CHAPTER 1

INTRODUCTION AND STUDY DESIGN
1.1 Introduction

The Indian Consumers have undergone a remarkable transformation. Just a decade or two ago, the Indian consumers saved most of their income, purchased the bare necessities and rarely indulged themselves. Today, armed with a higher income, credit cards exposure to the shopping culture of the west and a desire to improve their standard of living, the Indian consumers are spending like never before. Retailers with a variety of products are fuelling their addiction. Their new mentality, in turn is fuelling the growth of organised retail in India.

The most challenging aspect in a business is attracting the customers and retaining them throughout the period. A customer Relationship Management (CRM) system offers a solution to this challenge by scientifically analyzing the dimensions of this challenge and by enabling the business organizations understand the complicated, multifaceted nature of its customers.

Consequently, business organizations can evolve strategies based on the data of the above to attract the customers and retain them as well, by supplying them their wants and needs on analyzing the customers’ business relationship with the business organization. This can make both the organization and the customers fell satisfied to their optimum level of satisfaction in their mutual business interaction. To sustain or survive and grow, business organizations find new ways of thinking which has led to new approaches and has emerged in marketing research.

New technologies for distributing and collecting information have affected both companies and customers. Customers are continuously informed about products through different modes of communication. Sometimes they are drowning in too much information from different companies, but on the whole the customer knowledge has no doubt been increased substantially. As knowledge increases,
customers discover new options, this the customer fidelity is decreased. However, with the new communicative media, companies can change their way of marketing as the possibility of gathering customer data is improved and thereby enhancing the scope of the business interactivity between the two has also become easier and rewarding. Further, the competition on the market is increasing domestically as well as globally. In order to achieve success companies must find new long-term competitive advantages. It is not enough to rely on advanced technology in production and high quality product, because someone’s solutions should be tailored after the customer’s specific needs and wants, with the purpose to increase the customers’ experienced value of the product or service. All these changes imply that there is an increasing need for new ways of thinking within this area.

The CRM highlights the importance of using Information Technology in creating, maintaining and enhancing customer relationships. However, it is not hassle free and there is a need to develop a better understanding of CRM and of how business concerns can use a CRM system to successfully ascend in business by wisely managing the data about the relationship between the customers and the business concern, largely depending upon the data pertaining to a particular business domain that could be effectively gathered.

Consequently, by using customer information wisely to deliver what the customer needs, companies can create long-term, collaborative relationships with the customers. This will bring many advantages since long-term customers are less costly to serve and smooth-running relationship are less resource intensive. The CRM emerged for the reason that customers differ in their preferences and purchasing habits. Understandably, if the customers’ needs and wishes were identical, there would be little use of CRM.
Since the satisfaction of customer’s needs and wants is the justification for an organization’s existence, an effective CRM system is a way for the organization to develop a customer focus in a business and it allows the organization to hear the customer’s voice. Customer retention also means that the firm satisfies customers and/or offers variety as customer comes back and repeats transaction with the same organization. Customer retention and customer loyalty are the major benefits of CRM systems to the organization. Hence, an effective and successful CRM programme for a business organization requires creation of a customer-focused culture, effective adoption of customer-based measures, development of a complete end-to-end process to help a customer in solving the problem, recommendation of the strategies to deal with customer complaints and tracking of all aspects of selling to both existing and prospective customers with a view to gain adequate customer support.

The adoption of CRM is based on the recent recognition that long-term relationships with customers are one of the most important assets of an organization and the information-enabled systems must be developed which will give them ‘customer ownership’. Successful customer ownership will create competitive advantage and result in improved customer retention and profitability for the company.

1.2 Retail Outlet

The word ‘retail’ originates from a French-Italian word ‘retaillier’, which means ‘to cut a piece off’ or ‘to break bulk’. Simply, the term ‘retail’ implies a first-hand transaction with the customer. When individuals or groups leave their native place (birthplace) and settle elsewhere, they miss foodstuffs and other goods that are only available in their birthplace. So, they tend to arrange for some of these goods to
be sent to them. This paves the way for others in their newly adopted community to enjoy these goods leading to growth in demand for the native goods. Similarly, new settlers tend to discover goods in their new surroundings and they dispatch back those goods to their birthplace. This has led to the growth in demand for these goods. These two activities of sending and receiving the foodstuffs and other goods of birthplace and those of new settlement place has led to a regular trade. So, retailing, as an activity, can be traced back to the times when human beings have started sending and receiving the products to and from their net settlements.

