

Empirical study of customer retention strategies of small retail shoppers.

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Abstract

Indian retailing is one of the largest fragmented and the least organized industries. The knocks of the organized retailers have posed threats to the existence of unorganized small retail shoppers. A study with its objective to explore the adopted promotional strategies, customer retention measures and patronizing shop strategies has been carried out.

The results of the study have been analyzed using a survey data of 200 small retail shoppers they have been selected through convenient sampling and reveal that sales of small shoppers are declining. 78 and 67 percent of grocery and apparel shoppers respectively offer credit facility to their customers. 98 and 67 percent of grocery and apparel shoppers respectively offer credit facility to their customers. 98 percent small shoppers have attracted customers by offering better quality goods. Information obtained from a sample of 200 customer visitors of the sampled retail shop reveals that 78 percent customers have patronized the grocery shops because of credit facility and 82 percent due to better quality and home delivery. In case of Bakery, some 90 percent customers patronize the shop because of quality products. The study also reveals that the personal behaviour of small retail shoppers play a vital role to retain customers. Retailers use flexibility in terms of Customer Retention Strategies and modify them with changing circumstances and conditions of organized retailers so as to meet the challenges of the competitive environment.

Introduction

The Retail industry is one of the largest industries in India but it is highly fragmented and one of the least organized sector. In other words, it is well dominated by an unorganized market in India. There are millions of such retail outlets - they represent not only the highest number in the world but also the highest per capita . Next to agriculture the retail sector is the highest source of employment in India. According to an estimate, it is increasing at the rate of 30% annually. An Indian Council of Research on International Economic Relations (ICRIER) study reflects that retailing contributes some 10% to GDP and employs 7 percent of total manpower. However, organized retailing is increasing in such a way that it has changed the whole concept of shopping in terms of format and consumer buying behaviour. Organized retailers have attracted customers being fascinated by Comfort, Luxury and Status (CLS) under

one roof. In other words, the modern retail format has not only changed the format of shopping by offering shopping, entertainment and eating at one place but also has changed the customers' preferences and tastes.

Reliance, Bharti, ITC and Rahejas are big Indian giants who are making heavy investment in this sector to maximize profit because organized retailing is one of the emerging fields in the Indian market. Good infrastructure efficient delivery of goods and maximum range and choice of product will not only attract the customers but also give momentum to economic growth of the country.

The foreign investors are looking at Indian market because it has lots of potential to expand their business and maximize their profits. Internationally, the Chinese market is saturating fast. Wal Mart (USA), Tesco (UK) and other retail giants are, therefore, looking forward to enter the Indian market. There are government restrictions though, on foreign direct investment (FDI) for international players. Right now government has permitted only 51 percent FDI to one brand shops like Nike and Reebok. But in the mean time, these players are trying to opt for other channels for getting entry in the Indian market. They want to enter through Franchisee, Licensing agreement etc.

CRM

It is a tool and a strategy used to know more about customers needs and behaviour in order to develop relationship with them. The objective of CRM is to attract, develop, maintain and enhance customer relationship with the existing and potential customers. Relationship marketing is the process of creating maintaining and enhancing strong value added relationship with the customers. CRM has become an important tool due to globalization, cut throat competitive market and being more knowledgeable and prospective customers. The knocks of the organized retailers have posed lots of threats from multiple corners to the small retail shoppers of unorganized sector regarding their existence.

Objectives

Main objectives of this paper is to know

1. the profile of the small retail shoppers.
2. the adopted strategies to promote their sales.
3. measures adopted to retain the customers and patronize the shops.
4. the effectiveness of promotional and customer retention strategies by interrogating customers.
5. comparative customers opinion regarding offered sales promotion strategies as well as patronizing the shops of study area.

