CHAPTER 1
INTRODUCTION

1.1 OVERVIEW

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. Further, customer base can also be expanded by increasing the use of more varied customer mix and by enhancing the reputation of the company. Thus, it can be said that players operating in the retail sector can increase their customer base by earning the loyalty of the customers. Retailers can achieve customer loyalty by providing maximum satisfaction to them. In addition, to expand their customer base, it will also help them in retaining customers (Ang and Buttle, 2006). Various marketing theories 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 retailers in getting an edge over their industry rivals in this intensely competitive business world and will assist them in achieving sustainability. 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 (Bhatia, 2008).

Gan et al. (2006) found that retained or loyal customers of the company, most of the time are less sensitive to the price and take less of company’s time. Their study also indicated that in the present era customer retention has become the top most priority of the enterprises and it is essential for the managers to focus on the factors that might increase customer retention rate. The cost of attracting a new customer is almost five times as high as the cost of retaining an existing customer. 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 because it has been found that 5 percent improvement in customer retention can cause an increase in profitability between 25 percent and 85 percent (Jeffs, 2008).3

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 (Kaliappan et al., 2008).4 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. Under retention scheme, on every purchase, customers of the organisation receive a combination of attractive rewards that can be tangible such as discounts, gifts, rewards points, etc. and intangible such as an exclusive preview of new items, special invitations to some special events and programs. Through such ways, they invoke customer loyalty (Kavaldeep, 2008).

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-tech business (Khan and Chawala, 2014).

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 and two international retail players Tesco and Wal-Mart operating across the globe. The work tries to evaluate the impact of customer retention strategies of these retail stores on the buying behaviour of their customers, that is, whether retention strategies results in profit or loss for these retail stores.

1.2 BACKGROUND

1.2.1 Indian Retail Sector

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. In the case of India, 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 industries of the country. Presently the Indian retail industry 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 India. However, the untapped retail industry of the country and the vast middle class are attracting the global retail giants to enter into this economy. This will, in turn, help the Indian retail industry to grow at a swift 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 (Dhanabhakyam and Shanthi, 2015). 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, Future group, etc. have sensed opportunity available in this sector and are making a significant investment, as a result of which many big retailers have entered the market of the organised retail sector. They can bargain with the suppliers and thus are benefiting from the economies of scale (Dhanabhakyam and Shanthi, 2015).

As per the Yes Bank Assocham Study, the retail market is expected to reach around Rs. 50 lakh crore by 2016-17. In 2011-12, the total market captured by both organised and unorganised retail players was around 23 lakh crore. Out of this, only 7 percent of the market was comprised of organised retailers. However, this percentage is expected to grow up to 11 percent by the end of 2016-17. Considering the space parameter, in 2012, the organised retail supply was about 2.5 million sq ft which rose to 4.7 million sq ft by 2013, showing a rise of more than 75 percent. As per the Yes Bank Assocham Study, factors such as favourable demographics, increasing urbanisation, nuclearisation of families, rising affluence amid consumers, growing preference for branded products and higher aspirations are acting as positive drivers for the development of this particular sector (Chakraborty, 2016).

**Market Dynamics**

Presently the Indian retail sector is highly fragmented. The unorganised retailers contribute around 95 percent of the total Indian Retail Industry. However, industry analysts feel that in the years to come there will be a sharp rise in the organised retail sector due to globalisation, high economic growth, and improved lifestyle. Although the future looks bright for the organise retail players, there are few challenges also; such as rigid regulations, high personnel costs, real estate
costs, lack of basic infrastructure, and highly competitive domestic retailer groups. Following are some of the key drivers of the Indian Retail Industry:

- Increase in nuclear families
- Increase in disposable income
- Double income household trend
- Affordable availability of real estate
- Demand and increase in expenditure for luxury items
- Liberalisation of FDI policy

Further, below are some of the bottlenecks for the retail industry

- Difficult to meet international standards
- Poor supply chain management
- Proper retail space
- No fixed consumption pattern
- Shortage of trained manpower
- Lack of distribution channel and proper infrastructure

**Trends in Indian Retail Sector**

Sectors such as food and grocery, apparel, electronics, e-commerce, fashion and lifestyle are some of the emerging sectors of the retail industry. In the past few years, retail players are integrating technology into business. Technology such as the computer, inventory control, internal store billing, bar coding, etc. has changed the face of product retailing.

