

Determinants of Customers Loyalty towards Retail Outlets

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ARTICLE DETAILS

Article History

Published Online: 07 August 2018

Keywords

Consumerism, E-tailing, Organized Retail Store, Purvanchal

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ABSTRACT

India is recognized as the fifth largest retail market that provides about 8 % of total employment and contributes 7.4 % in national GDP. The enormous changes witnessed in the retailing scenario can primarily due to positive economic factors such as growing urbanization, changing demographic profiles, infrastructure, per capita income among individual and households, entry of foreign retailers and globalization leading to increased consumerism while usage of credit/debit cards, easy finance options such as e-wallets, e-tail etc emerging opportunities in this sector. Recently IBEF, 2016 report is predicted the Indian retail market will touch almost US\$1 Trillion by 2020. However, yet the organized retail trade constitutes only about 8 % of the total retail market. Young generation consumers have been showing interest in shopping at organized retail outlets and giving top priority to quality and convenience, ready to pay a higher price in order to enjoy the benefits of home delivery, superior quality, premium design, accessible store location and good experience.

The study analyzed the key determinants that affect the stores loyalty. The data were collected by using structured questionnaire from 191 respondents from Azamgarh city. The cronbach alpha, frequency analysis and standard deviation have been applied to check the reliability and analysis of data. The result indicated that there are six factors i.e. availability of product, product's quality, location of outlet, convenient working hours, reasonable price and sales promotions of outlet which affects the customer loyalty towards organized retail store.

1. Introduction

Retailing is oldest economic activity of business and trade as part of everyday lives has found their roots from Kautilya's Arthashastra and Mnusmiriti dealing with customers, locating stores, selling specific products, the tax structure system in retail and wholesale transaction. However with the passage of time, the Indian retail market has been growing and accepted as a huge potential and one of the fastest growing at the rate of 12% per annum and have fifth in term of market size in the world valued at USD 672 billion in Indian economy. The retail market comprises of both the traditional or unorganized retail including kirana stores, neighborhood stores, wet markets, street vendors, etc. and Modern or organized retail outlet as those operating large scale formats like supermarkets, hypermarkets, specialty stores, department stores, chain of stores, factory outlets and malls. The organized retail is currently valued at USD 60 billion approximately 9% of the sector, while the unorganized retail holds the rest of the market share.

Organized retail penetration in India is much lower compared with other countries such as the USA where the organized retail sector's penetration is 85%. Food & Beverage around 70% of the retail sector, followed by Apparel and Personal Care. As per World Bank's report published in February 2017, India is the third largest economy in the world in terms of Purchasing Power Parity (PPP), only behind China and US. While IMF report predicted the Indian economy is likely to grow by 7.2% in Financial Year 2018 and 7.7% in Financial Year 2019. This shows India's has huge growth

potential with respect to organized retail penetration. Healthy economic growth, increasing per capita income, improving standard of living, changing demographic profile, changing tastes and preferences, entry of foreign retailers, infrastructure, fashion, are the main growth drivers in development of organized retail market in India.

Oliver (1997), defined loyalty as a "deeply held commitment to re-buy or re-patronize a preferred product or service consistently in the future, which causes repetitive same-brand or same-brand set purchasing, despite any situational influences and marketing efforts that might cause switching behavior"

Every organization try to build healthy relationship with customers and focus on creating loyalty among them, it become necessary to investigate the important determinants which is dynamic and volatile in nature. The determinants which lead to loyalty among customers need to be understood before developing and implementing the loyalty programs. Literature proposes relationships between customer loyalty and organized retails' determinants such as quality, sales promotions, popularity of outlets and so on based on pilot study. These relationships need to be judge and understand their effect on customer loyalty will surely provide an insight into customer loyalty formation and long term success of retail outlets.

2. Literature Review

Salim Lina (2009) in her paper entitled "*Indonesian store loyalty factors for modern retailing market*" published in "International journal of economics and management engineering" investigates the determinants of store loyalty for modern retailers. The study suggests that consumers store loyalty is influenced by store image and store personnel. Stimulus-organism-response (S-O-R) model used to examine S-R relationship of store loyalty. The stimuli such as store image, store personnel, satisfaction and culture factors selected for study purpose to know their effectiveness on consumer's store loyalty. The findings showed that store image, satisfaction and culture have significant positive relationship to store loyalty.

