CHAPTER 2

REVIEW OF LITERATURE

2.1 OVERVIEW

The review of literature section holds a lot of significance in a thesis. This chapter acts as a base for formulating the methodology section that is the third phase of the research process. Further, on the basis of this information, a researcher can determine the actual gap existing in the market, and it helps in formulating strategies regarding accumulating data and information. Thus, in short, it can be said that literature review acts as a multipurpose guide to a particular topic. Literature review represents the theoretical facet for the purpose of dealing with the explicit topic of the research. The review of literature is conducted in the research process so as to investigate various secondary sources. Unlike survey and data collection, the literature review does not deal with inimitable and experimental work; rather it focuses on the collection of data by availing support from past available sources. This chapter follows a well-defined structure that is geared up various forms of literature sources and some personal insights.

Literature review on any subject is regarded as an in-depth and critical assessment of the previous research and is purely based on the secondary research. It examines the work conducted in a particular area that helps the readers in understanding the study in a better manner. Further, through literature review readers can draw the reasons for conducting the proposed work. However, the main motive of writing this chapter is to gain in-depth knowledge regarding the area under study. During the entire process of research, conducting a review of existing literature is the most time-consuming process, as in this a researcher has to refer to various journals, articles, books, online sources and past theses. Although the scholar does not have to read the entire book or journal, still for extracting relevant information and to gain sufficient knowledge on the subject, it is essential to devote appropriate time in this section (Gay, Mills and Airasian,
A good literature review is not the one which consists of only quotes or paraphrasing related documents, for a quality literature review, researcher needs to collect appropriate information so that this section can explain the reasons for selecting research aim and objectives, and moreover, can answer all the research questions. Finally, this section of work provides a take-off ground to the scholars who want to pursue studies in this field and acts as a platform for all the future research. The subsequent review is performed in the area related to retention strategies practised by various organisations. To make the work more specific, it is specifically focused on the Indian retail sector.

2.2 IMPORTANCE OF REVIEW OF LITERATURE

Following are the purposes of literature review section:

• It provides a launching platform to the researcher to initiate the study in the related area.
• It helps in formulating an appropriate research methodology for the study.
• Helps researcher in collecting relevant information and to compare and contrast the findings of the previous studies.
• Provide take-off ground to the forthcoming research work on the related area.
• To answer all the questions related to the study.
• To successfully attain the aim and objectives of the work.
• Gives the researcher an idea regarding what kind of data needs to be collected from the primary source (Gay, Mills and Airasian, 2006).

2.3 BACKGROUND

The business environment is changing with time; therefore it is necessary for the managers and the management to devise different strategies and programs. Earlier, managers just used to focus on acquiring new customers and very little consideration was given to retaining them. However, as the competition is getting stiffer and stiffer in the markets, management is now focusing on many other strategies, apart from just acquiring the customers. Among all, customer retention
strategies are of significant importance for the organisations. In the present corporate world, managers have realised that to gain a competitive edge among the industry peers and to achieve sustainability in the business market, it is essential for them to retain their customers and to build customer loyalty (Berry, 2000). Various research shows that acquiring a new customer costs more to the company in comparison to retaining an existing customer. Further, it is also found that even if the company can keep five percent of its clients, it can increase its profit level from 25 per cent to 80 per cent. Due to above-stated factors, managers of the retail entities have started focusing on introducing various types of loyalty programs for developing a long-term relationship with their existing customers. This will not only help them in holding their loyal customers but will also assist them in attaining their organisational goals (Day, 2002).

Every business has various crucial aspects; marketing is one among them. To market their products and services, it is important for all the companies to formulate suitable marketing activities. This helps them in highlighting the unique selling point (USP) of their products and services to the customers and thus results in higher sales. For making any business successful, and to attain sustainability, nowadays companies are focusing more and more on marketing. Marketing is done with an aim to make people aware of the product or services launched in the market. Marketing is defined as a process of communicating the unique selling point or USP of the products and services to the customers. It significantly helps companies in selling their products and services to the end users. In other words, marketing is managing the profitable customer relationship. It is a science that assists firms in choosing their target market (Egan, 2008). For this purpose, organisations practice various marketing techniques such as market analysis, market segmentation, and customer behaviour. Therefore, it completes a link between society's material requirements and its economic patterns of response. The needs and wants are satisfied by marketing through the exchange process and thus builds long-term relationships.

"Marketing is a social and managerial process by which individuals and groups obtain what they need and want through creating, offering and exchanging products of value with others."

– Philip Kotler
In the views of the American Marketing Association, “Marketing is the activity, set of institutions, and processes for creating, communicating, delivering, and exchanging offerings that have value for customers, clients, partners, and society at large.” Companies formulate marketing strategies not only to market their products and services, but it also helps them in building and maintaining long-lasting relationships with their customers. Such form of marketing has got a lot of significance in the present marketing world and is popularly known as “Relationship Marketing” (Hollensen, 2006).

2.4 RELATIONSHIP MARKETING

It is essential for a company to build a strong and long-lasting relationship with its customers, employees, suppliers, employees, dealers, distributors and retailers as healthy relationship values most to the company. The actual capital of any organisation also consists of relationship capital. This form of capital is the total of knowledge, trust and experience a company has created with its stakeholders such as customers, partners, distributors, suppliers, employees, etc. In most of the cases, the value of these relationships is far more in comparison to that of physical assets of the firm. Moreover, the future value of any firm is considerably dependent on the relationships which the company develops and maintains with its stakeholders (Jobber and Fahy, 2009). If there is any slip in the relationship between the stakeholders and the corporation, it may prove fatal to the business and its overall performance. In this regards, it is mandatory for the companies to keep a relationship scorecard that reflects the strengths, weaknesses, opportunities and threats in regards to the relationship. Thus, it is vital for the companies to move faster and repair their weak connections, and improve the relationship as soon as possible.

Traditional transaction market (TM) is quite different from the relationship market. It ignores the relationship building and maintaining aspects of the relationship marketing. According to transaction marketing, the company is an independent agency that devises plans for its benefits only. It means it completely ignores the relationship building and maintaining aspect. Thus, according to it, if any company sees an immediate advantage in switching from one distributor or
supplier to another, it will do so in no time, without considering its relationship with the existing distributor or vendors and new distributors and suppliers. Such marketing style focuses more on acquiring new customers (Jobber, 2010). That is, it works on the philosophy of keeping its current customers and spending more resources such as time, efforts and money on acquiring new clients. Therefore, it can be seen that in such form of marketing the company neglects the interdependence among its principal shareholders and their roles and responsibilities that can affect the company’s success.

Relationship marketing has emerged as a significant paradigm shift in the marketing as it has shifted the movement from thinking solely in terms of competition and conflict toward thinking in terms of the corporation and mutual interdependency. It gives emphasis on the importance of various parties such as suppliers, employees, distributors, dealers, retailers (Palmatier et al., 2006). This is done to deliver the best value to the targeted customers. Some of the main characteristics of relationship marketing are as stated below:

- It focuses more on customers and other stakeholders rather than products of the company.
- It focuses less on customer acquisition and more on customer retention and growth.
- It does not rely on departmental level work; rather it relies on cross-functional teams.
- It emphasis less on talking and more about listening and learning.

