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# Development of Loyalty Programs through the Retail Industry in Albania

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*Abstract*

*This article aims to study development of Customer Relationship Management as a new way of applying marketing concepts in the Albanian retail industry. Research in other industries has shown that the planning and execution of CRM strategies can bring higher profitability. In the case of Albania, businesses still neglect the benefits that they can receive using different CRM strategies. Currently the two main barriers regarding the implementation of CRM includes financial and technological challenges. In reality, financial and technological issues appear to be less problematic in comparison with organizational changes, cultural changes and human barriers. The results of the survey showed that CRM is still in the initial stages of application in the retail sector in Albania.*

*Keywords: Customer Relationship Management, Retail Industry, Information Technology*

## 1. Introduction

Retail Industry is one of the largest industry in the world. Walmart is a clear example as one of the biggest retailers in the world according to the Fortune 500 list, published every year by Forbes Magazine. This shows the power and potential of the industry. Development of retail is present even in the Albanian economy. This industry is turning into a sector which employees a considerable number of people; marketing concepts finds a wider application and technological developments hugging a faster pace. This relates to the rapid development of the competitiveness of the sector in our market. Some of the main areas of the retail industry include food chains, clothing and other fashion items, electronics, restaurants and bars.

The continuous increase of the competition in this industry, coupled with the rise of various marketing methods to attract clients, presents a very interesting sector to develop concepts of Customer Relationship Management. Nowadays the retail industry in Albania is the main promoter of the technological developments to cover their daily operational processes from logistics, sales and marketing. The huge customer base of retailers is another important factor for using CRM strategies in their marketing programs.

Through various technological systems, retailers can get a big data about their customers, which would help to understand their consumers' behavior. In this way, it becomes easier for the retailers to fulfill the different needs and requirements that their customers may have. However, to have a better understanding of the development of CRM in the Retail Industry in Albania, it is needed to present the general theoretical framework for CRM, the connection with technological aspects and the way these two concepts can be combined within Albanian retail businesses.

## 2. Literature Review

Customer Relationship Management is a new field of marketing. Its origins date to the early 80s, of

the 20<sup>th</sup> century, where for the first time appeared in the form of the concept of Relationship Marketing. The main reason for developing this field relates to the shift of business focus from gaining customers to retaining customers (Sheth, Gardner & Garret 1988).

In this regard, one of the first authors to cite the term "Relationship Marketing" was Berry in 1983, who was one of the leading academics in the field of marketing services (Berry 1983). This relates to the fact that Marketing Relations has seen development in the service sector, which in most of the cases is in direct interaction with the final customers. In addition, these services in most of the cases associates by a recording transaction of the data for each customer, allowing researchers to analyze and derive theoretical concepts about customer loyalty and marketing one to one (Peppers & Rogers 1997).

Relationship marketing often is linked with the term One to One Marketing, which focuses from the exchange of transaction in establishing relationships with individual customers (Buttle 1996; Christopher, Payne & Ballantyne 1991; Foss & Stone 2001; Payne, Christopher, Peck & Clark 1998). Since the development of "Relationship Marketing", one of the key elements that influenced its creation has been the technological revolution. The usage of information technology from companies should closely serve to the relation of Marketing and Information Technology, in a way that marketing perceives as a function for managing the information and issues that have their focus on developing the customer experience and increasing the company profit (Holland & Naude 2004). For the first time Relationship Marketing created the opportunity that, from the usage of technological instruments, business and customers to be in a "Win-Win" situation. Over time the concept of Relationship Marketing evolved further being adapted in Customer Relationship Management. Nowadays, this concept is seen more in the context of technological innovation, which when applied to the company promotes consumer satisfaction and increased revenues and profits of the company (Badgett, Ballou, and LaValle 2004; Kale 2004).

Even today is still missing a clear conception of the term Customer Relationship Management. In a review of academic literature and various industries, as well as pages of major companies that offer CRM programs and Customer Relationship Management consultancy we can see 45 different definitions of this concept (Zablah, Bellenger & Johnston 2004). At this point, the main definitions regarding Customer Relationship Management include conceptualization as a strategy, technological instrument, process, facilities and philosophy (Chakravorti 2006). At this regard, the focus is on the conceptualization of Customer Relationship Management as a technological instrument and the usage of CRM from the traditional and internet retailers.