In this regards, retailers are also entering into online business. Retailers have sensed the opportunity existing in the online business and thus physical stores are replaced by online store or e-store. With the growing competition in the retail market, companies are coming up with various schemes such as free home delivery, same day home delivery and much more (Chakraborty, 2016).
The Road Ahead

As per the seventh Food and Grocery Forum India, the market for food and grocery retail in India is quite huge, and there exists a lot of opportunities in this sector. In fact, food and grocery retail constitutes about 69 percent of the total Indian retail market. It is projected that by 2023 the Indian retail industry will reach to the level of $865 billion. Despite the slump, the organised retail sector is growing exponentially. Due to robust economic growth, it is expected that Indian consumption level is going to double within next five years. Presently, it is US$ 750 billion, and analysts feel that it will set up to US$ 1.5 trillion. Further, middle class also play a huge role in the development of Indian retail sector. It is estimated that by 2030 the Indian middle class will increase from 21 million today to 570 million. This is nearly twice the population of the US today (Chakraborty, 2016)\(^8\).

Thus all the factors discussed above show huge population and tremendous growth in India which makes Indian retail sector looks favourable.

1.2.2 Customer Relationship Management

Customer relationship management is one of the most important aspects of any business. To remain competitive and to gain sustainability in the business, it has become essential for the organisations to focus on this parameter. It is a combination of strategies, processes and policies formulated by a company to achieve unification in its customer interaction. Further, it also assists the management to track information about its existing and potential customers. This aspect of the business makes use of technology in pulling new and profitable customers towards the business and to develop strong bonds with the existing customers to keep them with the company (Mathur and Samma, 2010)\(^9\).

Customer Relationship Management is a dynamic and emerging tool that assists marketers to maintain their presence in the market that currently is highly volatile. Customer relationship management is the most concerning subjects on the corporate agenda. In a recent study conducted by Business Intelligence reveals that six out of ten companies have already started out on the customer relationship management journey. Customer relationship management deals with
understanding the customer attitude, expectation and behaviour. This is achieved through a well maintained and organised customer database and innovative customer strategies. The main motive behind practising customer relationship management in the businesses is to achieve customer satisfaction and delight at every level of interface with the company (Mathur and Samma, 2010).

1.2.3 Customer Retention Strategies

Nowadays customer retention is of prime importance as it is necessary to understand what an organisation should do to retain its customers. The main purpose of a corporation behind practising customer retention strategy is to reduce customer defections. Customer retention starts when an organisation has the first contact with the client, and it continues throughout the lifetime. The goodwill of the organisation increases if the organisation can retain and attract the customers and exceeds their expectations (Singh, 2006).

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 cost of acquiring a new customer is several times more than that of retaining an existing customer. There are varieties of strategies and tools are available for retaining the customer, among these tools, the most necessary tools are providing quality products and services (Terblanche and Hofmeyr, 2005).

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.

1.2.4 Importance of Customer Retention Strategy

- It helps in building strong relations with the customers.
- It enhances the goodwill of a brand.
- It identifies future needs of the customers.
- It identifies and explores various sales opportunities.
• It rectifies the flaws within the organisation's policies and processes.
• Through this customers can easily provide feedback to the companies.
• Organisations can increase revenue and reduce acquisition costs of the customers (Woo and Fock, 2004)\textsuperscript{12}.

