

## A Research Paper on “Analysis of Customer switching behavior and Relationship bonding strategies in Organized Retailing” - A Study conducted in Belgaum district

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### Abstract :

Opening up of Indian economy, changing demographics, increasing number of rich, middle class, are driving force for retail transformation. Organized retailing is growing at a rapid pace, not only in metros, but also in the semi-urban markets of India, with different format. Emergence of organized retail is greatly influenced by the large number of women working population, emergence of nuclear family, with a new lifestyle. Retailers are finding it tough to be profitable. The organized retailing stores are facing new challenges due to non-traditional competition & globalization

Customer Relationship Management is a buzzword in service economy, a key element of firm's competitive strategy. Customer Relationship Management focuses on retaining the existing customer, as they are five times more profitable than a new customer. Retailers are adopting CRM strategies to beat the competition. In this study we are examining the consumer buying behaviour, and also examine consumer loyalty, the impact of relationship bonding tactics on customer retention.

**Keywords :** CRM, Consumer behavior, Social Bond, financial bond, structural bond, Loyalty, Recency, Frequency, Referrals.

### Introduction to study:

Retailing is one of the pillars of the economy in India and accounts for 35% of GDP growth. The retail industry is facing a dynamic and competitive environment, with increased globalization, and is seeking competitive advantage by better managing their customer relations.

Organized retailing refers to trading activities undertaken by licensed retailers, that is, those who are registered for sales tax, income tax, etc. Unorganized retailing, on the other hand, refers to the traditional formats of low-cost retailing, for example, the local kirana shops, owner manned general stores, paan/beedi shops, convenience stores, handcart and pavement vendors, etc.

### Customer Relationship Management in Retailing Management:

New tendency in retailing like raised competition and risk, which have generated pressure on retailers to correct both inventory turnover and consumer service. Customer loyalty is being seen as important to the success of any retail organization, because it is known that drawing new customers is more expensive than keeping existing one.

Customer Relationship Management (CRM) means different things to different people. For some, CRM is the term used to identify a set of IT applications that automate customer-facing process in marketing, selling and service. For others, it is about an organizational wish to be more customers focused. It is the general company strategy, which focuses in the creation and retention of the long lasting and strong relations with customers. In other words, loyalty programs contribute for the effective development of these relations.

### What is CRM?

Parvatiyar and sheth defined Customer relationship management as a competitive strategy and process of

acquiring, reacting and partnering with selective customers to create superior value for the company and the customer.

CRM is a business strategy, to create competitive differentiation. CRM strategy will address four key areas of the business: Strategy, People, Technology, and Processes.

Customer relationship management is a new phenomenon in retailing has in identifying and track customer purchase in order to manage customer relationships, they have started concentrating on providing more value to customers by using promotions and loyalty programs that is frequent shoppers program, to reward the existing customers and also helping retailers in enhancing their sales revenues and profits. Businesses are now motivated to adopt CRM; retailing sector is also focusing on relationship programme.

#### **Motives for adopting CRM Strategies in retailing:**

- Competition
- Consumer expectation
- Technology
- Diminishing impact of Advertising

CRM is everything that relates to Customer Life Cycle Management. It can range from the average number of times a customer shops, to age, sex and the number of minutes spent in the store. While expansion, price and product lines come under the larger purview of business management, the shopping experience which determines an effective CRM is an in-house and 'at the moment' factor. CRM is one key element that rules the world of retail. CRM is bread, butter and cheese to retail giants like Wal-Mart, Tesco, Carrefour and H&M.

Customer Relationship marketing has received attention, as consumers have become more demanding in their exchanges with firms. Marketers are more interested in the potential of relationship marketing activities to deliver enlarged value to the customer over and above the firm's product or service offering. Building strong customer relationships offers a significant competitive advantage due to the difficulty of direct imitation by competitors.

Now-a-days retailers seek to maximize relationships with customers. Thus, a shift in organizational thinking is necessary and retailers have "customer-centric" focus and implement strategies to support this focus.

#### **Why is CRM a Brand Manager?**

Retail is lot about branding, pricing and position of the store. Retail chains like Tesco, Carrefour and are powerful examples in the retail industry, and their growth and expansion into newer geographies were largely driven by pricing and product lines. Innovation in branding and defending a brand, have become vital strategies. Brand management generates new business and an effective CRM retains the business so generated.

Brand icons often repeat the statement 'You either stand out, or get out.' Wal-Mart has consistently been standing out in terms of brand visibility and positioning. CRM is also an essential tool in managing brand value, and the ambassadors to the brand are none other than the employees of the store.

