CHAPTER 8

CONCLUSION AND SUGGESTIONS

8.1 CONCLUSION

Various marketing theories discussed in this research work suggest that retail stores can deliver maximum satisfaction to their customers by offering a wide range of products and by improving their customer service. This will help them in getting an edge over their industry rivals in this intensely competitive business world and will assist them in achieving sustainability. In the present business environment, customer satisfaction and retention are the key concepts of success. Organisations can increase their customer base by delivering greater satisfaction to their customers. It has been found that retained or loyal customers of the company are less sensitive to the price. The cost of attracting a new customer is almost five times as high as the cost of retaining an existing customer. Customer retention is therefore very essential for the retail sector companies operating in the Indian economy because it has been found that 5 percent improvement in customer retention can make an increase in profitability between 25 percent and 85 percent.

Companies can achieve customer loyalty through customer satisfaction. A firm that has chunk share of loyal customer generates the majority of the profit from the increase repurchase rate, higher price willingness, greater cross-buying potential, lower switching tendencies and positive recommendation behaviour. A loyal customer will always give solicited and unsolicited referral and will always resist to competitor’s enticement. Customer retention is therefore very essential for the retail sector companies operating in the Indian economy.

Earlier business managers focused on programs and strategies to acquire more and more customers, and the concept of retention was not popular at all. However, with the passage of time businesses have realised that success of an organisation lies in building customer loyalty and practising customer retention. It has been realised that it costs up to five times more to acquire a new customer
than to retain an existing customer. It means that attracting new customer adds
cost to the company. All the factors mentioned above have forced the managers of
the retail stores to focus on some programs so that they can establish and develop
a long-term value-laden relationship with their loyal and existing customers. Thus,
the ultimate aim of the managers is to retain the existing customers so that they
can effectively achieve the goals of the organisation. As a result, of which many of
the retail organisations have developed some loyalty programs commonly known
as retention schemes. Retention schemes or loyalty program is defined as
structured marketing efforts that rewards and encourages loyal buying behaviour
among the customers. Such buying behaviour of the customers ultimately benefits
the company in the long run.

India is a huge multination country and is gradually transforming from a
socialist economy to a consumption led creative economy. This is the most
exciting and challenging time to live on the edge of this change. The scope and
depth of this change are huge. This change provides both opportunity and
challenge for the retailers and the marketers. Retailing is very important part of
our life and plays a huge role in the Indian economy. Barter system shows the
existence of trading of goods in the ancient times. In the recent past, this trading
or buying and selling of goods has become a more dominated activity. It can be
said that in the today’s business scenario, retailing has evolved as a global high-
techn business.

Among all the sectors, retailing is the largest private industry in the world.
The total sale for this industry is recorded to be $ 6.6 trillion across the world. The
retail industry is one of the oldest and most advanced users of the technology.
Indian retail industry accounts for over 10 percent of the country’s GDP and
around 8 percent of the total employment and thus is one of the largest industries.
Gradually it is inching towards becoming one of the booming sectors of the
country. Presently the Indian retail sector is highly fragmented, and around 97
percent of the industry’s business is accounted by the unorganised retailers such as
traditional family run stores, general stores, and corner stores.
Organised retailing is in its initial stage in the country, but the untapped retail industry of the country and the vast middle class are the major attractive forces got global retail giants to enter into this economy. This will, in turn, help the Indian retail industry to grow at a quick rate. It is expected that Indian retail industry will grow 25 percent annually. Industry analysts feel that by 2016, the modern retail in India could be worth US$ 175-200 billion. The future of the organised retail sector in India looks promising with favourable government policies and emerging technologies to facilitate the smoother operations. The retail sector is doing so well across the world that over 50 of the Fortune 500 companies are in this business. Due to this, Indian retailing industry is eyeing global retail players. It is one of the fastest developing industries in the country with exclusive retail outlets, modern technologies and the emergence of retail chains. Many of the renowned business such as K Raheja, Reliance, ITC, Bharti and Future group have sensed opportunity available in this sector and are making a significant investment.

Customer retention also refers to the number of relationships which an organisation can maintain on a long-term basis. It is a very natural and simple concept that if the customers are feeling delighted satisfied and communicated regularly; they will keep coming back to the organisation. The primary aim of retention strategy is to build a strong customer base and to prevent them from drifting towards other organisation for the same product or service.

The present study identifies different types of retention strategies practised by the Indian Retail stores:

- **Implementing a Customer Loyalty Program**: It is a great way to retain the customers by providing them rewards for their repeat purchase. The rewards can be in the form of discount coupons, reward points, vouchers, early access to the sale, etc. If the customer is loyal towards the store, then the firm should reward and show appreciation towards the customers for choosing it against its competitors.
• **Sales Promotion:** For acquiring new customers, sales promotion strategy is quite useful. To encourage customers for a repeat purchase, sales promotion technique should be used. For Examples – rebate or cash back, premiums for regular purchase, collection schemes and so on.