Presently, relationship marketing involves four new practices in the 4Ps of the marketing. Although the companies are nowadays indulged more towards relationship marketing, it does not mean that they are not practising transactional marketing. Transactional marketing has its own advantages for the business. Thus, to gain maximum, companies are making use of both the marketing styles, that is, transactional marketing and relationship marketing in correct proportion. The only difference is that those companies that have a limited number of customers focus more on relationship marketing, whereas, those companies with a higher number of clients, give more emphasis to transactional marketing (Palmatier et al., 2009).
2.4.1 Relationship Economics

It is impossible to discuss the concept of relationship marketing without discussing the concept of loyalty. In the view of Palmatier et al., (2006), relationship marketing is often used interchangeably with loyalty marketing. In the views of Uncles (1999), customers want to establish a relationship with the brand, which in turn deliver them psychological reassurances. Customer loyalty operates with a goal to establish a higher level of customer retention and provides greater value and satisfaction to the customers. However, Pressey and Mathews (1998) believe that although loyalty schemes play an important role in relationship marketing, it cannot be interchanged with the relationship marketing viewpoint (Palmatier et al., 2006)8. Traditional marketing believes that free competition and self-interest are two of the key drivers of value creation. However, relationship marketing challenges this axiom and suggests that it is the mutual corporation that delivers the maximum value. Morgan (2000) feels that achieving sustainable profitability is the paramount objective of the companies indulged in integrative relational strategy. Conventionally, the aim of traditional marketing was to create new customers. This is a kind of offensive marketing strategy that not only tries to acquire new customers but also put an attempt to attract the dissatisfy clients of the competitors more precisely, at the time of fierce competition (Ahmad and Buttle, 2002)10. In the process of value creation, although it is important for the companies to acquire customers, it is an intermediate stage. Initially, the companies must try to focus on retaining its existing customers.

Thus, relationship marketing emphasises on implementing both offensives as well as defensive strategies to reduce customer fluctuation. This logic of integrated approach can be explained through leaky bucket metaphor. The metaphor of the leaky bucket stresses on retaining existing customers and recognising and acquiring potential customers. That is, the objective should be to keep any customer available in the market. For any enterprise, to achieve success, it is essential for it to have a constant flow of clients, in addition to the retention of
the existing consumers. Thus, in an integrative management process, companies practice both retention and acquisition strategies to achieve sustainable profitability (Coyles and Gokey, 2005).  

**Figure 2.1: Leaky Bucket Theory**  
(Source: Egan, 2008)

- **Customer Acquisition:** Number of consumers associated with the company has direct implications on its profitability. As said, companies earlier used to focus on acquiring new customers; however, due to higher competition in the mature markets and low or negative population growth, it has become difficult for the companies to acquire customers (Farquhar, 2004).

- **Customer Retention:** Relationship marketing focuses on both aspects, that is, retaining and acquiring customers, but this concept focuses more on customer retention. Relationship marketing focuses on retention as well as on the acquisition. Many academics supported this idea, but few of the academics suggest that customer acquisition is ten times more expensive than customer retention. This type of marketing is accepted worldwide, and numbers of business enterprises are using this marketing strategy to keep their existing customers happy and satisfied. Every business enterprise should focus on customer retention rather than on acquiring new
customers (Ang and Buttle, 2006). If any business enterprise focuses principally on retaining customers, then it will strengthen their relationships and provides extra profits and other additional benefits, so that company's financial position will improve. In brief, we can conclude that the development of relationship marketing has been growing which will be very fruitful in the long term.

Relationship marketing focuses more on retention, but practically it is not possible for the companies to attain the retention criteria as the customers switch over to another product or service. Sometimes it may be unprofitable if the companies try to achieve a near total retention because of the involvement of high costs. The primary aim of retention strategies is to keep the customer at any cost. In some industries, the cost of acquisition is more than that of retention (Hongyi and Man, 2011).

2.4.2 Economics of Retention Strategies

Relationship marketing is looked as an alternative form of mass marketing, and such strategies are practised by the companies only when they are sure that these are practical and affordable and will reap better results in the future. Further, companies need to examine closely the economics of costly relationship technique when the retention and acquisition cost ratios are smaller. The focus must be given to those costly loyalty schemes in which the cost of retaining customers for making profits is significant. Many studies suggest that retention, rather than acquisition, is practised by those industries in which the front end cost such as the cost of personal selling, direct and indirect costs of detailed information gathering, the supply of equipment, advertisement and another expenditure is very high (Honts and Hanson, 2011). When the cost of acquiring customers is lower in comparison to the cost of retaining customers, or when there is a marginal difference between the two costs, in that case, companies prefer to practice acquisition strategies as introducing retention strategies may result in financial burden. Companies apply retention economics for gaining a long-term competitive advantage. Thus, from this, it can be said that
retention economics is more attractive for the companies who want to establish long-term relationships for reaping long-term benefits. Moreover, it means, investing time, efforts and resources by the supplier to build healthy relationships (Honts and Hanson, 2011).15

Gummerson (1999) came up with a term "return of relationship (ROR)". This term is used to determine the return on such kind of investment. Gummerson (1999) defined ROR as "the long-term net financial outcome caused by the establishment and maintenance of an organisation’s network of relationships". Gummerson (1999) believed that loyalty is cumulative and benefits of long-term relationship can be considered from the two perspectives, that is:

- Relationship stages
- The lifetime value of the consumer

2.4.3 Relationship Stages

Dwyer et al. (1987) proposed a five stage model representing the relationship between the parties. These are:

- **Awareness:** In this stage, there is no interaction between the parties, but one party realises that the other is a feasible exchange, partner. Positioning by the partners may or may not be part of this stage.

- **Exploration:** This stage is considered as research and trial stage, and partners start considering obligations, benefits and burdens of the exchange.

- **Expansion:** In this stage, there is a continual increase in the benefits reaped by the partners, and they start to become progressively more interdependent.

- **Commitment:** This stage deals with the implicit and explicit promise of relational continuity between the parties (Kaliappan et al., 2008).16

- **Dissolution:** This stage tells that there is always possibilities disengagement in any relationship.
Figure 2.2: Relationship Ladder and Stages
(Source: Egan, 2008)

To create a relationship ladder, a ladder of loyalty was adopted by Payne et al. (1995) as shown in figure 2.2. In this regards, Kotler also proposed a stage model. As displayed in the above illustration, the Kotler model begins with the suspect stage. In the next phase, that is, prospect, there are chances that customers are likely to service an offer or purchase the goods. Next, Kotler differentiates between the first time clients and repeat customers. After this point, the role of relationship marketing starts Kotler suggests that now the organisations are trying to transform repeat customers into clients. In the advocate stage, a client becomes actively involved and later reaches to become a member. Finally, the topmost partnership stage suggests that the consumer has become a part of the value creation process (Levy and Weitz, 2009)\(^1\).

2.4.4 Lifetime Value of the Customer

One of the success drivers of relationship marketing is the realisation of the fact that customers engage in relationships over lifetimes. Thus, the lifetime value concept concludes that companies, instead of focusing on taking a short term view, must consider the income derived from company's lifetime association with the customers. So, companies must project the value of individual customers over the time instead of counting the number of clients.
Investment regarding the decision in relational approaches is based on customer's lifetime value. In order to improve its service quality, the product is designed to enhance its competitive positioning, and in order to discourage defection to the competition, the enterprise should promote the retention by increasing the switch over cost and creating the exit barriers (Petzer, Steyn and Mostert, 2009).  