Due to increased competition, increase in inflation, has affected the retailing. "Everyone in this business has turned cautious', says Kishore Biyani, the chief executive of Future Group, India's biggest retailer. 'People are down-trading from expensive brands.'

#### **Conceptual background to the research**

Satisfaction – Profit Chaine.



- 3) **Trust:** Multiple satisfied interactions, leads to a stage, where customer begins to have faith in the offerings.
- 4) **Commitment:** Commitment to a relationship is defined as an enduring desire to maintain a valued relationship. Trust and commitment are key variable, to marketers because they help in increase in purchase referrals, and sharing of information.
- 5) **Loyalty:** Loyalty is not simply repeat buying. It includes future purchase intentions, price sensitivity and referral behavior.

In our research we are analyzing customer switching behavior and loyalty.

Also we are analyzing referral generations by satisfied customer. On the bases of loyal behavior, we have divided the respondents in to four loyal groups 1. One who buys same brand all the time- the classics; one who changes the brand often- the switchers; one who alternates between two or three specific brands- the fusionists; and one who buys the normal brand but is more interested in buying other brands as well- the contemporaries.

#### **Berry and Parasuraman (1991) have identified four levels of bonds.**

1. Financial Bonds
2. Social bonds
3. Customizations Bonds
4. Structural Bonds

Financial bonds tie with the customers primarily through financial incentives like lower prices or stable prices. Loyalty programme such as frequent shopper programme are examples in retail industry. EDLP i.e. Everyday low prices are practiced by Wal-Mart and many other retail brands.

Marketers build social bonds, during interactions; information sharing and rapport are necessary for providing the service. Social bonding is possible in the context of professional service providers like doctors, teachers, etc.

1 - as per Dr Vijetha shetty's respondent segmentation on the basis of loyal behavior. Ref quoted)

Social bonding we see in the small organized retailing/ kirana shops where they recognize the customers by their names.

Customization refers to the use of flexible processes and organizational structures to produce varied and often individually customized products and services at the price of standardized, mass-produced alternatives. The Internet channel provides an opportunity for retailers to automate the practice of 1 to 1 retailing. When registered customers log on to Amazon.com, the first page they see is personalized for them. Their name is displayed in a greeting, and products are displayed based on an analysis of their past purchase behavior.

Level four strategies are most difficult to imitate. Structural bonds are created by providing services that are designed right into the service delivery system. An example of structural bond in retail industry can be seen in P&G and Wal-Mart. P&G can track the (movements of its brands in Wal-Mart stores, and arranges for distribution of products to Wal-Mart retail outlets.

Based on the above discussions we analyze the reasons for preferring organized retails, consumer loyalty, and the impact of four level relationship bonding strategies on customer retention.

#### **Objectives of the study**

- to understand customer Relationship Management strategies of organized retailers
- to analyze the reasons for preferring organized retail outlet
- to analyze consumer switching behavior.
- to know the impact of relationship bonding tactics in customer retention.
- to analyze economics of customer retention, in terms of RFM and referral generation.

Research Methodology :  
 Data collection :  
 Primary Data : Survey  
 Secondary Data : Websites, Journals and text books  
 Tool for Survey : Questionnaire  
 Sampling Procedure :  
 Sampling Unit : Customers of organized retail outlet  
 Sample Size : 100 respondents  
 Sampling Method : Convenient Sampling  
 Survey area : Belgaum City

**Hypothesis**

Following Hypothesis have been formulated for the study .

- H01 : the attributes “Social Bonding” and “Referral Generation” are independent.
- H11 : the attributes “Social Bonding” and “Referral Generation” are dependent.
- H02 : the attributes “Financial Bonding” and “Customer Loyalty” are independent.
- H12 : the attributes “Financial Bonding” and “Customer Loyalty” are dependent.
- H03 : the attributes “Relationship Bonding Strategies” and “Impact of CRM strategies, on customer continuous purchase” are independent.
- H13 : the attributes “Relationship Bonding Strategies” and “Impact of CRM strategies, on customer continuous purchase” are dependent.
- H04 : the attribute “Relationship Bonding Strategies” and “Referral Generation” are independent.
- H14 : the attribute “Relationship Bonding Strategies” and “Referral Generation” are dependent.

**Analysis of Data :**

The data is analyzed using the Statistical Package for Social Sciences (SPSS) software. Various statistical tools are used to analyze the data; some of them are percentage method, chi-square test.