• **Training of employees:** Various training programs are carried out by the organisations so that their employees can easily learn about the new product and services, team building skills, social skills, etc. It will also help in reducing employee turnover rate. With the execution of these types of training programs, the organisation can easily create the atmosphere of integrity which can be easily identified by the customers as well as by the employees.

• **Customer Satisfaction Surveys:** Customer surveys are the best tools for identifying the points of improvement in a customer’s experience and also help in identifying the customers' needs. Various survey techniques like-feedback forms, suggestion drop box, etc. can be practised by the companies for this purpose.

• **Excellent Customer Services:** To keep the customers happy and satisfied, the business organisation should provide extraordinary services to their customers. It includes on-time delivery, best after-sales services, keep in touch with the customers and ask about their experience with the product, connect with your customers through social media sites & emails and regularly updates the customers for the new products and services.

Uday Shankar Rachapudi and Pushkar Kumar (2015) conducted a study on American household and found that Every company, whether operating in entertainment, hospitality, retail or other consumer service industries, have designed some or other kind of loyalty program. However, they also believe that, although customers do enrol themselves for most of the loyalty programs, only a few out of them remain active. This is in line with the findings of Colloquy Loyalty Census. However, these findings contradict to the findings of the present study as the present work founds that in India customers do avail maximum benefits from the customer retention strategies. This may be due to the fact that
these customer retention strategies are effectively communicated to the customers and they have a complete idea regarding how to get benefitted from these customer retention strategies.

Syed Md Faisal Ali Khan, Dr Divya Rana and Harpreet Singh (2014) in their work focused on drawing a relationship between the factors that drives buying decision with customer loyalty and satisfaction. For this purpose, the researcher selected six variables, that is, Quality, Product variety, Brand consciousness, Service, Pricing, Customer satisfaction; which are associated with the customer values. The study concluded that type of service and quality of service plays a crucial role in attaining customer satisfaction. The findings of the present study contradict to the findings of Syed Md Faisal Ali Khan, Dr Divya Rana and Harpreet Singh (2014). This research work concludes that price of the products and services and customer retention schemes offered by the retail store influence the buying decision of the customers. That is, Indian retailers can achieve customer loyalty by offering products and services at competitive prices.

Gourav Bareja and Mangal Sain (2014) in their study found that retail stores need to make full use of their pricing in promotional activities in order to gain the loyalty of their customers. This finding is in line with the findings of the current research as the present work also founds that retail stores need to offer better pricing to the customers as pricing plays a huge role in influencing the buying behaviour of the customers. Apart from this, retail stores also need to revamp their promotional strategies in order to attain sustainability in the market.

The study by Bain & Company, in partnership with Research Now conducted a study in various countries such as Australia, Belgium, Brazil, Canada, China, France, Germany, Hong Kong, India, Indonesia, Italy, Japan, Malaysia, Mexico, Poland, Portugal, Singapore, South Korea, Spain, Thailand, the UK and the US to measure the loyalty of the customers in retail banking sector. They concluded that by offering innovative and better services to the customers, banks are trying to achieve loyalty of their customers. This shows that in order to remain competitive in the market and to become the front-runner, companies operating in various sectors of the economy need to revamp their strategies. They
must start forcing retention rather than acquisition. The researcher of the present study also found that Indian retail stores need to add innovative customer retention schemes in order to attain the loyalty of their customers and to attract potential customers.

Dr Bikrant Kesari and Sunil Atulkar (2014) in their study concluded that electronic media, especially the internet has provided customers with an option to choose from modern retail outlets. Some of the factors identified by the scholars are variety, easy availability, cleanliness with the additional facility of entertainment for children and convenient parking facility and restaurant, etc. The present study also has similar findings. It has been found in the present research work that service delivery, ambience, layout and location of the retail stores plays an important role in the success of the retailer and are highly considered by the customers before selecting the modern retail store. Unlike earlier days when customers like to purchase from traditional stores, now the trend is changing. More and more people, especially educated customers belonging to urban areas, prefer modern retail stores over traditional stores. Thus, it can be said that to attract more and more customers, retail stores need to service the customers in faster, better and in a cost efficient manner.

