purchase process, and ensuring that they offer unique products and services that fulfil a specific customer need. Competitors are quick to replicate the unique attributes of products and services. Hence, retailers must be innovative in their value offerings and have a sustained growth strategy through customer value creation.

So, what kind of value does a retailer create for its customers? This customer value can be made in terms of offerings of;

- i) Price
- ii) Variety of merchandise mix -offered at the store or chain of stores
- iii) Quality or durability
- iv) Store working hours
- v) Selection process support by a retailer team
- vi) Convenience
- vii) Actual Sales
- viii) Service (during and after sale) & proactivity of staff or team members
- ix) Response (to queries and demand for a specific product/brand)
- x) Knowledge
- xi) Guarantee or warranty
- xii) Special amenities (valet parking, loyalty cards, children's play area, food court, etc)
- xiii) And any other differentiating factor from its competitors.

- Ix) Conflict resolution post-purchase
- X) Faster and easy seamless checkout process

Once the value has been effectively created by a retailer (a single or a bundle of offerings from the above list), it must be communicated to the customers. Marketing communication establishes a relationship between a business and its customers (market).

8.3 NEED FOR CUSTOMER VALUE COMMUNICATION

8.3.1 Need to Communicate Value

A retailer has to communicate value to its customers to differentiate its products and services from its competitors, thereby gaining sustainable profits and long-term loyal customers. In a world where the customer is the 'king' and controls the relationship between the retailer and them, if retailers want to retain and continue to have a relationship, they need to provide something of value to customers and profitable to them. We have already discussed that customer value communication is essential because it persuades customers to buy and influences their buying decisions. To achieve the target of customer retention and value creation through value communication, Adam Ramshaw suggested following four steps to cross:

i) Know Each Customer's Value:

Knowing each customer's value is significant in value communication. It will enable retailers to evaluate and prioritise their communication strategies more effectively. This allows differentiating communication resources according to the customer's value. There are three types of customers (value-wise):

High Value: These are the retailers' most valuable customers and generate the major portion of business revenue. Retailer's main objective is to retain them and deliver integrated communication.

Medium Value: These types of customers have some value to business and a lot of potential to move to high-value customer groups. This requires the implementation of communication strategies in a valuable manner which influences customers to do more business with retailers.

Low Value: These are unprofitable and will never be profitable. So, the communication strategy for this segment should be to utilise low-cost channels for them and encourage them to become profitable.

ii) Identify Each Customer:

Once retailers know who to target, the next question arises: How do you contact them? To contact them essential, it is essential to identify each customer and have the correct name and contact address. Time and money are often wasted on communicating with the wrong customers.

iii) Understand Each Customer's Needs:

To create value through communication, retailers need to communicate value-added information by using an appropriate communication channel for customers. Today, customers are bombarded with advertising and information every day. For value communication, retailers must understand each customer's needs and then apply communication tools.

iv) Provide a Feedback Mechanism:

To effectively implement customer value communication, customers must be able to communicate easily with the business. This two-way communication is a massive opportunity for the company to understand the customers' changing needs and expectations and keep in touch with them.

8.3.2 Importance of Customer Value Communication

A retailer should communicate with customers to:

- 1) **Increase Sales, Attract New Customers and Retain Loyal Customers:** Communication is the only way to inform customers about the product, attract them to purchase, and influence them to do business for a more extended period.
- 2) **Determine what Customers Want from the Retailer:** This is one way to gather early feedback on the retailer's marketing strategy and how and when to change the sales promotion initiatives.
- 3) **Understand their Reactions to the Offerings and Brand:** This is the best way to know whether the brand delivers on its promise in the customer's eye. Response review of customers is always a key to evaluating the implementation of retailers' communication strategies.
- 4) **Extend the Retailer's Relationship with the Loyal and Most Influential Customers:** These loyal customers have strong loyalty and better insights about the retailer. Based on their feedback and suggestions, the retailer can slowly build its strengths and work on its weaknesses. These customers can also be tapped for feedback on new and proposed initiatives.
- 5) **Educating Customers about the Value of the Products or Services:** They may be receiving the value of products and services. This will also include information about discounts and sales promotion tools.
- 6) **Provide Multi-Layered Incentives:** The incentives excite customers to increase the frequency of their visits to retail stores, thereby generating new business above what they are currently purchasing.
- 7) **Provide Customers with Knowledge:** Retailers should inform the customer about what other customers prefer and purchase, rather than only focusing on price offerings. (For example, the Pantene shampoo

advertisement proclaiming ‘more and more women prefer Pantene shampoo for the smooth and silky hair after use, etc.)