The paper is organized as follows: Section 1 deals with introduction section 2 presents review of literature section 3 research methodology & database respectively section 4 provides Empirics of the study, followed by the conclusion and policy implications to section 5

Review of Literature

Organized retailing is one of the booming fields in the market in India. Various studies have been conducted regarding it. The customer retention strategy and relationship marketing is new field in the context of unorganized small retail shoppers. Telang et al. (2007) studied organized retailing in semi urban markets. According to them convenience, enjoyment and

price are three important factors which play vital role in promotion of sales. Berry et al. (2002) has made the study with respect to vendor Bendpudi & Berry (1997) and have undertaken considerable work in the area of customer retention. According to them relationship maintenance depends either on desire (dedication) or on Dependency (Constraint). In desire or say dedication based relationship customers are motivated to keep relationship because they genuinely want to do so, whereas in constrain based relationship individuals maintain relationship because they have no any other option. Joe (2007) and Telang et al. (2007) have reached the conclusion in their studies that the prices in the organized stores have been observed higher than unorganized retail. Similar observation has been made by Thaler (1985), Zenithal (1988) Sweeney and Soutar (2001). Antony (2009) in her study highlighted that among the customer relationship measures practiced, stocking and supplying all the goods required by the customers as well as friendliness even outside the shop were the most prominent. Further she states that profits were stated to be satisfactory.

Research Method & Data Base

1. The study has been conducted in Pune, Maharashtra, India. The survey of 200 small retail shoppers have been carried out in two areas i.e. Pimpri and Chinchwad. These 200 shoppers have been selected by convenient sampling method.
2. Two hundred customers who visited selected shops were selected. From each selected area only 100 customers were selected for comprehensive study.
3. The selected customers of both areas were given a set of questionnaire consisting six statements related to sales promotion and customer retention measures. They were asked to respond on the basis of 5 points Likert scale, 5 points for strongly Agree, 4 for agree, 3 for indifferent, 2 points for Disagree and 1 for strongly disagree.

The Model

Dummy variable regression has been used to ascertain the customers opinions of Pimpri & Chinchwad areas of Pune city regarding the strategy adopted for customers retention measures

$$Y_i = \beta_1 + \beta_2 D_i + U_i$$

Y_i is denoted for customers opinion, D_i is dummy variable. $D_i = 0$ is defined for customers of Pimpri and $D_i = 1$ for customers of Chinchwad areas. U_i is error term

Mean Score of customers opinion of Pimpri $Y_i = (Y_i | D_i = 0) = \beta_1$

Mean score of customers' opinion of Chinchwad $Y_i = (Y_i | D_i = 1) = \beta_1 + \beta_2$

+ Means mean score of customers' opinion of Chinchwad is higher than mean score of Pimpri customers

- Means mean score of customers of Pimpri is higher than Chinchwad but the magnitude of the distribution is β_2 .

$$H_0: \hat{\beta}_2 = 0$$

$$t = \frac{\hat{\beta}_2}{SE(\hat{\beta}_2)} \text{ is calculated value of statistics.}$$

If calculated value of t is greater than the relevant table value then β_2 is statistically significant and accordingly the difference in opinion may be concluded as significant.

EMPIRICAL ANALYSIS

PROFILE OF THE SMALL RETAIL SHOPPERS

The sample size consists of 200 small retail shoppers. These shoppers' details are given in the following Table.

Items	Number	Percentage	Proprietary	Partnership
Grocery	130	65.00	130 (100.00)	-
Bakery	19	9.50	12 (63.15)	07 (36.85)
Apparel	51	25.50	38 (74.5)	13 (25.5)
	200	100.00	180 (90.0)	20 (10.0)

The three varieties of retail shoppers have been chosen for comprehensive study. Among sample 200 small retail shoppers, 65 per cent and 25.5 per cent belong to grocery and apparel respectively. Only 9.5 percent represents bakery shopper. Important to note is that cent per cent grocery shoppers are run by self under own proprietorship and 36.85 per cent of bakery shoppers run their business in partnership while 25.49 per cent apparel shoppers business are also in partnership.

Some main features of customer profile are given below.