The new retail formats that are now seen have their genesis in Europe. The earliest traders were believed to be the Cretans who sailed the Mediterranean and carried on trade with the people of the area and distributed the goods of Egypt and Babylonia. This flourished for 2000 years; their culture influenced other great trading civilizations major traders. Tyre, Sidon and Carthage were the principal trading cities of the empire of Europe. The Romans established a different form of retailing by setting up numerous small shops with centres. In fact, ancient ruins indicate that the worlds’ first department store was in Rome. With the fall of this empire, retailing disintegrated.

During the period after the fall of the Roman Empire, independent peddlers were the only retailers. They carried their merchandise around on their back. They went from village to village selling their wares.

By the twelfth century artisans and traders began to organize into ‘guilds’ and opened up small shops. These helped peddlers gain social and economic advantages. During 30th century, fairs and markets were flourished. Early fairs often had a religious foundation. People would gather at churches and exchange goods on feast days. During these periods, the larger markets were also called fairs and people from
long distance had participated in these fairs of large markets. Tea centres run by Lipton were the first chain of stores. At the start of the 20th century, markets were witnessing the precursors to the present-day retailing scenario as detailed below.

- The retailers, and not the products sold, was the brand.
- Family-owned retail units dominated the market, but large retail corporations were also emerging in the form of corporate and cooperative stores.
- Small retailers were resisting the entry of large retailers.
- Many retailers and manufacturing had direct relationships.
- New technologies in transport and construction were influencing store decisions.
- International sourcing by retailers was also witnessed.
- City centre were becoming major points for comparison buying.
- Shopping centres were coming up at city centres and railways stations

In 1980’s, superstores and retail category sellers made up more than one-third of United States’ retail revenues. In response to these price players, other formats such as malls, specialty stores and grocery stores started stressing on ‘retailtainment’. Mall of America, the world’s largest mall, opened in Minneapolis. This was the time when the retailers stated focusing on the ‘stores as brand’ strategy.

During 1990s, which is the times of the Internet, Amazon.com launched its book retailing business-using e-commerce. This period also witnessed major internalization efforts by larger retailers. The current decade is witnessing a lot of turbulence in the retail industry. Retailers are turning into multi-format entities, especially with the help of the Internet. The focus has shifted to the emerging economies and retailers are searching for a different business model to succeed in these markets ruled by small retailers.
In general, retailing can be explained as an activity that involves a direct interface with the customer and the coordination of business activities from end to end-right from the concept or design stage of a product or offering, to its delivery and post-delivery service to the customer. The industry has contributed to the economic growth of many countries and is undoubtedly one of the fastest changing and dynamic industries in the world today. Retailing also involves the sale of merchandise from a fixed location, such as a store, for direct consumption by the customer and can be defined as an activity that ensures that customers derive maximum value from the buying process. Retailing involves activities and steps need to place the merchandise made elsewhere into the hands of customers or to provide services to the customers.

Retailers organize the availability of merchandise on a large scale and supply them to consumers on a relatively small scale. In the process, they provide the accessibility of location and convenience of timing, size information and lifestyle support. When retailers perform these activities, they create value for their customers, who pay for these services. These values are created continuously through a combination of services, price, accessibility and experience.

Retailing as an occupation came into existence when farmers started producing more food than they required. Trading was an important part of daily life in the ancient world. Different people had different skill sets, and the people who had a surplus of one goods, desired the other goods that they did not have nor could not produce.\(^1\)

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\(^1\) Sinha, Piyush Kumar (2007), *Managing Retailing*, New Delhi: Oxford University Press, pp.5-7
1.3 History of Retailing in India

In India, the existence of the current retail format and other shops can be traced to the Manusmriti and Kautilya’s Arthshastra. These two have provided guidelines for dealing with customers, after-sales service, and quality and price guarantees. Such scholarly works provided the equivalence for exchange in case of barter. They also defined the tax structure for retail and wholesale transactions. Kautilya commented on the location of stores dealing in specific products in the city. He also discussed the manner in which fund and investments could be managed for better results. Memoirs of traders who came from Europe indicated that Indian merchants carried out business with low margins in order to enhance sales. Indian history and archaeology record the existence of markets during the Harappan civilization also. These were the places where commodity exchange was carried out and people congregated and derived several non-economic values.

Retail in India is still at a very early stage. Most retail firms are companies from other industries that are now entering the retail sector because of its amazing potential. There are only a handful of companies with a retail background. One such company is Nilgiri’s from Bangalore that started selling dairy products initially and incorporated other areas in its business with great success through selling all products of day to day needs of the humans. Their achievement has led to the arrival of numerous other players, most with the backing of large groups, but usually not with a retail background. Most new entrants to the India retail scene are real estate groups who see their access to and knowledge of land, location and construction as prime factors for entering the market.