"The Customer Lifetime Value (CLV) is a prediction of the total value (mostly expressed in net profit) generated by a customer in the future across the entire customer lifecycle."

– J-P De Clerck

The customer lifetime value (CLV) is one of the financial tools that measures customer profitability and impact of different marketing efforts throughout the customer's lifecycle. Like return on marketing investment or marketing ROI, CLV is a financial value and is used to create value across the customer life cycle. In other words, it can be said that the value of customer lifetime is a kind of investment made for the customers like sales, retention, promotion and customer service, and the expected returns from those activities. In technical term, it is the present value of the expected future cash flows from the customers (Ekinci, Uray and Ulengin, 2014).

From the customer viewpoint, to exit from the relationship, switching cost acts as a barrier to them. Thus, relationship marketing strategies are more fruitful in the situation when there are high switching cost and long time horizon. Switching costs are monetary, and non-monetary kinds of costs customers have to face when they decide to switch from one supplier to another. Switching costs include emotional cost, learning cost, search cost, financial cost, and legal barriers that may be created by either supplier or the customer or by the relationship between them (Petzer, Steyn and Mostert, 2009).

### 2.5 MAIN REVIEWS

- 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. This is in line with the findings of Colloquy Loyalty Census. It has found that on an average 21.9 American households have been enrolled in the loyalty programs, but only 10 of them are active, which is even less than half of the total. They also said that, among all the industries, the retail industry has the highest penetration. 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. The report makes some recommendations that firms must practice, in order to retain its loyal customers. Firstly, differentiate retention strategies must be employed by the retailers. Secondly, the instant of rewarding customers only on their birthday and anniversary, retailers must reward the loyal customers at every interaction. Personalised information must be communicated to the customers. Finally, firms must try to integrate social media strategies with the loyalty programs (Rachapudi and Kumar, 2015)

A very interesting 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. Retailers not only use Wi-Fi for store networking and security, but also for customer engagement. The preliminary findings of the study are as follows:

> 82% of the large to medium sized participated retailers have implemented Wi-Fi in their stores.

> 57% of the participated retailers give Wi-Fi access to both customers and employees.
> The most useful finding of the study is that 27.5% of the participated retailers believe that customer loyalty has been increased due to the deployment of in-store customer Wi-Fi.

> To further attract and retain customers, 70% of the participated retailers, which are not able to set up their own networking or Wi-Fi are currently outsourcing the services.

> Finally, by the end of 2015, 34% of the participated retailers will update their store level Wi-Fi technologies (IHL, 2015)\textsuperscript{21}.

- Annual India Marketers Study "Digital DNA" by Octane (2015) forecasts how India Marketers will use online marketing in 2015. Octane India Annual e-Marketing Study shows a sharp increase in customer retention as a marketing goal in 2015. The report shows that, although, companies still focus on customer acquisition as primary marketing goal, a rise of 80% has been seen in customer retention since 2011. Apart from this, other key findings of this study are that email marketing, websites and social media marketing are top three marketing investment areas for the Indian companies. Further, 61% of the marketers believe that blogs and newsletters are the most useful content marketing tool (ETRetail, 2015)\textsuperscript{22}.

- 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 at the time of planning a budget, most of the marketers plan out budgets only for acquiring customers, that is, for advertising, promotions, PR, events, etc. They simply neglect the importance of revenue generation through research and development, technology and retention. 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. The editorial gives three points that show why companies need to allocate more budgets on retention marketing. Firstly, it
has been tried and tested that existing customers generate more value for the enterprise than new ones. According to Gartner Group, just 20% of the customers generate 80% of the future revenue of the company. In its report, Adobe found out that online retailers spend 80% of their digital marketing budget on acquiring shoppers. Thus, if 1% of the buyers will return, the company's revenue will be increased by around 10%. Meaning, if the online retailers can retain 10% of their existing customers, the company's revenue may get doubled. Secondly, technology-driven and customer centric retention marketing is currently reaping significant financial benefits. For example, Honest Company has seen an 85% lift in average order value by increasing the company's conversion rate to paid members by 170%. Thirdly, customers are spending more money with those businesses that maintain relevant communication with the customers to cater their needs and wants. As per the report published by Accenture Interactive, 75% of the US customers like those companies that maintain proper communication with them. Moreover, the sales of retail stores increases by 39% when retailers offer products based on buying behaviour or past browsing (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 organised retail sector. In addition to this, their work also focused on drawing a relationship between the factors that drives buying decision with customer loyalty and satisfaction. Their aim was to propose marketing strategies for the organised retail sector in India so as to penetrate further into the retail India market. 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 and the data was collected from 105 respondents that were randomly selected
from various retail stores in India. The study concluded that type of service and quality of service plays a crucial role in attaining customer satisfaction. Thus, from their work it can be said that in order to achieve loyalty of the customers, retail stores have to focus more on their service quality and product quality (Khan, Rana and Singh, 2014).  

- Another study by Syed Md. Faisal Ali Khan and Dr Chanchal Chawla (2014) on the Indian retail store "Impact of retail strategy on buying behaviour of consumer" was based on retail strategy and its implication on buying decision of the consumers. In total 535 respondents above 18 years of age were randomly selected from various retail stores of Rudrapur, Kashipur, Haldwani, Dehradun and Roorkee, and surveyed by administering structured closed-ended questionnaire. The study concluded that there is a strong association between age, education, marital status and income and retail strategy (Khan and Chawala, 2014).  

- A study conducted by Gourav Bareja and Mangal Sain (2014), "Impact Pricing Strategy’s As Promotional Tool In Organised Retail Sector", aimed at exploring the impact of pricing strategies as a promotional tool in the organised retail sector in India. The study was conducted on 100 respondents out of which 50 were retailers and remaining 50 were customers. To narrow down the geographic region, Panipat was selected as the test area. The researcher adopted stratified random sampling to collect the data from the respondent. The customers were asked how the pricing strategy of a retail store impacts their buying behaviour. The study concluded that sales promotion strategies act as one of the crucial promotional strategies for the retail store for earning the loyalty of the customers. Moreover, the work also found that traditional retail store needs to redesign their business strategies to attract more and more customers otherwise they will even lose their regular customers to the organised retail stores. Moreover, the research concluded that to develop loyal customers, retail stores need to focus more on customer values and their buying pattern. Finally, the work shows that nowadays organised retail stores are offering huge discounts on their products and thus using
pricing a prime tool for promoting their business. Thus, from the overall
discussion, one can deduce that for retaining customers, retail stores need
to make full use of their pricing in promotional activities (Bareja and Sain,
2014).