1. 60 per cent of the sample shops and their establishments are less than 200 sq. feet in size. The most frequent shops in the sample area is less than 200 sq. feet.
2. 93 percent of the shops have an inventory of Rs. 10 lakhs and majority (90 percent) of the shops is run by the family members. In other words it can be inferred that these shops are family owned small shops.
3. Particularly important fact is that the decline in sale is not limited to Grocery shops. Unbranded garment shops (Apparel) and bakery, all seem to have suffered. This leads to deeper questions regarding the changing class composition and shifts in consumption pattern in the vicinity of the malls. It also indicates the loss of real purchasing power among the classes in the vicinity of the malls that used to patronize unbranded garment.
4. 60 percent of the proprietors are graduates and rest of them below higher secondary.
5. 80 percent of grocery shoppers are 7-8 years old. 65 percent bakery shops are 9-10 years old while apparel shops are not more than 5 years old.
6. 62 percent of the proprietors have used their own resources to promote their business. Rest of them used borrowed money from either banks or financial institutions.
7. 41.18 percent apparel shops sell only branded garments while rests of the shops have mixed branded and unbranded garments.

Strategies of small Retail Shoppers for Promoting their Sales

The small retail shoppers use numbers of the strategies to promote their sale in order to gain customers support as well as patronize the shops. The strategies adopted by the small retail shoppers for promotion of their sale either in combination or any one strategy (ies) such as

credit facility, quality assurance, special discount, special packaging, home delivery, reimbursement of taxi auto fare for shopping and visit to shops etc.

The shoppers were interrogated to know what types of the sale promotional strategies they have adopted and offered to customers. Their responses are depicted in following Table.

Offered Sales Promotional Strategies

Sr.	Sales Promotional Strategies	Grocery 130		Bakery 19		Apparel 51		Total 200	
		No.	Per cent	No.	Per cent	No.	Per cent	No.	Per cent
1.	Better Quality	128	98.46	19	100.00	49	96.00	196	98.00
2.	Credit Facility	102	78.46	4	21.10	34	66.67	140	70.00
3.	Home Delivery	107	82.30	1	05.26	10	19.6	118	59.50
4.	Special Discount	62	47.69	8	42.10	32	62.7	102	51.00
5.	Special Packaging	44	33.84	10	52.63	33	64.7	87	43.50
6.	Reimbursement of Taxi / auto fare for shopping visit	12	09.20	-	-	8	15.7	20	10.00

The small retail shoppers offer credit facility to their customers for patronizing their shops. In the study areas, 70 percent small retail shoppers offer this facility. Out of them, 78.46 percent grocery shoppers extend such facility while 66.67 percent of shoppers provide credit facility to their customers. In case of apparel 21.10 percent small retail bakery shoppers also provide their products on credit to their customers.

The third important strategy, home delivery was noticed in the study areas to attract and patronizes the shop. No doubt in present dynamic time, customers have no time for shopping. Just they hand over the list of their merchandise to shoppers for delivery at home.

Customers Retention Measures Adopted By the Small Retail Shoppers

Customer retention measures imply efforts to retain customers by enhancing customers’ relationship with the existing and potential customers. In the study area, it has been found that the small retail shoppers are practicing the following strategies to retain their customers and maintain customer relations.

Personal Touch a) Offering seats /tea/coffee/cold drink, b) just by initiating conversation and asking for welfare of the customers, c) extending personal help on personal ground and d) offering chocolates to kid(s).

Communication a) Sending greetings on festivals/ Birth days/ Anniversaries etc., b) informing through pamphlet about new arrivals and stock clearance.

Special Treatment (a) fulfil the required demand of goods, (b) Provide goods comparatively on lower price,(c) Obliging customers by reducing price on their request.

Reward

Occasionally they offer gift on festivals or anniversary of their shops.

On the basis of above strategies, the shoppers were interrogated to know about the offered customer retention strategies. Their responses are as follows

Customer Retention Measures Offered

Customer Retention Measures	Grocery 130		Bakery 19		Apparel 51		Total No.	Per cent
	No.	Per cent	No.	Per cent	No.	Per cent		
1. Sending Greetings on different occasions	67	51.54	09	47.37	42	82.35	118	59.0
2. Informing through pamphlets about new arrivals & stock clearance	47	36.5	-		50	98.0	97	48.5
3. Giving personal touch	93	71.54	12	63.16	51	100.00	156	78.0
a) offering seats/ Tea/ Coffee etc.								
b) Asking welfare & conversation	123	94.62	16	84.21	50	98.0	189	94.5
4. Provide goods at lower price	97	74.62	10	52.63	39	76.47	146	73.0
5. Oblige customers by reducing price on their request	87	66.92	4	21.05	4	80.4	132	66.0
6. Provide/offer gift on festivals	35	26.92	7	36.84	47	92.15	89	44.5

Effectiveness of sales Promotional & Customer Retention Strategies & Reasons for Patronizing shops.