New retail stores have traditionally started operations in cities like Mumbai and Delhi where there has been an existing base of metropolitan consumers with
global tastes and making purchase on ready cash. The new perspective to this trend is that new entrants to the retail scenario should first enter smaller cities rather than focusing entirely on the metro’s. Spending power in India is not concentrated any more in just the 4 metros (Delhi, Mumbai, Chennai and Kolkata). Smaller but upcoming cities like Chandigarh, Coimbatore, Pune, Ahmedabad, Baroda, Trivandrum, Cochin, Ludhiana, Shimla etc., will fast be catching up to the metro’s in their spending capacity.

Cities in South India have taken to the supermarket style of shopping very eagerly and so far the maximum number of organized grocery and department stores are in Chennai, Bangalore and Hyderabad. The north has a long way to go to come up to par. International stores now prefer to gauge the reaction of the public in these cities before investing heavily in a nation-wide expansion. Milou, the Swiss children’s wear retailer, recently opened up its first store in Chennai, bypassing Delhi and Mumbai. Besides the urban retail market, India’s rural retail market has just started to be seen as a viable option and companies who understand what the rural consumer wants will grow to incredible heights. The bulk of India’s population still live in rural areas and to be able to cater specifically to them will mean generating tremendous amounts of business.

The Indian retail sector can be split into two segments as informal and formal retailing sector. While the informal retail sector is comprised of small retailers, the formal retailing sector comprises of large retailers. If the retail industry is, divided based on retail formats then it can be split into the modern format retailers and the traditional format retailers.
The modern format retailers comprise of the supermarkets, Hypermarkets, Departmental Stores, Specialty Chains and Company Owned and Operated Retail Stores. The traditional format retailers comprise of Kiranas, Kiosks, Street Markets and the multiple brand outlets.

The retail industry can also be subdivided into the organized and the unorganized sector. Organized retailing refers to trading activities undertaken by licensed retailers i.e., those who are registered for sales tax, income tax etc., these includes the big hypermarkets, retail chains and privately owned large retail businesses.

Organized retail is one of the most notable emerging sectors of the Indian economy, continues to attract significant investments and interest from leading national and international retail players. According to Indian Brand Equity Foundation (IBEF)\(^2\) estimates, the retail sector in India is posed to grow from US$ 450 billion in 2012 to US$ 574 billion by 2015, at a 16.50 per cent annual growth rate.

Organized retailers in India today remain primarily focused on the essential building blocks of a successful retail model. However, it is imperative that one understands the customers’ preferences and buying behaviour.

This valuable information can be used to maximize Customer Lifetime Value (CLTV). On the other hand, the unorganized sector mainly includes the local Kirana store and the mom and pop stores. Most of the Indian Retail industry is characterized by an unorganized market but the growth of the organised sector in the past few years has been incredible.

Customer relationship management (CRM) is the process of carefully managing detailed information about individual customers and all customer “touch points” to maximize loyalty among the customers towards organization. A customer “touch point” is any occasion on which a customer encounters the brand and product from actual experience to personal or mass communications to casual observation. For a retail outlet, the touch points include check-in and check-out time spent in the outlet, quality of service, employee interaction, add-on facilities like parking, drinking water, etc., good ambiance, product quality, and handling of returns (Rajkumar and Kumar, 2004). The customers tend to come back to the store on personal touches, such as a staff that always addresses customers by name, high-powered employees who understand the needs of customers, and at least one best-in-region facility.

CRM enables retail outlets to provide excellent real-time customer service through the effective use of individual account information. Based on what they know about each valued customer, retail outlets can customize market offerings, services, programs, messages, and media. CRM is important because a major driver of company profitability is the aggregate value of the retail outlets’ customer base.

Companies are also recognizing the importance of the personal component to CRM and what happens once customers make actual contact with the company. Employees can create strong bonds with customers by individualizing and personalizing relationships. Peppers and Rogers (2004) outline a four-step framework for one-to-one marketing that can be adapted to CRM marketing as follows:

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1) **Identifying prospective customers**: Don’t go after everyone. Build, maintain, and mine a rich customer database with information from all the channels and customer touch points.

2) **Differentiating the customers based on their needs and their value to your company**: Spend proportionately more effort on the most valuable customers (MVCs). Apply activity-based costing and calculate customer lifetime value. Estimate net present value of all future profits from purchases, margin levels, and referrals, less customer-specific servicing costs.

