A FRAMEWORK FOR MANAGING CUSTOMER KNOWLEDGE IN RETAIL INDUSTRY

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To be effective and sustainable, an organisation's knowledge management initiatives must be directly linked to its strategic objectives. This paper focuses on management of customer knowledge in the retail industry, because customer knowledge can be a rich source for product information, competitive intelligence and consumer behaviour. While retail operations generate transactional data, i.e., data about what customers purchase, existing tools and technologies do not adequately capture interactional data that could provide insights on what customers know, think and feel. Such interactional data can only be captured through people-to-people connections or socialisation, an expensive process needing both demand and supply side incentives. Therefore retailers need to understand the business contingencies for managing transactional and interactional data such that the benefits are commensurate with the costs.

In this paper we develop a decision making framework based on two dimensions of consumer behaviour, consumer involvement with purchase and frequency of purchase, to identify three critical components of customer knowledge management systems in the retail industry. These are a repository of transactional data comprising explicit knowledge that can be used for mass customisation of products, a bank of interactive data, rich in tacit content, that can be leveraged to capture customer insights for fuelling innovation and collaborative platforms that can create customer communities of practice. The challenges of creating and sustaining each of these components and their potential benefits are discussed. Thus, the framework developed should enable retailers to decide, based on nature of their product, which components of customer knowledge management they should focus on to derive maximum business benefits.

INTERVIEW

REORIENTING INDIA'S FINANCIAL SYSTEM: IN CONVERSATION WITH DR. DUVVURI SUBBARAO, GOVERNOR, RESERVE BANK OF INDIA

Vivek MOORTHY

India’s slowing growth coupled with persisting high inflation has exacerbated the usual policy dilemmas faced by the Reserve Bank of India (RBI). Although the RBI has taken significant steps this year to enhance liquidity in the financial system and revive growth, the associated risks that inflation will remain high are substantial. This article evaluates the RBI’s monetary policies and related policies that have contributed to these recent economic outcomes. It first discusses whether, under prevailing price controls for some critical items, estimates of India’s potential GDP growth rate have been realistic. Secondly, it critiques the pattern of India’s financial liberalisation, which has been skewed towards the external sector at the expense of domestic financial markets. In particular, the sign of a viable healthy financial system is that interest rates incorporate inflation expectations, so as to give depositors a positive real return, as per the well known Fisher equation. However the Indian bond market does not meet this criterion. With expected inflation now over 10%, bond yields by the Fisher equation should be well above 10%. However, the benchmark ten year Government Security (G-Sec) yield has rarely crossed 8.5% this year. Although the RBI has implemented various policies to improve the corporate bond market, these cannot succeed as long as the underlying Government bond market is hampered in its functioning in various ways. The article then goes on to examine non market borrowing — specifically, RBI Committee recommendations that the administered interest rates on Small Savings and Provident Funds be linked to G-Sec yields. It points out that if these rates had been instead benchmarked to inflation, the ensuing higher levels would reduce prevailing distortions from unduly low (G-Sec) yields on market borrowing. In a detailed interview with Professor Vivek Moorthy, Dr. Duvvuri Subbarao, Governor, RBI discusses the above issues and also responds to queries. They also discuss policy options to alleviate the strains in the money market in recent weeks, due to abnormally high borrowing by banks.