8.3.3 Methods Used by Retailers to Communicate Value

Now the question arises: which methods can a retailer use to reach or connect with customers? Following are some methods which retailers use to communicate with their customers:

- 1) **Design an Effective ‘Promotion Strategy’:** This includes direct and below-line advertising to establish contact with the customers. ATL and BTL both play a vital role. It depends upon the retailer to choose either ATL or BTL.
- 2) **Obtain Customer Feedback During their Visit to the Store:** Many retailers place a feedback form or suggestion book at the cash counter. The sales staff usually requests customers to write comments and suggestions in the form/ book. These suggestions and comments are invaluable pieces of customer information that the retailers need to take cognizance of. Retailers are also using technology to get instant feedback from customers.
- 3) **Monitor and Respond to Customer Feedback:** To connect with the customer for a long time and retain them for profits, properly monitor and respond to customer feedback and attention should be paid to customer complaints.
- 4) **Make a Random Selection of Customers, talk to them or Send a Personalized Email to them, and Establish Contact with Them:** Customers’ time is precious, and not all customers will respond to the retailer’s call or communication. The retailer should send a personalised email or call to arrange a time to talk at the consumer’s convenience. This communication always provides new insight to improve communication strategy to customers.
- 5) **Talk to Customers:** The retailer should create a questionnaire seeking pertinent customer answers. The sales staff in the store should request the customers for a few moments of their time to ask these questions and complete the questionnaire. Ask customers about their experience with using your product or store visits.
- 6) **Leverage Customer Service: Gather additional information from and about your customers** by having a continuous dialogue with customer service representatives about what they see as emerging trends and issues.
- 7) **Follow-up Customer Contacts:** This is done by thanking customers for their time and maintaining ongoing contact with them.
- 8) **Talk to Negative Customers more and Get Real Insights, which are 100% needed to improve customer communication and feedback.**

By communicating directly with customers, a retailer opens a communication channel with them. If there is a problem relating to retail offerings, customer base, technology, or competitors, by opening the track, issues can be resolved.

8.4 POSITIONING RETAIL SERVICES

What is the meaning of 'Positioning'? Positioning refers to the act of locating a brand / or a retailer products/services in customers' minds over and against other products/services in terms of attributes and benefits that the brand/retailer does and does not offer.

Now, let us understand how a retailer positions his stores. Earlier in the unit, we saw various attributes that a retailer offers to its customers. These attributes include price, service, selection variety, store timings and many more. Positioning is an essential basis, setup for the customer needs, and demand means it is a setup basis for many factors like paying ability of a customer, value for money on a product implies price and product both. It is also based on more customers available in the segment a retailer focuses on.

While creating a position for his product and store in the minds of his target customers, a retailer, through a combination of communication tools, highlights his attributes / services vital that could be important to his customers and would differentiate him from his competitors.

For example, during the Diwali season, there is a rush at all jewellery and apparel stores all over India due to the festival's importance. Each store tries to outdo its competitors by offering products/services which are unique to them and those that will distinguish them from their competitors. The intention is to attract the attention of those customers looking for specifically those attributes / services at that point in time. These customers will automatically 'flock' to these stores, resulting in a considerable season sale for the retailer. The retailer, on his part, will have to ensure that adequate and selective stock, along with prompt service, is also on offer.