3) **Interacting with individual customers to improve your knowledge about their individual needs and to build stronger relationships**: You can formulate the customized-offerings and communicate those offerings in a personalized way.

4) **Customize products, services, and messages to each customer**: Facilitate customer interaction through the company contact centre and Web site.

It could be concluded from the above that the benefits of CRM are considered abound. The retail outlets, therefore, has to construct perfect CRM functional programs to make consumers satisfied and gain consumers’ trust, and then, in turn, to earn consumers’ promise to continually visit the store in the future. To establish long-term cooperation and reciprocal relationships for the future with customers to be able to have a good interaction will be the important factors of influencing consumers to continue to go to the retail outlets.

### 1.5 Need for the Study

The cost of attracting new customers is too high than the cost of retaining of existing customers in all industries and retail marketing sector is not exception to it.
The existing retail outlets have been experiencing with poor customer loyalty due to emergence of new entrance in the retail business with new innovative ideas offering new services at high quality. With this trend, the retail outlets are struggling to retain their existing customers in turn pushing them to device new strategies for customer relationship management because the competitive pricing along is not an advisable weapon to enrich or retain their customer base but better relationship management. There is no established CRM, the delivery of better services and service quality is not possible. Hence, there is a need to analyse the existing status of CRM at retail outlets.

1.6 Statement of the Problem

In retail business sector, the quality of customer service and managing the good relationship with customers holds primal significance for achieving sustainable growth in business. Lack of good Customer Relationship Management (CRM) in this sector has been the topic of vehement criticism in the era of globalization. In the retail business, the customer complaints have zoomed at an alarming pace and led to mounting tide of customer dissatisfaction.

Today, retail business has become extremely competitive and the strength of the business lies in good customer relationship. The retailers are concentrating more on only acquiring new customers but seldom understand the importance and profitability of creating loyalty and retaining existing customers. The retail marketers have to come out with innovative measures to satisfy the needs of both the existing customers and attract new customers through existing customers. In the light of this development, it seems pertinent to focus on the study of Customer Relationship Management (CRM) in Retail Outlets in order to expose the status of CRM in retail outlets as perceived by customers and retailers, underlying dimensions of CRM as
perceived by the customers and factors contributing to the dissimilarity in customer relationship in retail outlets.

1.7 Scope of the Study

Customer Relationship Management (CRM) is the new term in the retail business marketing world. It has become inevitable for the marketers to understand the retail sector through CRM. In this scenario, the current study gives an insight about the existing level of CRM in retail outlets and identifies the ways and means to understand customers’ expectations. For this purpose, the present study has relied on the perception of retail outlet customers in Puducherry region of Union Territory of Puducherry. A study of this kind is of much significance as this may help the retail outlet managers in the region to identify the weak points in CRM and device strategies to build strong CRM to retain existing customers and attract new customers through existing customers.

1.8 Operational Definitions

RETAIL

Retail involves the process of selling consumer goods or services to customers through multiple channels of distribution to earn a profit.

Retail Marketing

Retail is the sale of goods and services from businesses to an end user (called a customer). Retail marketing is the process by which retailers promote awareness and interest of their goods and services in an effort to generate sales from their consumers. There are many different approaches and strategies retailers can use to market their goods and service.
Retail outlet

A store that sells smaller quantities of products or services to the general public. A business that operates as a retail outlet will typically buy goods directly from manufacturers or wholesale suppliers at a volume discount and will then mark them up in price for sale to end customers.

1.9 CUSTOMER RELATIONSHIP MANAGEMENT

Customer Relationship Management (CRM) is a strategy adopted by business firm to maintain relationship with customers in an organised way. The CRM process are extremely helpful in identifying and targeting the best customers of the business firm.

Consumer

Consumer is defined as an individual who purchases and uses goods or services.

Customer

Customer is a person or an organization paying money in exchange for goods or services.

Needs

Customer needs may be defined as the goods or services a customer requires to achieve specific goals.

Product

A Product is anything that can be offered to a market that might satisfy a want or need. However, it is much more than just a physical object. It is the complete bundle of benefits or satisfaction that buyers perceive they will obtain if they purchase the product.
Service

Service refers to the identifiable, but sometimes intangible, activities undertaken by a retailer in conjunctions with the basic goods and services it sells. Service is a primary activity associated with after-sale support to enhance or to maintain the value of the product or service.

