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Relationship marketing and its application in retail companies in Azerbaijan

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Abstract

In accordance with the aims and objectives of the study, the work consists of an introduction, three chapters, conclusion and list of literature.

In the introduction, the choice of the topic and its relevance are justified, the goals and objectives of the research are formulated, its subject and object are defined.

In the first chapter "Theoretical analysis", the evolution of theoretical concepts of management as the basis for the formation of the theory of personnel management; the personnel management system and its components are justified; the main provisions of motivational theories are revealed; the essence, content and tools of motivational development of personnel are specified.

In the second chapter "Methodological aspects of assessing consumer loyalty to retail business" the methodological foundations of personnel management are disclosed; a methodology for motivating staff was developed; principles and functions are defined, methods of motivational development of personnel are systematized.

In the third chapter, "Results of implementation of the consept of relationship marketing in the process of forming a program to increase customer loyalty", the concept is substantiated and its main structure-forming elements are revealed; directions and a set of recommendations for improving: the socialization of workers in the organization for the purpose of forming a work collective; management of the development of the labor potential of the organization. The conclusion summarizes the main conclusions and recommendations on the implementation of the results of the completed thesis.

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INTRODUCTION

Actuality of the research. In modern conditions, retail trade is a rapidly developing sector of the economy, the growth rate of which is 15-20% per vear. The dynamic development of retail trade predetermines the intensification of competition and a change in the nature of competition in this area, necessitating the expansion of the scope of marketing tools in the management of trading enterprises. However, the rapid pace of globalization of the world economy, the high degree of similarity of goods of different producers and the individualization of consumer demands reduce the effectiveness of price methods of competition and the use of traditional marketing tools. In this regard, there is a need to use innovative approaches in marketing and, in particular, marketing relationships based on the development and maintenance of long-term relationships with consumers, the formation of their loyalty. The results of F. Reicheld and R. Sasser's studies show that a 5% increase in loyal consumer companies is accompanied by an increase in profit in the range of 25 to 85% depending on the scope of activity.

However, most of the programs used in Azerbaijan to increase customer loyalty are not effective enough. This is due to such serious shortcomings in programs to increase consumer loyalty, such as the lack of a systematic approach to their organization, copying from Western samples without taking into account Azerbaijan's specifics, the lack or insufficient use of accumulated data on consumers, the high uniformity of such programs due to the use of a limited set of tools for encouraging permanent consumers. Therefore, research in the development and implementation of programs to increase customer loyalty based on marketing relationships are becoming very relevant both from the theoretical-methodological and from the practical point of view.

The aim of the research is to develop theoretical approaches and methodological foundations for the formation and development of relationship marketing and customer loyalty, which ensure the competitiveness of retail trade enterprises.

Achieving this goal predetermined the need to solve the following problems:

- analyze the evolution of marketing management concepts and justify the relevance of the use of the concept of relationship marketing in modern conditions;
- reveal the essence and interrelations of the concepts of "relationship marketing", "transactional marketing", "database marketing", "direct marketing", "customer relationship management";
- to determine the specifics of marketing relations in the retail trade, to assess the possibility of its application in this sector of the economy and, in particular, in the Azerbaijan retail market for household appliances;
- clarify the content of the concept of "customer loyalty" as a key element of relationship marketing;

to investigate the factors of consumer loyalty, to develop an economic and mathematical model for the formation of consumer loyalty;

- develop a methodology for assessing customer loyalty;
- Describe the process of developing and implementing a customer loyalty program for a trading company based on the principles of relationship marketing.

The object of the study are retailers of household appliances operating in the Azerbaijan market.

The subject of the study are the management relations that arise in the process of forming customer loyalty, based on the principles of relationship marketing.

LITERATURE REVIEW

Various aspects of the marketing activities of retail enterprises are covered in the works of such foreign and domestic scientists as G. Beckwith, C. Grenroos, L. P. Dashkov, P. Kalen, F. Kotler, P. P. Krasiuk, J.Z. Lamben, V. V. Nikishkin, E. Newman, A. Paco, V. K. Pambuhchiyants, T.P. Paramonova, V. P. Sheynov and others.

A significant contribution to the development of relationship marketing was made by the following leading specialists: T. Ambler, G.L. Bagieva, J. Burnet, A.G. Budrina, P. Winkelmann, N. Woodcock, P. Gembla, E. P. Golubkova, J. Gordon, T.P. Danko, P. Doyle, K.L. Keller, D. Cravens, F. Kotler, S. P. Kusch, L. Maectinger, F. Nyöll, T. Osenton, M. Stone and other.

The work of I. Ansoff, D. Aaker, Yu. P. Adler, S. Butcher, Yu. V. Vasin, J. Gitomer, M. N. Dymshits, J Reicheld, P. Temporal, T. Thiele, X. Thompson, M. Trot and others.

An analysis of the degree of development of this subject area revealed a number of unresolved issues related to the specifics of the formation and development of consumer loyalty in the retail trade on the basis of applying the principles of relationship marketing. This determined the choice of the theme of the work, the purpose and objectives of the study.

The quality of the relationship between the company and its customers is determined, to a large extent, by how well employees who work directly with customers treat them. Where the interaction of the client with the supplier's employee is carried out directly, without intermediaries, the internal moral climate of the supplier has a significant effect on the degree of customer satisfaction and retention, although a direct causal relationship between these factors is difficult to trace. At the same time, if in the service sector the company, as a rule, contacts its

customers through its own employees, the production companies use either intermediaries or technologies (for example, a hotline phone) to deal with customers.

Comparing and analyzing the theoretical foundations of internal marketing, we can conclude that internal marketing contributes to the improvement of the organization focused on the client, helps to improve communications, to develop in the employees responsibility, responsiveness and unity of aspirations. "The fundamental goal of internal marketing is to develop an understanding of the internal and external client of the organization and remove the functional barriers that impede organizational effectiveness" (Aaker D. (2007)).

The subdivisions of any organization always interact, to some extent or other, from how these interactions occur, the results of the relationship both to the service product and to its "delivery" depend. Domestic marketing focuses on three activities of the organization that contribute to the value of its product: innovation, process efficiency and customer support. It is associated with keeping in the company sensitive and attentive to the client's employees, improving the practice of empowering employees to fully meet the needs of the client. The concept of internal partnership implies that if the management of the company expects from its employees an outstanding level of customer service, it should be prepared to do a lot for employees.

The decisive factor on the way to the success of business is increasingly the availability of people with proper skills, "intellectual capital", consisting of individual and structural capital. Individual capital, at the same time, is understood as the qualities, knowledge and skills of employees, their motivation and the totality of relationships in the internal and external environment. Structural capital is embedded knowledge, inseparable from the environment in which they are applied

and developed, including organizational culture, the organization's work system, contacts, image and the totality of efforts aimed at maintaining the brand.

Organization - a social construction, which is formed from the totality of people and their activities, thoughts, emotions and other intangible elements. Therefore, it is now generally accepted that the organizational climate and organizational culture form the basis on which the company's long-term marketing effectiveness is built. Organizational climate and organizational culture can be manifested in relation to the company to workers and the attitude of employees towards organizational change. As organizational changes, it is proposed to expand the powers of employees and provide them with information previously available only to top management.

Do not forget that the expansion of the powers of ordinary employees in contact with customers can have both positive and negative sides. The relationship marketing program should "be viewed as the circulatory system of the company that pervades all hierarchical levels, units, functions and assets and ultimately mobilizes the company's efforts to simultaneously offer and receive value at all levels. Marketing, management, production, financial function and human resources management should be those vital organs that help the organization to develop, give birth and maintain a constant circulation of an inexhaustible flow of value between the company's respected customers. (Ageeva Y. (2005)).

1. THEORETICAL ANALYSIS. 1.1.CONCEPTUAL FRAMEWORK FOR MARKETING RELATIONS IN THE RETAIL INDUSTRY AND

MARKETING RELATIONSHIPS AS A MODERN MARKETING CONCEPT

Currently, effective management of the enterprise in any sector of the economy, in the presence of competition in the market, is based on a marketing approach. Domestic enterprises have already accumulated quite a lot of experience in using separate marketing tools, but there is practically no experience of a holistic use of the marketing concept. It should be noted that the activities in the sphere of marketing of foreign enterprises are usually carried out within the framework of a single concept.

Specialists distinguish six generally recognized marketing concepts, each of which focuses on a particular aspect of marketing activities. Marketing concepts change with the development of the market, but the previous concepts are not completely denied, and partially used in later ones. The general trend in the development of marketing concepts is shifting the emphasis from improving production and goods to intensifying commercial efforts, building relationships with consumers and maintaining social ethics.

Table 1 shows the main concepts of marketing, other concepts found in the literature, in the opinion of the author, still need to refine and determine their place in the theory and practice of marketing, therefore, are not considered in this paper.

