

An Exploratory Research on Consumer Behaviour and Its Impact on Customer Relationship Management

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Abstract: - The concept of customer relationship management and consumer behaviour are not new to various industrial verticals. It is equally interesting to know whether customer relationship management leads to better insights of the consumer behaviour or the vice versa i.e., understanding the consumer behaviour dynamics will lead to build a better customer relationship management. In the current paper, we have touched upon the types of consumer products based on consumer behaviour and the various factors that influence consumer behaviour. We have also discussed on the various consumer behaviour dynamics, knowledge of which will enhance the relationship levels and the CRM metrics that will bring in a positive change in consumer behaviour dynamics. We mentioned about the limitation of the research work and conclude on discussing the two Hypothesis proposed and in support of the arguments based on the feedback of the survey data.

Key Words: Consumer Behaviour, Consumer product categories, Customer relationship Management, Customer satisfaction, and Customer loyalty.

I. INTRODUCTION

A lot of research work has happened in the field of importance of consumer behaviour in marketing. On one hand we see a tremendous growth of start up firms despite their low success rates, and on the other hand the organizations which are established themselves are striving for sustenance of business. Of the various factors that contribute for the growth and sustenance of business, understanding the consumers and their behaviour is very crucial. In order to have better understanding of consumer behaviour, we must focus on the types of products based on the difference in their characteristics and the impact on consumer behaviour. They are 1) Convenience Products 2) Shopping products 3) Speciality products and 4) Unsought products.

Convenience Products: Products which are frequently purchased with little effort and no customer involvement can be categorized as convenience products. Example: Toothpaste, magazines and detergent etc.

Shopping Products: Product with less frequent purchases and much effort of consumers. quality and brand comparisons are major considerations for shopping products. Example: Television, home theatres, furniture, garments

Speciality Products: Products with strong brand preferences and unique features fall under the category of speciality products.. Consumers pay special purchase efforts. They are very less sensitive to pricing. Examples: Luxury goods, designer clothing etc

Unsought Products: Consumers do not have a knowledge and awareness of the product. Consumers have little or no interest to buy in general as far as unsought products are concerned.

The research paper covers the need /objective of this study with the review of literature surveyed in the field of Consumer behaviour and customer relationship management. This is followed by the data collection and Hypotheses. Finally, we conclude with discussions on the data /results and arguments in support of the two hypotheses made.

II. LITERATURE REVIEW

A lot of researchers have defined consumer behaviour and some of them are mentioned here. Arnould Price and Zinkhan (2002) defined consumer behaviour as individuals or groups using and disposing of products, services, ideas or experiences [1]. Hawking Best and Coney (2004) improvised this incorporating need satisfaction and its impact on consumer and society. They define consumer behaviour as the study of individuals, groups or organizations and the processes to select, secure use and dispose of products, ideas, services and experiences to satisfy the needs and its impact on consumer and society [2]. Engel (1995) cited in Erasmus AC Boshoff E and Rousseau (2001) defines consumer behaviour as actions directly involved in obtaining, consuming and disposing of products and services including the decision processes that precede and follow these actions. [3].Schiffman & Kanuk (2000) refined this by adding the change of feelings, moods and attitudes towards the products and services[4]. Babutsidze (2007) discussed and analyzed differences in consumer

behavior depending on the durability of a product purchased [5]. Hansen (1972) reviews numerous early studies presenting evidence documenting that the choice strategies are different in case of non-durables compared to durables. [6] When it comes to annual income and social classes, many researchers have touched up on these areas. Social classes show distinct product and brand preferences in areas such as clothing, home, finishing, leisure activity and automobiles (Krigsman, 2007) [7]. According to Kotler, P., Armstrong, G., Brown, L., and Adam, S. (2006), an actual product emphasizes on 5 physical characteristics of a product—quality, brand name, features, style and design, packaging [8].

Customer relationship management and customer experience management are the emerging areas of marketing which focus on nurturing selective segments which have been classified based on the consumer behaviour. Consumer behaviour data provides insights to identify the Loyal customers and highly profitable customers from the rest of the customer base. According to Prof.M.L.SaiKumar, Dr.V.Venkata Ramana and Dr.G.Somayajulu, a number of research studies show that “a small segment of customers can tilt the whole business and that the companies have discovered that they need to shift the focus from branch to customers” (segmented and targeted customers)[9].A 360degree understanding of the customer requirements will render the organisations to service the customer needs based on the depth of relationship and this results in customers having a better experience in all tough points. Customer satisfaction strategy of organizations often fail because of ignorance of implementation problems. Customer satisfaction provides a lead indicator of customer purchase intentions and Loyalty (Farris et al 2010) [10]. Organizations should be keen to note that customer dissatisfaction results in customer defection and long-term losses in terms of revenue and profits.

