CHAPTER-3

CONCEPTUAL FRAMEWORK OF CUSTOMER LOYALTY

This chapter highlights the factors affecting the customer loyalty, along with explaining the factors determining the customer satisfaction that is eventually helpful in gaining their loyalty. Customer commitment to a particular product, brand, company or service provider that has been achieved over a period of time through regular purchases and also, further attributes to continue such association is often referred to as Customer loyalty. The sole perception of loyalty defines the customer attitude and behaviour towards certain products and/or services and this term is variably used with respect to sales, profits and frequency of customer visit to selling point. Some firms are fortunate to be associated with the clientele that might represent only 25% of their customer base, but contributes to the 75% of the organisational revenues and such customers are often treated with liberties and exclusive offers. Few organisations categorise these customers depending upon their sales revenue or frequency of visits and loyalty cards are provided to them accordingly. The brand loyalty that represent the regularity of customers buying the products repeatedly can simply be determined by the dividing the frequency of purchase of particular brand by the times that product has been purchased.

3.1 CUSTOMER RELATIONSHIP MANAGEMENT AND IMPORTANT CONCEPTS

Since Customer Relationship Management contributes at all level of organisation and expects the participation at all levels, it involves the effectuation of the strategies to acquire, retain as well as partner with the customers that can be of superior value to the company and special benefits can be passed on to such customer and certain methodologies along with technologies in form of e-commerce applications that has been developed by the firms to maintain such customer relationships. This is also intended to uncover the overt preferences of the customers to convert them from ‘need’ based shoppers to ‘want’ based buyers (Singh and Agrawal, 2003).

For a long term association, it becomes mandate to also take into the consideration the pre-purchase as well as post-purchase activities of the customers. Pre-purchase refers
to deliberation of awareness level of the customers with respect to the product, along with the accessibility and sometimes the usage patterns. However, the post-purchase activities include the assessment of the availed service or product to understand the satisfaction level of the buyers against purchased product.

Expectation level of the customers these days has reached all together at the next level, that requires a more in depth relationship with the suppliers and management of such relationships has been an important aspect of achieving business goals. Due to the reasons that several companies offer more or less similar products, customer can easily and responsively compares these products, implying the concept of ‘survival of fittest’ for those who provides cost competitive products and value for money than other who ‘simply’ offer the products. Rising competition has diminished the brand loyalty, thus adding to the complexities to the job of marketing professionals (Xu et al., 2002).

The customers that are switching to another products or service is often determined by calculating the churn rate and CRM assists the organisations in estimating the churn rate by finding out their purchase history and purchase trends to envisage the scope of the customers buying one brand over other available choices. The Customer Relationship Management is a marketer’s oriented theory resting on their initial strategies to retain the existing clientele and acquire the new ones by attainment of the customer loyalty for their respective service providers. In case where customers adhere to one particular brand that meets their requirement of being high quality product, CRM addresses the feedback through support services to the customers, thereby facilitating both the organisation and its customers (Xu et al., 2002).

3.1.1 Brand Loyalty

Loyalty in terms of buying any particular brand, product and services over and over again may not be a right criteria for determining customer relationship management, may be it is due to the easy product accessibility, impulsiveness, price volatility, affordability and it’s just habitual, rather than being loyalty presumed on the basis of repeated purchases. This factor also depends a lot on the willingness of the service provider to achieve customer satisfaction by meting there expectations. Since the attitude of an individual is a mix of sentimental, cognitive as well as behavioural outlook, therefore extensive research is required to understand beliefs and emotions of
an individual associated with the particular products and services offered.

According to Jagdish et al., (1999) “Attitude of customers is a psychological process of evaluation, decision-making towards purchase and a strong predisposition towards overall liking of a brand”.

Customer loyalty can be differentiated in to covert loyalty as well as inertia, and the basis of this distinction is based on the emotional context that plays a significant role in rendering an outline for customer loyalty. Inertial loyalty is often referred to as “spurious loyalty”.