Sikri Sunita & Wadhwa Dipti (2012) in their research paper entitled "*Growth and challenges of retail industry in India: An analysis*" published in "Asia Pacific journal of marketing and management review" focused on changing face of retail industry, share of organized and unorganized retail, major retailers and also highlights the challenges faced by the industry. They observed the organized retail market is growing at 3.5 percent annually while unorganized retail sector is pegged at 6 percent. They expected organized retail growth will be about 16-18 percent of the total retail market (US \$ 65-75 billion) in the next 5 years. They disclosed international standards, inefficient supply chain management, Lack of retail space, Cultural diversity, Real estate issue, Human resource problem, Fraud, Infrastructures are main challenges faced by the retail industry in India.

Vasconcellos De & Botelho Delane (2014) in their paper entitled "*Factors influencing supermarket store loyalty in Brazil and their implications to loyalty programs*" published in "Global journal of management and business research: A administration and management" examined the relationship between store loyalty programs in the supermarket industry and the program's perceived value, program card loyalty and store perceived value. The sample size is 200 qualified customers and data analyzed by using regression. The result of study showed that loyalty programs in supermarkets are not working as an effective loyalty tool. Perception of store value may be more related to product assortment ambience and the quality of service offered inside the store or contact points with the customer (web, telephone, chats). Loyalty Card proved there no correlation with Store perceived value. Many retail stores do not have a loyalty card and are able to develop good customer loyalty. Loyal customers do not patronage the supermarket stores because of their loyalty programs. Store perceived value is derived from other sources.

Mafini Chenedzai and Dhurup Manilall (2015) in their paper entitled "*Drivers of customer loyalty in South African retail stores*" published in "The journal of applied business research" reveals the influence of store image on both the satisfaction as well as the loyalty of customers that is specifically customized to the South African context. This study examined the relationship between store satisfaction, store image, and customer loyalty in the South African retailing industry. The study tested a conceptual framework which links five store image factors; namely store appeal, promotion, sales assistance, store atmospherics, and store accessibility to store

satisfaction and customer loyalty. The data were collected by using structured questionnaires with 489 apparel shoppers. Spearman correlations showed negative to weak correlations between the factors and store satisfaction. Regression analysis revealed that promotion and store appeal were statistically significant in predicting store satisfaction. Store satisfaction was positively associated and significantly predicted customer loyalty.

Chaudhary Sandeep and Sharda Shruti (2017) analyzed the various factors that affect the customer perception towards organized retail stores. The data were collected through structured questionnaire with the sample constituted of 100 respondents from Jalandhar, Amritsar and Ludhiana city of Punjab. The factor analysis has been applied to analysis of data. The result showed that there are six factors i.e. Quality stock, Easily Accessible, Comfort Zone, Quality time, Infrastructure and Variety which affects the customer perception towards organized retail stores.

Need and scope of the study: A large number of previous studies have been carried out on organized retail store and unorganized retail. However, new determinants developed with passage of time that influences the store loyalty. This study has been carried out in organized retail outlets in Uttar Pradesh which is largest populous state of India by selecting Azamgarh city. Recently it is observed that major retailers target to capture market of Tier II and Tier III cities because change in life style, purchasing pattern, improvement income level, education and infrastructure.

3. Objectives of the study

- To study the demographic profile of the customers of retail outlets.
- To examine the key determinants that influences customer loyalty of retail outlets.

4. Research Methodology

Research process starts with identification of problem, chalk out available literatures to find out research gaps, development of research design and sample design, collection of data, analysis of data along with limitation of the study and scope for further researches. In this paper descriptive research approaches was used for the study. The data were collected from primary including structured questionnaire and schedules with the sample size of 191 respondents who visited retail outlet in Azamgarh city while secondary data were collected from available Articles/ dissertations/ research papers/ journals/ magazines and websites. Stratified random sampling technique was employed with 50 customers of Vishal Mega Mart, M Bazar, V-Mart and V-Bazaar located in different parts of the city. The statistical tools were used Chronbach Alpha, Factor analysis, Likert Scale, arithmetic mean and standard deviation to test the hypothesis, reliability of data and relationship among variables.

5. Data Analysis and Discussion

Table-1 GENDER

	Frequency	Percentage	Cumulative Percentage
Male	91	47.6	47.6
Female	100	52.4	100
Total	191	100	

The table-1 shows that retail store have more female customers (52.4%) than males (47.6%) visited which means a positive signal for increasing women customers in market which break myth "male dominated market" and play role in women empowerment.

Table-2 AGE GROUP

	Frequency	Percentage	Cumulative Percentage
Upto 20 Years	19	9.9	9.9
20-35 Years	79	41.4	51.3
35-50 Years	69	36.1	87.4
Above 50 Years	24	12.6	100.0
Total	191	100.0	

The table-2 shows that there are 77.5% customers are from age group 20-50 years which means retail outlets dominated by young generation customers. The retail stores have 41.4% young customer with age of 20-35 years.