- In 2014, Bain & Company, in partnership with Research Now, the
  online global market research organisation, performed a survey
  "Customer Loyalty in Retail Banking" 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 toward the bank and to determine how likely
  they are going to recommend their primary bank to their family, friends
  and relatives". The survey was conducted on 82914 customers of regional
  banks, national branch network banks, community banks, direct banks,
  private banks and credit unions of the countries mentioned above. In
  addition to this, the company also conducted a face to face interview in
  Brazil of nearly 1200 respondents. In the survey, it was found that
  increased use of mobile technology in banks has enhanced the loyalty of
  their customers. Mobility is liked so much by the customers that in 13 of
  the 22 countries, mobile is the most used banking channels and accounts
  for around 30 percent of the transactions. Banks offering such platform
  have been able to retain their loyal customers and are succeeding in
  attracting potential customers, and because of this the number of
  customers using the mobile application has been increased by 19 per cent.
  Now customers are switching from computer and laptop to mobile
  banking. Those banks, which are offering mobile banking to their clients,
  are placed at the top of the list, and respondent agreed that they would
certainly recommend their bank to their friends and relative because of
  mobility feature. Thus, the result clearly shows that those banks that are
  coming up with new features and offering seamless banking are
  experiencing loyalty of their customers (Bain, 2014).
Dr Bikrant Kesari and Sunil Atulkar (2014) in their study tried to find out the factors that are attracting customers towards organised retail stores. Their study "A Review of Customer Preference towards Organised Retail Stores" is an attempt to find out the choice of consumers towards the retail stores and how the customer behaves while making a purchase decision. The study concluded that electronic media, especially the internet, has provided customers with an option to choose from modern retail outlets. The study paper highlights various reasons that have attracted people towards the modern retail store in recent times. 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. In the present era, more and more people prefer organised retail stores over traditional stores as these stores provide better facilities and services to the customers. The study also found that qualified people like to visit organised retail store, whereas, less qualified people prefer traditional retail stores. Thus, the researcher shows that to attract more and more customers, retail stores need to service the customers in faster, better and in a cost efficient manner. Further, retail stores need to formulate certain retention strategies to attract the customers and stop them from drifting towards other organised stores or traditional shops (Kesari and Atulkar, 2014)28.

Ayaz Nanji (2014) in his article "Small Businesses Focused on Existing Customers in 2014", has written that most small businesses (62%) plan to spend the majority of their 2014 annual marketing budget on retaining existing customers rather than trying to acquire new ones. 61% of small businesses say they generate most (51%+) of their annual sales from repeat customers. The study was conducted on 902 US based small business. Further, he also concluded that only 1/3rd of the SBO's had designed some or the other loyalty program to attract potential customers and to retain existing customers. Moreover, the study also concluded that out of all these SBOs which practice loyalty programs, only 46% programs are digital based, remaining loyalty programs are non-digital based. So,
from the work of Ayaz Nanji it could be said that small businesses do not prefer offering loyalty programs to the customers. This may be because loyalty programs increase the overall operating cost of the companies and thus, may be not an attractive option for the small players for retaining customers (Nanji, 2014)\textsuperscript{29}.

- A study by Jed Williams (2014) “SMBs Shift Priority to Customer Retention” on nearly 1000 members of Manta's online dictionary community found that 61% of the small businesses surveyed indicated more than half of their revenue comes from repeat customers. Furthermore, the study found that repeat customers spend 67% more than a new customer. It was also found from the study that the focus is now shifting towards engagement and retention. This study has contradicted the findings of BIA / Kelsey's Local Commerce Monitor survey that concluded that SMB's focuses more towards acquiring a new customer rather retaining their existing customers. The study found that only 34% of the SMB Owners practice any loyalty programs and majority of the loyalty programs were offline in nature and thus, SMB's fails to avail the benefits of loyalty programs effectively. Thus, it can be concluded that 70% of the SMB's do not have any loyalty program as they find acquiring a new customer is more beneficial in comparison to retaining an existing customer (Williams, 2014)\textsuperscript{30}.

- The research work "Maximizing Customer Retention through Loyalty Programs in Perfect Competition Markets: A Case of Fast Foods retail businesses in Masvingo Urban, Zimbabwe." conducted by Clay. Hutama Basera (2014) examine the extent to which the three major Fast Food retailers in Masvingo use loyalty programs as the means and end of harnessing customer retention in highly competitive markets such as perfect competition. For this purpose, the researcher adopted descriptive research design. A sample of 120 respondents was selected, and a structured questionnaire was administrated face to face. Quantitative data analysis techniques such as mean, standard deviation, etc. were used to analyse the collected data. The study found that major fast food retailers in
Masvingo do not have any loyalty programs to retain their customers. It was also concluded that it is essential for the food retailers to formulate certain retention strategies for achieving sustainable competitive advantage and profitability in highly competitive market environments such as perfect competition in which it is difficult to dictate the pace in the market. This will create certain kinds of barriers for the customers to switch from one restaurant to another. The study also revealed that in an extremely competitive market, it is essential for the food retailers to build a long-term bond with the customers and in this regards loyalty programs can be an excellent option (Basera, 2014)\(^{31}\).

- 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. She emphasises the fact that the retailer must start focusing more on their loyalty initiatives so that they can compete in a better manner. In her article, she stated that there were 2.65 billion of total loyalty program subscriptions in 2012. As per the research conducted by Colloquy, 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. Moreover, customers are confused regarding some of the existing tiring reward systems such as gold, silver and bronze, as they do not know what tier they belong to in their favourite loyalty programs. Such reward programs create more confusion for the customers rather than improving their shopping experience. Alicia Fiorletta further stated that it is essential for the retailers to deliver 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. The article also reflects that instead of reinventing different loyalty schemes for different channels, a
central engagement hub should be practised by the retailers for their loyalty programs. In this regard, the omnichannel approach is most suitable for the retailers to design their loyalty programs as it results in a lot easier in marketing strategy (Fiorletta, 2014).

- **Syed Md Faisal Ali Khan** and **Dr Chanchal Chawla (2014)** in their study "Impact of Organised Retailing on Consumer Behaviour with Special Reference to Uttrakhand", focused on the factors that affect the behaviour of consumers in organised and unorganised retail sector. The main purpose of the study was to determine the competitiveness of the Indian retail industry and to analyse its current scenario. The study mainly focuses on retail stores of Uttrakhand and concluded that the overall scenario of Indian retail stores, the 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).

- **Dr. R. Moses Daniel** and **Kumaran Thayumanavan (2014)** in their study "Impact Of Organised Jewellery Retailing On Unorganised Gems And Jewellery Retailing in Madurai District With Special Reference To Madurai Gems, Jewellery And Bullion Association", mainly focused on analysing the consequences of rise in modern retail stores on traditional stores in the district of Madurai. The study concluded that with time the Madurai Jewellery retail industry is seeing some changes and most of the retail investors have come up with their own jewellery set up in the city. Since the jewellery market is getting organised, more and more players from the nearby areas of the city are investing in the Madurai Jewellery market, and thus, it is benefitting the end users. On the other hand, traditional or unorganised jewellery stores have their own sets of strategies for retaining customers that include credit facility, free home delivery, etc. The study finds the reasons for why customers are still attracted towards the traditional or unorganised retail jewellery stores. This is because of the kind of behaviour and helpful
nature of these unorganised retailers. Unorganised players agree that in the recent years, due to a huge marketing campaign, consumption behaviour of people has changed drastically and to negate this shopping behaviour, unorganised players have to upgrade their outlets with latest designs and technology (Daniel and Thayumanavan, 2014)33.