Table 1. Marketing Concepts

Concept	Basic principles	Tools
Production or improvement of production (1860-1920).	Targeting goods that are widely distributed and sold at affordable prices in conditions where demand exceeds supply	Minimization of costs, increase productivity and output
Commodity or improving the goods (1920-1930)	Orientation to the production of quality goods and improvement of consumer properties of goods	Development and improvement of product properties
Sales or intensification of commercial efforts (1930-1950)	Aggressive sales policies and active promotion of products to the market, intensive development of the sales network Optimization of distribution, advertising, aggressive sales, consume pressure	
Traditionalormarketing (1960-1980)	Research needs and needs of target markets and customer satisfaction more effective than competitors in ways Tools of strategic marketing, operational complex of marketing research of the consumer	
Socio-ethical (1980-1990)	Production taking into account the needs of consumers and the requirements of society, a study of the social and environmental consequences of their production and consumption	Complex of marketing, research of social and ecological consequences from the production and consumption of goods and services
Marketing relationships or marketing interactions (from the 1990's to the present)	Production of goods and services that satisfy consumers and business partners using methods of coordination, integration and network analysis	Methods of coordination, integration and network analysis, marketing complex

Evolution of marketing concepts, in our opinion, fits into the evolution of management concepts, which includes the following approaches: industrially-oriented, competitive-oriented and client-oriented. Table 2 presents marketing concepts in the framework of management approaches to business organization. (Ambler T. (2001)).

Table 2
Concepts of marketing in the framework of management
approaches to business organization

Management approaches to business organization	The main thrust	Proximit y to the consumer	Marketing Management Concepts
Industrial-oriented approach	product	low	1. Production concept
			2. Product concept
Competitive-	competitors	mean	3. Sales concept
oriented approach			4. The concept of traditional marketing
Client- orientedapproach	consumers	high	5. The concept of social and ethical marketing
			6. The concept of relationship marketing

The use of certain marketing concepts in the enterprise is mainly due to the features and tendencies of the market.

At the beginning of the twentieth century, the industrial-oriented approach to enterprise management prevailed, including the production, and then the marketing concept of marketing. This stage was characterized by a small number of companies on the market, a low variety of products and excess of demand over supply. The power over the market belonged to the producers. In the absence of choice, consumers were forced to purchase what they were offered by the manufacturer. In these conditions, the increase in the efficiency of the enterprise's activities was achieved through the use of mass production technologies, which allowed to significantly reduce costs and ensure a high output of homogeneous products of stable quality.

In the 50-60's the era of the competitive-oriented approach, which included the marketing concept and the concept of traditional marketing. The situation in the market during this period was

characterized by the ubiquitous spread of similar production technologies, which led to the appearance of products that were hardly distinguishable from the functional point of view, and the main struggle between producers began in the sphere of attracting the attention of buyers and differentiation on the basis of consumer qualities of the goods (appearance, packaging, ergonomics, style, status). The company's competitiveness began to be built mainly on marketing techniques, such as assortment policy, communication strategy, consumer innovations and design. The influence of consumers has significantly increased: sellers began to take into account the requests for the most profitable segments of the market. The basis of the strategy of many enterprises was the dissociation from competing companies and the struggle for market leadership.

In the 70-80's the human factor becomes the dominant factor, and F. Kotler proposes the concept of social and ethical marketing, a group of European scientists - the concept of relationship marketing. Both of these concepts imply a client-oriented approach to the activities of enterprises. The appearance of these concepts is due to the following trends in the market of developed countries. (Balashov K. A. (2006)).

- 1. Growth of intensity of competition in the market space, expressed both in the constant emergence of new market participants local and foreign (the consequence of the globalization of the market), and in improving the professionalism of the available.
- 2. Reduce the possibility of extensive market development. In the conditions of market stabilization (the size of the market share of the main participants is practically unchanged), the costs of attracting a new client significantly exceed the costs of retaining an existing customer. Therefore, increasing customer loyalty leads to a reduction in costs and increased efficiency of the company.

- 3. Strengthening the market power of consumers. In the 1990's. in many industries (for example, the automotive industry, the food industry, the computer and telecommunications industry), a situation arose close to the model of ideal competition. In such circumstances, each individual company cannot have a significant impact on the market, since the supply significantly exceeds demand. Dominant in the market was not the producer, but the consumer power over the market passed into the hands of consumers.
- 4. Reducing the differentiation of products from different manufacturers. "Maturing" a large number of product categories, exhausted their opportunities for competition through product improvement and packaging, has led to the fact that products have become more standardized, and services are unified. As a result, at the consumer's view, the goods (services) of different companies have become virtually indistinguishable from each other. This increased the company's dependence on the correctness of brand building and its communications with the consumer, customer service. The role of service support for the product has increased.
- 5. Growing importance of the company's relationship with consumers in the company's management strategy. In the 90-ies. In the twentieth century, enterprises began to pay more attention to building relationships with their consumers: to be closer to them, to understand them and to maximally meet their needs. And although the manufacturing companies can not use a direct relationship scheme, as a result of the specialization of business between the owner of the company and consumers, many intermediate links appeared, however modern technologies allow maintaining the effective relations of the company with remote consumers.

- 6. Decreasing the effectiveness of traditional marketing tools. Advertising has become more expensive (the growth of prices for advertising is 30-50% per year) and less effective (the level of "advertising noise" is increasing, the attention and trust of consumers to advertising, consumer usage of interactive communication tools is growing). Price wars also have no effect, since the consumer needs from the trading company more than just low prices. Low price, mass advertising and traditional marketing does not guarantee successful sales. In this situation, to solve problems, marketers have to abandon traditional ways and look for new, non-standard moves.
- 7. Growth of individualization of consumers' requests. Individual approach has become a key customer need. In this situation, it became important not only to produce and bring to market a standard quality product, but also to meet the individual needs of consumers. The individualization of marketing technologies is focused on the creation of an individual product rather than an individual product, and today there are enough resources to implement such projects.
- 8. Reducing the overall level of customer satisfaction. Growth in the range of products and increase in the "market literacy" of consumers led to an increase in the requirements of consumers for goods (services) enterprises. As a result, there was a decrease in the overall level of customer satisfaction.
- 9. Change of tastes and preferences of consumers. Under the influence of modern trends in the development of the surrounding world, the consumer becomes different: there is an increase in the need for convenient and simple things; a decrease in the difference in attitude towards the purchase of rich and not very well-off consumers; more conscious attitude to price and value; Underestimation by consumers of the age purchase of the goods calculated on younger.

- 10. Development of information technologies (software, electronic databases, the Internet, mobile communication). Information technologies, primarily the Internet, provided easy access to the necessary information about goods and services for the main part of the population of developed countries. The companies received new marketing tools: Internet marketing, mobile marketing, CRM-systems.
- 11. Development of outsourcing, far beyond *marketing*. Increasing the value for the company is the ownership of trademarks, not means of production, that is, it may be more profitable for a company to sell a license to manufacture products under its trademarks than to independently manufacture them. A company may not own anything except trademarks. The main problems in this case are related to management.
- 12. Strengthening the power of large trade intermediaries, retail trade organizations, networks that require producers to sell goods on favorable terms. These networks pose a threat to small trading enterprises that do not have the ability to strongly influence the policies of producers.

Customer relationship management (CRM) by definition CRMGuru.com is a business strategy of attracting and managing clients, aimed at optimizing their value in the long term. CRM presupposes the presence in the organization of a philosophy and culture, focused on the client, aimed at the effectiveness of work in the field of marketing, sales and service. CRM-applications make it possible to effectively manage customer relationships, provided that the enterprise has the right goals, strategy and culture. (Beckwith T. (2005)).

All business activities of CRM are aimed at building relationships with customers when using information and communication technologies. The main provision of CRM is the principle of maintaining

the loyalty of key customers. From the conceptual point of view, CRM is based on direct marketing, from the technological point of view - database marketing.

Marketing relationships are based on building relationships not only with customers, but also with all partners of the company. At the heart of building relationships with customers and partners is the consideration of their expectations and needs, the principles of mutual respect. Within the framework of marketing relationships, bilateral or multilateral communication is possible.

1.2. Features of marketing relations in the retail trade

Commodity circulation through trade is the main element of the market economy. Trade solves one of the main tasks of social production - the satisfaction of the diverse needs of the population. It is trade that connects producers with end-users and maintains a balance between supply and demand. By means of trade the process of circulation of capital is completed, and the commodity form of value is transformed into a money form. The consequence of this is the ability of the trade industry to significantly influence the macroeconomic indicators of the country as a whole.

Trade is divided into wholesale and retail. Wholesale trade includes any activities related to the sale of goods and services for their subsequent resale or use in production. Retail (retail) is a set of activities for the sale of goods and / or services to end-users for their personal use or use in the household. Their implementation involves the organization of large-scale access to them and relatively small supplies to their consumers. (Butcher S. (2004)).

The main functions of wholesale and retail enterprises are: purchase, promotion and sale of goods, warehousing and transportation, the formation of assortment, sub-sorting, processing and bringing to market, taking risks for theft of goods, spoilage, return, etc., financing of customers credit) and suppliers (making payments earlier than the goods sold), informing the market and getting information about the market.

In connection with the trend of increasing the requirements of consumers to individualize proposals, methods of mass marketing are becoming less effective. There is growing interest in differentiating supply at the level of retailers. In these conditions, retailers need to provide consumers not only with the opportunity to purchase the necessary goods and services with minimal effort, but also to ensure that they meet the products and services offered to their individual needs. Therefore, there was a need to make adjustments in technology and approaches to the organization of retail trade, especially in the field of marketing. One of such innovations in the field of marketing is the introduction of the concept of relationship marketing in the activities of trade enterprises.

