Customer Retention Strategies in Organised Retail of Udaipur City

P. K. Singh, **Vidhi Pitliya

Abstract

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. The present work focuses on studying various customer retention strategies developed and practised by three of the Indian retail giants, namely; Easyday, Big Bazaar, Reliance Mart. The study tries to evaluate the impact of customer retention strategies of these retail stores on the buying behaviour of their customers. The proposed work is descriptive in nature with the inductive approach and applies simple random sampling technique for selecting a sample of valid 90 respondents. Data is collected from both primary and secondary sources, and paired t-test was applied for analysing the data by using SPSS software. The paper concludes that retention strategies are a good option for retail stores for retaining and attracting customers, and they should practice it more often.

Keywords: Relationship Marketing, Customer Retention, Customer Retention Strategies, Retail Industry

INTRODUCTION

Customer retention can make an increase in profitability between 25 percent and 85 percent (Jobber, 2009). 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 (Dhanabhakyam and Shanthi, 2015). 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

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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. 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 (Dhanabhakyam and Shanthi, 2015). 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 (Singh, 2006).

REVIEW OF LITERATURE

- In their article "Managing Retail Loyalty Programs", Uday Shankar Rachapudi and Pushkar Kumar (2015) say that customer loyalty is the Holy Grail for all the businesses, more particularly for B2C businesses. 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. The study also reports that 81 percent of the customers holding loyalty cards do not have complete knowledge regarding the benefits offered by the loyalty programs (Rachapudi and Kumar, 2015).

- A fascinating fact has been found in the research 'Study Finds 28% of Retailers Report Increased Customer Loyalty Due to In-Store Wi-Fi' conducted by IHL Group (2015). Its survey found that implementing Wi-Fi in the stores proves thrice beneficial for the retailers (IHL, 2015).

- An article published in Retention Science (2014) "How budgeting for Retention Marketing in 2015 will increase your revenue" shows the importance of retention strategies by the retailers. The article says that if retailers and other companies only focus on this narrow acquisition approach,
they may not get appropriate results, and it may impede the company's growth. Thus, if a retailer wants to make out the maximum from its marketing budget, it will have to apply more strategic, bigger picture approach (Retention Science, 2014).

- Syed Md Faisal Ali Khan, Dr. Divya Rana and Harpreet Singh (2014) performed "An empirical study of Organised Retailing Strategies in developing customer loyalty, changing purchase decision and developing satisfaction in Consumer of Indian Sub-Continent" to determine the buying behaviour of the customers and to find the factors that act as drivers in making purchasing decision in the organized retail sector. The study concluded that type of service and quality of service plays a crucial role in attaining customer satisfaction (Khan, Rana and Singh, 2014).

- "A Review of Customer Preference towards Organized Retail Stores" a study by Dr.Bikrant Kesari and Sunil Atulkar (2014) is an attempt to find out the choice of consumers towards the retail stores and how the customer behaviour while making a purchase decision. The study concluded that electronic media, especially the internet had provided customers with an option to choose from modern retail outlets. Factors such as variety, easy availability, cleanliness with the additional facility of entertainment for children and convenient parking facility and restaurant attracts consumers the most. The study also found that qualified people like to visit organised retail store, whereas, less qualified people prefer traditional retail stores (Kesari and Atulkar, 2014).

- Alicia Fiorletta (2014) in her article "Relations, Not Rewards, are Key to Successful Loyalty Programs", stated that in the last four years, retail stores had seen a decline of consumer engagement in traditional loyalty programs. Retailers must use loyalty programs for establishing an emotional connection with the consumers rather than focusing only on increasing transactions (Fiorletta, 2014).

- Syed Md Faisal Ali Khan and Dr Chanchal Chawla (2014) in their study "Impact of Organized Retailing on Consumer Behaviour with Special Reference to Uttarakhand", focused on the factors that affect the behaviour of consumers in organised and unorganised retail sector. The study concluded
that ambience and the demographic factors and the retail strategy also influence the buying decision of consumers. The study also reveals that there is a vast difference in the consumer shopping pattern between organised and unorganised retail sector (Khan and Chawala, 2014).