- **Mohamad Rizan, Ari Warokka and Dewi Listyawati (2014)** in their research work "Relationship Marketing and Customer Loyalty: Do Customer Satisfaction and Customer Trust Really Serve as Intervening Variables?" examine the linkage between relationship marketing and customer loyalty by using customer trust and customer satisfaction as the intervening variables. The study aimed to study the client perception on satisfaction characteristic of the customers. For this purpose, structural equation modelling (SEM) was adopted to analyse the relationship. A sample of 150 customers of private banking was selected to collect appropriate information on the research topic. The study confirms that customer loyalty is highly influenced by customer relation-centric marketing. Indirect relationship marketing has a greater impact on customer loyalty through customer trust and customer satisfaction than the straight one. Further, the work highlights the importance of customer loyalty for any business. In the banking sector, it is essential for banks to have a loyal customer base as it helps banks to reap long-term benefits and provides a name of inspiration. Thus, banks must keep on updating their technology and must have a clear and transparent communication with their customers. This will also help them in predicting the trends, and provide better avenues for developing new banking solutions. Banks must put customer loyalty at the heart of their growth strategies and must practice customer relationship marketing (Rizan, Warokka and Listyawati, 2014)34.

- **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. In this regards, leveraging analytic tools and models
can be of significant benefits to the retailers. Nowadays, there are lesser chances that a customer will remain loyal to any particular brand or store. Connectivity has provided them with an opportunity to research easily competitive offerings. Thus, customers have become more sensitive to price, offerings and feedbacks of other customers on social media platform. This has forced retailers to work on their retention schemes and loyalty programs. Now, retailers have understood that in their retention strategies they need to go beyond general discounts, points and rewards. Instead, they should focus more on delivering a personalised shopping experience to the customer. The paper defines loyalty as "moving a customer from first-timer, to repeat customer". The study says that retailers can achieve greater benefits from analytical tools such as firms can determine their most profitable target customer base, can develop a strong relationship with the customers, helps in advertising and promotion, etc. The author recommends that firms should use big data for predicting future and developing retention programs. Moreover, retailers should use analytical tools for both online and offline channels. Companies must use social media platform and mobile technology for interacting with its customers. Finally, based on customer purchasing and browsing behaviour, companies must develop personalised offers to its customers both in store and online (Gupta and Kumar, 2014)\textsuperscript{15}.

- 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. They believe that in the next two to three years, customer retention will be the most significant driver in generating profits and achieving growth. 41 percent of the retailers surveyed by KPMG agrees to invest in technology that will enable them to serve customers in a better manner and communicate with them effectively. Further, for better strategic decision-making, retailers are taking help of data and analytics. Retailers also feel that since now they have access to the data regarding shopping behaviour of their loyal customers, they can serve them in a better manner. More importantly, it has also helped them in designing better retention schemes (MarketingCharts, 2014)\textsuperscript{36}. 
A research study "Successful Loyalty through Analytics" by International Institute for Analytics (2014) identifies the tenets of customer loyalty strategies. Further, the work tries to understand the importance of analytics to improve the loyalty programs. For this purpose, a sample of 325 enterprise marketing executives versed in customer loyalty from a range of industries and functional areas was selected, and an in-depth interview was conducted. The study shows that with the rapid proliferation of customer loyalty programs, retaining existing customers has become a priority for the companies. Day by day, both implicit and explicit loyalty programs are mushrooming in the retail sector. However, the research suggests that this increase in loyalty programs may have unintended consequences for the customers. Because of these loyalty programs, customers always expect deals and discounts. Moreover, instead of purchasing fresh arrivals, they wait for sales and special discount offers. Further, the membership card is losing its charm for increasing loyalty; rather they have become a means for price shopping. The research also reveals that nowadays companies are struggling to devise unique and relevant programs that result in brand affinity and translating to repeat purchases. Companies have formulated loyalty programs to retain their most valuable customers, but only 56% of the companies use particular customer retention rate metric to measure the success of their loyalty program. Further, only 27% of the companies measures customer lifetime value. The study also found a strong correlation between loyalty program effectiveness and the use of data and analytics to develop and measure loyalty program strategy (International Institute for Analytics, 2014)\textsuperscript{37}.

A research study conducted by Dewasiri Jayantha and Tharanganee Geetha (2014), "Determinants of Customer Retention with Special Reference to Mobile Telecommunication Industry in Sri Lanka" tries to examine the factors that affect customer retention in the mobile telecommunication industry in Sri Lanka. The aim of the study was to develop appropriate retention strategies for the telecom companies and to test whether or not demographic factors such as gender, age, education,
occupation, income and marital status, etc. affect the retention. The study is a cross-sectional in time, and the primary data was collected from a conveniently selected sample of 154 adult consumers in Sri Lanka. The unit of analysis is at the individual level. To test the hypotheses, Chi-square Tests, independent samples T-tests, ANOVA and Regression tests have been performed. The study 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 (Jayantha and Geetha, 2014)\(^38\).

- 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. Some of the major findings of the survey are:
  
  > If employees are highly engaged, the customer retention rate goes as high as 18%. It means companies need to market a program internally as well as externally.

  > Consumers become more loyal if companies provide them with an opportunity to share their rewards. Because of this, 45% of the customers will spend more and 70% of the customers will shop more.

  > Companies have sensed the advantages of customer loyalty. As a result, American companies invest more than $2 billion annually in loyalty schemes. This has led to a 10% increase in membership.

  > The survey also shows that if customers get extra points for shopping using their debit card and credit card, there are 60% more chances that customers will like to join a retailer's loyalty program.

  > One of the most significant findings of the surveys is that most of the customers are not loyal to online retailers because of their poor checkout experience. The study shows that 86% of the online and in-
store retailers feel that an inadequate checkout system can be a competitive disadvantage. Thus, if a retailer needs to retain its customers, it has to focus on its checkout system.

> In this series, 70% of the retailers feel that expedited transaction speed for improving the checkout experience significantly helps in gaining customer loyalty.

> Another important finding of the survey is effective customer communication. The success of loyalty program highly depends on effective customer communication.

> The study found that 80% of the revenue in the retail stores is generated by only 20% of the customers. If a retail store can identify its top 20% of the customers, there are higher chances of success of the loyalty program (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"* revealed the concept of Customer Relationship Management and its contribution towards the retail sector. This study also focuses on the benefits of customer relationship management and how to enhance customer service through better communication. Data of 45 retail stores and 45 customers of Indore city were collected through judgement sampling. The result of this study
reflects that customer relationship management plays a significant role in identifying customer preference, needs, buying habits, etc. CRM also helps in establishing good relations with their customers. Their work also concluded that feedback form, purchasing record, transaction history, entry forms, etc. are good sources of maintaining customer information correctly (Verma and Verma, 2013)41.

