CHAPTER 3
RESEARCH METHODOLOGY

This chapter presents the research methodology used in the study in relation to the research design and the data collection process. The first section presents the study of the present research in detail. The next section includes a discussion on the sampling plan in which sampling procedure used in the study are discussed. The last section of the chapter presents the tools used for the data analysis of both the company and the customer survey are discussed.

3.1 Research Perspectives

Research methodology refers the procedural framework within which the research is conducted (Remenyi et al., 1998). Research methodology is characterized by procedures and methods for arriving at results and findings and tools for proofing or disproving such knowledge (Nachamias et al., 1996). Saunders approaches a researcher chooses to conduct a research which could be affected by the researcher’s philosophical perspectives and paradigm.

Research enables the researcher to develop theories and principles and to arrive at generalizations. Research in marketing is not only a fact finding process but also has tremendous utility for important decisions like allocation of scarce resources. It is not only needed to have more precise results at hand but it is also important for reducing uncertainty inherent in specific business situations.

3.2 Research Philosophy

Research philosophy refers to the assumptions and beliefs that govern the way we view the world (Saunders et al., 2007). Two main research philosophical views are Positivism or Phenomenological perspective. Positivism has to do with the situation where knowledge or the world is thought to exist independent of people’s perceptions of it and that science uses objective techniques to discover what exist in the world” (Sullivan, 2001 p.47). Positivism uses logical, quantitative, more objective scientific methods to test hypothetically-deductive generalizations. On the other hand,
phenomenological or interpretive philosophy holds that “reality of the world is thought to arise out of the creation and exchange of social meaning during the process of social interactions” (Sullivan, 2001 p. 48). Phenomenological perspective uses qualitative, more subjective, naturalistic approaches in inductively and holistically to understand human experiences in context-specific settings (Amaratunga, Baldry, Sarshar & Newton, 2002).

In this study we have chosen positivism more than phenomenological perspective because we believe that CRM strategies and customer retention & satisfaction constructs as pertaining in organized retail outlets and private banks can be examined objectively through the use of established theoretical frameworks and structured instruments to assess and analyze it, upon which generalizations can be made from the findings. The study is descriptive in nature and is employed for the data collection. Both primary and secondary data is used for the study.

### 3.3 Research Purpose

The research purpose is a broad statement of what the research hopes to achieve. According to purpose, research could be broadly divided into descriptive, exploratory and explanatory (Saunders et al., 2000, 2007; Cooper and Schindler 2006). A descriptive research is a study that seeks to “portray an accurate profile of persons, events or situations” (Robson 2002:59 in Saunders et al., 2007). It involves formalizing the study with definite structures in order to better describe or present facts about a phenomenon as it is perceived or as it is in reality.

An explanatory research tries to establish relationship that exists between variables. It aims at identifying how one variable affects the other; it seeks to provide an empirical explanation to the causality and causes and effects relationship between one or more variables (Saunders et al., 2000, 2007; Malhotra & Birks, 2007; Cooper & Schindler 2006). They are also used when the purpose of the study is to answer ‘why’ in a given context. Lastly, research may be exploratory where a study is conducted to explore and find out what is happening or to seek new insights about a phenomenon in a new
light (Robson, 2002). Mostly, it is used when a researcher wants to have a deeper understanding of a situation or a problem, or where the area of study is so new or vague that it becomes critically important to examine unknown variable that may affect a particular phenomenon. It, therefore, involves the use of methods like searching for library materials, asking for expert’s opinion, and conducting a focus group interviews.

Since the purpose of a study may involve both qualitative and quantitative results, mixed methodology has been proposed by many authors to be appropriate in some cases. This study is descriptive in nature. Firstly, the study is descriptive in that it seeks to describe in detail the state of customer retention & satisfaction and CRM strategies in the organized retail outlets and private banks, thus giving an in-depth understanding of the reality of customer satisfaction and retention with CRM strategies and to better understand relative importance of service quality, customer value, customer loyalty, trust dimensions to the customer. Secondly, the study seeks to determine the impact of CRM strategies on overall customer retention and satisfaction. It explores the relationships that exist between CRM strategies and customer retention and satisfaction. Thirdly, study of exploratory in that it is still unknown in both the Industry, whether customer are satisfied and what are their perception of both service sector marketing strategies in Indore.