- Samir Gupta and Nishant Kumar (2014) in their article "Retail Analytics: Game Changer for Customer Loyalty" argue that retailers can boost customer loyalty by delivering customised and personalised shopping experience (Gupta and Kumar, 2014). An article "Retailers Say Customer Retention Will be Key Revenue Growth Driver" published by Marketing Charts (2014) shows that global markets are focusing more on customer retention, rather than customer acquisition (MarketingCharts, 2014). A survey by Kane Russell (2014) "The Must Know Retention Marketing Stats For 2015" shows how retention marketing will shape customer relationship management in 2015 (Russell, 2014).

- Usman Ahmad Qadri and M Mahmood Shah Khan (2014) in their research paper "Factors Affecting on Customer Retention: A Case Study of Cellular Industry of Pakistan" concluded five major factors that significantly affects customer retention.

- They conducted their research work in the Metropolitan city Lahore and distributed 600 questionnaires to the subscribers of the five cellular companies. In addition to this, they also conducted a face-to-face customer survey for collecting valid and reliable data. They found that customer trust, customer satisfaction, brand image, price perception and switching barriers are five major factors that significantly affect customer retention (Qadri and Khan, 2014).

- Dheeraj Verma and Devendra Singh Verma (2013) in their study "Customer Relationship Management Practices In Selected Organised Retail Outlets: A case Study of Indore City" reflects that customer relationship management plays a significant role in identifying customer preference, needs and buying habits. CRM also helps in establishing good relations with their customers (Verma and Verma, 2013).
Padmashantini, P. Gengeswari, K. and Sharmeela Banu, S. A. (2013) in their research work, "Investigation of the Customer Retention Practices at a Major Retailer in Malaysia" concluded that customer retention is beyond maintaining and satisfying existing customers. By adopting customer retention strategies, a retail store can gain sustainability and competitiveness in the current retail sector. It was also found that there are fewer chances that retain customers will make complaints towards the retail store (Padmashantini, Gengeswari and Sharmeela-Banu, 2013).

Mujib-ur Rahman (2013) in his work "Loyalty Programs and Retail Performance: A Case of Indian Retailers" concluded that the organized retailing in India is progressing towards a robust competitive environment where only those retailers would survive who can understand their customers and develop a strong bond with them by developing and implementing appropriate loyalty programs consisting of an attractive mix of tangible and intangible rewards (Rahman, 2013).

The study "A Study on Customer Relationship Management Practices in Selected Organised Retail Stores in Udaipur City" performed by Dr. Meera Mathur and Sumbul Samma (2010) found that the customers don't take a single second when it comes to change the preference and break the loyalty for an organization, in such a situation it is the CRM of the organization that will compel the customers to visit the retail outlet again and again. Their work suggests that a record must be maintained by the retail stores regarding the purchasing behaviour of the customers with their personal information to provide a personal touch to all the customers. Moreover, retail stores must also provide training to their sales and marketing team. Finally, they also suggested that retail stores must take time feedback from its customers so as to bring improvements in their service management (Mathur and Samma, 2010).

Dr C. K. Dash, Tapash Ranjan Moharana and Nihar Mohapatra (2009), in their work "CRM implementation in Organized Retail" concluded that, in comparison to a new customer, it is easier for the retailer to attract and retain
existing customers. Moreover, retail stores find it easy to satisfy an existing customer rather than satisfying a new customer. The research was conducted on the customers of Formats of Pantaloon the future group, Vishal Mega Mart & Subhiksha, Mother Diary, Shoppers Stop, Spencer & Reliance Fresh in NCR region of Delhi, Noida and Gurgaon (Dash, Moharana and Mohapatra, 2009).

RESEARCH METHODOLOGY

Aim

To evaluate the effectiveness of customer retention strategies practised by Indian retail stores.