Perception

Perception is as how one gathers and interprets information from the world around us. Perception is the process of acquiring, interpreting, selecting and organizing sensory information.

Preferences

Preferences i.e. choosing as more desirable, something that is superior to another item or items.

Customer satisfaction

The American marketing Association defines customer satisfaction as `the degree to which there is match between the customer`s expectation of the product and the actual performance``.

Price

Price is the main source of revenue for an organization and it is the main source of revenue for an organization and it is the rate at which the customer purchases the product or uses the services offered. We are more concerned about how the FMCG retailers fix up their customers’ pricing during offers, free gifts and other occasions.

Place

Place is concerned with all the decisions involved in getting the product to the target market`s place. A product reaches customers through a channel of distribution.
A channel of distribution is any service of firms that participate in the flow of products from producer to final user or consumer.

**Promotion**

Promotion is concerned with telling the target market or others in the channel of distribution about the product or service.

**Customer Loyalty**

Loyal customers are addressed by different names by different organizations like premium customers, key accounts, elites, crown jewels. The term customer loyalty means commitment or attachment to a product, brand and a store base on favourable attitudes and is reflected by repeat purchases or recommendations to others.

The suggested metrics for the brand loyalty can be given as follows: Brand Loyalty = Numbers of times a particular brand product is purchased/ total number of similar product purchases

**Customer Retention**

Customer retention is the process of keeping customers in the customer inventory for an unending period by meeting the needs and exceeding the expectations of those customers. It is the approach of converting a casual customer into a committed loyal customer. Customer retention would enable the organization to minimize expenses in terms of acquisition of new customers.

**Customer Acquisition**

Customer acquisition are the ways and methods for acquiring new customers. The commonly used methods for acquiring new customers are advertising, sales promotion, public relation, direct marketing, word-of-mouth and personal selling. Acquisition is the vital stage in building customer relationship.
Use of preferred channels

Different customers prefer different channels of communication. Some like to be contacted by email whereas some others might like to be contacted personally.

1.10 Objectives of the Study

The present research work is undertaken with the following objectives:

1. To study Customer Relationship Management (CRM) practices in retail outlets based on the perception of customers in Puducherry region.
2. To identify the relationship between CRM practices and retail outlets’ response to customers on defective items as perceived by the customers.
3. To evaluate the customers’ perception about methods used by the retail outlets to develop relationship with customers.
4. To find out the CRM practices that contribute to the adoption of particular methods by the retail outlets to develop relationship with customers based on the customers’ perception.
5. To analyze the CRM practices in retail outlets as perceived by the retailers in Puducherry region.
6. To summarize the findings, give conclusions and provide suggestions

1.11 Hypothesis

The research hypotheses framed for the present study are as follows:

1. The customers’ perception of CRM practices in retail outlets is independent of the difference in their socio-economic characteristics.
2. There is no significant relationship between CRM practices and retailers’ response to customers on defective items.
3. There is no significant relationship between CRM practices and methods used by retailers to develop relationship with customers.

4. The CRM practices in retail outlets do no influence the customers’ intention of going to same shop again.

5. There is no significant relationship between purchase frequency and type of products purchased by the customers in retail outlets.

6. There is no significant relationship between retailers’ perception of CRM activities and years of experience of retail outlets.

7. There is no significant relationship between retailers’ perception of CRM activities and number of retail outlets owned.

1.12 Research Methodology

Data for Study

The present research work is mainly based on primary data. The primary data are the opinion of the retail outlet customers in Puducherry region of Union Territory of Puducherry. The respondents for the sample are selected using simple random sampling technique. The research work also relies on secondary data. The secondary informations are obtained from articles in journals, publications and books relevant for the research area.

The sample size for the study is arrived at using following formula as suggested by Osisioma et al. (1974)\(^5\).

\[
 n = \frac{Z^2 \alpha/2}{4e^2}
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Where ‘n’ is sample size, Z is a value corresponding to a given confidence level (Z value is 1.96 for confidence interval, simply CI, of 95% and 2.57 for CI of 99%) and ‘e’ is sampling error. The sampling error ‘e’ is in proportion is fixed at maximum allowance of error in sampling of 5%. Based on this formula the sample size is arrived to 384 against error level of 5 per cent. The sample size can be anything above this value. Hence, for the present study, the sample size is fixed at 390.

There are 250 retail outlets approximately in the study region of Puducherry out of which 60% , (150) retail outlet is taken as sample for the present study.