- Padmashantini, P. Gengeswari, K. and Sharmeela Banu, S. A. (2013) in their research work, "Investigation on the Customer Retention Practices at a Major Retailer in Malaysia", focused on investigating the importance of customer retention practices adopted by AEON, one of the key retailers in Malaysia. The study focuses on the factors that affect customer retention and its measures. For collecting the primary data, a sample of 400 customers was selected at four AEON outlets in the North of Malaysia through mall intercept survey and judgmental sampling. Out of the four stores selected, first 100 customers of each store holding the loyalty card and willing to participate were chosen for their responses. A questionnaire was filled by all the respondents and the reliability, and consistency of the data was assessed by computing Cronbach's alpha. The study concluded that customer retention is beyond maintaining and satisfying existing customers. Thus, for improving the firm's performance, it is essential for them to give attention to this area. By adopting customer retention strategies, a retail store can gain sustainability and competitiveness in the existing retail sector. The study also found that membership programs are the key strategies adopted by the AEON retail stores for retaining its customers. Apart from this, customer satisfaction and service quality are other factors on which the firm needs to pay attention. Further, 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)42.

- Jyothi Kumar and Mlabika Purkayastha (2013) in their research work "Study on the impact of retail loyalty programs on consumer buying behaviour" examine the mechanism in which consumer buying behaviour
was influenced by the loyalty schemes designed by the retail stores to retain their customers. The paper provides conceptual understanding regarding the loyalty structure in organised retailing. Their work concludes that with time, more and more retail companies are focusing more towards loyalty programs, cards and retention strategies. Firms are using this for developing a long-term relationship with the customers. However, the research also shows that the empirical data regarding reward schemes are not very optimistic. Since such loyalty cards are issued free to the customers, the majority of the customer opts for them, but very few of the issued cards are swiped at the point of sale enthusiastically (Kumar and Purkayastha, 2013).

- **Mujib-ur Rahman (2013)** in his work “Loyalty Programs and Retail Performance: A Case of Indian Retailers” concluded that the organised 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. Hence, in the time to come, a loyalty program is going to be the most dominant marketing tool for enhancing retail performance (Rahman, 2013).

- **Challenges of Customer Retention in the Kenyan Banking Sector: A case Study of KCB Treasury Square Branch, Mombasa, by Winfred Nganda Mbithi (2013)** aimed at analysing the challenges faced by the Kenyan banking sector in retaining customers. The study tries to find out the factors that affect customer retention and how the Kenyan banking sector can overcome the problem of drifting customers. For collecting authentic and reliable data, the researcher selected a sample of 40 employees of KCB Bank, Treasury Square branch in Mombasa County. The employees were from different departments such as customer service, finance, control and strategic management, compliance, sales and marketing. A structured questionnaire was designed, and respondents were requested to give their fair views. Participants have to fill their choices on
a Likert scale which then was analysed through descriptive data analysis tools. The study found that with time, retention schemes and loyalty programs are losing their charm, and customers are becoming desensitised towards them. Customers are ready to switch from one service provider to another for savings. To protect brand loyalty and to increase revenues, businesses need to be innovative and must deliver unique value and services to the customers. The research says that in the present scenario, the concept of the customer as brand evangelists has become very popular. Thus, the paper concludes that for retaining loyal customers and for attracting potential new customers, banks not only have to develop better retention strategies, rather they also need to deliver unique values and services to the customers (Mbithi, 2013)\textsuperscript{45}.

- **Victor Ho (2012), CEO FiveStars**, in his article "**Loyalty Programs: One of the Hottest Trends for Retailers in 2013**" writes that in the last decade, the majority of the small and medium-sized retailers are coming up with several marketing innovations like 'daily deals' for luring existing and new customers. For this reason, businesses are even taking help of companies such as LivingSocial and Groupon. The article talks about whether such programs actually work and found that daily deals are profitable for the businesses, and 48 percent of the companies have opted to run even a second deal. However, companies operating in foodservice and beverage retailers are less enthusiastic about the second deal as only 36 percent of such firms opted for second daily deal promotion. The article further shows that it is very difficult for the companies to make a profit from the discounts offered to their regular customers. Thus, companies are shifting towards a more sustainable strategy that will deliver long-term benefits, such as retention programs and loyalty schemes. The majority of the small and medium retailers have started loyalty programs such as company branded reward cards, credit card reward plans, etc. The study also shows that retailers practising loyalty programs are 88 percent more profitable in comparison to their competitors. For example, a loyalty program started by Starbucks helped the cafe giant in increasing its
customer visits by 10 percent. Moreover, Macy's reward program and BestBuy's reward program have also helped them in increasing their profit levels. Thus, Victor Ho feels that customer loyalty programs and schemes will be the biggest trends for retailers in the coming years (Ho, 2012).46

- The research study conducted by Inamullah Khan (2012), "Impact of Customers Satisfaction and Customers Retention on Customer Loyalty" examines the importance of customer relationship focusing on customer satisfaction, customer retention and customer loyalty. The worked was conducted in Pakistan, and a questionnaire was distributed through the electronic mail for collecting appropriate data. To analyse the data, the researcher employed linear regression analysis, and the results show that customer loyalty highly depends on customer satisfaction rather than customer retention. The study recommends that companies operating in the mobile telephone market should manage their relationship with the customer in a better manner. One of the limitations of the work is that it is limited to a single industry of mobile telecom industry (Khan, 2012).47

- A research paper by SAS and Loyalty 360 (2012) “Facing the Challenges of Building Loyalty and Retention: The New Strategic Imperative” concluded that while customer loyalty and retention are not new, there is certainly an increased focus on driving effective strategy around them. The primary objective of this study was to examine the current trends in customer and loyalty programs. For this purpose, an online survey was launched between November 2011 and December 2011 and around 150 managers of different B2C and B2B participated in the study and presented their views. Traditional means of creating loyalty and keeping customers are gleaning diminishing returns. Customers are becoming desensitised to loyalty programs and are more willing to switch for savings. Businesses must be innovative in delivering unique value to their current customers to protect their brand loyalty and grow their revenue stream. The concept of customers as brand evangelists is more important than ever. The survey also found that the majority of the companies nowadays are focusing on customer loyalty and developing
separate department for the same. The work also revealed that as the cost of acquiring a new customer is 5 to 10 times more than holding an existing customer. Thus, nurturing the loyal customers has become a priority strategy for the departmental store (SAS and Loyalty 360°, 2012).  

- Sharmeela-Banu, K. Gengeswari and P. Padmashantini, (2012) in the work “Customer Retention Practices among the Major Retailers in Malaysia” found that Customer retention is beyond satisfying and maintaining existing customers. Hence, attention to this area is greatly needed to further improve the firm’s performance. It is believed that customer retention strategy will be an excellent management tool for retailers to survive and grow in the very competitive retailing industry. This is due to competition faced not only from local retailers but also from foreign retailers in addition to their online counterparts (Banu, Gengeswari and Padmashantini, 2012).

- Shruti Sharma and Atul Dhingra (2012), in their study "Customer Relationship Management Systems - A Study Of Select Organised Retail Companies in NCR Region" focused on understanding the concept of CRM system in retail companies. The geographical location selected for this purpose was Delhi- NCR. The authors feel that, in India, customers have a considerable choice of selecting a retail store as there are many options available to them. They further added that, at the time of making any purchase, two parameters that are considered by the customers are the price of the product and service quality provided to them by the retail store. In their views, it is easy for the retail outlets to control the price factor, but in the case of service delivery, they find it very difficult to maintain the quality of service provided. Retail stores can attain both these factors through Customer Relationship Management (CRM). An in-depth interview with CRM users, non-users and organisation's management teams were conducted. Judgmental sampling was adopted for selecting a sample of seven retail organisations, namely Shoppers Stop, Wills Lifestyle, Westside, Big Bazaar- Pantaloons, Central Mall, Reliance Fresh, Café Coffee days. The study concluded that customer relationship
management generated value for money for many companies, but it is not up to the desired levels. They suggested that with the ever increasing demands of the customers and the high economic uncertain scenario, retail stores need to improve their CRM initiatives (Sharma and Dhingra, 2012).