3.4 Research Approach

Research may be deductive or inductive. Deductive research approach begins with the development of a theory or hypothesis and later a development of a strategy to test it in a context to verify or reject its claims. So it is thinking from general to specific. On the other hand, the approach is inductive where the research begins with an observation of a phenomenon in an environment, then data is collected upon which a theory is developed or generalization is made.

In this study, we have carefully selected existing empirical theories, applying and testing them in assessing the impact of CRM strategies on customer retention and
satisfaction in the context of organized retail outlets. Therefore, the study is
deductive.

The marketing strategy is the study that implies marketing mix decisions and
activities taken by the company and its management, whereas the satisfaction of the
customer is for the banking facilities and retail outlets. The present study examines
and analyzes the relationship between CRM strategies and the retailers and manager’s
perspective for the formulation and implementation of these strategies in their
respective organizations. The study is also related to the customer experiences from
the retailers and banks. It finally recommends suitable marketing strategies so as to
increase the market for the retailers and banks and suggest their scope for further
research.

### 3.5 Time Horizon

In terms of time horizon, research design can be longitudinal or cross-sectional. A
cross-sectional study examines a particular phenomenon at a specific period of time
(Saunders et al., 2007). According to Malhotra and Birks (2007) one sample of a
population can be taken and studied at a particular time as in a single cross-sectional
study or two or more samples of a target population could be studied once as in
multiple cross-sectional study.

Conversely, in terms of time horizon, a study may be longitudinal where a particular
phenomenon is studied at different periods of time. Longitudinal study can take the
form of a single longitudinal study where only one sample is studied at different time
periods or multi-longitudinal where two or more samples are studied at different
periods of time (Malhotra & Birks, 2007). This study is typically a cross-sectional
study in that data will be collected from a cross section of customers of organized
retail outlets and private banks.

### 3.6 Research Strategy

Research strategy is a general plan of how a researcher intends to answer the research
questions. A Researcher’s strategy will determine, to a large extent, the choice of data
collection methods. The main research strategies are action research, ethnographic studies, experiment, survey, case study, grounded theory or archival research (Saunders et al., 2000, 2007; Cooper & Schindler, 2006; Malhotra & Birks, 2007).

**Action research:** The term “action research” was first used by Lewin in 1946. It is a study that investigates a specific problem in a specific environment and afterwards an appropriate intervention is designed and implemented to solve the problem or improve the situation. It is diagnostic and evaluative, involves people or subjective of study in solving the problem and its more collaborative in nature.

**Experiment:** Experiments are a type of causal study in which a researcher investigates changes in one variable while manipulating one or more other variables under controlled conditions. It is usually conducted in natural sciences and social psychology. Its main purpose is to study causal links in variables under given situations (Saunders et al., 2007; Cooper & Schindler, 2006).

**Survey:** A survey is a type of method in which the opinions of the sample or population is sought by the researcher, usually with a more objective research instrument, say a structured questionnaire. It is usually associated with a deductive approach and is conducted usually in business and management research to prove or disprove certain assumed propositions and hypothesis. It allows for the collection of large amount of data from a large population economically. It is most frequently conducted to answer research questions relating to ‘who, what, how much and how many’ involved in a problem of study.

**Case study:** A case study involves a study of a particular situation and its impact in order to have a more accurate detail and in-depth of the nature of the phenomenon as it relates to a specific environment. It is mostly used where the purpose is to gain a rich and an in-depth understanding of the context of the research and the processes being enacted (Morris and Wood, 1991 in Saunders et al., 2007). It therefore uses multiple data collection sources, termed triangulation. Mostly it is related explanatory and exploratory research that seeks to find out ‘why’, ‘what’ and ‘how’ issues in the
case context. Yin (2003 in Saunders et al) maintains that case studies can be single or multiple, holistic or embedded.

Archival research: It refers to a study that uses administrative records and documents as the principle sources of data. It usually used when the purpose is to find out about the past and changes over time, and often forms the starting point for explanatory, exploratory or descriptive studies. These strategies can be combined in a single study for a particular purpose (Saunders 2007). In this study we choose basically survey strategy because it seeks the opinion of a population about a specific subject matter, which is their perception of the service quality and their customer satisfaction and it combines the use of qualitative and quantitative.

3.7 The Universe

In the present study the universe includes all the customers of the selected two organizations, organized retail outlets in five big malls (C-21, Central Mall, Treasure Island, Megha Mall & Shoppers’ Stop) and five branches of private banks (ICICI, Axis) in Indore region. The choice is made for a number of reasons:

- The customer base of these organizations is very large.
- Rapid changes and reforms in both the service sector.
- Intense competition of the private players in organized retail outlets and private banks and problem of customer retention.
- Also for customer retention what marketing strategies the organizations are adopting.