Marketing relations in a trading enterprise is built on the basis of an expanded marketing mix and takes into account its features. Such an element of the expanded marketing mix as participants (sales staff and consumers) in the concept of relationship marketing is present and is key. The process of providing the service and the material environment are implicit in this concept, as a result of building relationships with counterparties that provide the merchant with goods, information and promotional materials for effective product presentation, and personnel directly in contact with the consumer. Hence, the peculiarity of marketing relations of a trading enterprise is the construction of relations

not only with consumers and personnel, but also with contractors and, first of all, with suppliers of goods.

To build relationships with all business participants - consumers, employees and counterparties of a trading company, it is necessary to develop three areas of marketing relations aimed at these three links.

The first sphere of relationship marketing is aimed at the link "company - consumer" and implies the solution of the issues of product range formation, pricing, communications with consumers, commodity circulation. The second sphere - internal marketing is directed to the "company-staff" link and implies the introduction of a service culture, the development of a marketing approach to personnel management, the dissemination of marketing information to personnel, the introduction of a motivation system. The third sphere is aimed at the link "company-counterparties" and is associated with the development of relations with counterparties. (Gordon J. (2001)).

The first two spheres are described quite adequately in the literature, so we will dwell in more detail only on the third sphere of marketing of "counterparty" relationships. For the trading company, the most significant contractors are the suppliers of goods. To achieve high results, the producers of the goods and the enterprises selling it must work together, not in contradiction, but in interrelation with each other. Particular success in the trading business can be achieved only when the following principles are implemented:

- all participants of the trading process work together and achieve the same goal - meeting the demand of the buyer;
- suppliers of goods and a trading enterprise exchange information about the buying reaction, listen to each other and work together;

- marketing activities for the promotion of products are conducted on a jointly developed and agreed upon between the supplier of goods and the trading enterprise project.

The effectiveness of the introduction of marketing relationships in the activities of a trading enterprise is expressed in the achievement of the following positive results:

- establishment of closer relations with priority consumers, suppliers and personnel of the organization;
- Raising awareness of consumers and suppliers about the trading enterprise;
- Identification of ideas about new products and services of a trading company;
 - expansion of the circle of consumers and suppliers;
- Reduction of transaction costs associated with attracting new customers, employees, suppliers.

Along with these advantages of using relationship marketing at retailers, there are a number of problems of its implementation:

- -retailers prefer to use traditional marketing methods that have been used for many years;
- the organizational structure of trade enterprises is poorly focused on consumers;
- there is no single list of professional requirements for employees of commercial enterprises in hiring;
- sales staff is not sufficiently trained to work with clients based on the principles of relationship marketing;
- insufficiently used in the activities of the trading company marketing research to identify the hidden needs of customers, assess their satisfaction with the quality of service, etc.;

- there is no system of long-term marketing planning, focused on the development of relations with consumers, employees, partners of the trading company.(Karasev Y. (2005)).

1.3. Analysis of the possibilities of applying marketing relations in the Azerbaijan retail market for household appliances

An analysis of foreign experience in the introduction of marketing relationships in the practical activities of trade enterprises shows that the factors that determined this process were the intensification of competition and the achievement of a level of saturation with existing products. The concept of relationship marketing came to the trade sector as a means of adapting to new conditions.

However, the conditions for the activity of Azerbaijan trade enterprises differ significantly from foreign ones. In this regard, there arises a natural question about how justified the implementation of marketing relationships in the practice of Azerbaijan trade enterprises at the moment. To answer it you need to analyze the state of the Azerbaijan retail market.

The volume of sales of food products, beverages and tobacco increased by 2.1% in real terms, non-food products - by 0.8% and amounted to 15.1 billion manats.

During the reporting period, the population spent 49.9% on food, beverages and tobacco products in retail trade networks, 17.4% on textiles, clothing and footwear, 6.3% on electrical goods and furniture, 5.6% automobile fuel, 1.4% - pharmaceutical and medical products, 0.8% - computers, telecommunications equipment and other goods, 18.6% - other non-food products.

Thus, sales of textile goods, clothing and footwear increased by 0.9% to AZN 5 244.8 million, electrical goods and furniture - by 1.5% to AZN 1 912.9 million, computers, telecommunications equipment and printed of goods - by 1.4% up to AZN 234.8 million, pharmaceutical and medical goods - by 1.9% - up to AZN 419.8 million, motor fuel decreased by 1.6% and amounted to 1 681.5 million AZN.

Last year, 10.9% of consumer goods were sold by legal entities, 55.7% by individual entrepreneurs, 33.4% by markets and fairs. The average monthly retail turnover per capita amounted to 261.0 manat, which is 36.1 manats in nominal terms or 16.1% more than in 2016. Monthly average sales of food products, beverages and tobacco products in retail trade networks per user amounted to 130.3 manat, non-food products - 130.7 manat.

To date, the main trends in the development of retail networks of home appliances in Azerbaijan are as follows:

- 1. The development of large trading companies in the regions. The competition in the Azerbaijani retail markets of large cities with a population of a million inhabitants is becoming more acute;
- 2. Mergers and acquisitions of trading companies. In 2017, the profitability of a number of Azerbaijani retail chains decreased. This is due, above all, the saturation of the megacities market, the tightening of competition, and when moving to the regions the lack of a logistics infrastructure. These processes lead to the fact that the consolidation process is going on in the retail market, and the number of mergers and acquisitions is increasing. It should be noted that the processes of mergers and acquisitions in the framework of market consolidation are beginning to take place not only at the level of regional networks, but also between smaller regional networks, and also when regional networks move to regions. In the near future, the decline in the

profitability of a number of Azerbaijan retail chains will continue. Therefore, mergers and acquisitions will become increasingly common;

- 3. The development of large formats by trade enterprises. Today's world trend is large formats of trade enterprises. Large areas allow you to accommodate a more diverse range, make it more interesting to lay out, and the network has more opportunities to offer additional services. Regional market operators are often located in mono stores;
 - 4. Entering the market of large foreign trade enterprises;
- 5. Development of electronic trade in household appliances. In addition to sellers in the markets, networkers are also crowded with equipment sellers via the Internet. So much so that manufacturers are already interested in them. Sales of household appliances through the Internet are less than in conventional stores, but grow much faster. They double each year and make online shopping one of the fastest growing sales channels. Most actively selling goods fast-growing segments, such as digital technology. Consequently, we can conclude that the Internet is used by the most socially active buyers;
- 6. Increased competition from shops selling computer equipment. To the enterprises of retail trade of home appliances begin to make the competition of the enterprise, which trade in computer equipment. The latter add to their assortment products such as video projectors, liquid crystal and plasma TVs, digital video cameras and cameras, voice recorders, MP3 players, etc. And with the development of digital technologies, we can expect the integration of such products as a personal computer, TV, music center into a single multimedia center;
- 7. Attraction of investments by trading enterprises. For further development, trade enterprises need to open new stores not only in the capital, but also in the regions. This requires significant financial costs, so retailers of household appliances are interested in attracting strategic

investors. Analysts predict that large market operators will move toward "openness" of companies and "transparency" of the business to attract and use various financial instruments. Against this backdrop, the sifting of weak trading enterprises may well begin.

As we can see, at present the retail market of household appliances in Azerbaijan is in a state of development, expressed in the growth of the market and the stabilization of the number of operating enterprises. At the same time, Azerbaijan trading enterprises operate under conditions of increasing competition. That is, the situation on the market forces Azerbaijani retailers to look for ways to adapt to new conditions.

2. METHODOLOGICAL ASPECTS OF ASSESSING CONSUMER LOYALTY TO RETAIL BUSINESS

2.1. Methodology

The methodological basis of the research was the following general scientific and special research methods: system and comparative analyzes, methods of economic and mathematical modeling, method of expert evaluation, questioning, statistical methods of information processing, and others.

2.2. Loyalty of consumers as a key concept of relationship marketing: features, model of formation, evaluation methodology

The main purpose of relationship marketing is to build long-term relationships between the consumer and the company, create and

maintain customer loyalty. Consider the term customer loyalty in more detail.

The word "loyal" in translation from French or English ("loyal") means "true". In the explanatory dictionary of V. I. Dal, the word "loyal" means accessible, merciful, noble, affable, philanthropic, humane, and truthful, benevolent. The new Azerbaijan dictionary of T. Efremova speaks of the loyal as being formally held within the bounds of legality, within a benevolent-neutral attitude toward anyone, anything. Considering loyalty, first of all, as fidelity, we can talk about commitment and devotion as synonymous with loyalty.

There is no agreement in the definition of consumer loyalty. In the Western marketing literature, you can find three groups of definitions of loyalty.

- 1. Transactional loyalty. In this case, buyer loyalty is considered as a behavioral characteristic, meaning by itself the choice of the same goods when re-purchasing in a product group and the preference of the same place of service (shop, salon, shopping center, cinema, etc.) during a repeated shopping trip.
- 2.Perceptual loyalty. Loyalty is seen as an emotional characteristic, which is a positive attitude, consumer attachment to the company, the consumer's inclination to use the company's services regardless of the competitors' proposals, even if from the financial point of view they are more profitable for him.
- 3. Complex loyalty. We consider a combination of the two above aspects of customer loyalty. Complex loyalty lies in the positive attitude of consumers towards the company's activities, the products and services it offers, and in making repeated purchases with the company for a long time.

