© April 2026| IJIRT | Volume 12 Issue 11 | ISSN: 2349-6002

Strategic Challenges in Managing Internal Customer Relationships Within The E-Commerce–Driven FMCG Sector in Bengaluru

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Abstract: Seller-Centric Analysis of Return Policy Satisfaction in the Flipkart Marketplace This study aims to investigate the challenges faced by internal customer relationships within the e-commerce sector of the FMCG (fast-moving consumer goods) industry in Bangalore. The responsiveness and significance of internal customers (partners) in Customer Relationship Management (CRM) are pivotal to the Indian FMCG sector, reflecting the high expectations of customers. This paper offers insights into operational challenges and the key factors for successful CRM programs, such as evaluating readiness for CRM implementation, managing transformation, and CRM as initiatives for employee engagement. The FMCG industry is revamping its business processes to keep pace with the speed of customer transactions through technology and to adopt methodologies as competitors and partners begin to utilize 'digitalized' business processes, leveraging the growing convergence between operational technology (OT) and information technology (IT) in the marketplace. Technology solution providers are increasingly adopting the Internet of Things (IoT) through cloud computing and mobile applications to implement and scale solutions and services to meet customer expectations.

Key Words: Internal Customer Relationship Management, Operational CRM Challenges, E-commerce in FMCG, Business Process Re-engineering, Business Transformation, Employee Initiatives & Engagement, Supply Chain Management & Logistics.

I.INTRODUCTION

The expanding Fast Moving Consumer Goods (FMCG) market in India presents challenges for FMCG product manufacturers in retaining and capturing new markets by addressing the needs of discerning internal and external customers, as the demand for quality products and services must be met swiftly. The purpose of business is to create customers who support and sustain the business. The primary objective of business is the creation, retention, and satisfaction of customers, as well as providing delight to ensure their continued loyalty. Challenges in e-commerce transactions involve various hardware and software solutions on cloud computing, last-mile (Retail Stores) connectivity issues, and other routine operations, including supply chain management and logistics for these e-commerce brands.

The rise of CRM in recent times has coincided with the Information Technology era; it is important to remember that technology is merely an enabler. In Customer Relationship Management, there are two types of customers: the first type is internal customers, which includes people we work with, such as employees, owners, representatives, and intermediaries. Internal customers participate in the business by being part of it, while the second type is external customers, who use the company's products or services, including customers, suppliers, society, creditors, shareholders, and the government. Technology has enabled marketers to overcome several long-standing shortcomings of mass marketing. Some of these are as follows:

Inefficiencies of mass marketing: The 1980s and early 1990s witnessed some of the most radical business transformations that led to cost reductions in almost all functional departments except marketing. Manufacturing and related operations costs were reduced through business process reengineering, human resource costs were lowered by outsourcing, restructuring, and layoffs, and financial costs were decreased through financial reengineering, but marketing costs continued to rise due to increased competition and product parity in the industry.

Rapid, efficient, and engaging methods of customer interaction, such as Automated Teller Machines, feedback, and information, are essential touchpoints. However, there is a lack of integrated data regarding customer interactions, purchasing habits, and future potential on the Company's Regional or Corporate Dashboard. In highly competitive markets, marketers have found it beneficial to concentrate on their current customers, gaining insights into their needs and desires and then fulfilling them. This approach has fostered a relationship-oriented strategy, creating opportunities to cross-sell and up-sell products and services throughout the customer's lifetime.

The implementation of Total Quality Management (TQM) Programs has enabled companies to deliver quality products and services to customers at affordable prices. To support this value proposition, organizations must collaborate closely with their customers, intermediaries, and suppliers (who are considered internal customers), thereby nurturing strong working relationships within the marketing system.In the early 1800s, we saw the impact of mechanization, followed by automation in the 1970s, and the rise of information and the internet in recent decades. Currently, the integration of connected intelligence into business practices and corporate social responsibility is progressing at an unprecedented pace, poised to revolutionize the way business is conducted.