The importance of aiming the suitable customers has become extremely significant that the performance of an organization exclusively is completely dependent upon customer acquisition as well as retention. Due to this, the technology has acquired an importance place in marketing of CRM. Furthermore, Data analysis after its generation has been done to get holistic understanding of the customers which is validated through data mining and keeping the record of the same for reaping benefits through the purchasing sessions (Natraj and Shekhar, 2010).

3.1.2 Relationship Commitment

The customers with consistent purchases and robust behavioural attribute, are often loyal and very significant and profitable for the organisations. Apart from profitability in revenue terms, it will also spread positive word amongst their known individuals regarding the product they purchased from particular organisation. Commitment to maintain relationship is both enduring and valuable for both the customer and the organisation that infers a positive response headed for the organisation and is mutually beneficial for both the parties (Garbarino and Johnson, 1999). These relationships are valued by the firms and is often maintained for long term benefits as well as transactions.

Transactions are often referred as the discrete events with little or no relationship feelings, with no expectations regarding future interactions. Without giving much importance of maintaining associations, the customers while transactional dealings attempts to reap extreme advantages from their current interactions. While on the other hand, customers willing to make long term relationship often negotiates enthusiastically or sometime even compromises, thus looking forward for the lifelong
This implies that relationships requires collective efforts, settlements, negotiations and benefits sharing. According to Juttner and Wehrli (1995), “the basic objective of relationship is to build trust, loyalty which leads to fulfilling the marketing objective of the organisation”.

Continuous communication and interaction is one of the significant facet of initiating, maintaining and developing long term relationship which is beneficial for both the parties. More the number of transactions, low will be the trust, resulting in a short term relationship. Committed relationship on the other hand is entirely an outcome of friendship, mutual trust, similar intend as well as synergy in knowledge sharing. The committed buyers are extremely meticulous in showing their faithfulness before they obligate themselves for the necessity of the product, pre-purchase and post-purchase behaviour. Collectively these factors impact the loyalty of the customers in essence of availing high quality product or service at comparatively a lower price (Harvey and Speier, 2000).

3.2 CRM AND CUSTOMER LIFE CYCLE

‘Customer life cycle’ denotes the different levels in the relationship amongst a buyer and an organisation. It is always significant to understand this association as it directly relates to the revenue and profitability of the customer. It represent a sequence of progressive stages that a customer experience while conceiving, buying, utilising and thereby, sustaining loyalty to the organisation. It equally gives importance to the concept of customer selectivity which is significant for Customer Relationship Management as all the clients widely varies in terms of being profitable for the company (Storbacka, 2000).

Thus, it makes customisation of individualistic marketing campaigns very substantial for the organisation that very prudently targets and segments its customers.

Few organizations also goes for outsourcing their customers by allocating its valued resources to customers in order to serve them best. This would be helpful for organisations to filter its valuable customers and will assist the firms to recognise the most cost efficient approaches, thereby making it valuable for organisations as well as
the customers. Marketers finds three ways to raise value for their customers and these are:

(i) Increase of product purchasing that they already own;
(ii) Attempt to sell the high margin products;
(iii) Customer retention for a longer duration.

There are five types of customers in the customer lifecycle:

1. Prospects: These are potential customers that as of now are not buyers but are targeted by the firms
2. Responders: Individuals that have shown some sort of interest for some product or service are referred to as Responders. Interest can be evaluated when anyone fills any application form or getting registration done on company webpage.
3. New customers: These are the responders that have entered in some sort of commitment, made an agreement to make payment, have made first purchase or might have signed a bond to avail particular service.
4. Established customers: Buyers that are repeated customers and with whom the relationship is getting deeper with each purchase are categorised in this segment.
5. Former Customers: Customer who were once the buyers but are now listed in the attrition database of the company are former customers. These customers might have switched to the competitors or have left the place.

From the CRM perspective, the lifecycle of customer has been differentiated into five progressive phases (Stone et al., 2003):

1. **Identification**: During this phase, a firm recognises the appropriate customers that has to be targeted and these potential buyers are identified with respect to the products as well as services that falls under its respective marketing objectives.
2. **Acquisition**: Company acquires their targeted customers by selling their products and/or services to them.
3. **Delivery**: Here the company sells its product and services to the customer and it is a significant stage wherein the buyers gets familiar with the company products and gains the first-hand experience.
4. **Development**: At this stage, the main intend is to maximize the customer value by delivering high quality customised products (Ansari and Mela, 2003) as well as cross-selling (Kamakura et al., 1991), as it enhances the prevailing customer value along with broadening of the association with the customer.