The methodology for assessing customer loyalty to a trading enterprise involves:

- 1. Segmentation of consumers, based on the history of their relationship with the company: potential, new, permanent, prone to care;
- 2. Evaluation of each type of customer loyalty based on data obtained through the questionnaire method of personal interviews of the entire population of consumers and a telephone survey of key, as well as inclined to care consumers. Based on the results of the research, the potential, perceived and realized loyalty of consumers is calculated using the following formula:

$$L = f(x_1, x_2, x_n)$$

where L - level of loyalty (potential, perceived, realized);

 x_1 , x_2 x_n - indicators that affect the level of loyalty: potential, perceived, conscious.

To evaluate each type of loyalty, the formula is modified.

The evaluation of potential loyalty $(L_{\mbox{\tiny n}})$ is made by the formula:

$$L_n = Z \times N \times X \times 1/n \sum_{i=1}^n O_i$$

where Z is the share of informed potential consumers who are able to recognize or recall the given trading enterprise (from 0 to 1);

N - the share of potential consumers having an intention to make a purchase (from 0 to 1);

X - barrier of transition, expressed in the presence of competing brands in the market (from 0 to 1);

Oi - the ratio of the i-th potential consumer to the trading enterprise, based on the image of the given enterprise (from 0 to 1), is calculated as: Oi = Fi x Bi, where Fi is the average value of the fulfillment, in the opinion of the i-th potential consumer, of the loyalty factors, included in

the questionnaire, and Bi the average value of importance for the i-th potential consumer of the same factors;

n - total number of interviewed potential customers.

The perceived loyalty (Lb) is calculated by the formula:

$$L_b = P \times N \times R \times 1/n \sum_{i=1}^{n} U_i$$

where P - the share of consumers having experience of purchase (from 0 to 1);

N - the proportion of consumers intending to make a repeated purchase (from 0 to 1);

R - share of committed consumers, their readiness for recommendations (from 0 to 1);

Ui is the index of satisfaction of the i-th consumer from the purchase process (from 0 to 1), calculated as: $Ui = Fi \times Bi$, where Fi is the average performance value, in the opinion of the i-th consumer, of the loyalty factors included in the questionnaire, and Bi - the average value of importance for the i-th consumer of the same factors;

n is the total number of consumers surveyed.

The evaluation of conscious loyalty (Lo) is carried out according to the following formula:

$$L_o = D \times N \times R \times 1/n \sum_{i=1}^{n} U_i$$

where D is the share of consumers with experience in the consumption or exploitation of goods (from 0 to 1);

N - the proportion of consumers intending to make a repeated purchase (from 0 to 1);

R - share of committed consumers, their readiness for recommendations (from 0 to 1);

Ui is the index of satisfaction of the i-th consumer from the process of consumption or operation of the goods and after-sales service (from 0 to 1), calculated according to the formula: $Ui = Fi \times Bi$, where Fi is the average value of performance, in the opinion of the i-th consumer, included in the questionnaire, and Bi the average value of importance for the i-th consumer of the same factors;

n- total number of consumers interviewed.

The evaluation of potential loyalty is based on taking into account the opinions of prospective consumers, and perceived and conscious - the entire set of consumers, including key and prone to care. Evaluation of loyalty in a group of key consumers reveals the difference between sympathy for the company and the lack of dissatisfaction. The selection of a group of inclined to care consumers allows you to identify the problems and causes of dissatisfaction.

3. Evaluation of the level of final loyalty of consumers by the following formula:

$$L_{total} = L_n + L_b + L_o$$

Determination of the share of potential, perceived and realized loyalty in the final loyalty. It should be noted that the evaluation should be carried out periodically and not only for your company, but also for competing companies. The main here are not so much absolute, as relative (in comparison with competitors) indicators.

- 4. Determination of the degree of influence of factors on the total loyalty of consumers.
- 5. The rationale for the development (adjustment) of the customer loyalty program.

So, the proposed methodology for assessing customer loyalty can determine: the level of potential, perceived and conscious loyalties; Factors affecting the loyalty and specific weight of each factor in its influence on loyalty; level of loyalty of valuable consumers; reasons for

leaving consumers; the rationale for the development (adjustment) of the customer loyalty program.

On the basis of these data, it is possible to develop such a marketing program that will most optimally contribute to the formation of customer loyalty.

2.3. Evaluation of consumer loyalty on the example of retailers of household appliances in Baku

The network of Soliton stores was chosen as the research object. Before going directly to assessing customer loyalty, it is suggested that you familiarize yourself with the short characteristic of the enterprise.

"Soliton" is an independent economic entity created with the aim of satisfying social needs in high-quality household appliances. The network of shops "Soliton" originates from October 10, 1992, when under the brand name "Soliton" was opened a department for the sale of household appliances at the address. Dilara Aliyeva. Since its inception, the company's management has set itself the goal of becoming closer to the buyer in a literal and figurative sense. Due to the constant expansion of the range and affordable prices, the introduction of a variety of services and careful attitude to the buyer, the company was able to develop and form a chain of stores in different parts of the city. In 2008, the company had 6 stores in Baku and 8 stores in the regions.

The target audience of the company are middle-income families. The company positions itself as a family store selling only high-quality equipment. The main competitive advantages that the company allocates are: competent advice, mandatory equipment check before purchase, free warranty service, free delivery to the apartment, discount system.

The study of the behavior of customers of household appliances stores was carried out in three stages:

- Stage 1 study of behavior and evaluation of customer loyalty of trading enterprises in Baku for the sale of household appliances,
- Stage 2 study of behavior and evaluation of loyalty of key clients of "Soliton"
- Stage 3 diagnosis of the reasons for the withdrawal of customers "Soliton".

3. RESULTS OF IMPLEMENTATION OF THE CONCEPT OF RELATIONSHIP MARKETING IN THE PROCESS OF FORMING A PROGRAM TO INCREASE CUSTOMERLOYALTY

3.1. Results

The main scientific results of the study are as follows:

- 1. The main conditions defining the application of the concept of relationship marketing are identified: the production and / or sale of products that involve high consumer involvement in the purchasing decision process; high consumer value for the company in the long term; high stability of the enterprise; direct contact between the company and the end user.
- 2. Clarified the concept of consumer loyalty as a measure of consumer's preference for the product and service brand of the company to competitors' brands, expressed in the consumer's behavior in the market as a subject of demand, as well as in his emotional perception of the brand.
- 3. The classification of consumer loyalty factors (service brand, product brands represented in the trading enterprise, features of the consumer's personality, public opinion, situational factors, for example, the situation on the market, offers of competitors) is specified, taking into account the complex approach to the system of relationships of participants in the purchasing process.
- 4. The methodology for assessing consumer loyalty and the model of its formation based on taking into account potential, perceived and realized loyalty are developed, which makes it possible to optimize the distribution of financial resources for marketing activities at the stages of

the life cycle of the relationship between the consumer and the trading enterprise.

5. The stages of the process of developing and implementing a loyalty program for consumers to a trading enterprise, based on the through consideration of the principles of relationship marketing, are detailed.

3.2. Generalization of the experience of implementing programs to increase consumer loyalty in the retail market

The main purpose of relationship marketing is to retain existing consumers. There are two ways of retaining consumers. The first is the creation of conditions that prevent access to other suppliers, enterprises, etc. In this case, the transition to a competitor for the consumer is connected with investing significant funds, costs for finding new suppliers, loss of discounts for regular customers, etc. The second is full satisfaction of the consumer, which is unlikely to be interested in the proposed competitors low prices or other incentives.

As part of marketing relationships to keep consumers through their full satisfaction using programs to increase customer loyalty.

Loyalty programs are a set of actions organized in such a way as to stimulate consumers and to meet their requirements, and also to minimize losses, namely losses in the number of consumers, and increase the number of sales. The fundamental motive of loyalty programs is to provide customers with the benefits: material, emotional, psychological.

Loyalty programs are widely used in retail outlets, airlines, car rental companies, that is, in all sectors that offer goods and services of daily use at a fairly high price per unit.

In Table. 3 shows the classification of loyalty programs. The main features of the classification were selected: the geography of the service area of the maps; profile of the activities of participating companies; system of customer encouragement.

Table 3

Symptom	Loyalty program			
Map service	International			
geography	National			
	Regional			
	Local			
Price incentive system	Discount system: with a fixed discount and cumulative			
for customers				
	Bonus system: with accumulation of bonuses and with			
	"calculated" bonuses			
Non-price system of	Activities to stimulate consumers in active form			
customer	(competitions, games)			
encouragement	Clubs of regular consumers			
Activity profile and	Local program of one company			
number of	Club program, operating in different companies of the same			
participating	profile			
companies	Coalition program of several companies of different			
	profiles with an independent operator or with an anchor			
	operator			
	Advertising alliance of several companies of different			
	profiles with mutual recognition of participant cards			

According to the geography of the card service zone, loyalty programs are divided into international, national, regional, local.

