

# A Study on Customer Loyalty in Organized Retailing in M.P

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## ABSTRACT

Now a day's retail outlets run loyalty program to retain their customers. Loyalty programs encourage consumer to shift from myopic or single-period decision making to dynamic or multiple – period decision making. The current study is empirical research that focuses on the effect of loyalty programs on customer retention in M.P. Fierce competition and complexity of modern business has prompted organizations to strive for creative and innovating strategies to retain customers. As attracting adoptive new customers in the business is far more costly than retaining existing customers; business organizations have started offering lucrative loyalty programmes to retain existing customers. Therefore, the business rewards existing customers and maintain close relationship with them through CRM. The premise of CRM is that once a customer visits the retail outlet he/she is locked in forever. Retaining customers through loyalty programmes provide win-win situation to both the organization as well as customers in M.P.

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## 1. Introduction

The consumers will join such programs only if they find it beneficial to them. And will continue to be loyal earn rewards. Loyalty programme help firms gain significantly higher repeat sales, get opportunity to cross sell and obtain rich customer data for future CRM efforts. Modern retailer's stock national & international famous brands, provide strong customer service, offer competitive prices, provide wide merchandise variety, resort to product promotions and offer convenient locations along with loyalty schemes to retain customers. This paper attempts to provide a conceptual and empirical overview of Loyalty programs in organized retail sector, outlines practices of grocery retail outlets in M.P. The paper evaluates the effect of loyalty programs on customer retention.

## 2. Review Of Literature

Preeta H. Vyas and Piyush K. Sinha (2008) concluded that as gaining new customers in the organization is a costly affair and therefore, organization need to offer lots of loyalty programme in continuity to retain existing customers and to maintain relationship with them. Granhme R. Dowling and Mark Uncles (1997) found that Marketers shows renewed interest in customer loyalty programs to strengthen relationship with their customers.

Lois O'Brien and Charles Jones (1995) posited that the rewards and loyalty programs are developed in such a manner that the customer needs and desires can be satisfied using cash value, choice of redemption options, aspiration value, relevance and convenience. Youjae Yi and Hoseond Leon (2003) concluded that effect of loyalty programme on customer loyalty is different on different customers depending on involvement. In high involvement conditions indirect rewards are considered more effective than the direct immediate rewards. While in the low involvement conditions, immediate rewards are more effective in building program's value than delayed rewards.

Yuping Lu (2007) concluded that despite the prevalent use of loyalty programs, there is limited evidence on the long-term effects of such programs, and their effectiveness is not well established. Knox &Maclan (1998) described customer loyalty as 'retention with attitude'. Jacoby and Chestnut (1978) reported that one stream of research considers loyalty largely as an attitude. Grahame & Uncles (1997) concluded that the profitability is ensured through reduced servicing costs, less price sensitivity, increased spending and favorable recommendations passed on to potential customers. Sharp and Sharp (1997) analyzed individual-level data by using a one-period switching model to measure the ability of a loyalty program to alter normal repeat-purchase rates; unfortunately, the study's results were inconclusive. Drèze and Hoch (1998) reported on a category specific loyalty program that resulted in increase for both the specific category and total store traffic.

Brown and Gulycz (2001) found that customers can be satisfied in the service sector through quality and it becomes essential element to retain customers. Anderson et al (1994) explored that the customer can be considered as retained only when they do repeat purchasing and it depends on quality of services provided to him. Steenkamp (1989) found that retaining customer has become essential and it has direct effect on market share. Canadian scholars Barnes (1997) found that loyal customers keep recommending to more customers which help the organization to acquire more new customers.

Gerpott, Rams and Schindler (2001) found that in business-to-business marketing relationships between customers and organization is primary cause of customer retentions. Lin & Wu (2011) concluded that relationship marketing helps retain existing customers. Rust, Zohorik&Keiningham (1985) found the retentions and attraction of new customer are treated as element for increasing market share and revenues. Saeed, Grover & Hwang (2005) argued that to retain customers, it is crucial for the firm to know how to serve them and provide post sales service. Lin & Wu (2011)

found that customer retention is influenced by future use of product.

Lin and Wu (2011) found strong relationship between customer retention and quality of services/products. Verhoef (2003) examined and found that loyalty programme that provides monetary benefits is more effective in retaining customers. Petterson (2004) found significant relationship between customer loyalty and customer retention. Wong, Chan, Ngai and Oswaldw (2009) explained that there is relationship between good relations with customer and customer loyalty. Smith and Chang (2009) found that customer retention can be considered as customer loyalty and it may no impact over customer loyalty.

Rust and Zahorik (1993) found strong positive relationship between customer retention and customer loyalty. Hallowell (1993) revealed that customer retention can be reflected in customer loyalty. Bolton, Kannan and Bramlett (2000) concluded that customer loyalty has effect on retention. Gerpott, Rams and Schindler (2001) examined the relationship between customer retention and customer loyalty and found positive relationship in telecommunication market. Customer retention was shown a primary goal of relationship marketing in the firms.