From the technological point of view, retail presents two main needs, firstly regarding the needed technology for managing sales in their physical stores and in the online stores. The focus of technology in retailers relates with the aim to understand the connection between retail sales and customer relationship management. Nowadays, retailers find it very difficult to manage their daily operations, without the involvement of technological processes and equipment. The automation of their work processes inside the stores and offices throughout the usage of POS software has facilitated the process of the transaction with the clients, while the supply process reduces by providing an increase in efficiency. The next challenge for the traditional retailers is to develop new forms of sales through the internet and mobile technology. In this regard, although technological barriers are smoothly disappearing, still CRM concepts do not use in an effective way from many retailers (Cox & Brittain 2004).

Currently, we are seeing every day an increase in the new forms of sales that relate to the Web and platforms build on it. As of today, we can see a growing trend in retail sales via the Internet or otherwise known as e-tailing. According to the authors Grewal, Iyer & Levy (2004) "any other technological innovation has received so much attention on the part of retailers, manufacturers, consumers and the general public as was dedicated to retail via the Internet or e-tailing. In Indeed, no other form of competition does not endanger so many traditional forms of retail as retail sales via the Internet". This statement poses that retail sales via the Internet are one of the main forms of modern development of retailers. These developments have found a considerable support on the principles and functionalities offered by Web 2.0.

Web 2.0 concept is the business revolution in the computer industry caused by the move to the Internet as a platform, and an attempt to understand the rules for success on that new platform

(O'reilly, 2005). Use of the term Web 2.0, has led many authors to ask about the differences between Web 1.0 and Web 2.0. Although authentic literature about changes of these two definitions do not exist, O'Reilly himself points out that what is not included in the Web 2.0, is considered part of Web 1.0, including concepts such web pages that are static, not characterized by interactivity, there is ownership of applications and user pages themselves cannot change them.

However not all retail networks can benefit from the retail sales via the Internet because they cannot use all the potential of Web 2.0 concepts. Authors Jain and Ganesh (2007), have proposed a scheme which shows the level of adjustment of retail networks in the form of retail sales via the Internet by making a categorization of the main forms of retail.



**Figure 1:** Adaption of Web 2.0 for retail sectors - Jain & Ganesh (2007)

Regarding the development of retail networks in Albania, from a literature review, there were no clear studies and information, mostly due to the short time of development in the Albanian market. The first development of the retail concept in Albania is dating to the year 2005, where the first shopping malls were opened, which created the needed conditions to establish the first professional retailers. At this stage the retails sales in Albania, would be considered just in the physical stores and with a special focus on the product and its merchandise. Only after 2012, we can see the first steps of the Albanian business to enter the online sales, mostly with the consumer electronics companies.

## 3. Research Methodology

Regarding the research methodology, was selected the case study design as a qualitative method where the data will be generated through a semi-structured questionnaire, which will be arranged by a short interview. To present a revelatory information a case study design was used (Yin, 2003). Qualitative interviews and secondary sources used to gather data and information from the case study organizations. A case study is appropriate when researching "the complex processes of contemporary marketing management" such as relationship marketing and online marketing communications (Kapoulas & Mitic, 2012). The purpose is not to generalize to any population but "to a real world that has been uncovered" (Easton, 2000).

The survey conducted with several retail businesses in Albania, which have a consolidated position in the market. Businesses taken in question were the market leader or ranked in the top three players of their sector. The survey conducted in February 2017. In order to avoid incomplete answers and vague information, the questionnaire completed in the company of the interviewer, providing relevant explanations about different points of the questionnaire.

In order to maintain the confidentiality of business, names addresses and other sensitive data removed from the study. In order to be motivated to answer questions, each person interviewed would receive a copy of the results of the questionnaire. In addition, the questionnaire was limited

to what we know as traditional retailers. In terms of retail stores, we took into consideration even restaurants and bars, as they operate in terms of retail concepts and they have a big interaction with their customers.