- Motshedisi Elizabeth Molapo and Geoffrey Mukwada (2011) in their work “The Impact of Customer Retention Strategies in the South African Cellular Industry: The Case of the Eastern Free State” found that though there are many customer retention strategies that are employed in the South African cellular industry, the most effective are those related to quality of service, affordability of service and provision of customer support services. The main purpose of conducting this work was to determine the customer retention strategies adopted by the South African telecom industry. The study also tried to determine the pros and cons of practising customer retention strategies in the South African telecom sector. A collection of data for the study was done through both qualitative and quantitative methods and for this purpose a questionnaire was formulated. A sample of 500 respondents was selected Triangulation technique was applied to analyse the accumulated data (Molapo and Mukwada, 2011).

- 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 organisation, in such a situation it is the CRM of the organisation that will compel the customers to visit the retail outlet again and again. The researchers found that in small cities like Udaipur, retail stores are trying hard to attract and target customers from different segments such as rural and urban customers, low, middle and high-income customers, etc. Presently, most of the organisations operating in the hospitality sector of the city are practising this CRM, but now it is the time
that retail stores must also start formulating some retention strategies so as to attract and retain customers. Their study was descriptive in nature and was performed on 30 organised retail stores of the city. The researcher used non-probabilistic judgmental sampling technique and data was collected through observations, interviews and questionnaires. 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 (Molapo and Mukwada, 2011)51.

Jessica Mascareigne (2009) in her work “Customer Retention – Case Studies of Agencies in the Professional Service Sector” concludes that developing a close, deep, trustworthy and long-term relation is essential for professional service providers and in this regards customer retention strategies play a significant role. The study tries to find out how retail service providers can retain their customers through a case study approach. Their study focused more specifically on advertisement sector. Four of the Swedish advertising agencies (Lowe Brindfors, Favor Reklambyra, Holy Diver and Vinter Reklambyra) were selected for an interview for collecting data. The first and the foremost findings of the study was that professional service provider companies do not practice any formal or standardised strategies for retaining customers. Instead, they provide customised retention services to their customers. Firms must place more efforts on creating personal relationships to build a strong bond with the customers. Finally, the work concluded that providing higher customer satisfaction and creating switching barriers are two of the main strategies practised by the firms to retain their customers. This work was descriptive in nature, and deductive approach was applied by the researcher (Mascareigne, 2009)53.
• **Sunil Basavaiah and Sanjai Velayudhan (2009)** in their work “A Strategic Insight into Retail Loyalty” concluded that Companies receive proven bottom-line benefits from establishing long-term customer relationships, and those companies that invest strategically in improving customer loyalty can expect significant gains in profitability and other financial measures. They found that customer loyalty has become one of the most sorts out strategies for the companies (Basavaiah and Velayudhan, 2009)54.

• **Dr C. K. Dash, Tapash Ranjan Moharana and Nihar Mohapatra (2009),** in their work "CRM implementation in Organised Retail" tried to find out the ways to improve customer retention and how retail store can attract more customers by offering better shopping environment. The research was conducted on the customers of Formats of Pantaloon future group, Vishal Mega Mart & Subhiksha, Mother Diary, Shoppers Stop, Spencer & Reliance Fresh in NCR region of Delhi, Noida and Gurgaon. For collected primary data, the researchers randomly selected a sample of 250 customers through convenience sampling, who visited different formats of organised retail stores. They 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. Retail players feel that, if they succeeded in satisfying a loyal customer, it would result in an increase in business from a referred customer. Thus, instead of putting efforts in attracting a new customer, retailers can gain referral customers by satisfying their existing and loyal customers. They also found that if the retailer provides excellent services and maintain a healthy relationship with the customer, it will result in good word of mouth publicity and vice versa. Finally, the study concluded that long and close relationship with a customer significantly lowers marketing cost per customer (Dash, Moharana and Mohapatra, 2009)55.
Murat Dogdubay and Cevdet Avcikurt (2008) in their study “Customer Loyalty in the Speciality Restaurants: an Example from Istanbul”, concluded that there is no single type of loyalty programme that is appropriate for all restaurants. The study aimed towards identifying the factors that affect the customer loyalty of a speciality restaurant. The study was performed on 14 of the well known Turkish Ottoman restaurants and a structured questionnaire was distributed to 250 respondents. Different types of restaurants require different approaches to the development of loyalty programmes, but it may be emphasised that as the relationship between customers and restaurant get closer, loyalty levels may rise. Therefore, the fair treatment of customers, meeting their needs and expectations and adding value to services has played a significant role in building relationships that may result in customer loyalty. 31% of the respondents are loyal towards the restaurant, and thus the study aligns the findings of Baloglu (2000) who also concluded that loyal customer shows strong commitment towards the organisation. The study also found that to attract and retail customers, restaurants need to devise several loyalty programmes. The most important factors determining customer loyalty are tasty, nutritious and fresh food and clean surrounding (Dogdubay and Cevdet Avcikurt, 2008).

The report, published by DMG Consulting LLC (2008) “Maximizing Customer Retention: A Blueprint for Successful Contact Center” shows that Building a loyal customer base is a primary goal for companies of all sizes around the world. To achieve this objective, companies need a systems infrastructure that provides detailed information on each customer’s activity and allows them to analyse proactively and anticipate customer dissatisfaction. When early warning systems and loyalty programs fail, the contact centre faces the moment of truth with at-risk customers. Well-trained and empowered agents can retain the vast majority of their customers. The challenge is to give agents the support, information and flexibility they need to get the job done. This is a complex effort that requires a sturdy CRM and analytics systems infrastructure and
the ongoing support of senior management, all customer-facing departments, operational groups, and IT. In their report, they found that there is a misconception that price is the main reason for attrition of customers. It is the service, and not the price, which is the primary cause of customer attrition. Customers remain loyal to the company until and unless they are satisfied with the services of the enterprise. Once they get dissatisfied, there are higher chances that customers will drift towards the competitors. The study says "if the company performs well at the “moment of truth,” they retain the customer; if not, the company usually loses the customer" (DMG Consulting LLC, 2008).57