### 3. Customer Loyalty Programme

Loyalty Programs can be defined as a program that give liberty to consumer to accumulate free rewards when they do repeat purchasing with a firm and therefore consumer is encouraged to be loyal toward the firm. Loyalty card is plastic or paper card, which is almost similar to any financial card in terms of visibility and that, identifies the card holder through a special coding. Then customers are awarded points based on their purchasing; these points can be encased later on. The card holder becomes a member in a loyalty program. Loyalty cards typically have a barcode that can be easily scanned when it is swapped at the particular stores. Loyalty cards can also be in the form of small key ring cards which are often used for convenience in carrying and ease of access for the consumers. Loyalty programs are predominantly run by retailers and service industry.

### 4. Customer Retention

Customer retention can be defined as the propensity of a customer to stay with the service provider and therefore is viewed as a behavioral factor (Ranaweera&Prabhu, 2003). The propensity in customer is created through providing them the expected services. Customer retention is centric problem which is given top priority in the organization because it ensures that the customer will stay with the organization in longer period of time.

### 5. Customer Satisfaction From Organized Retailing

The concept of retailing comes from an old system, and is rooted in the social fabric. It is because, about 30 percent of spending is products and services that an individual buy from retailers. A shopping center, shopping mall, or shopping plaza, is the modern adaptation of the traditional marketplace. A mall is a gamut of independent retail stores, services, which is

conceived, constructed, and maintained by a firm as a unit. Usually the definition of retailing can be described as the act of selling of goods and merchandise from a fixed location. An important aspect of the current economic scenario in India is the emergence of organized retail. There has been considerable growth in organized retailing business in recent years and it is poised for much faster growth in the near future. Major industrial houses have entered this area and have announced very ambitious future expansion plans. Today, organized retailing has become an experience characterized by comfort, style and speed. It is something that offers a customer more control, convenience and choice along with an experience.

Customer satisfaction is a term which is frequently used in marketing. Basically, it is a measure that how the products and services supplied by a company meet or surpass customer expectation. Organizations need to retain existing customers while targeting new customers. Measuring customer satisfaction provides an indication of how successful the organization is at providing products and/or services to the marketplace. Customer satisfaction provides a leading indicator of consumer purchase intentions and loyalty. Customer satisfaction data are among the most frequently collected indicators of market perceptions. Usually customer satisfaction is measured at the individual level; however, it is almost always reported at an aggregate level. It can be, and often is, measured along with varied dimensions. The usual measures of customer satisfaction involve a survey with a set of statements using a Likert scale. Customer is asked to evaluate each statement and in term of their perception and expectation of performance of the organization being measured.

### 6. Customer satisfaction, brand loyalty and its antecedents

Satisfaction is a consumer's post-purchase evaluation of the overall service experience (process and outcome).Zeithaml, et al. have forwarded a definition that has wider acceptability. For them satisfaction is the customer's evaluation of a product or service in terms of whether that product or service has met the customer's need and expectations. Failure to meet needs and expectations is assumed to result in dissatisfaction with the product or service. The brand loyalty is a consumer's preference to buy a particular brand in a product category. It occurs because consumers perceive that the brand offers the right product features, image, or level of quality at the right price. True brand loyalty exists when customers have a high relative attitude toward the brand exhibited through repurchase behavior. This type of loyalty can be a great asset to the **firm**: customers are willing to pay higher prices, may cost less to serve and can bring in new customers to the firm.

**Product quality:** It is explained as "fitness for use" or "capability to obligation". Customers may replicate the buying of a particular brand or shift to different brands due to the quality of the sold product.

**Price:** The Customers with elevated brand loyalty are ready to pay a heavy amount for their preferred brand,

because they think that brands with intense prices are more valuable.

**Purchase decision:** It is the accepting process in which judgment and knowledge is combined to select one product in alternatives of two or more”.

**Perceived Quality:** It is the level to which a product or service provides key customer necessities and how consistently these requirements are delivered”.

**Store Environment:** It is extremely vital in attracting consumer buying and purchasing opinion. “If customers find the store to be vastly reachable through their shopping tour and are happy with the store’s variety and services, these clients may become loyal afterwards”.

**Design:** Brands that provide elegant package magnetize loyal consumers who are trend aware. Fashion leaders or

followers genially buy or frequently acquire products from those stores that are very fashionable and trendy

## 7. Conclusion

The study used measures to evaluate loyalty programs and customer retention that were standardized in the western retail environment, representing matured organized retail segment that have been using loyalty programs since long. The measures have been standardized in the M.P. context where the organized retail sector is just taking roots and the loyalty programs are new to the M.P retail market, especially food retail market.

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