3.8 The Sample

The sampling plan was consistent with the methodological guidelines provided for conducting the survey research in marketing. The simple random sampling method was used to select the customers for the survey. A sample of 500 respondents (customers) 250 was selected from organized retail outlets in Malls and 250 customers were selected from the private banks in Indore city. The customers
selected were students, households and service/business class. The respondents belong to different age groups ranging from <20 years to more than 50 years. They belonged to socio-economic class and their family income range from below 1 lac to above 3 lac (annually)

3.9 Description of Data Collection Tools

The questionnaire and the scale were introduced to the customers, assuring them that the data collected/information provided by them were kept strictly confidential and used for research purpose only.

The Tools

A non-disguised structured questionnaire was used. The questionnaire framed was simple easy comprehensible and consistent of closed ended questions. Two types of questionnaires were framed, one for the organized retail outlets and another for the customers of private banks. The focus of the questions was regarding the CRM strategies of the selected and their impact on the retention and satisfaction level of the customers. The questions focused on perceptions. Five points, Likert Scale was used in the questionnaires to know the responses of the customers. A pilot study was first undertaken to determine whether the questions and the scales are easily understood and responded by the respondents.

Data Collection – The data for the present study was personally collected by the researcher with the help of a self-structured non-disguised questionnaire. Five points Likert Scale was used for the customers.

Data Analysis – Data collected with the help of self-structured questionnaire was classified, tabulated, analyzed and interpreted using suitable techniques including correlation and Regression analysis, One way ANOVA, T-test, Elaborated tables, diagrams etc. have facilitated presentation of the data. The data was analyzed using the SPSS 17.0 (Statistical Package for Social Sciences).
Forty eight items were originally developed to represent 13 dimensions of CRM strategies. Each was casted as an expectation and a perception statement. Responses (n = 500) were pooled across two sectors; different scores were then used as input “within dimension” co-efficient alpha analysis. Estimates of internal consistency and validity were gathered.

3.10 Validity and Reliability of Instruments

Reliability

Reliability refers to extent to which a measurement instrument is able to yield consistent results each time it is applied under similar conditions. It is the constituent of a measurement device that causes it to yield similar outcome or results for similar inputs. Statistically, reliability is defined as the percentage of the inconsistency in the responses to the survey that is the result of differences in the respondents. This implies that responses to a reliable survey will vary because respondents have different opinions, not because the questionnaire items are confusing or ambiguous.

Reliability could be estimated mathematically or through pre-testing of the instruments. In this study, since the questionnaire items were adopted from previous studies by Gyasi and Azumah (2009) but tailored to the service industry context, it was prudent to conduct a pilot test to refine the instrument. As a result, the questionnaire items were pilot tested to remove confusing words and to improve upon the clarity of the questions items to strengthen its reliability. Again, statistically, the Cronbach’s alpha could also be used to assess the reliability of an instrument. A reliability values of 6.0 to 0.70 and above are considered by many researchers as acceptable (Cooper & Schindler, 2006; Malhotra & Birks, 2006).

The composite reliability alpha for all items excluding the respondents’ background data is 0.978 which is very good for statistical analysis.

Validity: The estimates of internal consistency, reliability for both the factors and the total scale for the three service companies in the second study were consistently high. The total scale estimates of internal consistency reliability for a linear combination
ranged from 0.87 to 0.90. The reliability and Validity of this study is given in the table below:

**Reliability & Validity Statistics**

<table>
<thead>
<tr>
<th>Cronbach’s Alpha</th>
<th>Cronbach’s Alpha based on Standardized Items</th>
<th>No. of Items</th>
</tr>
</thead>
<tbody>
<tr>
<td>0.948</td>
<td>0.978</td>
<td>48</td>
</tr>
</tbody>
</table>

**3.11 Items to Study**

1) To study and compare the relationship between CRM strategy (Marketing Mix) and customer retention and customer satisfaction by;
   - Investigating the impact of product quality on customer satisfaction.
   - Finding the influence of pricing strategies on the customer satisfaction.
   - Analyzing the significance of promotional strategies and determining its impact on customer satisfaction.
   - Determining the impact of place on customer satisfaction.
   - Examining the significance of physical evidence on customer satisfaction.
   - Analyzing the significance of people (responsiveness, attitude) and determining its impact on customer satisfaction.
   - Investigating the impact of process on customer satisfaction.