Objectives

- To acquire knowledge about the customer retention strategies adopted by Easyday, Big Bazaar, Reliance Mart.
- To evaluate the impact of customer retention strategies of these retail stores on the buying behaviour of their customers.
- To study the factors that affect the customer retention strategies of retail sector.

Gap in the Study

After reviewing plenty of available literature, it has been identified that the majority of the past studies on customer retention has focused on the retail stores that deal with only high-end customers and offer a single product in their product line. This has created a gap in the market as none of the studies have considered stores that have enormous and diversified product line and which meet the needs of different segments of the customers. Thus, the proposed work tries to fill the gap as it performs studies on the retail stores such as Big Bazaar, Reliance Mart and Easy Day, which not only offer various kinds of products but also have diversified customer base in terms of income. The proposed work evaluates the efficacy of retention strategies devised by these stores to attract and retain all kinds of customers.
Sampling Design

The proposed work makes use of simple random sampling. In this regards, a total of 90 customers (30 from each) of the three retail giants, that is, Big Bazar, EazyDay and Reliance Mart were randomly selected for collecting appropriate data. The test market for the paper was Udaipur.

Methods of Data Collection

Both primary and secondary data sources were used for gathering appropriate information for successful completion of the study. Various prior literatures was reviewed to gain sufficient knowledge on the subject. In addition to this, a structured questionnaire was designed and floated to the customers of the stores under study for accumulating practical information. Out of 90 valid respondents, 62 were female customers, and 28 were male customers. The majority of the participants aged between 26 and 45. All the 90 respondents had at least Bachelors’ degree in a different stream with an average household income of Rs.3 lacs and above.

Research Tools used in the Study

- Research Philosophy: The proposed work makes use of interpretive philosophy as individual respondents have different reviews regarding the retention strategies for the retail stores.

- Research Approach: The present work is based on inductive approach as it develops theories related to retention strategies for the retail industry.

- Research Design: This study is descriptive in nature as it describes and explains the impact of customer retention strategies of the retail stores on the buying behaviour of their customers using many subjects and questionnaire.

- Research Type: This work is quantitative in nature as it provides a measure of what respondents think from a statistical and mathematical point of view.

- Data Analysis: Quantitative data analysis technique is used for analysing the accumulated data. Paired t-test analysis is applied using statistical software SPSS 21.
LIMITATION AND SCOPE OF THE STUDY

The major limitation of the paper is its small sample size. Only 90 respondents have been selected; this may lead to data insufficiency. Another limitation of this work is its test market. Udaipur is chosen as a test market, being a small city; there are higher chances that customers of this place still might prefer traditional stores in comparison to modern retail stores. Their shopping habits might be drastically different from the metro or other big cities where the concept of modern retail stores is quite popular. Further, generalisation is another major limitation of the work as it is conducted in a small town and that too on only three retail stores. Finally, limited time and financial resources act as constraints as a researcher was not able to conduct the study in some metro or other big cities.

ASSUMPTIONS OF THE STUDY

- It is assumed that with the increase in the sales of the retail stores, their profit also increase. No company discloses its actual sales and profit figures to an outsider, so it is not possible to test the sales and profit correctly. The researcher has worked on the fact that with the increase in sales, profit increases automatically.

- The research focuses on sales maximisation and long-term profits. Thus, even if the retail stores introduce retention schemes or offers to increase sales, in the long term, it will have a positive impact on their profits. Moreover, at times companies go for sales maximisation irrespective of the level of profits or profit margins to retain customers and achieve sustainability and to mitigate the threat of potential entrants. It may be a part of their long-term maximising sales strategy.

- The study only focuses on customer retention strategies and offers, and not on any other kind of general schemes and offers.