According to the activity profile and the number of participating companies, they allocate their own and coalition loyalty programs. Coalition programs are divided into club programs operating in different companies of the same profile, coalition programs of several companies of different profiles with an independent operator or with an anchor

operator, advertising alliances of several companies of different profiles, with mutual recognition of participant cards. Development and implementation of its own loyalty program requires large financial costs associated with the purchase of equipment, the issuance of cards, training of personnel. Small companies cannot invest heavily in the loyalty program. And in connection with the fact that they still have the need for loyal consumers, they become participants in coalition programs. (Kotler F. (2006)).

Depending on the price system of encouraging customers, there are two main types of program for increasing customer loyalty: discount programs (and their variety - accumulative discount programs) and bonus programs.

Discount programs give their members a purely material benefit in the form of a return of a portion of the paid value of the goods directly at the time of purchase. The most important drawback of the discount system is that, provided that the consumer has cards with the same discount of two competing companies, he is not loyal to either one or the other - he does not care who to buy the goods from. In addition, if a third company offers a discount on the goods even lower, then the consumer will prefer it. Consequently, the discount does not deter consumers, does not make them loyal.

A variety of discount programs are accumulative discount programs. In these programs, the benefits of participants depend on their buying activity: the more often and for the greater amount they buy, the greater the benefit they receive. However, the benefit itself remains purely material - saving money.

To replace the discount programs come bonus programs to encourage consumers' loyalty. Their essence lies in the fact that the consumer, when making purchases, receives prize points or bonuses, having accumulated a stipulated number of which, he can choose and receive a prize. In these programs, as in discount programs, there is

material benefit, but there is also the emotional benefit that arises when you receive the desired and desired prize, because the consumer can choose it independently, according to their needs.

Depending on the non-incentive system of customer encouragement, there are two main types of customer loyalty program: incentive measures for consumers in active form (contests, games), clubs of regular consumers.

Activities to stimulate consumers in an active form (competitions, games) combine all types of incentives that require active and selective participation of the consumer. These measures, by virtue of their play character, significantly affect each consumer, and the possibility of obtaining a free prize represents a powerful motive for participation.

Clubs of regular customers offer real and tangible value to their members: special services, different modes of communication or special prices. These exclusive benefits are the main tools by which clubs win the favor of consumers. Favorable attitude is all that the company needs to identify regular customers from the general mass of consumers. Precisely, good relations with members of the club protect the company from the encroachments of competitors on the won loyalty of consumers. Discounts and additional services are good only if they are really valuable for customers, are provided only to members of the club and correctly combined in a single program. The Club of regular customers has some features that distinguish it from other types of clubs and loyalty programs, such as fan clubs, consumer clubs, discount clubs, bonus programs, bonus programs and rewards for frequent use of goods or services. These features include: communication within the club, the establishment of emotional relationships, personal activity of club members, etc. Thus, the club of regular customers is a communicationbased association of people or organizations created and managed by a

company in order to regularly contact with participants and offer a valuable privilege package for them to increase the activity and loyalty of consumers to the organizing company on the basis of emotional relationships. (Kushch S.P.(2006)).

To select the optimal type of loyalty programs, research of consumers is necessary. In order to study the attitude of Baku's buyers to loyalty cards, the author conducted a marketing study. To obtain primary information, a questionnaire was used. 50 people participated in the survey. Each of them was asked to fill out a form on their own. After processing the questionnaires containing both closed and open questions, the following data were obtained. (appendex 1)

The questionnaire with 12 questions have been prepared and the survey research has been conducted in 10 retail companies in Baku. The main purpose of the questionnaire was to reveal whether retails in Baku realize relationship marketing or not. For this purpose 50 respondents have been surveyed in marketing department of Retail Group Azerbaijan. The results have been analyzed in SPSS 16th program.

Findings

The reliability of survey has been analyzed with Reliability statistics Cronbach alpha. The result is shown in the table below.

Case Processing Sum	mary
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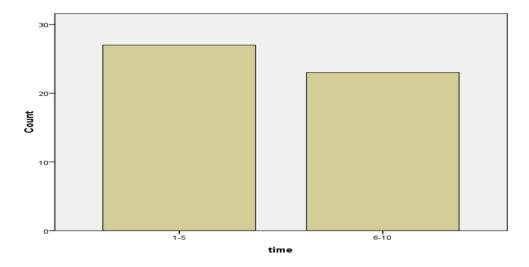
	<u>-</u>	N	%
Cases	Valid	50	100.0
	Excluded ^a	0	.0
	Total	50	100.0

a. Listwise deletion based on all variables in the procedure.

Reliability Statistics

Cronbach's Alpha	N of Items
.862	5

The cronbach's alpha is 0.86 which is very good in terms of reliability. In social sciences results over 0.70 is acceptable. So the result of survey shows us the reliability of the survey has been successfully realized. Bar chart below indicates the companies life time in the market.

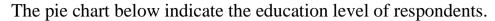


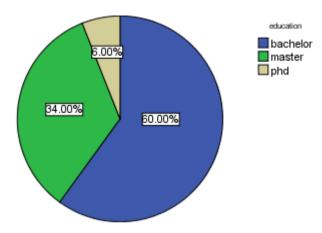
According to this chart we understand that the majority of companies surveyed operate in the market for 1-5 years.

Below table shows that out of 50 respondents 26 that is 52% were men and 24 that is 48% were women.

Gender

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	man	26	52.0	52.0	52.0
	woman	24	48.0	48.0	100.0
	Total	50	100.0	100.0	





According to the chart the majority that is 60% have bachelor degree. 34% of respondents have master degrees. Interesting fact was that 6% of respondents have a phd level.

Education

-	-				Cumulative
		Frequency	Percent	Valid Percent	Percent
Valid	bachelor	30	60.0	60.0	60.0
	master	17	34.0	34.0	94.0
	phd	3	6.0	6.0	100.0
	Total	50	100.0	100.0	

When comes to age of respondents, the majority that is 33 persons 66% is young and they are between the ages of 26 and 30. Out of 50 respondents 1 was between 36 and 40.

Age

	<u>-</u>				Cumulative
		Frequency	Percent	Valid Percent	Percent
Valid	20-25	5	10.0	10.0	10.0
	26-30	33	66.0	66.0	76.0
	31-35	11	22.0	22.0	98.0
	36-40	1	2.0	2.0	100.0
	Total	50	100.0	100.0	

When comes to the work time of respondents in the companies all respondents work experience is between 2 and 5 years. That indicates that the survey's validity is succeeded.

Worktime

	-				Cumulative
		Frequency	Percent	Valid Percent	Percent
Valid	2-5	50	100.0	100.0	100.0

The table below indicate the view point of respondents in customer retention in relationship marketing. 66% of respondents that is 33 persons completely agree upon their company's customer retention strategies. 32% that is 16 respondents indicate that they agree upon their company's customer retention strategies. Only 1 respondent partially agree with the customer retention strategy of their company.

Customer retention

		Valid	Cumulative
Frequency	Percent	Percent	Percent

Valid	completely	33	66.0	66.0	66.0
	agree	55	00.0	00.0	00.0
	agree	16	32.0	32.0	98.0
	partially agree	1	2.0	2.0	100.0
	Total	50	100.0	100.0	

From the table below we can infer that customer retention in retail companies in Baku is successfully realized and this indicates the one element of relationship marketing.

Another table below indicates the trust and commitment in relationship marketing.

r2

				Valid	Cumulative
		Frequency	Percent	Percent	Percent
Valid	completely	32	64.0	64.0	64.0
	agree	<i>52</i>	04.0	04.0	04.0
	agree	18	36.0	36.0	100.0
	Total	50	100.0	100.0	

From the answers we can understand that the companies surveyed successfully realize trust and commitment in relationship marketing in the market.

In the next table respondents indicated the benefits of relationship marketing.

r3

				Valid	Cumulative
		Frequency	Percent	Percent	Percent
Valid	completely	31	62.0	62.0	62.0
	agree	<i>J</i> 1	02.0	02.0	02.0
	agree	19	38.0	38.0	100.0
	Total	50	100.0	100.0	

31 respondents that 62% completely agree on the benefits of relationship marketing and the rest agree on the case.

The table below shows us the respondents' viewpoint on customer satisfaction and relationship marketing.

r4

				Valid	Cumulative
		Frequency	Percent	Percent	Percent
Valid	completely	40	80.0	80.0	80.0
	agree	40	00.0	00.0	00.0
	agree	10	20.0	20.0	100.0
	Total	50	100.0	100.0	

Almost all respondents agree on the idea that relationship marketing increase the customer satisfaction and create more benefits when applied successfully.

Last table is about the importance of relationship marketing for the company.

r5

	-			Valid	Cumulative
		Frequency	Percent	Percent	Percent
Valid	completely agree	50	100.0	100.0	100.0

All respondents without any hesitation completely agreed upon the idea of importance of relationship marketing for the company.

The results of the survey proved that if retail companies create trust and commitment and customer retention of course it will create customer satisfaction and in return it will benefit the retail companies in Baku.

3.3. Development of the process of developing a loyalty program for consumers based on the concept of relationship marketing

One of the main problems in creating a program to increase customer loyalty is the lack of a systematic approach to the organization of this procedure.

As part of the traditional approach to developing a customer loyalty program, the following general principles are identified.

1. Detailed analysis of the external and internal environment, which precedes the development of a loyalty program. In the external environment, it is necessary to carefully examine the value that different alternatives have for the program participants, what advantages are offered by competitors. In the internal environment, the willingness to implement a loyalty program for management, staff, the level of organization of business processes, the quality of the goods or services of the company is assessed. Only at a high level of readiness of the

company should begin to develop and implement a program of customer loyalty.