A retailer may position himself in various categories. Some of them are;

- 1) Products and Quality
- 2) Attribute / Benefit
- 3) Price
- 4) Service
- 5) Use / User
- 6) Specific type of customer focus

Products / Quality: In this category, a retailer may distinguish himself by offering certain special brands or a variety of brands, offering products which conform to specific standards (quality assurance), etc., by distinguishing himself based on the above categories.

Take the example of The Palladium Mall in Mumbai. It has a collection of some of the world's choicest brands, which spell class and affluence. This mall's target customers are only those who recon these brands and can afford to pay the price. Customers looking for world-class brands can now buy them

locally in Mumbai and not wait to travel abroad.

Product / Attribute: Product attributes or benefits can also be a distinguishing factor when the retailer is a single-brand retailer.

Take an example of Eureka Forbes, domestic vacuum cleaners and water filter manufacturers. Their products deal with human health, and via their communication, they cleverly show the benefits of using their effects on children. Their water filter Aquaguard has a unique feature called 'e-boiling'. The manufacturer claims water filtered from Aquaguard has 'zero bacteria' similar to boiled water. The attribute of e-boiling distinguishes Aquaguard from other similar products, and those customers who prefer to give boiled water to their children will surely opt for Aquaguard.

Price: Price attributes that could distinguish a retailer can be discounted price (due to economies of scale), discount sales, offerings (buy one and get one free, or 1 for Rs. 100 and 3 for Rs. 250, etc), discount on making charges (jewellery), exchange old for new (Titan exchange offer), and many more creative ideas that 'entice' a customer to visit a store and make impulsive purchases.

Price is the most important (yet not singularly responsible) criteria in the purchase decision. Any price offerings are enough to generate interest in customers to visit the store, which can culminate in a sale for the retailer.

Service: Service may include in-store service as well as after-sale service.

In-store service is important to a customer while making his purchase decision. The distinguishing service factors are the availability of sales staff to attend to the customer, sales staff's product knowledge, availability of merchandise, and attending to customer complaints and requests.

After-sales service is equally important, and a retailer can position himself based on free delivery (for furniture), periodic performance checks (for air-conditioners), free service (for vehicles), a money-back guarantee (for unhappy customers), a free trial period, etc.

A customer looking for a product yet not able to make the purchase decision due to uncertain post-purchase service will be attracted to those retailers who assure them of after-sales service.

Use / User (Specific type of customer): A retailer can position himself by describing how a product is used or associating a product with a user or class of users. Take the example of Benetton, which uses the global youth language to position its apparel and accessories. Their promotional campaign also shows young people of different races having Benetton as a common brand preference.

Check Your Progress A

- 1 What is customer value communication?

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- 2 State the need for customer value communication.

- 3 What do retailers use the methods to communicate value?

8.5 DESIGNING PROMOTION PROGRAMME

A well-designed promotion programme is the most effective way for a retailer to communicate with customers. Following are the steps to design an effective promotional programme:

1 Assess Marketing Communication Opportunities

The first and one of the most important steps in designing a promotion programme is to examine and understand the needs of your target market. Who should your message reach out to? Current customers, influencers, decision-makers, groups, or the general public?

This exercise helps a retailer define the market, identify his target customers, and identify the products/services/attributes to promote.

2 Selection of Communication Channel

Once the market and product have been defined, the next step is to decide the best-communicating channel to use, which is cost-effective as well. The above information will assist a retailer in determining which communication channels will be most beneficial and how best to reach out to his target customers. The most crucial selection process is effectiveness and ROI of the communication channels.

The retailer has a choice to use personal communication channels such as private meetings, telephone calls, or personal presentations. Alternatively, non-personal communication such as newspapers, magazines, or direct mail works better.

3 Determine Objectives

The marketing campaign is a set of activities designed to promote a product, service or business, which can include promotion of the product or service via direct or below-the-line communication channels. Focus

on festival sales or boosting sales to liquidate stuck-up stocks, category-specific customers. On the other hand, a promotional campaign (as mentioned above, is a part of the marketing campaign) is a series of advertisements using various marketing tools that share the same message and ideas to promote a product or service.