- The study does not mean that sales imply customer retention; rather it states that customer retention strategies result in better customer retention, and higher sales and profit.
DATA ANALYSIS

A survey was conducted in the Udaipur city. A total of 90 valid responses were received from the customers of three of the retail outlets under study. A structured questionnaire containing twenty-eight questions was distributed to all the participants. Most of the questions were based on Likert scale. Before conducting the survey, a debriefing session was carried out for all the participants for making them aware of aim and objectives, and purpose of the study.

**Hypothesis 1:** Customer retention strategies do not affect the buying behaviour of customers in the organised retail sector.

In this, it is observed whether introducing any offers of schemes results in increasing the customer visits and thus impacting their buying behaviour. To test the hypothesis, paired t-test has been applied using SPSS 21. Following are the results obtained from this test:

<table>
<thead>
<tr>
<th>Table 1: Paired Sample Statistics</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mean</td>
</tr>
<tr>
<td>------</td>
</tr>
<tr>
<td>Routine Visits 2.90 90 0.822 0.087</td>
</tr>
<tr>
<td>Visits During Offers 6.36 90 1.376 0.145</td>
</tr>
</tbody>
</table>

Table 1 shows the descriptive statistics of the collected data. According to it the mean value of Routine Visits is 2.90 whereas the mean value of Visits during Offers is 6.36. This shows that there is the difference between the values of the two means. Table 1 also shows the standard deviation and standard error mean of the two samples.

<table>
<thead>
<tr>
<th>Table 2: Paired Sample Correlations</th>
</tr>
</thead>
<tbody>
<tr>
<td>N</td>
</tr>
<tr>
<td>---</td>
</tr>
<tr>
<td>Routine Visits &amp; Visits During Offers 90 0.022 0.838</td>
</tr>
</tbody>
</table>

Table 2 shows the correlation between the two samples. The correlation coefficient 'r' is coming out to be 0.022 which means there is a positive but weak relation between the two samples.
Table 3: Paired Samples Test

<table>
<thead>
<tr>
<th>Pair 1</th>
<th>Mean</th>
<th>Std. Deviation</th>
<th>Std. Error Mean</th>
<th>95% Confidence Interval of the Difference</th>
<th>t</th>
<th>df</th>
<th>Sig. (2-tailed)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Routine Visits - Visits During Offers</td>
<td>-3.456</td>
<td>1.588</td>
<td>0.167</td>
<td>-3.788 - 3.123</td>
<td>-20.649</td>
<td>89</td>
<td>0.0000000010</td>
</tr>
</tbody>
</table>

For this work, table 3 is of much importance. It shows that the mean difference between the two samples is -.3456 with a standard deviation of 1.588 and t-value of 20.649. However, the most important thing to be noted is the significance values. The significance value is coming out to be 1*10-13. As a rule of thumb, if the significance value is less than 0.05, the null hypothesis gets rejected, and alternative hypothesis gets accepted. This means, there is significance difference between the mean values of the two samples (Marques de Sa, 2013). In this case, since the significance value is less than 0.05, thus null hypothesis gets rejected, meaning that customer retention strategies significantly affect the buying behaviour of customers in the organised retail sector. Customers are reported to be visiting retail stores more often during offer season, which means retention schemes influence their buying behaviour.

**Hypothesis II:** Customer retention strategies do not have significant positive impact on sales and profit.

In this, it is observed whether or not retail stores are making more profits by increasing their sales through retention schemes. For this purpose, it will observe the spending of the customers during regular purchase and festive purchase when retail stores introduce attractive retention offers. To test this hypothesis, paired t-test has been applied using SPSS 21. Following are the results obtained from this test:

Table 4: Paired Samples Statistics

<table>
<thead>
<tr>
<th>Pair 1</th>
<th>Mean</th>
<th>N</th>
<th>Std. Deviation</th>
<th>Std. Error Mean</th>
</tr>
</thead>
<tbody>
<tr>
<td>Routine Spending</td>
<td>1883.33</td>
<td>90</td>
<td>596.526</td>
<td>62.879</td>
</tr>
<tr>
<td>Spending During Offers</td>
<td>2555.56</td>
<td>90</td>
<td>880.132</td>
<td>92.774</td>
</tr>
</tbody>
</table>
Table 4 shows the descriptive statistics of the collected data. According to it the mean value of Routine Spending is 1883.33 whereas the mean value of Spending during Offers is 2555.56. This shows that there is the difference between the values of the two means. Table 4 also shows the standard deviation and standard error mean of the two samples.