1.2.5 Indian Retail Stores and Retention Strategies

For the long-term success of any business, customer retention strategy plays a very significant role. If an organisation has strong customer retention strategies, then it can quickly attain its goals and achieve higher customer lifetime value. It is quite cheaper to retain an existing loyal customer than to acquire a new one (Tamana, 2008)\textsuperscript{13}. Following are the different types of retention strategies practised by the Indian Retail stores:

• \textit{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.

• \textit{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, etc. (Kavaldeep, 2008)\textsuperscript{5}.

• \textit{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 (Shweta, 2008).

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 and emails and regularly update the customers for the new products and services.

1.3 FOCUS AND PURPOSE

In today's competitive environment, more and more organisations are thriving hard to achieve sustainability. Every day companies are coming up with innovative strategies to gain a sustainable advantage over the rivals. In this regard, retention strategy has got a lot of significance in the present business environment. The proposed work focuses on retention strategies followed by various companies, more particular towards Indian retail sector. Recently Indian retail sector has seen a tremendous growth and its growth prospects look bright. More and more players are entering into the Indian retail sector, thus intensifying the competition in this industry. To attract customers and to expand their customer base, Indian retailers have devised several retention strategies. This work is an attempt to study various retention strategies practised by the Indian retailers and to determine the usefulness of such strategies in achieving the aims and goals of the organisation.

1.3.1 Aim

The aim of this research study is to evaluate the effectiveness of customer retention strategies practised by Indian retail stores.
1.3.2 Objectives

Achieving above stated aim requires a formal approach. To attain the desired aim of the study, it is essential to achieve certain objectives. Below stated are the objectives of the work:

- To study various kinds of customer retention strategies practised in Indian retail sector.
- To acquire knowledge about the customer retention strategies adopted by Easyday, Big Bazaar, Reliance Mart, Tesco and Wal-Mart.
- To compare and contrast the customer retention strategies of the retail stores under study.
- To evaluate the impact of customer retention strategies of these retail stores on the buying behaviour of their customers.
- To study the factors that affects the customer retention strategies of the retail sector.

1.3.3 Hypotheses

To reach to some authentic and valid conclusion, it is essential for the researcher to test certain hypotheses as it helps in understanding both, the qualitative and quantitative fact pertaining to the work. Following null hypotheses are tested by the researcher in the proposed work:

- \( H_1 \): Customer retention strategies do not affect the buying behaviour of customers in the organised retail sector.
- \( H_2 \): Customer retention strategies do not have significant positive impact on sales and profit.
- \( H_3 \): Retail stores do not change their customer retention strategies frequently.
- \( H_4 \): There is no significant difference in customer retention strategies of organised retail sellers.
- \( H_5 \): There is no significant effect of online shopping on customer retention strategies of organised retailers.
Every study is conducted with some purpose, either to find solutions to some real life problems or to discover certain facts and figures, to which the society is still not aware of. The purpose of this study is to determine the effectiveness of the retention strategies. Nowadays companies are spending enormous resources on devising and implementing various retention strategies to gain competitive advantage and to achieve sustainability. This work is an attempt to analyse whether companies can reap benefits from the retention strategies or not. Whether the returns gained by the companies against the resources used for retention strategies are comparatively higher or not. This work tries to answer whether retention strategies really prove fruitful for the Indian retail companies, or retailers are just wasting their resources in devising innovative strategies. For a better collection of data, this work is limited to the five Indian retail stores operating in Udaipur and Mumbai, namely; Easy Day, Big Bazaar, Reliance Mart, Tesco and Wal-Mart.

1.4 FRAMEWORK ANALYSIS

To successfully reach a certain conclusion, a researcher needs to devise certain methodologies forming a specific framework. Such framework keeps the researcher on the correct track and helps the researcher in attaining all the objectives and aim of the study. Following framework has been adopted for the proposed work:

- **Research Philosophy**: This research work is based on the philosophy of interpretivism as retention strategies practised by Indian retail stores have a different kind of effect on all the customers. Although, companies claim to practice different retention strategies, at the end of the day, all the retention strategies are similar to each other and are designed to attract and retain customers by all the retailers (Neuman, 2009)\(^{15}\).