The questionnaire instrument is used to collect the data. The process of collecting data using questionnaire involves face to face interviews. The questionnaire was designed in such a way that it could be understood and answered easily by the respondents. The questionnaire contained closed ended questions. The closed ended questions were dichotomous and multiple choice in nature. There are 390 randomly selected retail outlet customers and 150 retail outlets as respondents for the survey.

The questionnaire was distributed to every randomly selected sample respondent in person and filled in questionnaire was received on the spot itself. The time taken to complete the survey was nine months from September 2015 to May 2016. There was no any single questionnaire found with insufficient information due to researcher’s physical presence and his explanation to the respondents about questionnaire items as and when doubt arises.
### 1.1 Profile of Retail Outlet Customer Respondents

#### Socio-Economic Profile of Customer Respondents

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<th>Socio-Economic Profile</th>
<th>Number of Respondents</th>
<th>% to Total</th>
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<td><strong>Sex</strong></td>
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<td>Male</td>
<td>189</td>
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<tr>
<td>Female</td>
<td>201</td>
<td>51.5</td>
</tr>
<tr>
<td><strong>Age (in Years)</strong></td>
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<tr>
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<tr>
<td>Housewife (unemployed)</td>
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<td>Private Employee</td>
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<td>Self-Employed</td>
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<td>29.2</td>
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<td><strong>Family Income</strong></td>
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<tr>
<td>Up to Rs.10000</td>
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<td>Rs.10001 - 20000</td>
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<tr>
<td>&gt; Rs.20000</td>
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<td>Unmarried</td>
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<td>Above 3</td>
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<tr>
<td><strong>Area of Residence</strong></td>
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<tr>
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<td>Semi-Urban</td>
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<td>14.1</td>
</tr>
<tr>
<td>Urban</td>
<td>156</td>
<td>40.0</td>
</tr>
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<td><strong>Total Sample</strong></td>
<td>390</td>
<td>100.0</td>
</tr>
</tbody>
</table>

Source: Primary Data
As shown in the table, there are 390 randomly selected customers of organized retail outlets in the region participated in the survey as sample respondents. In the total sample of 390, 51.5 per cent of the respondents are female and the remaining 48.5 per cent of them are male. As much as 43.1 per cent of the total respondents are aged between 26-35 years while the age of 29.2 per cent and 27.7 per cent of the respondents is up to 25 years and above 35 years respectively.

Half of the respondents in the sample (50%) are under graduates followed by 25 per cent as post-graduates. The school level education is found with 11.0 per cent while 9.0 per cent of the respondents have professional qualification. The government employees group comprising 30.8 per cent of the total respondents is dominant in the sample. Next to this group, self-employees constitute 29.2 per cent, private employees comprise 26.4 per cent and the unemployed including housewife amount to 13.6 per cent of the total sample.

The family income per month is up to Rs.10000 for 62.1 per cent, Rs.10001-20000 for 25.1 per cent and above Rs.20000 for 12.8 per cent of the total respondents. That is, majority of sample respondents are from low income families. This further implies that the majority people of low income families have access to organized outlets in their localities. Most of the respondents are married (69.5). The unmarried / single group constitute the remaining 30.5 per cent.

The size of family members is above 3 in 57.4 per cent and up to 3 in 42.6 per cent of the respondent families. The area of domicile is rural for 45.9 per cent, urban for 40.0 per cent and semi-urban for 14.1 per cent.
1.2 Profile of Retailer Respondents

Distribution of Retailers by Number of Years in Business

<table>
<thead>
<tr>
<th>Number of Years</th>
<th>Number of Respondents</th>
<th>% to Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less than 6</td>
<td>105</td>
<td>70.0</td>
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<tr>
<td>6 – 10</td>
<td>27</td>
<td>18.0</td>
</tr>
<tr>
<td>&gt; 10</td>
<td>18</td>
<td>12.0</td>
</tr>
<tr>
<td>Total Sample</td>
<td>150</td>
<td>100.0</td>
</tr>
</tbody>
</table>

Source: Primary Data.

The majority of the retail outlets have been opened only during six years from now in Puducherry region.

1.3 Distribution of Retailers by Number of Shops Owned

<table>
<thead>
<tr>
<th>Number of Shops</th>
<th>Number of Respondents</th>
<th>% to Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>One</td>
<td>122</td>
<td>81.3</td>
</tr>
<tr>
<td>Two</td>
<td>17</td>
<td>11.3</td>
</tr>
<tr>
<td>Three &amp; above</td>
<td>11</td>
<td>7.3</td>
</tr>
<tr>
<td>Total Sample</td>
<td>150</td>
<td>100.0</td>
</tr>
</tbody>
</table>

Source: Primary Data.