5. **Retention**: It’s a proactive initiative undertaken by the organisation to reduce the churn rate or drop out of the customers, thereby helping to expand the customer base of the organisation.

### 3.3 BONDING FOR CUSTOMER RELATIONSHIP MANAGEMENT

#### 3.3.1 Financial Bonds

The relationships that has been achieved through monetary benefits i.e. offering large volumes of high quality products at low cost or the customer that has been condescending the firm over an extended time period. Programmes to gain customer loyalty which includes frequent flyer campaigns, hotel reward points drive, as well as credit cards are some of the many illustrations of financial bonding attained through volume as well as frequency rewards. However, in few cases of magazine subscriptions, telecommunication and Internet services, Bundle along with cross-selling is often observed wherein products and services are bought by the customers either from the same vendor or from any of its competitor at the lower cost (Kamakura et al., 2003).

#### 3.3.2 Social Bonds

In order to maintain a long term relationship with the customers, sellers often explore different ways to communicate with them so as to understand their varying needs and to provide them with possible solutions. They intend to maintain social bonds with their clients rather than just considering them as nameless faces. These social bonds with a tinge of personal kind can easily be evidenced in relation to professional as well as personal product or service providers. To uphold a social and interpersonal bond, communications in form of information sharing along with astounding rapport are prerequisite for rendering services. It is due to this reason, relationship managers are employed to closely work with the clients and to address their needs so as to
establish social bonding that are of utmost importance in the business markets which later on transcends in to the commercial transactions (Kamakura et al., 2003).

### 3.3.3 Customization Bonds

In depth knowledge of the customer choices and needs that has been an outcome of a learning association is very valuable in retention of the customer that holds value to the organisation. Customer intimacy implies to the involvement of the customers in information sharing during interfaces, thereby subsidising the marketer’s effort to customisation of products, services as well as features of the marketing mix. The organisation also avails the opportunity to interact with the customer and to acquires new ideas or knowledge which will add value to the organisational operations (Kamakura et al., 2003).

### 3.3.4 Structural Bonds

Integrated information mechanisms, joint investments along with shared processes contributes to the formation of Structural bonds that are one of the most substantial and are hard to break. In terms of being strongest, structural bonds are followed by the customization bonds which is closely followed by social as well as financial bond. With the bonds becoming stronger, the loyalty of the customers increases proportionately and the possibility for acquiring the advantages of relationship marketing surges (Kamakura et al., 2003).

### 3.4 FACTORS INFLUENCING CUSTOMER LOYALTY

Every single marketer attempts to recognise the factors that influences the loyalty of the customers. According to Jagdish et al., (1999) below are the few major factors that has been significantly decisive for customer loyalty and if not met, can convert individuals into dissatisfied customers.

#### 3.4.1 Customer Satisfaction

Customer satisfaction is the outcome determined from the difference between the pre and post purchase experience as well as expectations of the buyers. If the expectations are achieved then the customers may become loyal for the particular company and its products or services but if the anticipations are not met, then buyer might look for
some alternate options and switch to the competitors with a hope to get better quality product or services that meet their respective requirements. Taking a lesson from it, marketer must evaluate the reasons behind the difference between the expectations of the customers and performance of the particular product or service, which should be curtailed to the minimum possible extent. To improve the market share, the companies must fulfil the buyer expectations in relation to their needs and wants, along with exploration of the reasons behind their dissatisfaction (Oliver, 1993).

Furthermore, satisfied customers might not be completely loyal, as they can hunt for other good options during their next procurement, so there must be a clear communication and interaction with the customers to understand up to what level their expectations are met as everyone has their own tolerance zone and expectation of one might not match the other that infers that expectations varies from slightly tolerable to entirely intolerable performance. Moreover, a satisfied buyer can also have an optimistic experience with the opponent offerings that can actuate them to try it at least once, therefore, while considering the loyalty of the customer, relative satisfaction must be taken in to the account as customer may anticipate a range of offerings that might not be available with the existing seller. Thus, in this highly competitive market, every organisation must possess information regarding competitor offerings that can also impact the expectation level of the buyers (Kasper et al., 1999).