II.REVIEW OF LITERATURE

The swift growth of e-commerce in India, especially in major cities like Bengaluru, has dramatically reshaped the FMCG industry by driving digital transformation, Omni channel retailing, CRM integration, and the digitization of supply chains. These advancements improve market agility and customer outreach but also add to operational complexity and heighten the necessity for robust internal customer relationships across various departments. According to internal marketing and service management literature, employees are considered internal customers whose satisfaction directly impacts the value provided to external customers [1, 4]. The Service-Profit Chain framework further illustrates that the quality of internal services influences employee satisfaction, productivity, and ultimately, customer loyalty and profitability {5}. In FMCG companies driven by e-commerce, this connection is even more crucial due to the need for timely deliveries and digital responsiveness. The adoption of CRM systems, predictive analytics, and AI-based forecasting has introduced new coordination requirements among marketing, IT, supply chain, and customer service functions [9, 10]. However, digital adoption often faces challenges such as employee resistance, skill gaps, and misalignment between offline and online teams [3]. The digitization of supply chains for omnichannel retailing necessitates real-time data sharing, a collaborative IT infrastructure, and cross-functional transparency [12, 7]. Moreover, implementing e-HRM requires ongoing upskilling, cultural adaptation, and effective engagement strategies to avoid digital fatigue [2]. In Bengaluru's competitive retail environment, fragmented operational teams across warehousing hubs, digital platforms, and last-mile delivery networks exacerbate these coordination challenges [8, 11]. Overall, the literature indicates that managing internal customer relationships is a strategic necessity for maintaining a competitive edge in the e-commerce-driven FMCG sector.

The objectives of CRM include: Establishing enduring and profitable connections with selected customers to encourage their ongoing purchases over an extended period. Engaging closely with customers at every interaction point to comprehend their desires and requirements, thereby fulfilling their expectations regarding product and service offerings. The significance of both customers and internal customers (intermediaries) in the success or failure of a business has led to a deeper understanding and development of Customer Relationship Management. To meet the needs and desires of both internal and external customers, companies have initiated the development and utilization of suitable tools and software, leveraging the Internet of Things (IoT) to enhance business operations and extend product and business life cycles. It has become apparent that analyzing customer data is essential to meet the needs of both external and internal customers (intermediaries) to boost profitability. With the rise of internet transactions, improved connectivity, and globalization, along with the development of IoT, FMCG companies and e-commerce giants like

Flipkart, Amazon, Big Basket, and others must accelerate their adoption of CRM technologies. These companies have progressed from Material Requirement Planning (MRP) to Enterprise Resource Planning (ERP) and are now concentrating on Customer Relationship Management, starting with Sales Force Automation (SFA), which has led to the integration of Supply Chain Management and Logistics using Cloud Computing solutions and services. Intermediaries (internal customers) for last-mile connectivity (retail stores/kirana shops) are utilizing IoT application solution providers, such as Snapbizz, Bpartner, SaraoPOS, Wondersoft, Vanigam, Marg, Peelworks, Nukkad, and others. CRM initiatives involving IoT, data warehousing, and data mining have enabled businesses to maintain relationships with customers. Companies can now manage every customer interaction through account management personnel, call centers, ATMs, interactive voice response systems, and online applications.

The effective implementation of CRM using IoT involves identifying processes that require automation and those that do not, as well as collaborating across functional areas within the organization and addressing related issues.

The market survey aims to facilitate the digital transaction process for internal customers (sellers) using CRM solutions and to address challenges in the FMCG market in India.

Objectives are:

1. To understand the current needs of retail sellers associated with the e-commerce company.
2. To analyse the level of satisfaction among sellers working with the e-commerce company.
3. To examine the factors motivating the organisation to remain competitive in the market.
4. To evaluate the challenges faced by the e-commerce company and suggest suitable solutions.

Survey Necessity: The widespread adoption of digital intelligence has led to significant changes, integrating mobile, internet, and pervasive computing into homes, offices, and factories, creating a cohesive cyber-physical system. Tools like Cloud Computing, Big Data, the Internet of Things, and Cyber Physical Systems have been introduced. Discussions also cover Automation, Business Intelligence, Machine Learning, and collaborations, particularly concerning FMCG products/services and their associated opportunities and challenges.

To truly grasp the needs of Customers & Intermediaries, it is essential to gain deeper insights into:

1. Understanding the challenges faced by Customers & Intermediaries
2. Identifying practical applications of IoT and e-commerce issues
3. Recognizing opportunities for improvement
4. Identifying issues in e-communication and the responsibilities of deliverables

The expanding Indian e-commerce sectors include Fast Moving Consumer Goods (FMCG), Grocery, and Electronics Goods, among others. E-commerce companies encounter difficulties in on boarding sellers (internal customers) to their platforms. This survey aims to pinpoint these problems and offer suggestions.

Transaction Challenges: Profit is a primary goal for every company. Attracting new sellers is challenging; however, a satisfied seller tends to remain loyal to the brand. This project seeks to uncover the main reasons behind the declining number of sellers in e-commerce companies. The survey conducted at last-mile retail stores in Bangalore, Mumbai, and Pune provides a comprehensive analysis of the challenges faced by e-commerce companies regarding sellers on their platforms. This issue not only diminishes the company's value but also impacts various other factors.