**Respondent Profile :**

Item	Measure	Frequency	Percent
Gender	Female	44	44
	Male	56	56
Occupation	Student	15	15
	Professional	24	24
	Employee	50	50
	others	11	11
Annual Income	<1 lakh	17	17
	1-2lakhs	22	22
	2-3lakhs	29	29
	>3 lakhs	17	17
Frequency of purchase per month (times)	1	32	32
	2	35	35
	3	17	17
	4	9	9
	>=5	7	7

Average Purchase Size (Rs)	<500	21	21
	500-999	38	38
	1000-1999	33	33
	2000-2999	3	3
	>3000	5	5

**1. Purpose of visit to the organized retail outlets :**

	Agree		Disagree	
	Frequency	Percent	Frequency	Percent
Convenience as a purpose of visit	40	40.0	60	60.0
Price	30	30.0	70	70.0
Discount	40	40.0	60	60.0
Service	19	19.0	81	81.0
Experience	17	17.0	83	83.0

**Interpretation :**

From above analysis we can conclude that the, customers frequently visit organized retail outlet as they find it more convenient to purchase products and can also avail the discount available at the stores.

**2. Reason for preferring organized retail outlets :**

	Agree		Neither Agree nor Disagree		Disagree	
	Frequency	Percent	Frequency	Percent	Frequency	Percent
Provides good quality products from any other stores	42	42.0	41	41.0	17	17.0
Effort & time spend on purchase is worthwhile	65	65.0	27	27.0	8	8.0
Display wide variety of products	88	88.0	12	12.0		
Retail store employees provide good service	32	32.0	54	54.0	14	14.0
Purchasing decision becomes easy	6	6.0	25	25.0	69	69.0

**Interpretation:**

We can analyze that customers prefer organized retails because they feel that they save their time and effort while purchasing, & the wide display helps them in decision-making.

**3. Switching Behavior :**

**Switching behaviour**

	Frequency	Percentage	Cumulative Percentage
Valid Yes	80	80.0	80.0
No	20	20.0	100.0
Total	100	100.0	

**Interpretation :**

We can analyze that majority of customers in Belgaum city, switch between organized retail outlets. Customers loyalty to a retail brand doesn't exist.

**4. Loyal Behavior :**

	Yes		No	
	Frequency	Percent	Frequency	Percent
Buy from different organized retail outlet brands most of the time	64	64	36	36
Buy from same organized retail outlet brand all the time	29	29	71	71
Normally buy from same organized retail outlet brand, sometimes purchase from other retail outlets as well	72	72	28	28
Purchase usually from two to three specific retail store brands	55	55	45	45

**Interpretation:**

From the above we can analyze that majority of the customers are contemporaries, they like to purchase from same organized retail, sometime prefer to purchase from different retail outlets. 64% of the customers are switchers. 55% of the customers are fusionists as they purchase from two to three retail outlet. 29% customers classics as they are loyal towards one store.

**5. Analyzing Loyalty Program**

	Yes		No	
	Frequency	Percent	Frequency	Percent
Does your store offer any loyalty programs?	44	44	56	56
Are you a member of any loyalty/reward programs in any organized retail store	21	21	79	79
Are you a member of loyalty/reward programs in many organized retail store	10	10	90	90

**Interpretation :**

We find that most of the customers are aware about the loyalty programs of retail outlet. Among the customers, who are aware of reward programme, majority of the customers are members and ten percent of the customers are members of multiple reward programme.

**6. Economics of customer retention :**

**Recency of purchase**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	less than year	9	9.0	9.0	9.0
	1-3 years	73	73.0	73.0	82.0
	3-5 years	9	9.0	9.0	91.0
	less than 5 years	9	9.0	9.0	100.0
	Total	100	100.0	100.0	

**Interpretation :**

Majority of customers in Belgaum city, buy from organized retail store, since 3 years.

**Frequency of purchase**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	1 time	32	32.0	32.0	32.0
	2 times	35	35.0	35.0	67.0
	3 times	17	17.0	17.0	84.0
	4 times	9	9.0	9.0	93.0
	5	7	7.0	7.0	100.0
	Total	100	100.0	100.0	

**Interpretation:**

Majority of customers visit the organized retail store twice in a month

**Average purchase size**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	less than 500	21	21.0	21.0	21.0
	500-999	38	38.0	38.0	59.0
	1000-1999	33	33.0	33.0	92.0
	2000-2999	3	3.0	3.0	95.0
	>=3000	5	5.0	5.0	100.0
	Total	100	100.0	100.0	

**Interpretation :**

Majority of customers spend around 1000/- Rupees each time when they visit the organized retail outlet.