Promotional objectives should be clearly stated, measurable, and appropriate to the stage of market development.

4 Determination of Promotion Mix

In this step, the retailer must allocate his resources among various tools such as advertising, publicity, sales promotion, public relations and personal selling. He should not concentrate on any one device; instead, he has to use all promotional tools effectively to create awareness amongst his customers for his promotional campaign to be successful.

5 Develop an Effective Promotional Message

This is a team effort, where the entire marketing and sales team at the retailer's head office put their heads together and decide on a compelling promotional message. The message has to clearly state the 'Unique Selling Point (USP)' of the product/service and the advantage it may give its users over competitors. Any other benefit the customer may gain should also be highlighted. Use the correct language and demographic-specific language push in the market.

6 Develop the Promotion Budget

This is the most challenging part of deciding the most practical combination of promotional tools and the allocation of resources there-off. Here, the retailer must determine his total promotion budget, which involves cost breakdown per territory of the target market and the right mix of promotion tools. Tracking ROIs is the most efficient way to work on a promotional budget, but this also contains ground-level customer feedback to understand customer perception and response to the promotions planned by a retailer.

7 Determine Campaign Effectiveness

After arriving at the most effective promotion message, deciding on the most effective promotion mix and allocating a budget, the promotional plan is in place. The retailer has to then put the plan forth to all the concerned team members and also put in place measurement parameters, to gauge the effectiveness of the promotional campaign, once the campaign is implemented. These parameters will throw up results by which the retailer can compare the actual performance with the planned objectives.

The planning, design, and implementation of a communication campaign are very important steps in the marketing strategy of a new or existing retailer. It attains importance due to the cost implications and the intention (to reach out to their target customers). Any wrong communication via the campaign may

cause significant harm to the retailer, as a wrong message may go out, or the competitors may take undue advantage.

8.6 INTEGRATION OF MARKETING COMMUNICATION

Each element of the communication mix (direct or indirect) should integrate with other tools and send out a consistently uniform message. This integration of communication tools is known as Integrated Marketing Communication (IMC). Integrated Marketing Communication ensures that all communications and messages are carefully linked together to share the same message to target customers and create customer value. Promotion is one of the Ps of marketing mix, and it has many communication channels or tools. These tools work effectively if they work together rather than individually. Their combined result is more significant than their individual forms.

While different departments in a retail firm, such as purchase, sales, merchandising, advertising, mail order, etc., can help each other through data integration, the final pitch is made by the marketing team based on data inputs and desired results. To integrate the data, the retailer must have a marketing information system in place.

There are the following levels of integration of marketing communication:

- a) **Horizontal Integration:** Horizontal Integration occurs across the marketing mix and across business functions. When all departments of business production, finance, distribution and communications work together and have one goal to send messages to customers, while other departments, such as sales, personnel and advertising, can help each other through data integration, it is known as horizontal integration.
- b) **Vertical Integration:** It is known as vertical integration when marketing and communication objectives support the higher level business objectives and missions.
- c) **Internal Integration:** Internal integration is known as internal integration when all the staff of the business is informed and motivated about all the marketing developments, new advertisement channels, etc.
- d) **External Integration:** External partners such as advertisement and public relations agencies must work closely together to deliver a single message.

Benefits of Integrated Marketing Communication

Integrated Marketing Communication requires a lot of effort. However, it delivers many benefits. Some of them are:

- 1 It empowers a customer with product knowledge and helps them make a purchase decision favouring the retailer.
- 2 It also makes messages more consistent and, therefore, more credible. This helps the buyer to make a fast purchase decision.

- 3 The retailer consolidates its image by sending the right message across to customers through advertising, thereby developing a dialogue and a relationship with customers. This helps the retailer to form a strong bond with customers.
- 4 It can create a competitive advantage and boost sales and profits while saving money, time and stress.
- 5 Unintegrated communications may confuse the customers and dilute the effect of the message, while the aim of one message to customers can be achieved through the integration of marketing communication.