<table>
<thead>
<tr>
<th>N</th>
<th>Correlation</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Routine Spending &amp; Spending During Offers</td>
<td>90</td>
<td>0.894</td>
</tr>
</tbody>
</table>

Table 5 shows the correlation between the two samples. The correlation coefficient 'r' is coming out to be 0.894 which means there is a positive and strong relation between the two samples.

<table>
<thead>
<tr>
<th>Paired Differences</th>
<th>Mean</th>
<th>Std. Deviation</th>
<th>Std. Error Mean</th>
<th>95% Confidence Interval of the Difference</th>
<th>t</th>
<th>df</th>
<th>Sig. (2 - tailed)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pair 1 Routine Spending - Spending During Offers</td>
<td>-672.222</td>
<td>437.890</td>
<td>46.158</td>
<td>-763.937 -580.508</td>
<td>-14.564</td>
<td>89</td>
<td>0.000000000000010</td>
</tr>
</tbody>
</table>

For this work, table 6 is of much importance. It shows that the mean difference between the two samples is -672.222 with a standard deviation of 437.890 and t-value of -14.564. However, the most important thing to be noted is the significance values. The significance value is coming out to be 1*10^-13. As a rule of thumb, if the significance value is less than 0.05, the null hypothesis gets rejected, and alternative hypothesis gets accepted. This means, there is significance difference between the mean values of the two samples (Marques de Sa, 2013). In this case, since the significance value is less than 0.05, thus null hypothesis gets rejected, meaning that customer retention strategies have significant positive impact on sales and profit. It means, with the introduction of special offers, customers spend more and thus there is an increase in sales and profit volumes of the retail stores. This shows that there is a significant difference in the routine spending and spending during retention schemes.

Findings
• Customer Loyalty Program, Sales Promotion, Training of Employees, Customer Satisfaction Survey and Excellent Customer Service are some of the major retention strategies practised by Indian retail stores.

• Customer retention strategies significantly affect the buying behaviour of customers in the organised retail sector.

• Customer retention strategies have significant positive impact on sales and profit.

• Retention strategies are a good option for retail stores for retaining and attracting customers.

• Price is the major factor that affects customer retention followed by trust, brand image, switching barrier and customer satisfaction.

CONCLUSION

From the above study, 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. Thus, many of the retail organisations have developed some loyalty programs or retention schemes. The report shows that in the coming years the retail sector in India will see a growth of 25 percent every year. This means, more and more global retail players will have an eye on this market. Thus, it is essential for the Indian retailers to have a strong and broad base of customers. This work shows that retention strategies are one of the best ways for retaining and attracting customers and retail stores must start practising some or other kind of retention strategies more often. This research paper finds that customer retention strategies significantly affect the buying behaviour of customers in the organised retail sector. Moreover, they have significant positive impact on sales and profit of the retail stores. Finally, retail stores need to focus on customer trust, customer satisfaction, brand image, price perception and switching barriers while formulating customer retention strategies. Thus, from the comprehensive study, it can be concluded that retention strategies are a good option for retail stores for retaining and attracting customers and they should practice it more often.
Suggestions for Future Research

This research paper is focusing only on a test market of Udaipur. Thus, there exist a significant opportunity for future studies in this area. Firstly, a scholar can compare and contrast the retention strategies and thus the buying behaviour of the customers of retail stores operating in different kind of cities. Moreover, scholars can compare and contrast the retention strategies of Indian retail store with that of some foreign retail giant for acquiring deep insight on this subject. Finally, research can also be conducted on studying various factors that affect the customer retention strategies of the retail sector.

REFERENCES