Scope of the study: The study was conducted to identify problems with e-commerce company branding and to offer suggestions for maintaining consistency throughout the process. Organizations can use this research report for further improvements to ensure all sellers are satisfied with the process and brands. The survey was limited to approximately 250 sellers in Bangalore. Due to time constraints, an in-depth study was not possible. Many respondents expressed interest in sharing their insights.

Research Methodology: A descriptive observation study was conducted to assess job satisfaction processes and their effectiveness. To gather necessary data, a survey was conducted through interviews in various company departments. In this research, about 250 on boarded sellers were surveyed using convenience sampling, meaning data was collected based on the convenience of sellers, customers, and the researcher. A questionnaire was prepared to gather information from sellers, customers, or the target audience. The interaction was conducted face-to-face with clients.

Personal Interview: During direct interactions with sellers or customers/clients, data was gathered using a questionnaire. To obtain additional information not covered in the questionnaire, we also sought opinions and suggestions for project enhancement.
Sellers in these e-commerce companies are crucial in processing orders and ensuring delivery. They can enhance brand equity by providing memorable service. A brand should be easily recognizable and high in value and reliability. Promotional activities also contribute to maintaining the brand value of an e-commerce company. Typically, a company aiming to introduce new products with strong brand equity can thrive in the market and boost seller satisfaction. This is a key activity for a company's potential in open markets. Companies in the FMCG sector compete based on seller service. A seller-based brand name assesses the seller's response or opinion towards a business name.

On-boarding Operations
To on board a seller, e-commerce companies require several important documents: Seller Address with postal PIN code and business details; Bank Details; Store Details; and White Listing them as an identified and recognized store for transactions. Whitelisting involves collecting the store's Trade Certificate, Brand approval certificate, Website link, MRP Tag, and Invoice copy. Inventory involves physically counting the identified Stock Keeping Units (SKUs) of FMCG products during on boarding.

Supply Chain Management: Sellers are whitelisted based on postal PIN codes to facilitate transactions. After whitelisting, the e-commerce company inventories the identified items in each store as recognized items for transactions on their system. These items must be regularly restocked at all whitelisted seller stores based on sales transactions, with data synchronized on their cloud servers. The timing of sales order booking and delivery commitments from whitelisted stores must be systematic and synchronized to satisfy both consumers and sellers. Key Performance Indicators (KPIs) such as inventory management, order acceptance, and timely delivery are routinely evaluated by e-commerce companies.
Consumer orders are placed online by obtaining their delivery location using postal PIN codes. Thus, the delivery location of consumer orders and the postal PIN code of whitelisted sellers are matched to connect the nearest whitelisted sellers. This ensures that the consumer order is routed to the whitelisted seller in that PIN code area who has the ordered products in stock, ensuring prompt delivery of online orders.

III.RESULTS

The dataset (n ≈ 250 sellers) reflects moderate dissatisfaction among internal customers (sellers), driven by operational inefficiencies (on boarding delays, high commissions, service gaps) and competitive pressure (Amazon preference). The results align with established CRM theories such as the Service-Profit Chain (Heskett et al., 1994) and Strategic CRM frameworks (Payne & Frow, 2005), where internal customer dissatisfaction weakens external customer experience and firm competitiveness.

Brand Awareness Sources

Source	Percentage	Approx. Count
Advertisements	40%	100
Newspapers	30%	75
Others	30%	75

Advertisements (40%) are the primary source of brand awareness, indicating that strong promotional activities significantly influence sellers' stocking decisions. Newspapers (30%) remain an important traditional medium, reflecting their credibility among retailers. The remaining 30% from other sources highlights the role of word-of-mouth and distributor networks. Overall, both modern advertising and traditional communication channels are crucial. A multi-channel approach is essential to effectively reach and influence sellers.

On boarding Process Rating

Rating	%	Count
Excellent	30%	75
Good	25%	63
Average	35%	88
Bad	10%	25

Mean Satisfaction Score (Using scale: 4=Excellent → 1=Bad)

Mean= $(4\times0.30+3\times0.25+2\times0.35+1\times0.10) = 2.75/4$

Mean = (4×0.30 + 3×0.25 + 2×0.35 + 1×0.10) = 2.75 / 4

Mean= (4×0.30+3×0.25+2×0.35+1×0.10) =2.75/4

The on boarding process has a mean satisfaction score of 2.75 out of 4, indicating a moderately positive but not strong performance. While 55% of sellers rate it as good or excellent, a higher 45% consider it average or bad. This suggests that the process is functional but lacks efficiency and smoothness. The significant “average” rating points to delays and complexity in on boarding procedures. Overall, there is a clear need for process simplification and faster execution to improve seller experience.