Barriers to Integrated Marketing Communication

Despite the benefits of integrated marketing communication, it has many barriers. These are as follows:

- i) organisation A rigid organizational structure resists change because it takes time and budget.
- ii) Management generally shows their resistance to change; managers don't want to report to each other; for example, the production department often doesn't report to marketing.
- iii) Lack of initiative is also a barrier to IMC because no single department wants to share the credit for their creativity with others.

Critical points for Integrated Marketing Communication (IMC)

Following are some key points for ensuring integrated marketing communication:

- i) Try to get senior management support for the initiative by ensuring that it benefits the organization.
- ii) Put IMC on the agenda for various types of management meetings.
- iii) Ensure all the managers understand the importance of IMC; also ensure that staff members of all departments integrate their messages, for this careful plan is required for internal communication.
- iv) Focus on a clear marketing communications strategy and have clear communication objectives and positioning statements.
- v) Ensure all communications add value to the business instead of diluting the message.
- vi) Consider the customer first, wrap all communication around the customer's buying process, and try to identify the stages of their buying process, select communication tools suitable for each stage.
- vii) All communications should help develop stronger relationships with customers.
- viii) Remember customer creation is as important as customer retention.
- ix) Try to get feedback from customers for further improvements.

- x) Be prepared to change it all and learn from experiences. Consistently search for the optimum communication mix.

8.7 TOOLS FOR CUSTOMER VALUE COMMUNICATION

Communication's functional role in marketing concerns establishing good relations with the customers. To build a strong relationship and communicate value to customers there are different tools to communicate the value to target customers successfully. They are a) direct advertisement tools and b) indirect marketing tools.

Direct Advertising Tools

These tools are used to communicate value directly to customers; retailers try to communicate their message directly to target customers. There are following tools under direct advertising tools:

- 1) **Personal Selling (Retail stores, door-to-door selling, kiosks at malls, etc.):** It is the most effective and costly communication method. It is effective because of face-to-face forms of communication with customers. Sales personnel direct their message with an oral presentation during their conversation with customers to make sales. Moreover, there is a maximum chance of getting feedback from customers to modify the product/service. According to the American Marketing Association (AMA), "It is the process of inducing and assisting a prospective buyer to buy a commodity or service or to act favourably upon an idea that has commercial significance to the seller."
- 2) **Advertising (Print, radio, television, hoardings, etc.):** It is an unbiased method of transmitting messages to prospective buyers and communicating ideas, goods, or services by retailers. It includes mass media such as newspapers, magazines, catalogues, posters, radio, television, hoarding, etc. It involves communicating the same message to large numbers of customers. There is no automatic feedback mechanism as with personal selling.
- 3) **Sales Promotion (discounts, sales, 'bundle offerings', etc):** Sales promotion contains those communication activities that stimulate customer purchasing and retailer effectiveness, such as discounts on the purchase of product or service, offers like buy one get one free, etc. creates vital link between personal selling and advertising. Sales promotion stands for all those activities that coordinate the efforts of personal selling and advertising efforts and retailers to increase sales, influence the customers to buy the product/service, and prepare the ground for future expansion. As per the definition given by Stanley M. Ulanoff in his handbook of sales promotion, all the marketing and promotion activities, other than advertising, personal selling, that motivate and encourage the customers to purchase using such inducements as premium, samples, refunds, rebates and trading stamps etc.

Indirect Marketing Tools

The following tools are used by retailers under indirect marketing tools to communicate value to customers:

- 1) **Public Relations (sponsorships, promotions):** It is a business's communication and relationship with the public e.g., customers, suppliers, stockholders, employees and the society. Public relations programmes can be formal or informal. It is an essential method of reaching customers because of its unique way of communicating. Every firm tries to create an excellent good public relations to give good publicity.
- 2) **Exhibitions and Trade Fairs:** To communicate value to customers, businesses sometimes use exhibitions and trade fairs, where they show their products and services to customers, induce their purchasing, and influence them to make relations with the business. These tools are generally used to meet the competition challenges.
- 3) **Internet:** Recent changes in information technology and people's awareness about products/services make a path for businesses to communicate value to customers through the internet. The Internet is a network of networks, where people generally meet and share their information with each other worldwide. Under this tool, retailers try to communicate all the information about their product/service through the internet and customers get all the information at their computer by a single click on the computer.
- 4) **Corporate Identity (corporate social responsibility):** It is also a powerful strong tool for communicating value. By fulfilling social responsibility, a business can quickly build a strong image in society, which helps build quickly build a relationship between business and customers. Then, the business easily communicates the value which the business wants to communicate.
- 5) **Others Such as Packaging, Point-of-sale, Merchandising and Word-of-mouth:** Besides the mentioned tools, retailers also use some other tools to communicate with customers, like attractive packaging with product and business information, information at point of sale, etc.

Each of these tools holds its singular importance, and together, they form a complete 'kit' of marketing communication tools. These communication tools constitute the marketing communication mix.

Check Your Progress B

- 1 What are the main steps to design a promotional programme?

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- 2 List the benefits of integrated marketing communication.

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- 3 What are the direct tools of customer value communication?

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8.8 DATA MINING FOR TARGET MARKETING

In today's technologically advanced world, retailers are sitting on substantial data bases obtained from customer interactions. However, they remain just that, 'databases. Due to time pressures utilised, these databases are not optimally utilised by the retailer, and no benefit is derived from them.

Data mining is the process of extracting previously unknown information, many times in the form of patterns, trends, needs, etc., from large databases. Retailers are now realising the various advantages that data mining offers by identifying potentially helpful information for the retailer, thereby giving him them a clear advantage over their competitors.

Data mining refers to the 'extraction of interesting and pertinent information' from the database. It's very important to understand the customer's needs and preferences to meet the customer's expectations. It can be done only with the help of a robust customer database, which can be collected through interviews, surveys, and other sources. This could be very important information that can help increase revenue, customer retention, reducing marketing campaign costs, etc.

Customer data provides the basis for formulating marketing strategies, arranging customer classes, allowing increasing response rates for direct marketing campaigns, and directing communication to target customers. To create customer data, retailers can use their current customer database or results of surveys/interviews. This can be information about their purchases, hobbies, everyday needs, and, more personal information about their age, gender, marital status, personal income, etc. Customer data should be structured; this will allow retailers to easily use the most essential profile parameter during the data mining process.

Data mining can help a retailer in the following ways:

- 1 Analyse data to understand what customers want and select a target market from that database. After the analysis, a retailer understands the needs of the target customers, which he then uses to frame his marketing,

promotion, and sales strategies. Therefore, data mining can be used for target marketing, market segmentation and customer relationship management.

- 2 Competition analysis – understanding their marketing mix strategies, which gives him a competitive advantage over the other retailer
- 3 Analysing consumer behaviour – helpful in understanding changing trends, preferences and fashions, changes in customer preferences and behaviour, etc. Data mining may also help a retailer to predict which product may interest their customers in future. Through this prediction, retailers can make that product available for their customers and gain their confidence. Retailers can also plan their sales promotion tools, such as discounts, promotions of certain products, etc, based on results thrown up by data mining activities.
- 4 Decide on the most profitable location while opening a new retail outlet.
- 5 Understand the value expectation of target customers near the new location and ensure that those expectations are satisfied while planning (location, layout, stocks, staffing) of the new store.
- 6 Forecasting sales for the new store. Based on these forecasts, the retailer can plan his stocks, workforce, and expenses for running it at optimal efficiency.
- 7 Data mining can identify products often purchased together with other products, which helps retailers make ‘bundled value offerings’ that are more likely to be successful.
- 8 Data mining can help a retailer forecast future trends, based on which he can make value offerings to his customers once the trends are in fashion. A retailer can also use data mining techniques to set trends and capitalize on its success.
- 9 Data mining can help a retailer to formulate the most effective and economical promotion strategy.

