

A STUDY ON THE EFFECTIVENESS OF CUSTOMER RETENTION STRATEGY DEPLOYED BY ORGANIC FOOD BRANDS

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ABSTRACT

Customer Retention is a term which is important for all the aspiring companies which want to create a very loyal customer base. Customer Retention is an entire process of making the customers believe in the brand by giving them satisfaction and value of money. It is evident that marketing strategy of a company is influenced by customer satisfaction and loyalty. According to surveys conducted by many management institutes, only 32% customers of any brand order for the second time and 70% of the companies admitted that it was cheaper to retain customers than to acquire them. This clearly indicates that companies crave for customer retention but they are not completely successful in implementing the same. This research paper focuses on the customer retention strategies deployed by organic food brands. The paper studies the demographic profiles of the customers in order to enhance customer retention. The author has made an effort to analyze social media as a means of customer retention and suggest measures to enhance customer retention strategies of online organic food brands. The paper tries to explain the challenges faced by brands while retaining their customers and building a loyal customer base and by doing an overall analysis of the entire concept the research makes an attempt to provide a single-window solution to a very pertinent problem of customer retention.

Keywords:

Customer retention, Customer Loyalty, Customer awareness, Customer Life Cycle, Social Media

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INTRODUCTION

The 21st century has seen a paradigm shift in the preferences of the population at large when it comes to their daily diet. In the beginning of the century, people heavily relied on junk food to beat their hunger which contained lots of carbohydrates and fats but the recent trend backs food which is loaded with energy but at the same time is harmless to the body. The young is inclined towards fitness, the old want to add nutritive value to their food so the body gets an overall protection from illness. The solution to this problem is organic food. Organic food promotes ecological balance, lacks the use of pesticides and fertilizers and most importantly, it is healthier. The organic farming is better for the ecosystem and this has attracted the millennials who are conscious and concerned about the environment.

Organic agriculture is expensive from economic perspective due to lower yields, high labour costs and high demand among the consumers. This comes up with a serious challenge to the organic food brands to attract new customers and more importantly to retain the existing customers. It needs a well carved-out strategy to retain the existing customers and maintain their loyalty towards the brand. The cut-throat competition in the organic food industry has compelled the companies to be on their toes and come up with different strategies to cut loose the competitors by retaining their customers which gives them an opportunity to stand as the market leaders.

Customer Retention is a tricky process which involves a risk of even losing the customers if not implemented properly. Thus, Customer Retention is a strategy driven venture which cannot be successful; without prior research and knowledge.

REVIEW OF LITERATURE

- Don Jyh-Fu Jeng et al (2012) “Assessing customer retention strategies in mobile telecommunications: Hybrid MCDM approach”, Institute of International Management National Cheng Kung University, Tainan City, Taiwan.
- **Polymeros Chrysochou et al** “Do Organic Labels Drive Repeat Purchase Loyalty? Investigating Reasons For Growth of Danish Organic Food Market”, Aarhus University, Denmark.

RESEARCH OBJECTIVES

- 1) To study the effectiveness of CRS deployed Organic Food Brands.
- 2) To study the demographic profile of the target audience in order to enhance Customer Relation Strategy.
- 3) To suggest measures to enhance Customer Retention Strategy of online food brands.

RESEARCH METHODOLOGY

Only secondary data will be used to collect the required information for the present study.

Secondary Data: The secondary data would be collected from sources like books, journals and research projects, web, news paper articles, internet etc. In addition, past research survey data would be used for construction of statistical data and suggestions from the respondents.

- **Customer Retention Strategies Deployed by Organic Food Brands:-**

The organic food industry has growing miraculously over the years. The worldwide sales of organic food brands and beverages grew up to \$39 billion in 2014, an annual increase of 11%. The number of companies offering organic product has tripled to what it was in 2002. This means the competition among the brands has increased immensely. In order to bridge the gap between brand and customers, the companies are constantly deploying new and effective strategies to retain their existing customers along with attracting new ones.

FabIndia is an organic brand which was established in 1960. It started the chain of organic food in 2004 and since then it has never looked back. The company showcases its commitment to traditional techniques and skills involved in the manufacturing process. This ensures the customers about the quality and richness of the product that they are using. The brand heavily relies on social media to market its products and effectively

communicates the therapeutic nature, taste and aroma of the product to the customers. This brand also actively participates in philanthropic activities such as building schools for children and it gives employment opportunities to the rural section of the nation. The millennials, who are committed to the national progress, support this cause and by being the loyal customers of the brand, they too feel to have contributed in nation's progress.