III. OBJECTIVES OF THE STUDY

The objectives of the study are as follow:

3.1. Hypothesis

Hypothesis 1:

H(0) : CRM initiatives will not impact Consumer behaviour dynamics

H(a): CRM initiatives will impact Consumer behaviour dynamics

Hypothesis 2

H(0) : Understanding consumer behaviour dynamics will not help in enhancing CRM

H(a): Understanding Consumer behaviour dynamics will help enhancing CRM

3.2. Research Design: We went for a thorough study of the literature available on Consumer behaviour, Consumer

product categories and Customer relationship management including customer satisfaction and customer Loyalty. Data collected from around 100 respondents of a large retail outlet dealing with all types of consumer product categories viz, convenience, shopping, speciality and unsought products. (for the sake of confidentiality and assurance given to the respondents, further details could not be shared in this paper.

3.3. Data Collection

3.3.1. Primary Source The data was collected directly from respondents with the help of structured questionnaires.

3.3.2. Secondary Source The secondary data was collected from internet and references such as magazines, Journals etc.

Data collected from around 100 consumers who purchased the various product categories. Details are summarized in the subsequent sections.

IV. DATA ANALYSIS AND INTERPRETATION

Feedback on the set of 100 consumers has been analysed. The consumers are categorized based on the consumer product they bought and are referring to. A profile of 60% Convenience product consumers, 20% with Shopping products and 10% each of consumers for Speciality products and unsought products emerged out. The summary of the details are as follows: -

CRM metrics which influence Consumer behaviour				
Consumer Prod Cat	Convenience	shopping	specialty	Unsought
Metrics	Resp %	Resp %	Resp %	Resp %
27/4 CRM touch Points	8	25	30	0
Brand Value/Goodwill	12	15	20	20
Faster responsiveness	13	10	0	20
Customer Value	17	15	10	30
Customer retention	17	5	0	0
Customer satisfaction	17	15	20	0
Customer Loyalty	8	10	20	0
Cost to serve	8	5	0	30
	100	100	100	100

Analysis of the result reveals that each of the metrics of CRM can cause some impact on consumer behaviour of the consumer product type. It is also observed the impact is different for different product categories.

Convenience Products: Consumers of convenience products responded that there is a high impact of CRM metrics viz Customer Value (17%), Customer retention (17%) and customer satisfaction (17%) metrics in influencing the

consumer behaviour. It is to be noted that all metrics of CRM have a bearing in influencing Consumer behaviour as far as convenience products are concerned.

Shopping Products: Consumers of shopping products responded that 27/4 CRM touch points (25%), brand value, Customer value and Customer satisfaction (15%) are the CRM metrics which will impact in changing the consumer behaviour. It is to be noted that, even for shopping products, all metrics of CRM have a bearing in influencing Consumer behaviour.

Speciality Products: Consumers of Speciality products responded that CRM metric of 24/7 CRM touch point (30%), brand value, customer value and customer loyalty (20%) each are the CRM metrics which will impact in changing the consumer behaviour. It is observed that Metrics like faster responsiveness, customer retention and cost to serve have NIL impact on influencing the consumer behaviour. It may be attributed to the fact that these being speciality products, purchased once in a while (very less frequency of buying) like Washing machines, Marriage suit (garments), consumers do not mind spending and responsiveness is any how faster for such products in the interest of the supplier.

Unsought Products: It is observed that metrics like Cost to serve and Customer value (30%) each are the highest influencers of consumer behaviour. It is observed that Customer satisfaction, Customer retention and customer loyalty have NIL influence in changing the consumer behaviour, which is self-explanatory for Unsought products. If we observe the overall influence, across all product of consumer category, we notice that Customer Value has the highest impact in changing the consumer behaviour (17%) followed by customer satisfaction metric (15%). Also to be interpreted is that with customer value occupying a major share of Impact, once the relevant CRM activities are initiated, they move from unsought category to one of the other three categories based on the CRM actions and consumer behaviour in response to that.