**7. Different Relationship bonding Tactics in organized retail outlet:**

**Interpretation:**

	Agree		Neither Agree nor Disagree		Disagree	
	Frequency	Percent	Frequency	Percent	Frequency	Percent
The employees of store recognize me by my name	6	6.0	25	25.0	69	69.0
The store sends me personalized greeting card on my birthday/ anniversary	6	6.0	13	13.0	81	81.0

I Prefer to develop long term relationship with same retail outlet	31	31.0	40	40.0	29	29.0
The store reward programme offers purchase discounts, free gifts, bonus points etc	50	50.0	22	22.0	20	20.0
The store loyalty programme is attractive	22	22.0	56	56.0	22	22.0
The stores employees explain me about different brands/ premium products	42	42.0	31	31.0	27	27.0
Stores provide products from other sources, if not available	14	14.0	33	33.0	53	53.0
Stores provide variety of needs to get information more efficiently.	36	36.0	43	43.0	21	21.0
Store considers my special orders	13	13.0	39	39.0	48	48.0
Store provides instructions for some products	41	41.0	40	40.0	19	19.0
Store provides personal assistance if needed	54	54.0	30	30.0	16	16.0

We find that customers neither agree nor disagree towards social bonding, structural bonding, tactics of organized retail outlets in Belgaum city. Majority of customers agree that retail stores offer reward programme, and employees provide personal assistance if needed. Organized retailers have to focus on relationship bonding tactics such as social & structural bonding.

**8. Referral Generation :**

**Refferal generation**

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Yes	83	83.0	83.0	83.0
No	17	17.0	17.0	100.0
Total	100	100.0	100.0	

**Interpretation:**

Majority of customers refer their retail store to friends and relatives

**9. If another store offers attractive schemes I prefer to switch**

**Analysing customer loyalty**

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Yes	88	88.0	88.0	88.0
No	12	12.0	12.0	100.0
Total	100	100.0	100.0	

**Interpretation:**

From above data, we find that majority customers, are not loyal, they switch between stores.

10. Customer continuous purchase :

**Interpretation:**

**Impact of CRM strategies, on customer continuous purchase**

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Yes	64	64.0	64.0	64.0
No	36	36.0	36.0	100.0
Total	100	100.0	100.0	

Majority of customers say, CRM strategies motivate them to continue their purchase in organized retail.

**Hypothesis :**

**1. Social Bonding and Referral Generation:**

H01 : the attributes “Social Bonding” and “Referral Generation” are independent.

H11 : the attributes “Social Bonding” and “Referral Generation” are dependent.

**Inference :**

**Social Bonding \* Referral generation Crosstabulation**

			Referral generation		Total
			Yes	No	
Social Bonding	Agree	Count		0	4
		Expected Count	3.3	.7	4.0
	Neither Agree nor Disagree	Count	35	6	41
		Expected Count	34.0	7.0	41.0
	Disagree	Count	44	11	55
		Expected Count	45.7	9.4	55.0
Total	Count	83	17	100	
	Expected Count	83.0	17.0	100.0	

**Chi-Square Tests**

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	1.333 <sup>a</sup>	2	.514
Likelihood Ratio	1.996	2	.369
Linear-by-Linear Association	1.155	1	.283
N of Valid Cases	100		

<sup>a</sup>. 2 cells (33.3%) have expected count less than 5. The minimum expected count is .68.

Here we compare the p-value with the level of significance (5% = 0.05). Since chi-square test for independence of attribute is one tail test, therefore the p-value should be divided by 2.

i.e., p-value = 0.514 / 2 = 0.257

here we reject H01 at 5% level of significance, if p-value is < level of significance, here we observe that, 0.257 is not less then 0.05,

so we accept H01 at 5% level of significance,  
hence, the attributes “Social Bonding” and “Referral Generation” are independent.

**1. Financial Bonding and Customer Loyalty:**

H02 : the attributes “Financial Bonding” and “Customer Loyalty” are independent.

H12 : the attributes “Financial Bonding” and “Customer Loyalty” are dependent

**Inference :**

**Financial Bonding \* Customer Loyalty Crosstabulation**

			Customer Loyalty		Total
			Yes	No	
Financial Bonding	Agree	Count	17	3	20
		Expected Count	17.6	2.4	20.0
	Neither Agree nor Disagree	Count	49	5	54
		Expected Count	47.5	6.5	54.0
	Disagree	Count	22	4	26
		Expected Count	22.9	3.1	26.0
Total	Count	88	12	100	
	Expected Count	88.0	12.0	100.0	

**Chi-Square Tests**

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	.837 <sup>a</sup>	2	.658
Likelihood Ratio	.834	2	.659
Linear-by-Linear Association	.016	1	.899
N of Valid Cases	100		

a. 2 cells (33.3%) have expected count less than 5. The minimum expected count is 2.40.