3.4.2 Emotional Bonding

Apart from the other bonds mentioned above, another kind of bonding whose persistence is significant to achieve customer loyalty is Emotional bonding that can be attained if a customer bear positive brand affinity. Most often, organisations attempts to sustain a positive relationship with its clients through its products or services they have developed or acquired over a period of time. Brand equity obviously is of utmost importance to conserve relations with the existing customers that is far beyond the functional facets, but at the same time a feel of closeness also emerge when one observe others utilising the same brands. Customer Relationship Management plays a prominent role in the cases wherein firms due to some reasons are unable to form emotional bond with its loyal clienteles. It generates a sense of closeness, fondness, affection and faith amongst the buyers on the basis of mutual respect as well as trust
In addition to this, Personal contacts also holds importance in creation of relational bonding procedure but it encompasses several subtle issues that may influence the customer likeliness to buy. For long term emotional association, friendships as well as personal interactions may instil the fuel of trust that can act as a catalyst for emotional bonding (Rich, 2002).

3.4.3 Trust

Trust rather being considered as an independent characteristic, can be counted as a vital aspect of emotional bonding that occurs when one party being trusted by the other while transactions (Morgan and Hunt, 1994). According to Chaudhuri and Holbrook (2002), trust is defined as the readiness of the buyer to trust an organisation or the brand of the product to execute its specified functions. Trust generates a feel of reliability and integrity in the respective minds of the purchasers, along with the sense of being faithful, trustworthy and responsibility amongst the organisations and to achieve trust, organisations must stick to its commitment in terms of on time delivery, open communications and providing value added services.

3.5 CRM AND ORGANISATIONAL FUNCTIONING

Organisation functions with intend to bring both potential buyers as well as sellers on a common platform so as to form a customer. For organisational benefits, it is significant to upkeep and uphold the customer for long term relationships. Sale is not the end point of this relationship chain, rather it is commencement of the association between the firm and its valuable customers. The customer relationship is meant to satisfy the clients which can be achieved by delivering more than anticipated so that they can be delighted by the value added services they received apart from the main ones and thus, the relationship gets strengthened with multiple purchases. Satisfied customers directly approaches the service or the product of the organisation without giving any consideration to the other available options which further results in the intensification of the relationships and also adds lifetime value to it (Levitt, 1981).

With such associations, the buyer can the satisfaction commitment, along with their special preference to buy the products from the place they trust (Doney and Cannon, 1997). It is highly advantageous for the firms in the long run as by maintaining the
relationships, there would be increase in sales with reduction in the marketing cost (Bitner, 1995). The organisations must realise that two customers will never do the purchasing for the same purpose and doing repeated transaction with the prevailing customers will be favourable for both the parties. Thus, it become the sole responsibility of the organisation to optimally utilise their marketing resources to generate as well as to retain relationships with their valued customers (McKenna, 1991).

Since Customer Relationship Management is a procedure that involves the analysis as well as the action to collect customer related information that enhances the understanding about their choices and deepens their relationship (Cram, 2001). The information technology utilised for the CRM analysis offers an inclusive, trustworthy and cohesive viewpoints of the customer base that facilitates organisation to interact and communicate to avail mutual benefits. It also ensures the cost effectiveness by stimulating the organisations to customise as well as personalize dealings with the potential customers. Thus, it can be said that organisation uses the CRM to augment customer service, elevate commitment towards customers and ascertain customer retention by utilising information technology (Edelstein, 2000).

Holistic information of the customers including their procurement behaviour, last transactions details, the impact level of major marketing strategies, etc. An efficient CRM mechanism aids the firms to make sufficient information available to the buyers that matches their prerequisites, so as to make right product available to the exact users. Recently, the system of CRM can be retrieved by the buyers to be cognizant of their transactions with the firm (Deck, 2001).