- **Research Approach**: The work is inductive in nature as the researcher will analyse the importance of developing effective retention strategies by Indian retail companies on customers and then on the basis of that it will develop theories.
• **Research Design:** The present work is descriptive in nature as it will help in determining the why, how and what characteristics of retention strategies of Indian retailers.

• **Research Type:** The proposed work employs mixed approach as it uses both qualitative and quantitative data.

• **Data Collection:** Both primary and secondary data sources were used for gathering appropriate information for successful completion of the study. Various past literature were 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 (Neuman, 2009).²

• **Sampling:** The proposed work makes use of simple random sampling. In this regards, a total of 500 customers (100 from each) of the five retail giants, that is, Big Bazaar, EazyDay and Reliance Mart, Tesco and Wal-Mart were randomly selected for collecting appropriate data. The test market for the study was Udaipur and Mumbai.

• **Data Analysis:** Both qualitative and quantitative data analysis techniques are used for analysing the accumulated data. Paired t-test analysis, correlation and multiple regressions are applied to analysing quantitative data using statistical software SPSS 20, and thematic analysis was performed for analysing the qualitative data.

1.5 **RESEARCH GAP IDENTIFIED**

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. The main reason behind this work is that till recently, the concept of retail stores was not very common, and there were very few stores across the country. Further, such stores offer products that are within reach of only high-income group people. This has created a gap in the market as none of the studies have
considered stores that have huge and diversified product line and which meet the needs of different segments of the customers, right from lower income group customer to higher income group customer.

Another gap found in the existing studies is that none of the work has made any comparison between the retail stores of different cities. All the studies, whether conducted in India or abroad have focused only on retailers located in one particular location. Previous studies only compared retention strategies of different retailers in one city or area. In this way also, this work is different from the earlier research studies on retention strategies. In this research paper, the researcher has not only compared the retention strategies and schemes of different retailers with other retailers in the same locality but also compared their strategies with the retention strategies of retail players operating in the other parts of the country as well. This provides an excellent opportunity to the researcher to study the shopping pattern of customers of different areas. In this, the researcher has selected Mumbai, which is one of the metro cities of India, and Udaipur, which comes under 'A' class city. Thus, it will be a good opportunity for the researcher to understand the shopping pattern of different customers living different lifestyles.

Thus, the proposed work tries to fill the gap as it performs studies on the retail store such as Big Bazaar, Reliance Mart Easy Day, Tesco and Wal-Mart, which not only offer various kinds of products but also have diversified customer base in terms of income. There is a dearth of studies that focused on multi-product marketing. The proposed work evaluates the efficacy of retention strategies devised by these stores that focus on multi-product marketing to attract and retain all kinds of customers. Further, since different retailers are selected from Mumbai and Udaipur, the research work also studies the shopping behaviour of people, living different lifestyles.

1.6 IMPORTANCE OF PROPOSED INVESTIGATION

There is cut-throat competition in the Indian Retail sector; all the companies are striving hard to attain sustainability in the market. For this purpose, customer retention strategies are among the various key strategies practised by them. In such scenario, the proposed study will have both practical as well as
theoretical significance. This study will provide insight into the retention strategies practised by companies that whether the strategies are solving the purpose for which they were formulated or not. The proposed study will enable the managers of the five organisations under study to evaluate whether the adopted customer retention strategies are efficient enough or not in retaining existing customers and attracting potential customers. Moreover, the work will help in understanding the impact of such strategies on the buying behaviour of the customers. Managers of the retail stores will be able to determine whether or not these strategies are helpful to the firm in building a loyal customer base.