8.9 BEST PRACTICES IN CUSTOMER VALUE COMMUNICATION

The underlying principle of communicating value to customers is that a retailer wants to ‘impregnate’ their minds with the products and services he provides and how he differentiates himself from others. For this purpose, he uses many communication ‘tools’. The essence of an effective communications campaign is that a uniform message should be conveyed to the customer consistently in all tools utilised in the campaign.

Some good practices to be followed while communicating value to the customer are:

- a) **Data Focus Approach** - The retailer should start building his customer database at the very inception stage of the store. This gives him a huge 'pool' of data to select, segment and target market. For example, the Ishaanya mall at Pune, has a vast customer database that has visited the mall since its inception in 2005. The mall organises many events as a part of its promotion, and it informs its customers about these events by way of email communication to invite more walk-ins.
- b) **Benefits-Led Communication** - A retailer should reinforce the benefits of his store and product in every communication. Westside offers a wide range of products for the entire family, and these offers are highlighted in their advertisements. Westside communicates this value to its existing and potential customers through hoardings, email communication, and television advertisements.
- c) **Customer Personalised Messaging** - Customer communication should be personalised, clear and transparent. For example, a retail chain of stores selling garments made with hand block prints (made with natural Indian dyes) has put washing and garment care instructions in every noticeable place in the store. A customer unfamiliar with the use and maintenance of such clothes must be guided on how to take care of the garments. The retailer, in this fashion, is also protecting his interest of not displeasing the customer and attending to customer complaints later.
- d) **Feedback-Based Approach** - 'Listen closely' to what your customer tells you – should be every retailer's mantra. A retailer should give due importance to customer complaints and suggestions and change his management strategy. The customer should be informed that his complaint has been addressed or his recommendations implemented at the store/service level.
- e) **Measurable Parameters** - The retailer should have measurable parameters to measure the results of his communication strategy. An exercise that is not measured (and compared to pre-set parameters) and recommendations implemented in the marketing and communication strategy is not just a waste of money but also time.
- f) **Regular Connect with Customers** - Use constant contact for sending newsletters and basic email marketing.
- g) **E-Marketing to Boost Customer Communication** - Use e-marketing tools to communicate with customers. It will increase customers without adding costs, providing every information regarding the product.

8.10 SOCIAL NETWORKING

Social Networking – As a Marketing Tool

Today, due to the advancement of technology and the ever-changing fast pace of life, the internet has emerged as a leading medium used by businesses to connect with their customers and target market.

The Internet and the Web have dramatically altered the traditional view of advertising and communication media. The web provides an efficient channel for advertising, marketing, and even direct distribution of certain goods and information services. The web, as a communication tool, is mainly used to inform the market, to demonstrate products, and to provide online material to the customers.

Currently, there are 11 million people only on Facebook in India. Indeed, Facebook provides a huge opportunity for India. For Google, India is the third biggest internet market in terms of users, with over 100 million internet users. 65% of internet users research online but buy offline and 19 percent research and buy online.

Social networking sites such as Facebook, Twitter, Youtube, LinkedIn, Ryze, Orkut and many more have linked millions of people worldwide. They are popular networking sites and have become an excellent platform for showcasing products and services. This form of marketing is called 'Social Network Marketing'.

How does the Social Networking Marketing Process Work? – An example

Blogs are also a powerful social medium for interaction, engagement, and communication. A blog is a simple and interactive way to communicate ideas, trends, and activities to a reader who could be a buyer. Of the 100 million internet users in India, there are 89 million potential customers who are not on Facebook. To this segment, blogging can strengthen the online presence and connect with the buyer. About 40 per cent of internet users read blogs. As an example, www.croma.co blogs in the retail space reviews and updates the latest gadgets and arrivals, which is helpful.

Social networking has gained popularity because it has brought people together over long periods of time and distances. People share experiences, photographs, videos, and interests.

Sharing experiences and interests, a random thought or 'tweet', or an event, can also act as an endorsement of a product or service. Retailers can take advantage of these social networking sites to endorse their products and services and educate people about innovations, offers, new additions, changes, sales, discounts, etc. Many establishments, brands, retailers, specialised service providers, and restaurants have their profiles on these social networking sites, and they invite people to become 'friends'. Once a connection is made with people, spreading the word about themselves is easy.