The questionnaire, was conducted with key management personnel of the company, who had knowledge about managerial and technological processes related to the company. The questionnaire was divided into three main sections; the first section attempted to obtain an information about the company's current situation and organizational structure. The second section of the questionnaire presents the technological state of the company, focusing on the technological elements that retail businesses use mostly during their sales process. In the last section, the focus directs to the plans to understand the involvement of retail businesses in terms of marketing and customer relations management.

## 4. Research Problem

Research problem would consist in some research question who would help in understanding how technology can help to develop the Customer Relationship Management in the retail businesses in Albania. Research questions submitted will be:
- How is the focus of retailers regarding the daily operation as of today? What about in the next 5 years?
- How does the technology perceive in relation to the retailers in Albania?
- How do the retailers see the usage of internet websites in the future?

## 5. Database

In total, 30 interviews conducted with various business retailers. Completed questionnaires and related records processed in tabular form using Excel and advanced functionality as Pivot Tables. The questionnaire included twenty-six questions divided into three main sections, where the first section contained seven questions, the second section contained eight questions and the third section contained eleven questions. Types of questions were closed response form, alternative format and answer questions, which require the use of a Likert scale. The total number of data generated from the questionnaires summarized in over 1,300 data, including generic data.

## 6. Study Results

Based on the level of interviews conducted and the information obtained was observed that a large proportion of retail businesses in Albania were in the initial steps to implement the concepts of customer relationship management. From retail businesses interviewed, only a small fraction of them had loyalty programs.



**Figure 2:** The number of businesses with a loyalty program

Currently, most of the retailers taken in the interview that had a loyalty program owned and managed by third parties. The two main loyalty programs where retailers participated were "Karta Faleminderit" and "Karta Extra". These two cards are currently the main loyalty schemes in Albania. Taking into consideration the way this loyalty schemes operate, most of the transactions calculate the points that the customer would win after each transaction. This scheme did not include any kind of further analysis for their clients. Based on the interviews, the retailers considered these programs more like a tool to gain client that were part of these schemes, than to create returning customers for their own stores.

## 6.1 The technological focus of the business

In terms of the technological focus of the retailers in Albania, the survey showed that the main point included the inventories and suppliers. The retailers in Albania currently focus their technological development in terms of managing the goods and inventory processes related to it. Technology is seen as important related to the management of the relationship with the suppliers, from ordering to invoicing, delivering and paying them at the end.
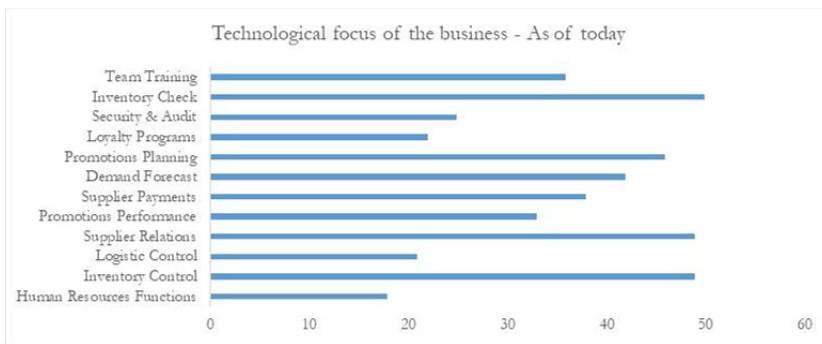