From distribution of retailers by number of shops owned in the region is presented, it is understood that the number of shop owned is only one for 81.3 per cent of the retailers in the sample. The number of shops owned is two for 11.3 per cent and three & above for 7.3 per cent of the retailers in the region. Hence, it is concluded that the most of the retailers own only one retail outlets in the region.
1.14 History of Puducherry

The original name is Puducherry, but the French interpreted it as Pondicherry. The name signifies a new settlement or a new town.

It is also proved that Romans visited the place around 1st century AD. At the beginning of the 4th century AD, the Pallava kingdom ruled for a short period followed by different southern dynasties like the Cholas, Pandyas and later by Vijaynagar and after them the Sultanate of Maudrai. In 1674, the French governor named Francois Marin transformed this small fishing village into a grand port town.

Puducherry first became famous when the French took an interest in this city. Although many wars took place between the English and the French, the French managed to retain power in Puducherry. Around the 18th century, the town grew considerably.

The total area of the union territory is 479 square kilometers and it comprises four small unconnected districts - Puducherry, Karaikal, Yanam and Mahe. Mahe lies in the Arabian Sea while the other three districts lie in the Bay of Bengal. The largest sections are Puducherry and Karaikal which are enclaves of Tamil Nadu. Mahe and Yanam are enclaves of Kerala and Andhra Pradesh respectively. Puducherry district comprise an area of 293 square kilometers, Karaikal 160 square kilometer, Yanam 30 square kilometers and Mahe 9 square kilometres.

1.15 Statistical Technique Used

The data collected from the final survey were analysed using various statistical techniques from descriptive to multivariate. The details of the statistical tools are given hereunder:

1) Descriptive Statistics
2) Reliability / Item Analysis
3) Principle Component Factor Analysis
4) Independent sample t-Test
5) One way ANOVA
6) Discriminant Analysis
7) Canonical Correlation Analysis

**Descriptive Statistics**

The descriptive statistics such as mean and standard deviation are used in the thesis to calculate the central tendency and dispersion of data. The formula for calculating mean and standard deviation is given below:

**Mean**

Mean (\( \bar{X} \)) is calculated as follows:

\[
\bar{X} = \frac{\sum X_i}{n}
\]

Where, \( X_i \) is perception score of \('i'\th respondents \) ‘n’ is total number of respondents in the sample.

**Standard deviation**

\[
\sigma = \sqrt{\frac{\sum X_i^2}{n} - (\bar{X})^2}
\]

Where, \( X_i \) is perception score of \('i'\th respondents \) ‘n’ is total number of respondents in the sample and \( \bar{X} \) is mean score for all the respondents.

**Reliability / Item Analysis**

The internal consistency of the scale items measuring CRM practices as perceived by retail outlet customers in the sample is ascertained by reliability / item
analysis. This analysis calculates ‘item to total correlation’, ‘alpha if deleted’ values along with overall Cronbach’s alpha coefficient. As a rule of thumb, any item with ‘item to total correlation’ of 0.30 and above is valid item in the measurement scale. Apart from ‘item to total correlation’ ‘alpha if deleted’ value is also considered for retaining an item in a scale. If ‘alpha if deleted’ of an item is less than overall Cronbach alpha, then the item is considered as appropriate item in the scale.

**Principle Component Factor Analysis**

The principle component method of factor analysis with varimax rotation is used to extract the dimensions underlying the respondent perceived scores on decision making process, attitude and awareness towards savings / investments. The factor analysis first produces eigenvalue, proportion of explained variance of underlying factors (underlying dimensions). That is, variance accounts for by each factor in original data. A factor is considered to be a valid if its eigenvalue is above one based on Kaiser’s criterion. The factor loadings (each item’s correlation with valid factors) obtained from factor analysis are used for identifying actual characteristics of each valid factors.