3.5.1 Potential Benefits of CRM to Organisations

In the conventional marketing concept, customers are the one around which the whole business practices of all the organisations rotates. Different kind of customers have distinguished level of services and cost to retain them is also variable, so do is their profitability to the organisation. CRM methodologies makes possible for the organisations to analyse the customers value by scrutinising the cost involved in their acquisition as well as revenues generated through last few transactions. CRM also gives an overview of kind of positive marketing done by their satisfied customers in form of positive word-of-mouth for the functioning and offerings of the organisation,
and perceived benefits from them in near future. It also suggests various cost effective means to fascinate, sustain as well as retain the customers, by bringing down the transactional costs. For customers, it would be a single point of contact for meeting all their respective needs.

CRM methodologies are efficacious in understanding the mentality of the customer towards any product or service through their buying behaviour as well as purchasing patterns, based on which their desire are appropriately addressed. This impregnates the feeling of satisfaction and trust that in turn will enable the organisation to concentrate on the acquirement of new customers, without any stress of retaining the old ones, as associated cost for retention of the existing customer base is quite high that varies from industry to industry. It enables the organisations to have and maintain large base of satisfied customers by offering diverse range of products either through production of different varieties or customisation of the existing ones. Thus, it can be concluded that CRM is beneficial for organisations in terms of customer retention, cutting down the cost of holding the customers, and aids in improved customer loyalty (Karlenzig, 2002).

3.5.2 Potential Benefits of CRM to Customers

Apart from the organisations, customers also get benefitted from systems of CRM as it assist them to stay in relationship with the firms, without putting in efforts to search for substitutes. Also, it reduced the perceived risk that a buyer faces while dealing with the new sellers, thus repurchasing from a vendor again will instil confidence of quality and trust in the firm. There are several interaction points through emails, text messages, customer calls through which the customers remain updated and posted about the information that might be helpful for them. Furthermore, it also facilitates buyer with quick purchase with marketers being well versed with their buying behaviour and purchase patterns, thereby straightway providing them with tailor made the offerings. Thus, CRM with respect to customers facilitate them with gratification of their needs, elevating their relationship value and abridge the risk of interactions with new organisations (Pappers and Rogers, 1993).

The above stated CRM concepts and its relationship with behavioural aspects of the buyers represents a unified image of the contemporary marketing theory, being implemented by both national as well as international organisations; this also
encourages the researchers to elaborately analyse the theoretical framework of Customer behaviour.

3.5.3 Customer Experience Management

Internal orientation of the CRM approach, along with its obsession for technology resulted in the formation of CEM that stands for Customer Experience Management that emphasise on planning and contriving the experiences for loyalty building. In contrast to CRM that relies on technology to keep a track record of customer purchases and behaviour, CEM records the actual experiences of the customer, along with highlighting the disparities in their thought process resulting in the adoption of several processes and methodologies by the respective firms. Based on the perceived values, CEM concentrates on strategically handling experience of a customer with respect to a product or service offered by any company and raising value of the customers by managing their respective experiences. Variety of experiences that primarily range from positive to negative are gained by the customers while purchasing goods and/or services and every time, it is not possible for the suppliers to manage their experiences and cope with their expectations as it emerges from multi-channel interactions rather than only from one channel. These experiences creates perceptions about an organisations and increased business share is often the outcome of positive experiences (Pan and Lee, 2003).

CEM is determined by the organisation capability to expose its customers to such an experience that will distinguish the firm from other market competitors and coerces them to spend more by remaining loyal to the brand. Also, by realising the customer’s viewpoint, a company can generate better customer experience. Working towards its two primmest roles in the firms, marketing impact demand from the customer through its marketing mix methodologies, along with fulfilling the leadership role by assisting the organisations to opt customer centric practices by adopting customer orientation. CEM, being a result oriented subject matter concerned customer demand management holds experimentation along with learnings as well as changes as the trademarks of this type of CRM-enabled approach (Pan and Lee, 2003).