In 2017, top baby food brand Plum Organics formulated a survey with their core audience of parents and found that lack of interaction and intimacy was a common concern. Plum Organics strategized a bold digital campaign to counter this problem, which included an online well-being pledge with high conversion rates with the existing customers, and also a cheeky video that got over 11 million views. The company took something that touched people's hearts as it was very true but hard to talk about and gave the company an opportunity to resonate with people, which can be proved by the video comments.

In 2012, food photo sharing was in trend. Plum Organics discovered that their customers were creatively converting their food products into recipes and enthusiastically sharing them on the company's Facebook page. Grabbing the opportunity, Plum created a month Facebook campaign posting recipes made by influential mom bloggers that featured their products. By the end of the campaign, they had gained a miraculous "over 900% increase in fans and a 500% engagement." It was an incredible platform for their existing customers to showcase their creativity and use Plum Organics products to improve their families' lives.

At the core of building trust in customer relationships, is a consistency of trustworthy information that's easy to find. Customers trust people, values, equity and ethics more than merely the brand names; knowing who you are as a business, what you do, and conveying this to the customers is the most crucial task.

Numi Tea is one food brand whose identity is often seen as that of a simple tea company. They have demonstrated their core values of celebrating people, the planet, and tea, on their social media pages. They have very well-organized different categories showcasing not only their products but also the social and cultural impact of their product on the customers.

Numi Tea highlights their business partners and how they work together as a team to fulfil brand's commitment to a sustainable and eco-friendly farming community. Full transparency about your business practices and tactics; is a great way to build trust and make aware them about the organizations' ethical commitments. Strategically laying out information about how your product is made, who you partner with, and how you operate helps your current customers believe in your message, and potential customers learn more about your brand.

The organic food brands have articulated a strategy which is more customer-oriented than product-oriented. The organizations have made an excellent use of social media as a means of customer retention. The success rate of engaging customers with the brand value and equity is commendable. The use of social media increases brand awareness and the ethics of a brand is reflected by a rational social media presence of the organization which is analysed by the food brands and perfectly incorporated as their customer retention strategy.

- **Study of Demographics Profile of Target Audience to Enhance CRS:-**

Marketing experts normally combine several variables to define a demographic profile. A demographic profile (often shortened to "a demographic") provides enough information about the typical member of this group to create a mental picture of this hypothetical aggregate. Marketing researchers always have two objectives to achieve in this regard: first to identify the segments which exist in the overall population; and secondly to create a complete picture of the characteristics, behaviour, trends, expectations and choices of a typical member of each of these segments

Loyalty and Age

With regard to age and loyalty, several studies have explored these issues for fast moving consumer goods (FMCG). In a study of FMCG in the USA, Uncles and Ehrenberg (1990) which used panel data; concluded that there was no significant difference in brand loyalty of young customers than to the older ones. An Australian study by Roy Morgan Consumer Panel in a five month research period discovered a significant brand switching

amongst all age groups and across all the genders. Thus there is a perception among marketers which is backed by various researches that:

- Older consumers are more conservative and less willing to switch brands who are in marketing terms known as “**Laggards**”;
- Consumers' values have changed with the “older” generation being more likely to exhibit loyal behaviour than the younger generation as the millennials are “**Innovators**”.

Loyalty and Gender

The psychological temperament of females indicates that they may be more loyal to the brands that they use, especially in (social) service settings than their male counterparts. This is because females are known to generally place a higher value on long-term relationships and have a more feeling orientation which means that they make choices based on social, ethical values and also they take into account the impact their decision on others.

Loyalty and Income Level

Occupation appears to one of the best single predictor of social and economic class and is often sufficient to estimate spending of a family. People who work in higher status occupations have some characteristic personalities, motives, passion, benchmark standards and set of values & ethics that set them apart from those in less prestigious positions. It appears that the relative degree of occupational self-direction may lead to psychological tastes, habits and differences among members of the various classes.