When comparing the results of the present study with the study of Clay. Hutama Basera (2014) it can be said that it is essential for the major Fast Food retailers in Masvingo to use loyalty programs as the means and end of harnessing customer retention in highly competitive markets such as perfect competition. The present study founds that all the five retailers under the study have designed some or other kind of retention strategies. This is entirely opposite to the Fast Food retailers in Masvingo, which do not practice any kind of retention strategy. As a result of this, the fast food retailers are now finding it very difficult to create barriers to stop their customers drift towards other food retailers and food chains. During this study, it has been identified that in order to remain competitive, all the retailers, irrespective of their operating sector, need to devise some kind of retention strategies so that they can earn the loyalty of their customers.
Another finding of the present study regarding devising new and innovative retention customer retention strategies are in line with the findings of Alicia Fiorletta (2014). The author, in her study, concluded that the active subscription memberships slipped from 46 percent in 2010 to 44 percent in 2012. The study further shows that points programs, discounts, punch cards and rewards, which were earlier regarded as star loyalty programs are nowadays losing their attractiveness to consumers, and as a result, retailers now need to revamp their strategies to retain and attract customers. Thus, it can be assumed that now the time has come when the retailers have to start delivering value to the customers so as to maintain and earn their loyalty. Retailers must use loyalty programs for establishing an emotional connection with the consumers rather than focusing only on increasing transactions. Therefore, retailers should create a central engagement hub before devising customer retention strategies and for this purpose omnichannel approach is the most suitable for the retailers.

Mohamad Rizan, Ari Warokka and Dewi Listyawati (2014) confirm that customer loyalty is highly influenced by customer relation-centric marketing. According to them, customer trust and customer satisfaction are two major factors that companies should consider while delivering products and services in the market. Trust and satisfaction level of customers are two of the most influential factors in decision making. If customers have 100 percent trust on a certain brand and if the brand is able to deliver maximum satisfaction to the customers, there are higher chances that the customers will remain loyal to that company or organisation. The present study has also identified five such factors that play a huge role in determining customer loyalty. The five factors identified in this paper are price perception, consumer trust, brand image, customer satisfaction and switching barriers (switching cost, attractiveness of alternatives and interpersonal relationship). The present work concludes that all these factors play a huge role in determining the customer loyalty.

Moreover, a research study conducted by Dewasiri Jayantha and Tharanganee Geetha (2014), revealed that retaining postpaid customers was 2.56 times more likely than retaining pre-paid customers. It also concludes that
customer satisfaction, payment equity, effective commitment & trigger significantly impacts customer retention. Further, the present outcomes are also aligned to the outcomes of Usman Ahmad Qadri and M Mahmood Shah Khan (2014) as they also found that customer trust, customer satisfaction, brand image, price perception and switching barriers are five major factors that significantly affect customer retention.

Thus, from the overall discussion it can be concluded that customer retention strategy plays a significant role in the success of a retail store. It is essential for the retail stores to practice retention strategies in order to retain and attract potential customers. Further, customer retention strategies also provide retail stores with an edge over the traditional and other stores and helps in achieving sustainability in the volatile business environment. In addition to this, by devising effective customer retention strategies companies can influence the buying behaviour of the customers and thus can benefit from it.

8.2 SUGGESTIONS

Here are some of the recommendations that should be followed by Indian retail stores while formulating their customer retention strategies:

Devise customer retention strategies that are web based (cloud) solution and do not require local software

It is a technical world. Thus, companies need to make use of technology while formulating new customer retention strategies. Gone are the days when geographical locations were major limitations for the companies. Now due to globalisation and technological advancements companies can expand their global presence. In such business environment using cloud-based customer retention techniques will prove to be the best solutions for the companies to retain its customers and also to attract potential customers. Nowadays companies have several retail outlets spread across the nation. Thus, the retention schemes should be based on such technology that the loyal customer of the company can benefit from it in any part of the county. For example, if a customer is loyal to a store having several branches across the country, then the customer should be able to
enjoy the benefits of the retention schemes even if he make a purchase from any other store of same company located in other part of the country. Cloud-based customer retention schemes should be used by the companies so that all the information regarding the client is stored in a remotely located cloud or cloud-like structure so that it can be accessed by the company and the customer at anytime from anywhere and thus can get benefitted from it.

**Provide customised rewards to stand out from the crowd**

As per the Maslow's motivational theory, different people have different needs and desire to get motivated. Similarly, for motivating the customers, it is essential for the companies to design its rewards and customer retention schemes as per the needs of different customers so that the companies can motivate them for a repeat purchase. For example, some customers get motivated from cash discount, some like certain schemes such as buy to get one free or get a certain amount of extra at the same cost. Thus, it is essential for the companies to take these characteristics of the customers into account while designing their customer retention schemes. This will not only help them to motivate their loyal customers for repeat shopping but will help the store to stand out from the crowd. In fact, the retailers will be able to grab the attention of its potential customers also. Moreover, retailers should also strengthen their return and exchange policies. Thus, for the same product or service, the retail stores can offer different schemes and offers as per the desire of the customers.