CEM ascertains the creation of precise value propositions and the recruitment along with retainment of suitable customers that can be further developed across all the
boundaries of loyalty. It is facilitated by Customer Relational Management to develop into more customer centric approach and to form as well as owns profound insights of customers not only within but also beyond the organisation. CEM enables the organisations to incorporate the customer experience with in its strategy to get tangible outcomes through management of customer experiences. It assists in formulation of the marketing strategies that primarily includes segmentation of the potential customers followed by their targeting and then positioning of the products. It validates the strength of accumulating pertinent information about customers, and then subsequently forming as well as implementing persuasive strategies and then quantifying their outcome (Ferguson and Hlavinka, 2006).

With digital media as well as smart devices becoming the integral part of the community, customers have become exceptionally advanced, mysterious, and empowered. The emotional association of the customers with the brands has been progressive over the years. In the highly occupied period when people rarely gets time for themselves, the smart devices, applications, social networking has been the medium of interaction with the customers but due to limitation of the access to technology, this condition is not applicable for everyone. Sometimes, this interactions are solely one sided and are not advantageous for the customers, although they still have some positive impact for companies. If they somehow do not get the customers, at least they get the visibility which is important for marketing. Instead of evaluating the functions that new technologies performs, several organisations favours attendance strategies wherein a product is available at all the channels but it does not highlights the individual experiences as well as the outcomes. Rather than running after the experiences of individual customers, the companies are taking the route to connect with the potential buyers through Internet, as in the era of smart phones, they can easily contact with each other to reap the mutual benefits. But at the same time, technology has evoked the competition to a much greater extend as companies can now reach to each potential customer easily without much investments.

Alongside, it has also raised the expectations level of the buyers as they can now access the product segment of all the major companies or can surf internet for the best deals and price competitive services, resulting which functionality, practicality as well as connectedness, developed as the entices for seeking attention. Now to get the attention, the companies competes to pitch in the appropriate channels and approach
the most effective technological way to reach customers but virtuous Customer Experience Management is probable only when companies exploit their resource base of employees optimally (Ferguson and Hlavinka, 2006).

3.6 CONSUMER BEHAVIOUR

According to Bennet and Marold (1988), “Consumer behaviour as “those acts of individuals directly involved in obtaining, using, and disposing of economic goods and services, including the decision processes that precede and determine these acts”. Since, simple observation is not enough to understand the complex traits of consumer selections, therefore scholars have opted advanced and convoluted concepts as well as methods to explore behavioural sciences with an intend to comprehend, envisage, and perhaps regulate consumer buying behaviour more effectually. To recognise as well as to understand the regulators of the buyer’s anticipations, Psychology, Social Psychology and Sociology are the subject matters that are referred to apprehend the ways for customer retention.

While developing an outline to study consumer behaviour, it is significant to initiate taking into the consideration the growth of consumer research along with the prototypes of factors that have greatly impacted the firms to recognise the major factors to meet the anticipations of the customers (Harper and Sidney, 1967). Paradigms of this kind of research that particularly deals with the consumers is based on the perceptions of researchers about the study methodology along with its objectives. Several scholars according to their viewpoints has differentiated the various aspects of consumer behaviour (Chhabra and Grover, 1997).

Research that analyses buyer behaviour as a sub aspect of marketing with the objective to explore how consumer research can be applied in marketing, looks at the arena of consumer behaviour as an application of social science approaches. Consequently, the worth of the information produced should be appraised in terms of its potential to advance the efficacy of marketing exercise. As per this view, promotion management certainly relies on certain concepts that include the ways the buyers act and of the influence their responses to artefacts, price, advertising, and dispersal approaches are probably to have for the achievement of company goals.

In prosperous competitive markets effective marketing relies above on corresponding
marketing blend that results from the assimilation of these approaches coupled with the eagerness of customers to purchase and in performing better than one’s competitors. The consumer-focussed management thus results from such blend, is an answer to the immense prudence employed by buyers in these markets. Furthermore, the selections made by customers have implications not only on contending corporations within a given, conventional economy; due to the intensity at which discretionary revenue is operating, enterprises are gradually compelled to contend across the traditional industrial and market borders (Chisinall, 1975).