The proposed work is not only significant for the companies under study, but also for the other retail outlets operating in various sectors of the Indian economy. Moreover, the research will also be fruitful for other companies as it will assist them in devising appropriate customer retention strategies. Apart from this, the study will also be beneficial for the professors, teachers and students who want to acquire in-depth knowledge regarding relationship marketing. Furthermore, this work will provide a take-off ground to the scholars who wish to pursue a career in this field or want to conduct research in the related area.

1.7 STRUCTURE OF THE REPORT

- **Chapter 1 - Introduction:** This report starts with an introduction chapter briefing the terms customer retention and retention strategies. This chapter also highlights the aim, objectives and hypotheses of the work. The section also throws light on the research gap identified and the significance of the work.

- **Chapter 2 - Literature Review:** Literature review is the second chapter of the work and discusses previous literature and findings in the field of customer retention and retention strategies. This chapter focuses on some of the research work conducted in this area and summarises findings and other important information of past researchers in a systematic manner for gaining a deep insight into the topic.

- **Chapter 3 - Customer Retention Strategies: A Theoretical Framework:** This chapter holds a lot of significance in this study. This section defines
the meaning and importance of customer retention strategies. In addition, this part of the report also discusses various customer retention strategies practised around the world by different companies.

- **Chapter 4 - Customer Retention Strategies followed by Retail Stores**: This is another important chapter of this work as it specifically focuses on the retail sector and the retention strategies followed by the retailers. This chapter helps in accumulating information regarding how retail stores retain their customers.

- **Chapter 5 - Research Methodology**: This chapter is considered to be the heart of any researcher work as it details various tools and techniques that a researcher can adopt to collect effectively, evaluate and interpret the information and data to reach to some authentic and valid findings and conclusion. It provides an overview of the data collection methods used by the researcher for accumulating appropriate data. Further, it also throws light on researcher philosophy, research design, researcher type and limitations experienced by the researcher in conducting the entire research. It also highlights all the ethical issues that the researcher followed during the study.

- **Chapter 6 - Analysis and Interpretation of Data**: The sixth chapter of this research work is data analysis and findings and is of paramount importance. In this chapter, the researcher analysed all the data collected from different sources to extract some knowledge information from it. Later on, after analysing the data, findings are made and from it, valid inferences are generated.

- **Chapter 7 - Major Findings**: This is the penultimate chapter of the work and discusses the major findings drawn from the analysis and interpretation chapter. Moreover, it also presents findings deduced from the previous literature.

- **Chapter 8 - Conclusion and Recommendations**: This is the ultimate chapter of the research report and draws a conclusion of the entire work. This chapter is of a lot of importance for the readers as it presents the zest
of the work in a nutshell. Finally, based on the research, this section also makes a certain recommendation that should be employed by the Indian retailers for enhancing their customer retention strategies.

1.8 SUMMARY

Organised retailing is in its initial stage in India. However, the untapped retail industry of the country and the vast middle class are attracting the global retail giants to enter into this economy. This will intensify the competition among the player. To overcome this challenge, retailers have started focusing more on practising relationship marketing. Customer relationship marketing is defined as a dynamic and emerging tool that assists marketers to maintain their presence in the market that currently is highly volatile. It deals with understanding the customer attitude, expectation and behaviour with a motive to deliver greater customer satisfaction. In this regards, retention schemes play a significant role. 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 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 proposed work focuses on retention strategies followed by various companies, more particular towards Indian retail sector. Although earlier many studies have been conducted in this area, the majority of the work has focused on the retail stores that deal with only high-end customers and offer a single product in their product line. Further, none of the work has made any comparison between the retail stores of different cities. All the studies, whether conducted in India or abroad have focused only on retailers located in one particular location. This research is an attempt to study various retention strategies practised by the Indian retailers operating in Mumbai and Udaipur city and to determine the usefulness of such strategies in achieving the aims and goals of the organisation.
REFERENCES