Table-3 OCCUPATION

	Frequency	Percentage	Cumulative Percentage
Self Employed	28	14.7	14.7
Govt/Pvt Employees	84	44.0	58.6
Students	37	19.4	78.0
Unemployed	42	22.0	100.0
Total	191	100.0	

The table-3 shows that there are 44% customers are employees (including government and private) and 22% customers are employed/retired persons.

Table-4 INCOME LEVEL (Monthly)

	Frequency	Percentage	Cumulative Percentage
Upto 15000 Rupees	81	42.4	42.4
15000-30000 rupees	80	41.9	84.3
30000-45000 Rupees	25	13.1	97.4
45000 above Rupees	5	2.6	100.0
Total	191	100.0	

The table-4 shows that there are 84% customers whose income upto Rs 30000/ monthly which reflected retail outlet targeted on middle and higher-lower class income group.

Table-5 EDUCATION LEVEL

	Frequency	Percentage	Cumulative Percentage
Upto XII	56	29.3	29.3
Undergraduate	96	50.3	79.6
Post Graduate	20	10.5	90.1

Above Post graduate	19	9.9	100.0
Total	191	100.0	

The table-5 shows that there are 50.3% customers are graduates and 29.3% customers are upto XIIth.

Table-6 FREQUENCY OF VISIT

	Frequency	Percentage	Cumulative Percentage
Often	43	22.5	22.5
Weekly	35	18.3	40.8
Fortnightly	28	14.7	55.5
Monthly	85	44.5	100.0
Total	191	100.0	

The table-6 shows that there are 44.5% customers are shopping for monthly basis and 22% customers are visit often while 18.3% visit weekly basis.

Table-7 TIME (Spend by customer in retail outlet)

	Frequency	Percentage	Cumulative Percentage
Less than 15 Minutes	9	4.7	4.7
15-30 Minutes	63	33.0	37.7
30-45 Minutes	43	22.5	60.2
Above 45 Minutes	76	39.8	100.0
Total	191	100.0	

The table-7 shows there are 39.3% customers are spend more than 45 minute whereas 15-30 minute spend by 33% customers because most of the retail outlets have wide range of stylist products and targeted whole family such as gents, ladies and kids. Once customers visited they purchase whole family.

Table-8 AMOUNT (Per shopping)

	Frequency	Percentage	Cumulative Percentage
Less Than 1000 Rupees	44	23.0	23.0
1000-2000 Rupees	71	37.2	60.2
2000-3000 Rupees	53	27.7	88.0
Above 3000 Rupees	23	12.0	100.0
Total	191	100.0	

The table-8 shows that there are 37.2% customers spend Rs.1000-2000 per shopping whereas 27.7% customers spend Rs.2000-3000.

Table-9 State your opinion regarding the following reasons for repeat purchase from the outlet.

Determinants	Mean	Standard Deviation
1. Quality of product	2.06	.638
2. Reasonable price	2.18	.864
3. Availability of product	2.29	.669
4. Payment facilities	2.13	.717
5. Time saving	2.03	.962
6. Parking facility	2.21	.813
7. Customer service	2.18	.665
8. Physical Evidence	2.06	.678
9. Popularity of retail outlet	2.25	.894
10. Influence of friends &	2.50	.934

celebrities		
11. Distance of outlet from house/home (Location)	2.43	.836
12. Convenient working hours	1.84	.577
13. Sales promotion	2.31	1.441

Cronbach's Alpha	No of Items
.723	13

The table-9 shows that there are 0.723 value of Chronbach alpha which shows that 13 determinants are reliable for the study.

6. Conclusion

Customer retention is a challenge for retailers in this competitive era because customers are rational, change in their tastes and preferences, increasing per capita income, technology, satisfaction level, demographic factors so on. Customer loyalty is one of the biggest contributors in successful and popularity of the store which assure long-term return on investment. A loyal customer does not price sensitive. Even they are ready to pay good price for quality products. The customer satisfactions, trust, consistency of performance and

switching costs have a significant relation with customer loyalty. Young generation consumers have been showing interest in shopping at organized retail outlets and giving top priority to quality and convenience, superior quality, premium design, accessible store location and good experience Forward looking retail outlets consider the retention of the customer through loyalty program as a very vital factor in customer relationship management and marketing decision making.

7. Limitation and Scope of Further Research

The study is limited by its narrow focus on retail industry exclusively retail outlets. The determinants of outlets loyalty may be different in different retail segment, retail format and locality. The sample size could also be considered a limitation by judging very small portion of target audience.

Retailing is also a broad concept which developed a separate branch which has potential areas for further research in customer loyalty in APP retailing, E-tailing, E-loyalty, E-CRM emerging concepts in retail management.

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