According to some researchers, consumer behaviours must not be strategically emphasised, instead the focus must be on gaining insights in to consumption patterns so that the knowledge gained can be implemented by the marketers (Chisnan, 2012). As this viewpoint is relatively recent, it has motivated researchers to shift the focus of their studies from contemporary topics to the applied advantages of doing consumer research studies. Consumer research also denotes that all such behaviour studies and marketing activities based on its findings might be not gainful for the individuals or the societies. Over the years, there has been advancement in marketing studies based on consumer behaviour to rather focus on social aspect of consumers rather than including the factors of consumerism, ethics, public policies, etc. Thus, more importance is given to social marketing that includes the promotion of causes and ideas, rather than being just based on experiences. These promotions and advertisement spread the social message on environment sustainability, conservation of energy, determent of drunken driving, as well as population control (Arnold, 1979).

3.7 FACTORS INFLUENCING CONSUMER BEHAVIOUR

3.7.1 Cultural Factors

The role of Culture in defining buying intentions and buyer behaviour has been discreetly taken in to the consideration but research conducted specially with respect to culture is still lacking. But considering the fact that customers are culturally bound, it must be deliberated while studying their behaviour and buying patterns as it appropriately describes the human needs and desires. Specific recognition along with socialisation is being provided to the community members by the subculture that integrates the culture. Marketers often develops ‘diversity marketing’ campaigns to serve the growing and developing subcultures (Schiffman and Kanuk, 1988).
Social stratification is virtually exhibited by every human society which at times constitutes the caste system wherein all the members have different roles and can never come out of its membership. It frequently comprises the social clans of homogeneous nature and are hierarchically organised and the members of social clans practices same values, concerns as well as behaviour. Recently, social clans have been given importance due to its relevance with the consumer behaviour (Majumdar, 1993).

Mehendra in 1996 has distinguished the buying behaviour and interaction resources of consumer based on their socio-economic classification and it was pointed out that people that fall low in the hierarchy of socio-economic classification are quite uncomfortable in buying products or services from the places commonly explored by people belonging to higher position in the similar classification. Prabhat (1998) highlighted the variances in relational attitudes, value systems, perceptions, and daily life amongst different socio-economic classes that gets foregrounded in advertisement context and buying behaviour. Rao and Natarajan (1994) pointed out that people with low socio-economic status often replicates the choices of the individuals with high per capita income and meanwhile, the innovations gets diffused from one class of people to another class. This model is also known as “trickle-town” theory.

3.7.2 Social Factors

Reference group are one of the major influencers of individual behaviour or attitudes. Some of these groups are categorised in to primary groups that have a face to face interaction both formal as well as continuous, with the person and these groups normally represent families, office colleagues, batch mates, etc. However, secondary groups often include unions, associations that have more or less formal interactions that might occur at periodic intervals. Influence of the reference groups on customer behaviour is also highlighted in social interaction theory, proposed by Anderson (1984) in his work of “Life Status changes and changes in consumer preference and satisfaction,“

Bernhardt and Kinnear (1976) underlined the twofold impact of reference group wherein it defines the customer goals along with its progressive actions to achieve it. These will further be highlighted or revealed while consumer purchases any product
class and it also effects the brands and kind of product bought within a particular product class. Berry (1969) have deliberated the influence of reference groups on cloth purchasing. He determined that conformity to prevailing standards within a group was the reason behind the dismissive response to the new products. However, later on it was pointed out that it is always beneficial to publicise new products with no social taboos rather than spending resources to promote prevailing products (Crask and Reynolds, 1980).

According to William (1972), there is two way step of the information, one way passes the information to the opinion leaders of the society from where it get passed on to the other individuals or members. But most often, the information gets influenced with the viewpoint of the opinion leaders. This basics of marketing strategies has been provided by this theory especially with respect to dissemination of innovations. However, later on it has been proved that two step flow of information most often involves the personal influence and does not work well in most of the societies. So, it was concluded to better have one to one interaction, rather than passing on the information through opinion leaders (Darden and Ashton, 1974).

Elliot (1992) further explained that consumer behaviour is majorly influenced by the family members, and it is the primmest persuasive reference group, considering the family as group of individuals associated with blood relations and living together as a unit. It is the family where individual members develop their personality traits, outlooks and criteria of evaluation that is referred to the manner in which family members perceives the things around and relate themselves to it. Thus, extensive research has been carried out on family and its relationships so that influences of the families in two respective buyer’s life can be analysed. Both the families i.e. family of orientation and family of procreation equally impacts the consumer behaviour as former engrains the sense of responsibilities, ambitions, attitude, perceptions etc., whereas latter on holds the importance in terms of decision making, buying power, and influence on the buyer behaviour is substantial at the places where the parent put up together with their grown ones.