These sites pose a ready platform for retailers to connect with a massive community of people at a marginal cost, especially when compared with print and television advertising costs. This cost advantage has given a further edge to social networking marketing.

Another branch of social networking advertising is 'Multi-Level Marketing (MLM). In this type of social networking marketing, people connect with friends, relatives, and peers and form an 'inverted tree-like' marketing chain. This form of marketing involves personal interaction with your 'down lines'; hence, the connection is personal and more solid than the virtual website connection. This form of marketing also eliminates advertising expenses.

8.11 LET US SUM UP

A retailer adds value through service innovation that differentiates him from his competitors. He communicates this value to his target customers through many communication tools. The underlying principle of a communication campaign is to send out a consistently uniform message. Value communication occurs only when the proper message reaches the retailer to customers. Such communication could be oral or written, customer to customer or segment-wise. The retailer needs to communicate his target customers and provide them relevant information in a persuasive language. Customer value communication is required to create customers, increase, retain them, and educate them about the products and services. While creating a position for his product and store in the minds of his target customers, a retailer, through a combination of communication tools, highlights those attributes/services vital that could be important to his customers and would differentiate him from his competitors.

To communicate value to customers, retailers need a robust promotional program which can be mixed or integrated. Each element of the communication mix (direct or indirect) should integrate with other tools and send out a consistently uniform message. This integration of communication tools is known as Integrated Marketing Communication (IMC). To meet the customer's expectations, it is very important to understand the individual customer's needs and preferences. It can be done only with the help of a robust customer database, which can be collected through interviews, surveys, and other sources. This could be very important information that can help increase revenue, customer retention, reducing marketing campaign costs, etc. Nowadays, retailers are also using social networking with communication tools to communicate with prospective buyers and to deliver value to them.

Key Learnings:

Value Addition Through Innovation:

- Retailers differentiate themselves from competitors through service innovation.

Communication Tools:

- Retailers use various communication tools to convey their value proposition to target customers.
- The goal is to send a consistent message through these tools.

Methods of Communication:

- Communication can be oral or written, involving direct customer interaction or segmented approaches.
- The message should be relevant, persuasive, and aimed at educating customers about products and services.

Positioning and Differentiation:

- Retailers aim to establish a distinct position for their products or stores in customers' minds.
- They emphasize attributes or services that differentiate them from competitors.

Integrated Marketing Communication (IMC):

- A robust promotional program integrates various communication elements to convey a consistent message.
- IMC ensures that all communication tools work together seamlessly.

Understanding Customer Needs:

- To meet customer expectations, retailers must understand individual needs and preferences.
- This understanding requires a strong customer database collected through methods like interviews, surveys, etc.

Benefits of Understanding Customers:

- Gathering customer information can lead to increased revenue, improved customer retention, and cost reduction in marketing campaigns.

Use of Social Networking:

- Modern retailers leverage social networking platforms as communication tools to engage with potential buyers and deliver value.

8.12 KEYWORDS

Positioning of Retail Services: It refers to the act of locating a brand / or a retailer in customers' minds over and against other products/services in terms of attributes and benefits that the brand/retailer does and does not offer.

Integrated Marketing: Integration of all communication tools to communicate (IMC) to send uniform messages to customers is known as integrated marketing communication.

High Value Customer: Most valuable retailers' customers generate the central portion of business revenue.

Data Mining: Data mining refers to the ‘extraction of interesting and pertinent information’ from the database.

8.13 TERMINAL QUESTIONS

- 1) Why does a retailer need to communicate value to its customers?
- 2) What is positioning? How does a retailer position himself?
- 3) Discuss the process of designing promotional programmes.
- 4) What is integrated marketing communication, and what are its benefits?
- 5) What tools does a retailer use to communicate with its customers?
Which, according to you, is the most effective and why?
- 6) What is data mining, and why is it used?
- 7) Describe the role of social networking in communication.

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