2) To study the relationship between CRM strategies (Customer Loyalty) and customer retention in organized retail outlets and private banks.

3) To study the relationship between CRM strategies (Customer Value) and customer retention in organized retail outlets and private banks.

4) To study the relationship between CRM strategies (Trust) and customer retention in organized retail outlets and private banks.
5) To study the relationship between CRM strategies (Service Quality) and customer retention in organized retail outlets and private banks.

3.12 Variables Measured

3.12.1 Customer Satisfaction

Organizations need to retain existing customer while targeting non-customers. Measuring customer satisfaction provides an indication of how successful the organization is providing products and/or services to the market place.

Customer satisfaction is measured at the individual level, but it is almost always reported at an aggregate level. It can be measured along various dimensions. Customer satisfaction is an ambiguous and abstract concept and the actual manifestation of the state of satisfaction will vary from person to person and product/service to product/service. Work done by Parasaraman, Zeithamal and Berry between 1985 and 1988 provides the basis for measurement of customer satisfaction with a service by using the gap between the customers’ expectation of performance and their perceived experience of performance.

Customer satisfaction is the most important criterion, which encompasses quality product and value addition through value evidence of what was implied to provide ultimate customer satisfaction. Customer satisfaction is cascading in nature and requires building relationship of confidence and trust with utmost commitment, internal accountability and a sense of care of customer.

Customer satisfaction in service sector means the use of a policy product purchased for a cost, to the ultimate satisfaction of the buyer, when a claim is paid. The satisfaction is not fully achieved only when a product so purchased gives its full use, but it also stipulates that the product bought by the buyer will give him the expected fruit i.e. peace of mind during the product cycle when it is use by the customer.

Customer satisfaction is central to the marketing concept. It is now common to find mission statements designed around the satisfaction concept, marketing plans and
incentive programs that target satisfaction as a goal, and consumer communications that trumpet awards for satisfaction achievement in the market place (Fournier and Glenmick, 1999).

Delivering customer satisfaction is one of the most important objectives of marketing activities. It has been recognized as a key influencer in formation of customers’ future actions, intentions and loyalty.

The quality perceived is realized as the moment of truth, when the service providers and the service customer confront one another in the arena. It is the skill, the motivation and the tools employed by the firm’s representative and the expectations and the behavior of the client that together will create the service delivery process.

3.12.2 *Service Quality and Satisfaction*

Quality can be applied to many products and processes. Traditionally management scientists apply quality to the product quality but now it is applied to service quality. Quality is usually defined in relation to a set of guidelines on criteria. Standards like ISO 9000 provide a framework for the implementation of quality management in an organization.

Quality is the expected product/service being realized. Research suggests that customers do not perceive quality in a one-dimensional way, but judge quality based on multiple factors. Researchers identified 10 criteria customers use in evaluating service quality. These were 10 Service Quality Determinants listed by Zeithamal et al (1990, pp 21-22).

- Credibility: Trustworthiness, believability, honesty of the service provider.
- Reliability: Ability to perform the promised service dependably and accurately.
- Courtesy: Politeness, respect, consideration and friendliness of contact personnel.
- Access: Approachability and ease of conduct.
- Tangibles: Appearance of physical facilities, equipment, personnel and communication materials.
• Responsiveness: Willingness to help customers and provide prompt service.
• Security: Freedom from danger, risk or doubt.
• Understanding the customer: Making the effort to known customers and their needs.
• Communication: Listening to customers and keeping them informed in language they can understand.
• Competence: Possession of the skills and knowledge required to perform the service.

In subsequent research, these dimensions were consolidated into five broad dimensions. These five dimensions are applied across a variety of service (Parsuraman, Zeithamal, Berry, 1988).

3.12.3 **Five Dimensions of Service Quality**

1. Tangibility

It means the things which are physically observed by the customers in the service industry including, personnel, physical facilities, materials and appearance. Able and skilled personnel, the quality of products and services, brochures and cards may represent tangibles. These qualities provide concrete cues for customers to evaluate the capability of the service provider.