Here we compare the p-value with the level of significance (5% = 0.05). Since chi-square test for independence of attribute is one tail test, therefore the p-value should be divided by 2.

i.e., p-value = 0.658 / 2 = 0.329

here we reject H02 at 5% level of significance, if p-value is < level of significance,

here we observe that, 0.329 is not less then 0.05,

so, we accept H02 at 5% level of significance,

hence, the attributes “Financial Bonding” and “Customer Loyalty” are independent.

**3. Relationship Bonding Strategies and Impact of CRM strategies, on customer continuous purchase.**

H03 : the attributes “Relationship Bonding Strategies” and “Impact of CRM strategies, on customer continuous purchase” are independent.

H13 : the attributes “Relationship Bonding Strategies” and “Impact of CRM strategies, on customer continuous purchase” are dependent.

**Inference:**

**Relationship Bonding Strategies \* Impact of CRM strategies, on customer continuous purchase Crosstabulation**

			Impact of CRM strategies, on customer continuous purchase		Total
			Yes	No	
Relationship Bonding Strategies	Agree	Count	4	0	4
		Expected Count	2.6	1.4	4.0
	Neither Agree nor Disagree	Count	59	25	84
		Expected Count	53.8	30.2	84.0
	Disagree	Count	1	11	12
		Expected Count	7.7	4.3	12.0
Total	Count	64	36	100	
	Expected Count	64.0	36.0	100.0	

**Chi-Square Tests**

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	19.808 <sup>a</sup>	2	.000
Likelihood Ratio	21.516	2	.000
Linear-by-Linear Association	18.445	1	.000
N of Valid Cases	100		

a. 3 cells (50.0%) have expected count less than 5. The minimum expected count is 1.44.

Here we compare the p-value with the level of significance (5% = 0.05). Since chi-square test for independence of attribute is one tail test, therefore the p-value should be divided by 2.

i.e., p-value = 0.000 / 2 = 0.000

here we reject H03 at 5% level of significance, if p-value is < level of significance,

here we observe that, 0.000 < 0.05,

so we reject H03 at 5% level of significance,

hence, the attributes "Relationship Bonding Strategies" and "Impact of CRM strategies, on customer continuous purchase" are dependent.

**4. Relationship Bonding Strategies and Referral Generation:**

H04 : the attribute "Relationship Bonding Strategies" and "Referral Generation" are independent.

H14 : the attribute "Relationship Bonding Strategies" and "Referral Generation" are dependent.

**Inference :**

**Relationship Bonding Strategies \* Referral generation Crosstabulation**

			Referral generation		Total
			Yes	No	
Relationship Bonding Strategies	Agree	Count	4	0	4
		Expected Count	3.3	.7	4.0
	Neither Agree nor Disagree	Count	76	8	84
		Expected Count	69.7	14.3	84.0
	Disagree	Count	3	9	12
		Expected Count	10.0	2.0	12.0
Total	Count	83	17	100	
	Expected Count	83.0	17.0	100.0	

Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	32.756 <sup>a</sup>	2	.000
Likelihood Ratio	24.847	2	.000
Linear-by-Linear Association	26.663	1	.000
N of Valid Cases	100		

a. 3 cells (50.0%) have expected count less than 5. The minimum expected count is .68.

Here we compare the p-value with the level of significance ( $5\% = 0.05$ ). Since chi-square test for independence of attribute is one tail test, therefore the p-value should be divided by 2.

i.e.,  $p\text{-value} = 0.000 / 2 = 0.000$

here we reject  $H_0$  at 5% level of significance, if p-value is  $<$  level of significance,

here we observe that,  $0.000 < 0.05$ ,

so, we reject  $H_0$  at 5% level of significance,

hence, the attribute "Relationship Bonding Strategies" and "Referral Generation" are dependent.

### Conclusion :

Many scholars describe CRM as "New-Old" concept as several factors have enabled marketers' rediscover this age-old concept. In this research we examined the reasons that influence customer intention to continue purchasing from organized retail stores. We find that convenience and discounts play important role in attracting customers to the store. Majority of the customers are not loyal to retail brands, they switch between two to three retail brands. Hence customer experience management can be an effective barrier to avoid switching.

The objective of this research paper was to know the customers response in terms of loyalty, referral generation, towards relationship building activities by retailers. Based on the results of survey, we can conclude that financial bonding like reward programme, discounts, motivate customers for repeat purchase. Since customers are not experiencing the social bonding, in retail stores trust and commitment in relation is not found. Overall all relationship-building activities by retailers are successful in referral generation and motivating customers for repeat purchase. We conclude that organized retailers have to focus on building social and customization bonds with customers to generate true loyals.

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