• **Sumit K. Jangid (2008)** in his study **“A Study on Customer Retention Efforts by Shopping Malls in India”** concluded that to retain customers, Shopping Malls are undertaking several strategies and tactics like extra services, better facilities, etc. As the customer loyalty is becoming more crucial, differentiation in terms of consumption chain or the customer experience can help in building the desired loyal customer base to fight against the nearby Shopping Mall. The work primarily focuses on needs of customer retention strategies such as loyalty programs by the Indian shopping malls for gaining competitive advantages. The study was exploratory in nature, and primary data for the analysis was collected by observing the buying behaviour of the customers in the shopping malls in Bangalore. Buyer utility map was employed in the study for evaluating the efforts made by Indian shopping malls to attract potential customers and retain existing customers. The study found that loyalty programs are not as successful in shopping malls as expected. The main reason behind this was a high cost attached to such schemes and offers that had its direct impact on their revenue which started to decline. Most of the shopping malls are focusing more on creating a better customer experience rather than improving efficiency or adding convenience into the consumption chain of the customers. The study recommends that shopping malls must come up with customised loyalty programs and should introduce loyalty cards (Jangid, 2008).58
L. White and Venkata K. Yanamandram (2007) in their work “A Model of Customer Retention of Dissatisfied Business Services Customers” tried to build a theoretical framework of the factors that influence the dissatisfied customer to continue shopping from the same provider in business to business. The work shows that five major factors deter customers from switching to an alternative service provider are switching costs; interpersonal relationships; the attractiveness of alternatives; service recovery; and inertia. Dependence and calculative commitment mediate these factors. The study says that a dissatisfied customer has a power of diminishing customer base and can affect the reputation and brand image of the firm, thus, forcing companies to rely more on volatile customer base (White and Yanamandram, 2007)\(^{59}\).

A study by Adrian Payne and Pennie Frow (2006) “Customer Relationship Management: from Strategy to Implementation” illustrated how an additional £5.5 million increase in expenditure, when directed at increasing the number of ‘very satisfied’ existing customers, could result in a £18 million increase in profitability. They computed that the additional expenditure would increase the number of ‘very satisfied’ customers by 6%. This increase would, in turn, result in a corresponding 4.8% increase in customer retention (Payne and Frow, 2006)\(^{60}\).

A whitepaper "The Loyalty Connection: Secrets to Customer Retention and Increased Profits" by Bob Thompson (2005) found that management systems and budgets of the company do not support its idea of customer loyalty. The CRMGuru survey found that for the top management, customer loyalty was either extremely important or very important. The respondents participated in the survey said that it is important for the companies to prioritise investments in customers rather than existing customers. The paper recommends that companies should invest more in retention programs in comparison to acquisition programs. Further, it should regularly measure loyalty frequency. Finally, companies must employ senior and experienced executives to manage the staff for achieving higher customer retention (Thompson, 2005)\(^{61}\).
According to survey “9th Annual Frequent Shopper Survey” conducted by AC Nielsen2 (2005), it was found that more than 60% of European and American consumers belonged to at least one grocery store loyalty program.

> About 76 percent of all US grocery retailers with 50 or more stores have a loyalty program

> Almost 50 percent of top UK retailers have a loyalty program

> 80-90% of all grocery customers have a loyalty card; 56 percent of them use two or more loyalty cards (Waarden and Benavent, 2007)\(^62\).

The study “Customer Retention: A Business Imperative” performed by Baxter Strategies Incorporated (2004) found that in the present competitive marketplace, customer retention offers increased profitability and sustainable protection against competitive inroads. To be effective over the long term, a customer retention program must start at the top (Baxter Strategies Incorporated, 2004)\(^63\).

Merlin Stone et al. (2003) in their study “The Effect of Retail Customer Loyalty Schemes – Detailed Measurement or Transforming Marketing?” aims at evaluating the customer loyalty schemes. Earlier, the efficiency of customer retention schemes was evaluated on the basis of their financial and marketing effects on retaining, acquiring and developing a strong customer base. However, the author argues that retention schemes must also be evaluated through how well customer loyalty schemes have helped the companies in transforming their marketing and business. It concluded that loyalty schemes are one of the many competitive initiatives used by retailers to supplement the traditional weapons of the brand, customer service, price, merchandise range, product promotions and location (Stone et al., 2003)\(^64\).

John T. Bowen and Shiang-Lih Chen (2001) in their study, “The Relationship between Customer Loyalty and Customer Satisfaction”, focuses on to refine and execute a system for hotels to find out the various factors that will maximise customer loyalty and the same method can be
used by other hotels as well. Data was collected through both mail survey and focus groups. Samples were drawn from the hotel database of 564, and the study depicts that the relationship between customer satisfaction and customer loyalty was non-linear. This work is in line with the study of Reichheld and Sasser (1990) which also found that retaining a customer is far more beneficial than attracting a new customer. Both studies found that an organisation can increase its profit level by 25% to 125% through customer loyalty. The study also reveals that loyal customers are less elastic or inelastic to price, it means customers are less likely to switch to some other company even if there is some price difference. Thus, they concluded that the introduction of loyalty programs and retention scheme results in a higher number of loyal customers and reduce marketing cost, operational cost and increases sales (Bowen and Chen, 2001).65

- In an HBR study “Zero Defections: Quality Comes to Services”, Frederick Reichheld and W. Earl Sasser (1990) identified numerous bottom-line benefits of customer retention. They found that loyal customers purchase more, they will pay higher prices; they are easier to service, and they help expand the customer base by giving positive referrals. They established that a mere 5% increase in customer retention increased an organisation’s profitability by 25 percent. Acquiring a new customer can cost as much as five times of keeping an existing one (Reichheld and Sasser, 1990).66 They perform a survey on an auto service company and found that as long as the company keeps a customer, it generates higher profits each successive year. Thus, the auto service company generated three times higher profits in the fourth year in comparison to the first year with the same number of customers.

- Claes Fornell and Birger Wernerfelt (1987) conducted a study “Defensive Marketing Strategy by Customer Complaint Management: A Theoretical Analysis” the study mainly focuses on defensive marketing, it means retaining present customers and it is the tool for reducing customer turnover and brand switching. The basic assumption of the study shows that it is difficult for every organisation to attain 100%
customer satisfaction at every single time for all the customers, there will be certain dissatisfaction presents due to several reasons like customer desire for a different variety of products, market competition, etc. To overcome customer dissatisfaction, defensive marketing focussed on to reduce the bad and unfavourable effects on the organisation. The study also suggests that customer grievances can be effective sources of planning and designing ideas to improve the quality of products and services. However, both offensive and defensive marketing plays a vital role in increasing the market share and reducing the cost. The empirical study found that if a dissatisfied customer is once persuaded to stay, there are higher chances that he becomes more valuable and loyal to the company. The study also found that practising a complaint management helps the company in generating word of mouth publicity. Their model suggests that as a defensive idea company can use their complaint management for lowering the cost of offensive marketing and increasing the market share of the company (Fornell and Wernerfelt, 1987)\textsuperscript{67}.

- According to IBM Consulting (n.d), the top 5% of retail customers contribute 20% to 25% of sales revenues and 25% to 45% of profits. Harvard Business Review (n.d), has found that a 5% increase in customer retention can increase the profit as high as 125% (Solomon, 2013)\textsuperscript{68}.

2.6 SUMMARY

Nowadays customer retention is of prime importance as it is necessary to understand what an organisation should do to retain its customer. 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 customer, and it continues throughout the lifetime. The goodwill of an organisation increases if the organisation can retain and attract the clients and exceeds their expectations.
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. 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 easily attain its goals and achieve higher customer lifetime value. Further, it is quite cheaper to retain an existing loyal customer than to acquire a new one. Thus, after reviewing the current literature, it can be concluded that for achieving sustainability in the competitive retail market, Indian retailers have to practice various retention strategies.
REFERENCES