IV.RESEARCH GAP ANALYSIS

Factor	Expected	Actual	Gap
Seller Satisfaction	High	40%	Large
Service Quality	High	40% positive	Large
On boarding Efficiency	Smooth	2.75/4	Moderate
Commission Fairness	Balanced	60% negative	Large
Return Handling	Efficient	70% positive	Strong

Seller satisfaction and service quality show large gaps, with only 40% positive responses against high expectations, indicating significant dissatisfaction among sellers. Commission fairness also reflects a major gap, as 60% perceive charges as high. On boarding efficiency shows a moderate gap with a mean score of 2.75/4, suggesting room for improvement. In contrast, return handling is relatively strong with 70% positive feedback. Overall, key operational and cost factors need immediate attention to improve internal customer relationships.

The data indicates that commission charges are a critical pain point, with 60% of sellers perceiving them as high, making cost dissatisfaction the strongest negative driver. This directly impacts overall sentiment, reflected in a Net Satisfaction Score of -20%, showing that dissatisfied sellers significantly outnumber satisfied ones. The dissatisfaction is further linked to service quality issues, as 60% of sellers feel services need improvement, highlighting operational inefficiencies. Consequently, a majority of sellers (60%) prefer Amazon, suggesting that better pricing structures and service efficiency by competitors are influencing platform switching. However, the return policy stands out positively with 70% satisfaction, indicating that efficient return handling partially offsets dissatisfaction but is not sufficient to improve overall seller loyalty.

Digital platform E-commerce companies should concentrate on their service facility.

Digital transformation helps organisations build agile workflows, optimise internal processes and benchmarks like customer interaction, retention and service, brand building, employee management and success, to transparency and diversity. Flipkart needs to improve their documentation process, while whitelisting the seller stores the documents requested are validated and verified which is time consuming. Later the initial inventory/stock taking of identified brand SKUs (Stock Keeping Units) process is also time consuming.

Sellers are satisfied by Flipkart service but not fully. About 40% of sellers are satisfied with the services offered by Flipkart and about 60% of sellers are not satisfied. Flipkart needs to consider seller’s opinion and extend new offers to sellers on the whitelisted SKUs (Stock Keeping Units) and also reduce the transaction fee.

Strategic Interpretation

The analysis reveals significant internal CRM challenges, including weak seller engagement, poor integration between IT and operational processes, and lack of real-time coordination. These issues lead to inefficiencies and negatively impact overall service delivery. From a theoretical perspective, the findings contradict Berry (1981), as employees are not effectively treated as internal customers, resulting in low satisfaction levels. Similarly, Grönroos (1990) highlights weak relationship marketing practices, indicating poor internal bonding. The study also aligns with Reinartz et al. (2004), where ineffective CRM process execution reduces performance outcomes. Furthermore, Payne and Frow (2005) suggest a clear misalignment between CRM strategy and implementation. Overall, these gaps indicate the need for stronger internal CRM integration and engagement strategies.

V.FINDINGS

The study identifies multiple strategic challenges affecting e-commerce FMCG operations. Operational issues such as lengthy on boarding, inventory synchronization delays, and poor last-mile coordination lead to inefficiencies and reduced seller satisfaction. Financial challenges, particularly high commission fees and low incentives, create a cost burden for sellers. Technological gaps, including poor data integration and connectivity issues, hinder smooth operations. Relationship challenges like weak communication and lack of grievance mechanisms reduce trust and engagement. Additionally, strong competitive pressure from Amazon, driven by superior service quality and logistics efficiency, further impacts seller retention and market competitiveness.

VI.RECOMMENDATIONS

The recommendations focus on improving efficiency and seller satisfaction through data-driven strategies. Process improvements such as on boarding automation and real-time inventory systems can reduce delays and enhance operational performance. Revising pricing strategies with dynamic commissions and incentives can address cost concerns and improve retention. Strengthening internal CRM through dedicated managers and feedback mechanisms will enhance seller relationships. Supply chain optimization, particularly through 3PL partnerships, can improve delivery efficiency. Additionally, adopting advanced technologies like IoT and cloud-based CRM systems will enable better integration, transparency, and decision-making.

VII.CONCLUSION

The rapid growth of the digital economy has transformed e-commerce operations, increasing the need to address operational and strategic challenges. This study shows that major platforms like Flipkart, Amazon, and Big Basket face issues in on boarding, service quality, and pricing. Sellers emphasize the importance of quality products, clear images, and simplified processes. The findings highlight that internal customer dissatisfaction is a key risk, driven by high commissions and inefficiencies. Although return policies perform well, they do not fully offset dissatisfaction. Strong competition, especially from Amazon, further impacts seller retention. Therefore, improving internal CRM, reducing costs, and streamlining processes is essential. These steps will enhance seller satisfaction and ensure long-term competitiveness.

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