Marketers are more inclined towards understanding the roles as well as relative impact of the family members that comprises of husband, his wife and their children
on the buying decisions while purchasing any particular product or service. However, these influences as well as roles diversify in the different locations, societies as well as communities. There are the regions where senior male member of the house only makes the decision and rest of the family follows it and adheres to it whereas in other, mutual decisions are taken depending upon the investment involved in the purchase. There are few other societies where the decision is primarily taken by the members for which the product is to be purchased such as for jewellery purchase, women members would be the decisive authority (Gorden, and Carol, 1986).

3.7.3 Personal Factors

Personal aspects that primarily comprises of shopper affordability, profession, lifestyle, temperament, conception, age along with stage of lifecycle. All these factors defines the buying behaviour of a customer. Considering age groups while defining market strategies is of utmost significance to understand and to undertake customer segmentation based on their age and preferences as the individual of different age has diversified choices due to the differences in attitude and perceived values. So, marketers often sort them in several age groups to better understand their requirements and expectations (Webster, 1965).

People of the different age group purchase products over their whole life. With respect to food, they consume baby food while being toddler but special diets and all other food items during rest of their life. Similarly, preferences in case of clothing, gadgets, recreational activities, etc., are also age specific. Based on the products and services that are being offered by the companies, marketing strategies are planned with intend to target specific age group. Also, consumption patterns are taken in to consideration throughout the buyer life cycle, and marketers conceptualize product interests of each of this life cycle. Alongside, marketer also concentrates closely on ever changing circumstance of an individual life i.e. marriage, separation, widowhood, widower hood, etc., along with their impact on the consumption patterns.

Affordability is one of the most important factor considered by all the marketers during their strategic planning. Occupation holds a major position while segmentation of customers as it intrusively impacts the consumption patterns. A person with hefty income will have more money at disposal for buying the products or services. Also,
the kind of occupation stipulates the type of product requirements. An office going individual will be in need of formal clothing along with formal shoes, variety of coat pants as well as ties, etc., whereas a business class person will be in search of casual and comfortable clothing. Companies sometimes even customise their products for several different occupational groups. For instance, software companies often have different design products for marketing managers, software engineers, legal team, as well as for physicians (Webster, 1965).

Economic conditions adversely affects the choice of products and services as with more income, the mentality of the person towards spending as well as savings changes a lot. Therefore, companies selling income sensitive products incessantly examines the trends of personal earnings, savings as well as associated interest rates. If the market indicators indicates about the approaching recessions, then the sellers can changes their market strategies by product redesigning, repositioning as well as re-pricing so that they can provide value added services to the potential customers.

3.7.4 Psychological Factors

Psychological factors are one of the major determinants of the perceptions which are shaped by the stimulants, along with its relationship to the surrounding environment and individual circumstances that shape perceptions in to a personal attribute. People become emotional related to some brands without even considering the better options available in the market. According to them, perceived value of the particular brand used is much higher than the one offer by the other sellers.

Eventually, it becomes important for the marketers to understand what customer perceive and their criteria of making perceptions. In a study to understand the buying behaviour of the customers without exposing them to stimuli i.e. the brand of the product, unmarked beer bottles were served to drinkers that were very brand particular and consumes only particular beer brands. On being asked to identify the brand they consumed from unmarked beer bottles, they were incapable of recognising the brands. Therefore, brand perception is essential for gaining loyalty of the customers and most often, it is attained through marketing aggressiveness and social factors (Wells and Douglas, 1971).
3.8 CONCLUSION

This chapter highlighted the concepts of Customer Relationship Management and its impact on customer loyalty. It also discussed about the factors affecting customer behaviour and its influence on outlining the strategies pertaining to customer relationship management. The customer loyalty and its mutual benefit to both customers and organisation are also theoretically emphasised.