- **Measures to Enhance CRS of Organic Food Brands:-**

A customer goes through a series of steps to establish a relationship with the brand. A relationship does not mean just the exchange of goods and services in exchange of money but it means the acceptance of the brand and awareness of the value and ethics deeply attached with the brand which gives the customer a reason to stay. A customer cannot be retained unless he is made loyal to the brand. Customer loyalty has actually wider scope as it not only retains the existing customers but the existing customers also bring in new customers by favouring word of mouth publicity. Communication is the key to build

customer loyalty. Communication involves customer service by reaching the extra mile for convenience, product awareness & customer incentives, reliability of the products and flexibility of the organization policies. A loyal customer base cannot be craved if the employees of the organization themselves are not loyal to the brand. Thus proper training to the employees for dealing with problems of the customers is a compulsion.

It requires a well planned and carved-out strategy to retain the existing customers with the brand and incentives that the company offers. Following is a set of strategic initiatives required for customer retention:

- **Complaint Management System:** Each and every complaint should be taken seriously. Even if the issue is miniscule, the staff should be empowered to deal with it. The system should be 'Visible' and 'Accessible' i.e. the customers should know where and how to complain. The staff should be proactive and responsive to solve the issue with patience and utmost decency.
- **Service Recovery Strategy:** The online food brands can come across a problem of system failure due to which the accessibility to the site can be affected. Thus there should be a well devised service recovery strategy which can be applied in case of service failure. There should be a proper estimation of both direct and indirect costs when a customer departs due to service failure and the staff should act immediately to apologize to the customers by giving them complementary services or offers.
- **Be the Expert:** A brand can gain the loyalty of a customer only when the staff has expertise knowledge about the brand, probable issues and a tentative solution which can be promptly disseminated to the customer without any delay.
- **Anticipatory Service:** An organization can be successful in retaining its customers only when it identifies the problems before they occur and develop a solution to it before it is asked for. Thus an organization has to be on its toe to retain the image of the brand.
- **Online Relationships:** With the increased use of social media, it is almost impossible to connect with customers without an online presence as the millennials generally rely on social media for brand awareness. The organic food brands should build an online customer community where the different variants can be shared by the company and the

customers also have an opportunity to share different recipes of the product to increase product awareness.

- **Use of Automation:** Business in the 21st century is driven by technology. Automation tools give a privilege to reduce the time to complete any customer-oriented task by standardizing them into repeatable processes rather than manual intervention. The food brands can meet their commitments and customer expectations efficiently by leveraging automation tools and streamlining repeatable processes.
- **Customer Feedback Surveys:** The last but the most important phase of CRS is to analyse whether the customers themselves are satisfied by the strategies in picture. These surveys are invaluable for learning how the service is performing in relation to customer expectations.

SIGNIFICANCE AND IMPORTANCE

The research paper focuses on the most pertinent problem of business i.e. Customer Retention. As it is discussed that acquiring customers is more expensive than retaining them, the thesis gains an utmost importance as précised implementation of the strategies will surely lead to profits by cutting unnecessary expenses. The thesis shows a path by which the organic food brands which are undergoing cut-throat competition can figure out a strategy to attain customer profitability by retaining loyal customer base and then concentrate on acquiring new customers. The marketers have recognized the need of to manage customer portfolios made up of different groups of customers defined in terms of loyalty, profitability, demographics etc and the thesis provides an effective and efficient solution to this challenges.

The study has been conducted mainly from the information collected from secondary sources. The articles and research papers referred deal with CRS deployed in a particular sector making it difficult to analyse the generalised impact on Customer Retention Strategy on organic food brands. The research was conducted in a stipulated time making it less uniform. Money was a big constraint which resisted the study to be done through primary data.

CONCLUSION

CRS is a tool which is when deployed effectively by companies creates a win-win situation. The organic food brands need to penetrate the social media to reach out to the customers and meet their expectations by delivering satisfactions. When a Customer Retention Strategy is implemented properly, the advantages give a huge boost to the profits and morale of the brand. It increases the possibility of repeat buys of the organic food, particularly online. The retention strategy aims to cut loose the bills which occur during customer acquisition. If the organic food brands achieve success to interact and influence their customers then the brand will be able to provide customer delight rather than just satisfaction and customer delight is achieved only when there is a perfect synergy between the seller and buyer. The online food brands would be able to bring in improvements in their work ethics and processes by customer feedback and deliver exactly what the customer wants. Thus, the aim of the thesis to make an organic food brand successful in terms of values, ethics and profit gets accomplished if the CRS is implemented effectively

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