Similarly when we analyse the data on impact of knowledge of consumer behaviour in enhancing CRM, the following observations are made:-

Consumer behaviour metrics which enhance CRM				
Consumer Prod Cat	Convenience	shopping	specialty	Unsought
Metrics	%	%	%	%
360 deg view-Consumer	30	10	10	20
Product	10	10	10	0
Promotion	10	15	10	10
Price	8	0	0	10
Physical distribution	8	5	10	0
Income	8	10	10	20

Age	5	10	10	20
Gender	7	0	0	0
Education	7	10	10	0
Buying motive	2	10	10	10
Product perception	2	10	10	10
Affinity for product	3	10	10	0
	100	100	100	100

Convenience Products: A 360degree view of consumer behaviour may help to build and strengthen the CRM initiatives for convenience products. The responses of the survey also reveal this, since 30% expressed this will have a high impact in building the CRM initiatives. Consumer behaviour w.r.t product attributes and promotion literature are the second influencers to strengthen CRM initiatives of convenience products (10% each) Since they are most frequently purchased and consumer does not want to spend much time on such things, knowledge of consumer metrics viz age, income, gender, education etc all have low priority on CRM built up.

Shopping products: Since most of the shopping products like Television, Home theatre, furniture are gender-neutral, knowledge of consumer behaviour, behavioural metrics viz Age and gender do not help in strengthening CRM programmes. However, Income and Education are very influencing metrics of consumer behaviour, which have high influence to build CRM initiatives. (10% each) This product category is very crucial for CRM enhancements since all metrics of personal factors (I,A,G,E) and Marketing factors (4Ps) have equal importance in building CRM programmes. Psychological factors like buying motive, affinity to product and product perception also have a great bearing in developing CRM strategy (10% each from the data).

Speciality Products: Insights on all aspects of consumer behaviour of Speciality products have a bearing in developing the CRM strategy around them except for factors like price and gender. Data expressed and confirm the same with 10% each of all behavioural aspects mentioned in the table. Price has no bearing since people who opt for specialized products are willing to pay high. Gender shown as NIL impact in enhancing CRM, except for products which are gender specific (where this too have a bearing with insights of gender behaviour for specific products to develop suitable CRM strategies).

Unsought Products: As far as consumer behavioural aspects of unsought products are concerned, Income, Age and 360degree view of consumer have a high bearing in enhancing CRM initiatives. Product, distribution, gender, education and product perception have NIL impact in enhancing CRM

initiatives for unsought products as per the results. This is attributed to the very nature of unsought products.

Among all product categories, 360degree view of consumer behaviour (23%), product, promotion and income (around 10% each) are the behavioural aspects which have a bearing in enhancing CRM.

V. HYPOTHESIS TESTING

Based on the analysis of the data, we evaluated the two hypotheses:

Hypothesis (1): It is evident from the data analysis and interpretation that the Null Hypothesis

H1(o): a) CRM initiatives do not impact changes in consumer behaviour is Rejected and the alternate hypothesis H1(a): CRM initiatives do impact changes in consumer behaviour is accepted.

Hypothesis (2): H2 (0) Knowledge of consumer behaviour dynamics does not help in enhancing CRM is again Rejected and the alternate hypothesis H2(a): Knowledge of consumer behaviour dynamics does help in enhancing CRM initiatives.

VI. RESEARCH FINDINGS AND CONCLUSIONS

From the study and research findings, it is found that Null hypothesis for both H1 and H2 are rejected and the alternate hypothesis is accepted. Therefore, it is concluded that CRM initiatives do initiate changes in Consumer behaviour (across all categories of consumer products) and that Knowledge of consumer behaviour dynamics help in enhancing CRM initiatives across all product categories to a greater extent.

Conclusions: The contribution of this paper has a twin objective. Firstly, we emphasized that CRM initiatives help in reorienting /changing in consumer behaviour dynamics and also that a good knowledge of consumer behaviour aspects of

consumer products help in building a good CRM programme/strategy for the organization. Secondly, the quantification of which dynamics play a major role in CRM and which CRM initiative contributes for a major change in consumer behaviour dynamics.

VII. RECOMMENDATION FOR MARKETERS

It is important to note that CRM initiatives and Consumer behaviour go hand in hand. Right Knowledge of consumer behaviour and resultant actions builds a greater CRM framework and the right CRM strategy help in shifting consumer behaviour to our favour by changing the wrong perceptions the consumers have in the absence of CRM.

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