**One Way ANOVA (F test)**

The one-way ANOVA, also called F-test is used here to find out the significance of difference in mean perception scores among three or more than three respondents groups. The formula for calculating F value for the difference in group means is:

$$F = \frac{S_b^2}{S_w^2}$$

Where,
F = Ratio of variance (F Value)

$S_{b}^{2} = \text{Between group variance}$

$S_{w}^{2} = \text{Within group variance}$

**Independent sample t-Test**

The significance of difference in mean perception between two respondent groups is evaluated with independent sample t-test. The formula for Independent sample t-test

$$t = \frac{(\bar{X}_1 - \bar{X}_2)}{\sqrt{\frac{\sigma_1^2}{n_1} + \frac{\sigma_2^2}{n_2}}}$$

Where,

$\bar{X}_1 = \text{Mean of the group 1}$

$\bar{X}_2 = \text{Mean of the group 2}$

$\sigma_1^2 = \text{Variance of the group 1}$

$\sigma_2^2 = \text{Variance of the group 2}$

$n_1 = \text{Size of the Group 1}$

$n_2 = \text{Size of the Group 2}$

**Discriminant Analysis**

To analyze whether there is any notable difference in CRM practices between retail outlet groups with and without responding to defective items, this multivariate technique is used. The discriminant analysis identifies a predictor with unique power
of discriminating groups in the dependent in the presence of other predictors in the independent set.

The discriminant analysis first provide the results of the Chi-square test of successive roots called discriminant functions to show which discriminant canonical function gives better discrimination. The power of a variable in the independent set is ascertained by standardized coefficients produced by the analysis. The variable which is dominant in the discriminant function is identified by factor structure matrix. That is, the standardized canonical coefficients are comparable across variables and help identify the degree of predicting power of every variable in the independent set. On the other hand, the structure matrix, which is the correlation between discriminant function and each of the variables, help identify an extent of relationship between a variable and discriminant function.

**Canonical Correlation**

To ascertain the extent of relationship between two sets of variables (one set as dependent and another one as independent), canonical correlation analysis is used. The canonical correlation analysis is very much useful in explaining the nature of whatever relationships exist between the two sets generally by measuring the relative contribution of each variable to the canonical functions (relationships) that are extracted.

The first step of canonical correlation analysis is to derive one or more canonical functions. Each function consists of a pair of variates (variate is the new variable formed by making a linear combination of two or more variables in a date set), one representing the predictor variables (variables in the dependent set) and the other representing the criterion variables (variables in independent set). The
maximum number of canonical variates (functions) that can be extracted from the sets of variables equals the number of variables in the smallest data set, either predictor (independent) or criterion (dependent). For example, if the research problem involves 5 variables in the dependent set and 12 variables in independent set, the maximum number of canonical functions that can be extracted will be five.

The strength of the relationship between two pairs of variates is reflected by the canonical correlation. When squared, the canonical correlation represents the amount of variance in one canonical variate accounted for by the other canonical variate. This may also be called as the amount of shared variance between the two canonical variates. Squared canonical correlations are called as eigenvalues or canonical roots. The canonical function either with correlation of small magnitude or with insignificant p values is considered to be invalid for further interpretation. In the present study, the combined influence of all socio-economic values of the customers on their perception of entire CRM practice dimensions is evaluated using this technique.

1.16 Limitations of the Study

The present study focuses primary on empirically evaluating the status of CRM practices in retail outlets based on the perception of retail outlet customers and retail outlets owners. Only retail outlets in small and medium levels are considered and retail outlets with supermarket status and above are not considered. The study region is limited to only Puducherry region and other regions such as Karaikla, Mahe and Yanam of Union Territory of Puducherry are not considered. As the present study is a perception study (based on perception of the customers and owners of retail
outlets), the results cannot be generalized to all retail outlets in other regions of Union Territory of Puducherry.

1.17 Chapter Scheme

The present study runs into seven chapters. The names of the chapters along with contents are given hereunder:

The Chapter titled as “Introduction Design of the study” is the first chapter, which contains brief introduction about the topic followed by statement of the problem, need for the study, significance of the study, scope of the study, objectives of the study, hypothesis and methodology along with limitations of the study and chapter scheme.

The second Chapter “Review of Literature” deals with various earlier research work, articles and publications as well as books and the research work available in websites are reviewed.

The third chapter, explores the Conceptual Framework of Customer Relationship Management.

The fourth Chapter titled as “Customer Relationship Management Practices in Retail Outlets: Customers’ Perspective” analyzes the customers’ perception of CRM practices in retail outlets.

The fifth Chapter, “Relationship between Customer Perceived CRM Practices and Retail Outlets’ Rapport with Customers: An Analysis” focuses on empirically analysing the retail outlet customers’ opinion about retailers response on defective items and methods used by them to develop the relationship with customers.
The sixth Chapter, “Customer Relationship Management Practices: Retailers’ Perspective”, analyzes the CRM practices in retail practices as per the views of the owners / managers of retail outlets.

The seventh Chapter is “Findings, Conclusions and Suggestions”. This is the final chapter in which the findings emanated from the discussion of the results of the analysis are listed, conclusions are given and suggestions are offered.