**Figure 3**: The technological focus of the business - As of today

This logic relates to the daily operations that retailers have with their suppliers such as reconciliation of invoices, ordering of the goods, entering of the goods in the retailers ERP systems. Meantime, retailers considers less important the loyalty programs, functions of human resources, security and audit, and the control of logistics and transportation.
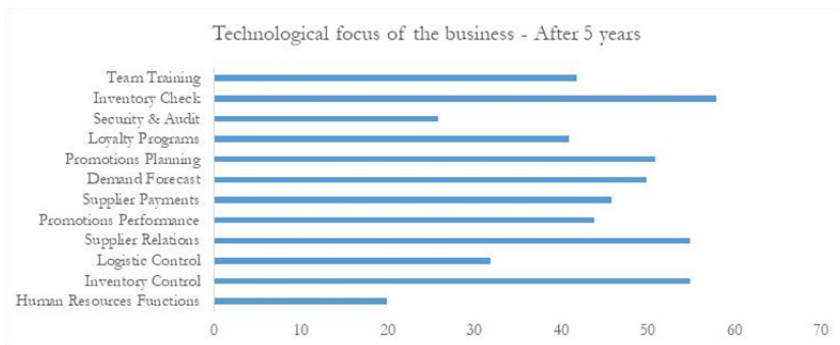


**Figure 4:** The technological focus of the Business - After 5 years

As of today, it was important for businesses to have an information on the products sold without

including specific details regarding the customers. In addition, elements such as Human Resources and Logistics perceives that could accomplish without the need for specific technological developments. Meanwhile, after 5 years, we can see that business intend to increase the usage of technology in relation to loyalty programs.

From the interviews conducted a considerable part of technological processes in the company, needed the consent of the finance department. Always when it came to a technology innovation, first the business needed to secure that the finance operations and performance would not have any affect. On the other hand, marketing and sales departments were more flexible on the application of technological development. This mostly relates to the early stages of these departments in comparison with finance and audit in the Albanian retailers. The main interest of the owner regarding the technological system relates to the management of the financial performance of the company.

### 6.2 Use of Information Technology Systems

In the second section of the questionnaire, respondents provided information about their perception of how to use information systems, listing their opinion on a number of specific areas. Most of the people interviewed stated that their main objective for the development of information technologies systems was to create a more accurate database about their products portfolio.
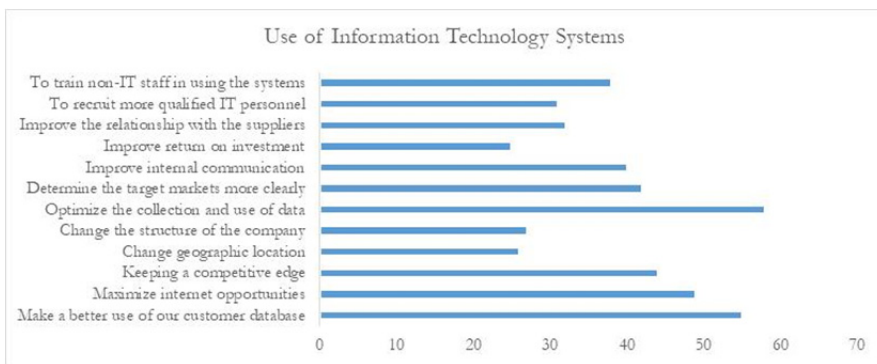


**Figure 5:** Use of Information Technology Systems

Regarding the question to create a database for their customers, the respondents answered that they were very interested but the technological and economic resources were not enough. They argued that currently their systems mainly based on accounting functions and the product details was still a new achievement for them. Through this categorization using their points of sale, businesses were able to understand who had sold more products, in which points of sale and in what period. This helped businesses to make decisions concerning the movement of the stock and the manner of displaying the products. Respondents were unable to give an answer regarding the customers, where the first of all it was very difficult to make an estimation for their real potential, based on the historical purchases he/she made in the past. In addition, businesses did not provide information about the frequency of purchases from the customer and the changes in consumer behavior towards business.

The main problems that business mentioned in terms of gaining information closely relates to the lack of specialized programs and qualified staff. Regarding the software, respondents refer that the number of software that can realize the needed services was very small and those who really could perform the needed functions had a big cost and need for staff training. Besides the need to recognize the customer behavior during the buying process, another important need of the respondents relates to the customer behavior before buying the product. Due to this reason, everyday business feels the need to enter and create their own brand image in the online world.