- 2. A variety of tactical actions depending on the nature of the target segments. For different segments of consumers, it is necessary to offer various tactical actions aimed at increasing the size and improving the quality of the loyal consumer base: regular consumers encouragement, repeat consumers retention, abandoned consumers return, new consumers attraction.
- 3. Openness and transparency of the process of interaction with consumers. In addition, the company needs to be constantly available to the consumer, to provide feedback to it.
- 4. Uniqueness of the proposal to the participants of the program. Members of the loyalty program need to offer something that they will not find anywhere else, and that will make them feel special. Such a unique offer can be post-sale support.
- 5. Accounting for the specifics of the market as a whole and the peculiarities of the company itself. In the development of specific activities for the formation of loyalty, there can be no identical approaches and patterns for different companies and markets. Only the development of unique, adapted to the specifics of the market as a whole and the features of the company itself, makes it possible to achieve success.
- 6. Involvement of all departments of the company, including those whose employees do not have direct contacts with consumers. The loyalty program should harmoniously fit into the corporate culture of the company. To do this, it is necessary to develop a corporate ideology that is customer-oriented, as well as the existence of a service that protects the interests of the consumer within the company.
- 7. Monitoring the level of loyalty. It is necessary to create a client database and monitor customer loyalty in order to maintain customer loyalty at the right level. (Losev S. V. (2006)).

On the basis of marketing relationships to the above, the following principles have been added: creating partnerships not only with customers and employees of the company, but also with counterparties; use of new technologies - SMM-systems for building mutually beneficial relations with consumers; the creation of a loyalty program based on the club of regular consumers, since this type of loyalty program best embodies the principles of relationship marketing.

In the process of creating a loyalty program, it is necessary to consider the following aspects:

- organizational (the formation of the main provisions of the loyalty program, the organization of its technical support, the integration of the loyalty program into the structure of the company);
 - legal (providing legal support for the loyalty program);
- psychological (the organization of communications with customers, the formation of a positive image of the trading company in the eyes of buyers);
- Economic (monitoring the costs of the loyalty program, assessing the economic effect of the loyalty program).

In the process of creating a loyalty program, these aspects are closely intertwined with each other, so we will not consider them separately, but in a complex. Let's consider the main stages of the loyalty program implementation in more detail.

Stage 1. Analysis of the current situation

At this stage, the company's marketing environment is being researched. Analysis of the macro environment is based on STEP analysis, the main task in its conduct is to identify opportunities and threats to the environment to create a program of customer loyalty.

Within the framework of the analysis of the immediate environment, the following are considered:

- consumers of the product (they act "in two faces"): as addressees of loyalty programs and as persons influencing the loyalty of others;
- partners of the company (suppliers of goods and equipment, marketing and financial intermediaries, media);

- competitors.

To study the opinion of consumers of the product, in-depth interviews with constant and prone to care consumers are used, a quantitative survey of visitors to the trading enterprise. In parallel, an existing client database is analyzed to identify key consumers and compile their socio-demographic portrait. An important indirect indicator of how much the consumer is loyal to the company is the frequency and average size of purchases: the more and more he buys, the more loyal to the company and its products. Based on the data of the conducted studies, it is described how consumers are satisfied with the work of the company and are loyal to it. If the target consumers are not satisfied completely, it is hardly worthwhile to engage in the loyalty program. It is obvious that in such a situation it is necessary to take measures aimed at changes in the company's activities. Perhaps the quality of goods and services is low or they are simply obsolete. Any investment in this case will be a waste of time and money. In the opposite situation - the satisfaction of target consumers is very high also it makes no sense to engage in the implementation of the loyalty program. (Malhotra N. K. (2002)).

Based on the analysis of the marketing environment, a summary is compiled that contains information that is the "benchmark" for evaluating the effectiveness of the proposed loyalty program.

The results of the stage:

- 1. Satisfaction / loyalty index of consumers of goods or services (including comparative with indices of satisfaction / loyalty of competitors);
- 2. Segmentation of consumers (by loyalty, periodicity of purchases, other characteristics of consumer behavior and sociodemographic criteria);
- 3. Comparative ratings of positive (and negative) characteristics of the company's activities, its product (service) and competitors;
- 4. Ratings of various options to stimulate and encourage regular customers:
- 5. Evaluation of the degree of loyalty of the company's personnel;
- 6. Assessment of the willingness of the suppliers of goods to participate in the loyalty program of the trading enterprise;
- 7. Development of proposals and recommendations for creating a loyalty program.
- 2 stage. Development of a preliminary version of the strategy of forming loyalty

Based on the results of the research, a preliminary version of the strategy for forming loyalty is being developed. It includes the following sub-stages.

1) Setting the goal of the loyalty program

The most important at the initial stage of creating a loyalty program is to clearly articulate its goals. And the goals must be precisely defined and expressed quantitatively, so that the degree of their achievement could be assessed. For this purpose, the goal is formulated in real units of measure: percentages, rubles, number of buyers, etc. Only then in the future it will be possible to assess its success. Of course, the main goal is to increase the company's profits, its revenues and market share. Among

other important goals is the ability to retain clients and attract new ones, accumulate an extensive database of them and provide information support to other units of the company, create the opportunity for information exchange between the organization and its customers, increase the loyalty of not only buyers but also the loyalty of employees and partners of the organization. (Mitrofanov S. (2004))

2) Determination of target audiences of the loyalty program

The main target group of the loyalty program are **consumers.** First of all, these are regular consumers, which provide a large share of profits. They should focus on and, creating a loyalty program, first of all meet their needs. You should not exclude less profitable or potential clients from the program. They should also benefit from the program.

A successful program of customer loyalty is impossible without a team of loyal employees. Therefore, the second target audience of the loyalty program is the company's employees. Employees can also be segmented depending on the level of loyalty. The more expressed the level of loyalty of an employee, the more reliable he is.

The creation of loyalty programs can be effective not only in the sphere of relations with consumers and employees, but also for working with partners of the company. Target groups of such programs are relatively small and consist mainly of business partners or firms

3) Complex of measures of formation of loyalty. For each target group of the loyalty program, a set of measures to build loyalty is being developed.

A set of measures for the formation of consumer loyalty includes:

- a set of measures of material incentives (for example, discount programs and bonus programs, special offers, for example, creating a discount pool with companies operating in other markets with the same consumer groups, etc.);

- a set of measures for non-material incentives (special conditions for regular customers, clubs of regular customers, etc.);
- communication with consumers (a magazine covering the loyalty program, newsletter or mailing, hotline, Web site, meetings of participants, events under the program, or its representative office). The complex of actions for forming loyalty of employees includes:
- information and involvement of employees;
- organization of team-forming activities;
- development of an objective and transparent system of material and non-material incentives;
- improvement of working conditions for employees;
- accounting for possible disloyalty in the selection of personnel;
- monitoring of job satisfaction.
- 4) Preliminary proposals for advertising support of the loyalty program

Preliminary proposals for advertising support of the loyalty program include selection of advertising medium, exemplary information and advertising messages, application of burg technologies, etc.

5) Calculation of the costs of the proposed activities.

The costs of the loyalty program are made up of initial costs (for program development, including training of personnel, acquisition of technologies, etc.) and current costs. The magnitude of these costs largely depends on the level of the program and its scale.

There are many ways of making a profit, able to cover the majority, if not all of the listed costs. These include, for example, the introduction of annual membership fees by customers, the sale of goods and special offers through a loyalty program, the receipt of a commission from external partners and / or credit card companies, advertising in magazines covering the program, participation fees or for the enjoyment

of certain privileges. The most complete cost control can be achieved by limiting the number of participants in the loyalty program to a certain limit. (Nissim B. (2006)).

Stage 3. Improvement of loyalty formation program. At this stage there is an active discussion of the proposed strategy for the formation of loyalty. The necessary adjustments and additions are made to the program. At the same time, the principles of managing the loyalty program, the conditions for integrating the program into the company structure, the software or the GG model of the database, and an additional package of documents depending on the content of the program (instructions for working with the database, instructions for conducting various actions, P.).

4 th stage. Implementing a loyalty program

At this stage, the following actions are performed: launching the client database; training of employees to work with the database; conducting their own and joint activities with suppliers of goods to build loyalty; development of communications with consumers within the framework of the club of regular consumers.

As a rule, in the course of activities designed to increase customer loyalty, there is always the possibility of intervention and adjustment to obtain the planned result. Therefore, in the process of implementing a loyalty program, feedback from consumers is important, including consumer comments, complaints and questions. First and foremost, it is necessary for the company itself - because it can not solve problems without knowing them. Carrying out feedback analysis, it is important to listen to the opinion not only of those who have just become a consumer, but also of those who refused to use the product. Main questions: What were the main motivations for the decision to buy goods? and What had the greatest impact on the decision to stop using it? Answers to these

questions will help in the future to avoid mistakes in relations with the consumer and increase the loyalty of the latter. For this, questionnaires of trade visitors and special surveys are used. Equally important is the opinion of employees about the program of customer loyalty. To collect their opinions, you can use the questionnaire.