2. Reliability

Reliability refers to the trust in company’s ability of performing service in a proper way, such as acting according to promises and declarations. A reliable service explained with example it means that a sales force person is able to provide internet connection that is working at desired level throughout the day without significant failures; employees should not misuse the cardholder information and there should be frequent update of new policies’ information and guidelines.
3. Responsiveness

It refers to service provider’s willingness to help customers and provide prompt service. It can be measured by the amount of time needed to deal with customers’ reported problems and the response duration once the customer filed a service request.

4. Assurance

Assurance is related to the knowledge and courtesy of employees and their ability to inspire trust and confidence. A industry may demonstrate assurance to customers by behaving courteously and by providing essential knowledge to guide customer’s problems.

5. Empathy

It refers to the caring, individualized attention the service provider gives to its customers. Furthermore, customers in the bank may come from different social background and hence the banker could emphasize personalized attention on customers and understand specific needs of customers based on their requirements.

3.13 Objectives of the Study

- To study the type of clientele visiting the organized retail outlets and in Banking Sector.

- To study the effects of 7p’s such as Product, Price, Promotion, Place, People, Process, Physical Evidence on customer satisfaction in retail and banking sector.

- To study the strategies of CRM employed by the leading retails & in private Banks in India.

- To study the relationship between the customer satisfaction & the customer loyalty in organized retail & in private banks.
• To analyze the changing trend & pattern in India from customer perspective in retail & Bank.

3.14 Hypotheses Formulation

**H$_{01}$**: There is no significant association between customer value (CRM Strategy) and customer retention in organized retail outlets.

**H$_{11}$**: There is a significant association between customer value (CRM Strategy) and customer retention in organized retail outlets.

**H$_{02}$**: There is no significant association between customer value (CRM Strategy) and customer retention in private banks.

**H$_{12}$**: There is a significant association between customer value (CRM Strategy) and customer retention in private banks.

**H$_{03}$**: There is no significant association between customer loyalty (CRM Strategy) and customer retention in organized retail outlets.

**H$_{13}$**: There is a significant association between customer loyalty (CRM Strategy) and customer retention in organized retail outlets.

**H$_{04}$**: There is no significant association between customer loyalty (CRM Strategy) and customer retention in private banks.

**H$_{14}$**: There is a significant association between customer loyalty (CRM Strategy) and customer retention in private banks.

**H$_{05}$**: There is no significant association between service quality (CRM Strategy) and customer retention in organized retail outlets.

**H$_{15}$**: There is a significant association between service quality (CRM Strategy) and customer retention in organized retail outlets.

**H$_{06}$**: There is no significant association between service quality (CRM Strategy) and customer retention in private banks.
$H_{16}$: There is a significant association between service quality (CRM Strategy) and customer retention in private banks.

$H_{07}$: There is no significant association between Trust (CRM Strategy) and customer retention in organized retail outlets.

$H_{17}$: There is a significant association between Trust (CRM Strategy) and customer retention in organized retail outlets.

$H_{08}$: There is no significant association between Trust (CRM Strategy) and customer retention in private banks.

$H_{18}$: There is a significant association between Trust (CRM Strategy) and customer retention in private banks.

$H_{09}$: There is no significant impact of pricing strategy on customer satisfaction in organized retail outlets & private banks.

$H_{19}$: There is a significant impact of pricing strategy on customer satisfaction in organized retail outlets & private banks.

$H_{010}$: There is no significant impact of product on customer satisfaction in organized retail outlets & private banks.

$H_{110}$: There is a significant impact of product on customer satisfaction in organized retail outlets & private banks.

$H_{011}$: There is no significant impact of promotion on customer satisfaction in organized retail outlets & private banks.

$H_{111}$: There is a significant impact of promotion on customer satisfaction in organized retail outlets & private banks.

$H_{012}$: There is no significant impact of process on customer satisfaction in organized retail outlets & private banks.
**H_{112}:** There is a significant impact of process on customer satisfaction in organized retail outlets & private banks.

**H_{013}:** There is no significant impact of physical evidence on customer satisfaction in organized retail outlets & private banks.

**H_{113}:** There is a significant impact of physical evidence on customer satisfaction in organized retail outlets & private banks.

**H_{014}:** There is no significant impact of place on customer satisfaction in organized retail outlets & private banks.

**H_{114}:** There is a significant impact of place on customer satisfaction in organized retail outlets & private banks.

**H_{015}:** There is no significant impact of people on customer satisfaction in organized retail outlets & private banks.

**H_{115}:** There is a significant impact of people on customer satisfaction in organized retail outlets & private banks.