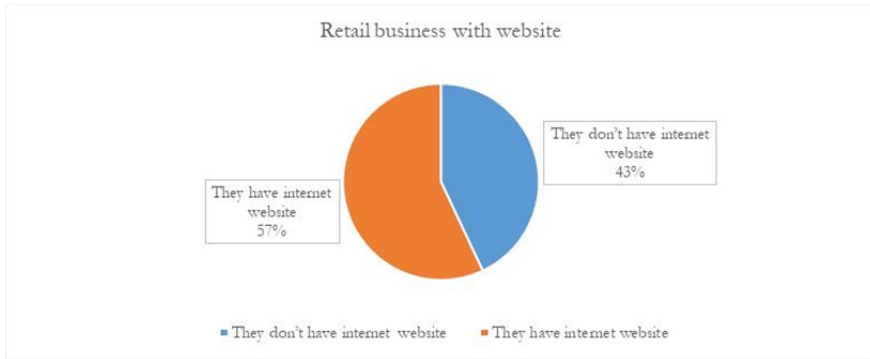## 6.3 The services offered via the Internet



**Figure 6:** Retail business with a website

Based on the data of the respondents, the biggest part of the retail chains in Albania does not have an internet website. According to the feedback of respondents, we can define two main reasons. Firstly, a significant proportion of retail networks are a franchise of international networks that one side does not want to invest in creating a website in Albanian language but on the other hand, does not give freedom to the franchise to build a site themselves in the local language. Secondly, a significant portion of stores did not have the necessary technological infrastructure to manage or create a website.
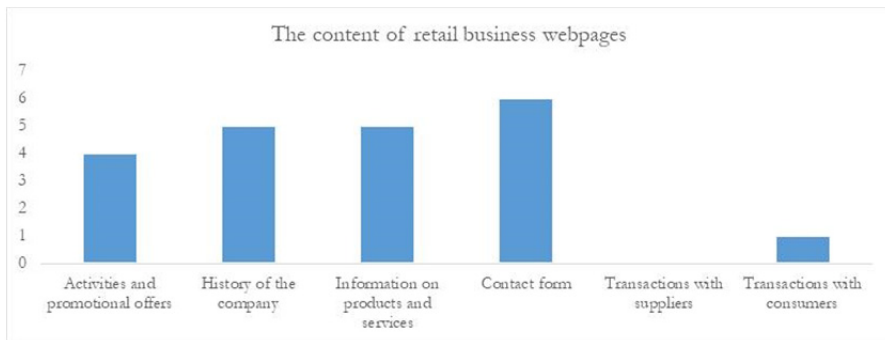


**Figure 7:** The content of retail business web pages

Even the retail business that has a website are not using this tool properly. A contact module for the business characterizes all the sites. While a smaller part of websites offers the possibility to obtain information about the product, offers and company history. From the study conducted, only one retail network was offering the possibility to make transactions with customers online, while none of the networks did allow the make the transactions with suppliers online.

## 7. Conclusions

In conclusion, we can say that the development of retail sales as a separate industry in Albania is still in the early stages of its development, having large spaces for the development of the concept of Customer Relationship Management. Currently taking into account the results of interviews conducted with the retail stores, it turns out that their focus for the present is the development of their physical presence.

This development is associated with a technological focus, which remains in the financial processes mainly, with continuous efforts to include other departments such as sales and marketing. New technological investment focuses on implementing sales software for the stores, in order to make a better management of the sales process. In this way, it is easier to implement the customer relationship modules in the company system.

The main objective of the development of information technology systems is to create a complete and accurate database with information regarding sales. The main issues presented by the interviews relate to a lack of data for the clients. Currently, most of the retail businesses had created a comprehensive database about products and relevant categorization, but no one could say the same for clients. A special reason presented by the business for this lack was mainly the high investment that required the establishment of a loyalty program dedicated to their business and clients. As an alternative, retail businesses have chosen to engage in some alternate loyalty programs offered by third parties.

In the context of developing retail networks via the Internet, in the case of Albania still, there are many things to do. In addition to a very small number of businesses that have invested in the creation of websites online which can serve to realize transactions with clients, the rest of the respondent mentioned not to have a focus currently on the website. Retail networks, who presents with a corporate site, say that the focus is to give to the possibility to the client to recognize the company and to create a contact bridge, excluding the transactions. While other businesses, point out that their franchise structure did not allow developing retail format via the internet.

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