**Focus on business operations and not entirely on loyalty programs**

Retail stores should understand the fact that loyalty programs or customer retention schemes are just a means to attract or hold customers. However, it is important for the retailers to focus more on its operations. If the retailers are not able to provide better products and services, practising attractive customer retention schemes and loyalty programs will not serve their purpose. For example, if the retailer entirely focuses on loyalty program or retention schemes and ignores the quality of its products and services, it will lose its business as in the absence of poor products and services; the customers will start drifting towards other retailers. The present era of business is highly competitive, and now the customers
have become smart customers. Delivering any product or service which is not at par with the industry standard will result in losing the customers. Thus, it is advisable for the retailers to focus more on their business operations and not only on the loyalty programs.

**Retail stores should be able to quantify the loyalty program**

Always it is not necessary that loyalty programs or customer retention schemes will result in profitability. If such programs are not designed properly and keeping all the parameters in mind, providing rewards to the customers may end up in making a loss. Thus, retail stores should design such loyalty programs or customer retention schemes that can be quantified in numbers. If the companies can quantify the loyalty programs, they will be able to determine whether such schemes are actually proving beneficial for the company or not. If not they can take necessary measures. Thus, it is advisable that loyalty and customer retention programs should be quantifiable.

**Loyalty or customer retention programs should be flexible so that rewards can be changed anytime**

The retail store should design loyalty programs and customer retention strategies in such a way that they can make any kind of changes at any moment. As the business environment is quite volatile, it is necessary for all the retailers to have a flexible business process, and such programs being one of the processes should be designed in such a way that they can be moulded anytime as per the business circumstances.

**Loyalty programs should enable the retail stores to connect with the customers**

Designing flexible and customised loyalty programs will not serve the purpose until and unless companies are not able to connect and communicate with the customers through such programs. It is essential for the retail stores to communicate the retention schemes effectively to the customers. This can be done either verbally or through other means such as email, calling or social media marketing. Thus, loyalty programs should be designed in such a way that through
these schemes companies can collect personal information of the customers and information regarding their shopping pattern. All these information will significantly help the retail stores to connect and communicate with the customers in a better manner.

**Raising funds for nonprofits through loyalty programs will be a bonus**

Nowadays companies are coming up with different innovative ideas to retain and attract customers. In this regards, designing a loyalty program that enables the retail stores to provide nonprofits with a fundraising program using their merchandise, food, or services is a bonus.

**Leverage the most under-utilized assets**

To retain customers for long, it is believed that companies should go beyond price and selection. Thus, it is recommended that not only the retail sector, rather every sector of the economy should leverage their most under-utilised assets, that is, their employee base. The employees of the companies should try to develop an everlasting relationship with the customers. If an employee will be passionate and engaged, he or she will be able to deliver personalised customer experience to the customers. Thus, in this way companies can create customer loyalty.

**Implement anticipatory service**

It is one of the most successful methods for retaining customers. An anticipatory service is a proactive approach to customer service. It means, instead of waiting for any problem, companies should implement anticipatory services. That is, such companies eliminate the chances of occurrence of any problem to their customers. Thus, companies should proactively look out for the ways through which they can shop problems from happening.

**Make use of automation**

It is the best way to minimise the downtime. Companies should implement automation in their system for time-consuming tasks requiring manual intervention to be standardised into repeatable processes. By this way, companies
can better meet their commitments and can keep their clients' network performing at their best. By this way, companies can increase customer loyalty and it will ultimately lead to improved customer retention rates.

8.3 FURTHER SCOPE FOR STUDY

The present study discusses various customer retention strategies followed by Indian retail sector in order to retain their customers. The entire focus of the study was to determine whether the customer retention strategies practised by the organised Indian retailers are effective enough in retaining their customers, and are those strategies affecting the buying behaviour of the customers. Moreover, this work also discusses the factors that influence the customer retention. In addition to this, the work explains various customer retention strategies that are been followed by the Indian retail stores and compares and contrasts them with the retention strategies followed by the foreign retailers.

Although the researcher has tried to study every aspect of this topic, still there were few areas such as customer acquisition, various other economic sectors, etc. that were not discussed. Thus, there are opportunities for other scholars to pursue several studies in this area, and for them, this work will act as a take-off ground.

Firstly, the present work only deals with the retail stores that are located in big cities. Thus, in future studies, a scholar can consider small cities and villages and try to find out how organised and unorganised retailers can formulate their retention strategies for attracting the customers of small cities and villages. Moreover, a comparative study can be conducted between the retention strategies practised in big cities and villages.

Another area on which a scholar can pursue further study is comparing the customer retention strategies practised by different sector or industries such as hospitality, banking, telecom, e-commerce, etc. The present work only discusses customer retention strategies practised by Indian retail stores. However, there is a scope that some scholar can determine whether all the sectors of the economy have similar kinds of strategies or not. Or why different industries follow different customer retention strategies and what are their strategies.
Apart from this, in future, studies can also be conducted in the area of customer acquisition. The present work contradicts the customer acquisition; however, scholars can work on developing a model or strategies related to customer acquisition that proves equally beneficial for the companies.