5 Stage. Evaluation of results and adjustment of the loyalty program

To evaluate the results of the loyalty program, you can use the analysis of a number of indicators:

- 1. Analysis of program development (distribution of program participants depending on the level of their map, increase in the number of program participants for the current year in comparison with the previous one, the intensity of the development of the program (the ratio of the number of participants in the program to the total number of buyers of the trading company));
- 2. Analysis of the dynamics of the arrival of participants in the program (determining the average number of participants coming in one month, determining the average indicator of the increase in the number of participants per month, determining the coefficient of seasonality of the arrival of participants in the program);
- 3. Analysis of the activity of participants in the program (determining the percentage of participants in the loyalty program among all buyers of the trading company, the number of purchases per participant, the number of inactive participants of the program);
- 4. Analysis of the financial return of the program (change in the proceeds from purchases of program participants, the average amount of revenue per participant in the program, the financial cost per participant, the program's return per 1 ruble invested per participant);

5. Analysis of customer loyalty (change over the period of loyalty level of the company's consumers and consumers of competing companies, change over the loyalty period of participants in the loyalty program).(Rende Y. P. (2006)).

The proposed process of creating a loyalty program allows to form complexes of long-term, medium-term and short-term measures for the formation and maintenance of loyalty in different target groups of consumers.

3.4. Development of a program to increase the loyalty of consumers of the network of household appliances stores

In the second chapter of the dissertation the factors influencing the loyalty of consumers are considered. The result of the evaluation of the attitude of buyers to Soliton showed insufficiently high their loyalty. In terms of "intention to buy", unsatisfactory results were obtained. Obviously, it is necessary to make changes to the existing program of customer loyalty.

The loyalty program developed by the author for the Ulyanovsk chain of home appliances stores Soliton is aimed at increasing the number of loyal customers and, as a consequence, the number of repeat purchases by regular customers. The main objectives of the loyalty program are as follows:

- 1) the formation of a positive image of a trading enterprise in the eyes of buyers and partners;
 - 2) maintaining a positive attitude of employees to the company;
 - 3) removal of a negative attitude towards the trading company;
 - 4) replenishment of data on buyers of the trading enterprise;

5) establishing communication with customers, strengthening the emotional component of communication.

The main target audiences of the Soliton loyalty program are:

1. Employees of the company

Employees of the company are important from the point of view of mutual understanding, as the company's strategy is implemented by people, its employees, and it is through them that regular communication with customers is carried out. From their own internal understanding of the company's development strategy, ways to achieve the goals set, strengths of the company depends on the quality of communication with customers. In this regard, the company faces the task of creating a systematic and complete distribution of information to employees about the current strategy and tactics of the company, the formation of loyalty on their part. (Salimova T. (2007)).

2. Partners, suppliers of goods

By partners in this context means companies that interact with the same target audience, seeking to convey to the public similar to Soliton the value of their product. Correctly chosen cooperation-partnership with the successful implementation of the project actively promotes the formation of potential consumers of positive associations to the company. All this is necessary, first of all, because the strong partners and the enterprises built according to the highest standards (ahead of the requirements of today) will themselves be leaders in the regional markets, personify their long-term plans for cooperation with the company, which in turn causes consumers to trust the representative brand and the brand itself and will serve as a positive factor when the buyer makes his choice. Therefore, interaction with partners may not seem so significant, but in terms of the amount of time, human and

financial resources it is very important from the perspective of the future.

3. Buyers, society

Interaction with buyers and society is very diverse: it includes almost all direct channels and channels of indirect communication. It is on the formation of customer loyalty that the proposed loyalty program is primarily targeted.

1. Employee program

The program for work with employees includes the following areas:

- 1. Conducting trainings aimed at improving the quality of customer service;
- 2. Implementation of service standards designed to overcome such a characteristic of the service as inconsistent quality;
- 3. Monitoring the quality of customer service, conducted using the method of "Mysterious Buyer", aimed not only at identifying bottlenecks in customer service, but also to improve the quality of service based on financial incentives for the most distinguished employees;
- 4. Carrying out of corporate parties in order to find out the areas of interests of employees (opera, sports, cinema, theater, dance, modern music, etc.) and provide invitations for each employee to the event;
- 5. Informing employees about new product models and promotions.
 - 2. Program for work with suppliers of goods

The main methods of interaction are the following:

- **1.** Meetings for the solution of working moments;
- 2. Participation in corporate events of partners;

- **3.** Exchange of commercial information;
- **4.** Joint advertising projects in the territory of the Ulyanovsk region.
- 3. The program for working with customers includes the following activities:
- 1.To form a more emotional perception of the company, it is necessary to transform the existing loyalty program into a club of regular customers;
- 2. To form a positive perception of the company and create a corporate image of the company in the eyes of customers, it is necessary to change the design of the loyal customer card, the introduction of VIP cards, the application of the memo to the card;
- 3. To remove the negative attitude to the company the organization of a contact center on the basis of the company and the implementation of call buyers, a book of complaints on the site;
- 4. To replenish knowledge about customers use an extended questionnaire, record information in the database and analyze information;
- 5. To establish communication with customers the organization of electronic mailing, calling customers, organizing a forum on the site. (Stone M. (2003)).

Consider the activities of the program to work with customers in more detail.

1. The main changes in the offered advantages of the loyalty program of the company Soliton

Since 2005, Soliton has a loyalty system for consumers. Based on the research, proposals were developed to change the existing loyalty program:

1) Conditions for issuing a loyalty card.

No change: The card is issued to the buyer provided: if the purchase price is equal to or exceeds 500 manat; if the total cost of purchases for the previous 12 months is equal to or exceeds 5,000 manat (upon presentation of supporting documents); if you exchange for a map of other stores of household appliances.

New: Buyers who do not have a loyalty card and make a purchase for less than 500 manat are offered to give a souvenir, for example, a keychain.

2) The amount of discount.

No change: The value of the cumulative discount is determined based on the total cost of previous purchases as follows:

Purchase for the amount of 100 to 150 manats - 3%;

Purchase for the amount of 150 to 300 manats - 5%;

Purchase for the amount of 300 to 700 manats - 6%;

VIR-buyers (at the discretion of the management) - 8%.

New: When replacing the old "Soliton" card with a new discount amount remains unchanged. Recalculation of the cumulative discount occurs within three weekdays from the date of purchase.

3) The validity period of the loyalty card.

No change: The validity period of the loyalty card is unlimited.

New: The amount of discount is not constant. If the loyalty card is not purchased within a year (365 days are counted from the date of the last purchase), the owner loses part of the discount at a rate of 1%.

4) Possibility of transferring a loyalty card to close people.

No change: The card can be used not only by the owner, but also by all his friends and acquaintances. To do this, you need to know the card number and the name of the owner. New: All gifts and new cards are issued only to the owners of the loyalty card (ID card).

5) Prize drawing among buyers. (Frolov I.R.(2007)).

New: Monthly drawing of prizes in the amount of 1000 manats among cardholders who are members of the club "Soliton"

6) Club "Soliton".

New: The organization of the club "Soliton". Participants of the club "Soliton" receive the following opportunities:

- receive information about special offers, sales, drawings and other promotions in the network of shops "Soliton";
- receive information about the news "Soliton" (only for those who indicated e-mail);
- to receive information on how to choose the right appliances (only for those who indicated e-mail);
- to receive information about new products of household appliances that appeared on the market and new acquisitions in Soliton stores (only for those who indicated e-mail);
- participate in promotions, drawings and other promotional events held by the company only for members of the club.

A member of the club can become any owner of the loyalty card "Soliton", completing the registration form (issued with the card) and bringing it to any Soliton store or sending it by mail. The registration form can also be filled in on the company's website. The list of benefits for members of the club will be constantly expanded.

7) Card action limitations

No change: The card is not valid (but the purchase amount is recorded on the card):

- for purchases up to 1000 manat;
- on goods at special prices, on special promotions and offers;

- for purchases on credit.

The company has the right to change the rules.

Thus, the main advantages of the current loyalty program are left and new elements are added - jokes, club of regular customers. Since the company has not previously conducted prizes, rules for their implementation have been developed.

2. Change the appearance of the loyalty card

The former design of the loyalty card had a number of shortcomings: it did not correspond to the corporate style of the company, it did not attract the attention of customers. On a silvery background, the company's white and red logo was depicted and the addresses of the stores were written in blue letters, on the reverse side - the terms of using the loyalty card.

3. Collection of information about participants in the loyalty program

To collect information about customers within the loyalty program, it was suggested to use two questionnaires - the main one, which must be filled in by the cashier when issuing a loyalty card and expanded, filled by the client independently, if he wanted to be admitted to the club "Soliton" and participate in the prize draw.

Advantages of using two forms:

- 1. As a result, a very detailed information will be collected from the key customer group, which will be added to the database. It can be used to analyze customer profiles, organize promotions and mailings (mail and electronic), conduct various surveys of regular customers;
- 2. The time will be shortened when drawing up a loyalty card, as the extended questionnaire can be filled by the customer himself;
- 3. In a calm environment, the buyer can fill out the questionnaire in more detail;

- 4. You can count on 10-30% return of questionnaires, since buyers will be interested in this in order to take part in the drawing;
- 5. When filling out the application form, the customers will note that they agree with the terms of the lottery, which in the future will help reduce the number of complaints;
- 6. Customers who have a 5% discount on the loyalty card are more likely to buy in the store, so more will be interested in participating in the draw. Therefore, we can expect that the return of questionnaires from these buyers will be quite high;
- 7. If all customers who sent the questionnaire send a letter of registration and a small gift or postcard, many will be more loyal to the company, as they will understand that they did not waste their time filling out the questionnaire.