Further study has been made by interviewing 200 customers who were selected by convenient sampling method and visitors of the selected shops regarding effectiveness of adopted sales promotional and customer retention strategies and patronizing the shop.

Effectiveness of Sales Promotional Strategies And Reasons for Patronized Shops

Sales Promotional Strategies	Grocery %	Bakery %	Apparel %
1. Credit facility	78.5	50.00	50.00
2. Better Quality	98.5	89.5	81.5
3. Special Discount	32.5	75.00	62.5
4. Special Packaging	09.5	50.00	50.00
5. Home Delivery	82.5	-	-
6. Reimbursement	50.0	-	50.0

Regarding the effectiveness of sales promotional retail shoppers, it can be said that home delivery, better quality of products and credit facilities have allured them to patronize their shops. No. one wants to compromise with quality products irrespective of Grocery, Bakery and Apparel.

Effectiveness of Customers Retention Strategies

CUSTOMERS RETANTION STRATEGIES	Grocery %	Bakery %	Apparel %
1. Sending Greetings on different occasion	40.5	11.0	41.5

2. Informing through pamphlets about new arrivals & stock clearance	32.0	-	46.0
3. Giving personal touch			
a) offering seats/Tea/Coffee	91.5	58.5	100.0
b) Asking about welfare & conversation	97.5	75.0	97.5
4. Provide goods at lower price	82.5	60.0	64.0
5. Oblige customers by reducing price on their request	80.5	50.0	66.0
6. Provide/offer gift on festivals	28.5	14.5	32.0

From analysis of above table, it can be said that customers have given weightage to personal touch in the context of patronizing the small retail shops.

Customers' Opinion About Offered Services and Patronizing THE SHOP of Both Areas Pimpri & Chinchwad.

A comparative behavioural study of customers of both areas Pimpri and Chinchwad have been made with the help of Likert scale and Dummy variable regression. The customers have been asked to give their opinion on being given a set of questions which were related to promotional strategies as well as customers' retention strategies.

Do you get influenced by	Mean Scores
1. feel obliged if on request price is reduced	4.12+ 0.08 D _i (0.542)
2. Sending greetings on different occasions like anniversary, birthday etc.	4.38 + 0.06 D _i (0.609).
3. Extending personal touch by offering seats tea/coffee and chocolate to kids etc.	4.72 + 0.08 D _i (1.754)
4. Offering discount coupon/ gift voucher on festivals and anniversary of the shop	4.32 - 0.04D _i (1.669)
5. Providing home delivery service	4.44 - 0.06D _i (0.596)
6. Offering credit facility	4.64- 0.04D _i (0.412)

Note – In parenthesis *t* value given

At a glance it can be inferred from above table that customers of both areas Pimpri and Chinchwad have the similar opinion. The mean score of each statement represent strongly their opinions. Statistically two means of their opinions have no significant difference. It therefore, may be concluded that customers' opinion of both areas are alike. Small shoppers are successful in retention of their customers by adopting promotional and customer relation strategies.

Conclusions & Policy Implications

The outcome of the study reveals that the traditional unorganized retail shoppers are enjoying considerable successful and profitable. The impact of unorganized retailing has not affected their sales significantly because of their cultivating human relations culture and their personal touch skills by which the customer is lured and patronizes their shops. If the product is purchased in bulk on the basis of Cooperative venture the price will be lower and profit

margin will remain unaffected. Srivastava (2008) has also found in his study the retailers of Ahmedabad have made similar effort. Now it is need of time that retailer must use flexibility in terms of customer Retention Strategies and modify them with changing circumstances and conditions of organized retailers so as to meet the challenges of the competitive environment.

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