4. Making changes to the client database

In the company "Soliton" there is a client database that fixes the number of owners of loyalty cards, basic information about them, the number and amount of their purchases, as well as the discount amount. To implement the proposed changes to the conditions of the loyalty cards and make changes to the analysis of the database of participants in the loyalty program, the following innovations were proposed. (Schmitt B.(2001)).

- 1) Change the discount. Due to changes in the conditions of the loyalty program, it is necessary to correct the work of the database. If no amount of purchase has been made for any amount during the year (365 days are counted from the date of the last purchase), then the owner loses part of the discount at a rate of 1%. Revaluation of discounts should pass automatically.
- 2) Exchange of cards. The number of participants in the loyalty program must be real. If there are several loyalty cards for one customer, the number of participants in the program should be counted in the

database as one, i.e. when requesting information on the number of participants in the program, the database should give exactly the number of consumers, not the number of loyalty cards.

- 3) Verification of data entry. When you enter information into the client database, you should check for invalid characters, for example,?, *, Etc., as well as blank mandatory columns. If the entered customer data coincides with the data in the database (name, address, phone), a message should be issued about this.
- 4) Additional information. Additional information will not be on all buyers, but only on a small part who will agree to fill out and bring an extended questionnaire. The introduction of additional information will require the introduction of additional graphs containing: postal code, gender, birthday, age (calculated automatically), occupation, marital status, number of family members, number of children, education, income, E-mail, consent to mailing, participation in the survey (participated, did not participate, refused), attitude to the company (this information is taken from the extended questionnaire). It is desirable to divide the phones into fixed and mobile (the ability to compile a list for SMS-sending). It makes sense to divide information into public and private. Additional information containing a lot of personal information about the participants of the loyalty program, it is desirable to make it private (tolerance for several users). Therefore, it is better to withdraw it separately (the application in the database is "marketing information").
- 5) Drawing. To conduct the company's drawing, it is necessary to be able to automatically generate a list of customers who have made a purchase for the last month for at least 500 manats.
- 5. Standard of work of the personnel under the loyalty program
 All sellers and cashiers must know the rules of using a loyalty card
 and be able to answer all customer questions on the loyalty card.

When replacing the loyalty card, the cashier must notify the buyer about changes in the loyalty program "Soliton" and offer to familiarize with them - read the information on the stand in the store, in the memo, on the company's website and by phone. (Osenton T. (2003)).

Staff should try to pay off any conflicts related to issuing new loyalty cards. When communicating with customers, it is prohibited to use the following expressions: "Your discount has been reset", "Now you have another discount", etc. Clearly need to say that the discount on the card remains the same. The discount will be reduced only if the new one does not occur within a year after the last purchase. Actualization of data is a working moment (it is not connected with the replacement of the card) and is carried out to clarify the contact information.

The issuance of a new loyalty card is made by the cashier using the following algorithm. If the buyer presents his loyalty card when buying, he is given a new card, taking the old one. If the buyer says about the loss of his card, he is given a card indicating the reason for the exchange. If the buyer knows for sure that he has a loyalty card, but did not take it with him, he is given a new card with a warning that the old card does not work. Together with the card cashier must be issued a memo and questionnaire.

When issuing a loyalty card in the cashier zone, a small questionnaire (actualization of the data) is filled in by the buyer independently or with the help of a cashier (seller).

Data received from the buyer when completing the questionnaire at the checkout are paid by the cashier to the database within two weeks after the purchase.

The questionnaire brought by the buyer to the store is accepted either by the cashier or by the seller. In the presence of the buyer, the recipient shall put the date of receipt and painting on the questionnaire. The questionnaires are added to the folder and sent to the office of the marketer not later than a week after receipt for stores around the city and two weeks later for shops in the districts of the region.

The marketer enters the data from the questionnaires into the database not later than a week after receiving it. In the case of illegibly filled questionnaires, the data are clarified by phone from customers. When entering additional data, a check is performed with master data (entered by the cashiers). If there is a mismatch, a call is made to the buyer to clarify the information.

The marketer analyzes the client database on a monthly basis, both on short and long questionnaires.

Failure to impose deadlines for the transfer and entry of data into the program for executors is subject to fines.

Currently, Soliton is implementing a proposed loyalty program. As a result of the implementation of this program positive tendencies were noted, expressed primarily in the increase of retention of existing customers, which is the main goal of the program.

Practical implementation of the research methods proposed in the dissertation and the formation of loyalty, will allow domestic trade enterprises to significantly advance in the way of increasing customer loyalty and, as a result, increase their profitability.

CONCLUSION

In the process of research, the main trends in the development of the modern market were identified, which led to the transition to a client-oriented approach in the management of enterprises: an increase in the intensity of competition in the market space; decrease in the possibility of extensive market development; strengthening the market power of consumers; decrease the effectiveness of traditional marketing tools; increase the degree of similarity of goods of different producers; growth in the importance of the company's relationship with customers; decrease in the overall level of customer satisfaction; changing tastes and preferences of consumers; individualization of customer requests; development of information technologies; development of outsourcing; strengthening the power of large trade intermediaries.

Marketing relations, in our opinion, in the trading enterprise is built on the basis of an expanded marketing mix (7P), where additional elements are the participants, the material environment and the process of providing the service. Such an element of the expanded marketing mix as participants (sales staff and consumers) in the concept of relationship marketing is present and is key. The process of providing the service and the material environment are implicit in this concept, as a result of building relationships with counterparties that provide the merchant with goods, information and promotional materials for effective product presentation, and personnel directly in contact with the consumer. Hence, the peculiarity of marketing relations of a trading enterprise is the construction of relations not only with consumers and personnel, but also with contractors and, first of all, with suppliers of goods.

Analysis of the state and trends in the development of the retail market for household appliances in Azerbaijan made it possible to identify that this market is in a state of development, expressed in the growth of its volumes and the stabilization of the number of operating enterprises. At the same time, Azerbaijan enterprises of household appliances trade operate in the face of increasing competition, including from e-commerce and international network operators of the market. That is, the situation on the market forces retailers to determine the ways of adapting to new conditions.

The effectiveness of the introduction of relationship marketing in the activities of a trading enterprise is expressed in the achievement of the following positive results: establishment of closer relations with priority consumers, suppliers and personnel of the organization; increasing the awareness of consumers and suppliers about the trading enterprise; the identification of ideas about new goods and services of a trading enterprise; expansion of the circle of consumers and suppliers, reduction of risks in transactions, reduction of transaction costs associated with attracting new employees, consumers, suppliers.

The conducted research showed that the following five main groups of factors influence the formation of customer loyalty to a trading enterprise: a service brand of a retail enterprise (services, unique offers, image, etc.); food brands represented in the trading enterprise (price, quality, assortment, style, etc.); characteristics of the consumer's personality (a set of cultural, social, personal and psychological characteristics); the attitude of the public, the media, relatives, friends and acquaintances to the retail business; situational factors (the situation in the surrounding market environment, offers of competitors).

One of the main problems in developing a program to increase consumer loyalty to trading enterprises, understood as a set of marketing activities aimed at retaining existing consumers and increasing their lifelong value, is the lack of a systematic approach to the organization of this procedure. Therefore, it is proposed to develop a customer loyalty program based on the concept of relationship marketing, which allows to create and develop customer loyalty within the system of the trade company's relations with consumers, employees and suppliers of goods.

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APPENDIX 1

This questionnaire was compiled by ArzuHasanova, educating in a Marketing Speciality at UNEC SABAH Groups. The goal is to write a diploma work in relationship marketing and its application in retail companies.

- 1. Choose your company's business area.
- a) retail trade b) wholesale sales c) distributor d) sales representative
- 2. Select your company's operating period.
- a) 1-5 b) 6-10 c) 11-15
- 3. The gender of the person participating in the survey:
- a) male b) woman
- 4. Your education:
- a) middle b) bachelor c) masters d) doctorate
- 5. Your age.
- a) 20-25 b) 26-30 c) 31-35 d) 36-40 e) 41 və more than 41
- 6. How long have you been working in the company?
- a) I have just joined b) 1 year c) 2-5 d) 5-10 e) 11 years and more than 11
- 7. Do you already know your company's relationship marketing strategy?
- a) yes b) no
- 8. Do you think your company fulfills reletion marketing activities to keep customer retention?
- a) fully join b) join c) partly join d) do not participate e) do not agree fully
- 9. Do you think your company fulfills reletion marketing activities to build trust and commitment in customers?
- a) fully join b) join c) partly join d) do not participate e) do not agree fully
- 10. Do you think your company benefits from the benefits of reletion marketing?
- a) fully join b) join c) partly join d) do not participate e) do not agree fully
- 11. Do you think your company's relationship marketing activities increase customer satisfaction?
- a) fully join b) join c) partly join d) do not participate e) do not agree fully
- 12. Relationship is important for marketing company:
- a) fully join b) join c) partly join d) do not participate e) do not agree fully

