

**A STUDY ON CUSTOMER RETENTION STRATEGY OF
ORGANISED RETAILERS - WITH REFERENCE TO
VIRUDHUNAGAR**

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CUSTOMER RETENTION STRATEGY OF ORGANISED RETAILERS- A STUDY WITH REFERENCE TO TAMIL NADU

INTRODUCTION

In the present business environment, customer satisfaction and retention are the key concepts of success. Organisations can increase their customer base by delivering greater satisfaction to their customers. Retailers can achieve customer loyalty by providing maximum satisfaction to them. This will help retailers in getting an edge over their industry rivals in this intensely competitive business world and will assist them in achieving sustainability. Companies can achieve customer loyalty through customer satisfaction. A firm that has major chunk of loyal customers generates the majority of the profit from the increase of repurchase rate, higher price willingness, greater cross-buying potential, lower switching tendencies and positive recommendation behaviour (Bhatia, 2008). Gan et al. (2006) found that retained or loyal customers of the company, most of the time are less sensitive to the price and take less of company's time. Their study also indicated that in the present era customer retention has become the top most priority of the enterprises and it is essential for the managers to focus on the factors that might increase customer retention rate. The cost of attracting a new customer is almost five times as high as the cost of retaining an existing customer, a loyal customer will always give solicited and unsolicited referral and will always resist to competitor's enticement.

Customer retention is therefore very essential for the retail sector companies operating in the Indian economy because it has been found that 5 percent improvement in customer retention can cause an increase in profitability between 25 percent and 85 percent (Jeffs, 2008)

Customer retention also refers to the number of relationships which an organisation can maintain on a long-term basis. It is a very natural and simple concept that if the customers are feeling delighted satisfied and communicated regularly; they will keep coming back to the organisation. The cost of acquiring a new customer is several times more than that of retaining an existing customer. There are varieties of strategies and tools are available for retaining the customer, among these tools, the most necessary tools are providing quality products and services (Terblanche and Hofmeyr, 2005)

Recently Indian retail sector has seen a tremendous growth and its growth prospects look bright. More and more players are entering into the Indian retail sector, thus intensifying the competition in this industry. To attract customers and to expand their customer base, Indian organised retailers have devised several retention strategies. This work is an attempt to study various retention strategies followed by the Indian retailers and to determine the usefulness of such strategies in achieving the aims and goals of the organisation.

Review of Literature

According to David Skok (2020) sales is often more effective when you have an existing relationship with a customer, and when you have already provided value. According to research from Harvard Business School, (2016) increasing customer retention rates by 5 percent increases profits by 25 percent to 95 percent. Toma Kulbyte (2018) opined that for three major reasons the companies should care about existing customers, they are: 1. To achieve better Conversion rates, 2. To lower cost of marketing and 3. to increase profits. Gartner Group statistics tell us that 80 percent of companies future revenue will come just from 20 percent of your existing customers. According to a study by Bolton & K. Kannan (2022) loyalty rewards programme provide an opportunity to build longer, stronger and deeper relationships with customers. Nrent Barnhart (2023) found that loyalty programmes will have a positive long-run effect on customer purchase behaviour only when service experiences are generally satisfactory.

Most Companies spend majority of their time, energy and resources changing new business. Now started realising the importance of retaining existing customers (Weinstein 2022) Aspinall et (2023) found the 54 percent of companies reported customer retention was more important than customer acquisition. Much focus could be directed towards developing effective retention strategies.

Statement of the Problem

The purpose of this study is to determine the effectiveness of the customer retention strategies followed by organised retailers operating in Tamil Nadu State, India.

State of Tamil Nadu, taken for the study is always preferred as a testing ground by FMCG Companies as the consumers of the state are well known for their 'trying' habit of new products in the market. This behaviour of consumers makes the retail market more volatile and unstable. This leads the firms to experience 'exit' of customers on the one side and 'gaining' of customers on the other. This ever changing phenomenon of behaviour of consumers exert influence on retailers to concentrate more on their customer retention strategies. Moreover a preliminary study conducted in the cities of Chennai and Madurai, brought to the fore the main issues concerning the research problem. Different strategies are followed by big retailers in India with the aim of retaining their customers. To what extent their strategies effective is a potential research area to be probed. The present research is one such attempt in this direction.

Objectives of the study

The major Objectives of the study are:

1. To highlight the various kinds of customer retention strategies followed by organised retailers in India.
2. To identify factors influencing the development of customer retention strategies
3. To analyse the effectiveness of customer retention strategies followed by organised retailers selected for the study.
4. To develop and suggest a model of customer retention strategy from the opinion of customers.
5. To offer suggestions based on the findings of the study.

Hypotheses for the Study

Following null hypotheses are to be tested by the researcher in the proposed work:

- H1: Customer retention strategies do not affect the buying behaviour of customers in the organised retail sector.
- H2: Customer retention strategies do not have significant positive impact on sales and profit.
- H3: Retail stores do not change their customer retention strategies frequently.
- H4: There is no significant difference in customer retention strategies of organised retailers.

Importance of the Study

The proposed research work is not only significant for the companies under study, but also for the other retail outlets operating in various sectors of the Indian economy. Moreover, the research will also be fruitful for other companies as it will assist them in devising appropriate customer retention strategies. Apart from this, the study will also help the academic circle professors and teachers who want to acquire in-depth knowledge regarding relationship marketing. Furthermore, this work will provide a take-off ground to the scholars who wish to pursue a career in this field or want to conduct research in the related area. Above all it will be an addition to the limited existing literature available in the field.

Methodology

It is based on both primary and secondary data. It is analytical and descriptive in nature. Organised retailers namely. 1. Trends (Ready-mades), 2. D.Mart (Consumer goods), 3. Vasanth & Co (Customer Durables), 4. Pothys (Textiles) and, 5. Lalitha Jewellery (Gold and Silver) will be considered for the study by following a simple random sampling technique, a total of 500 consumers will also be selected for the study. The required data will be collected from the respondents using well structured interview schedule. Secondary data will be collected through books, journals, reports, theses and website sources.

Framework of Analysis

For analyzing data, the following statistical tools shall be used:

1. Chi-square Analysis.
2. Oneway ANOVA
3. One sample t-test
4. Factor Analysis
5. Multiple Regression
6. Kruskal-wall is one way ANOVA and Mann whitney "U" test, and

Limitations of the Study

The study has the following limitations.

1. It is confined to Tamil Nadu state only
2. Organised retailers are selected from five major cities of the state namely Chennai, Trichi, Coimbatore, Madurai and Thirunelveli only.
3. Consumer who visit these stores most frequently are considered for the study

Chapter Scheme

The proposed research work has seven chapters:

1. Introduction and Design of the Study
2. Customer Retention strategy of organised retailers are a broader respective.
3. Profile of Study area, selected retailers and Respondents.
4. Perception of Customers on Customer Retention Strategies followed by Retailers.
5. Effectiveness of Customer Retention strategies followed by organised retailers.
6. Development of Customer Retention Model
7. Summary of Findings, suggestions and conclusion.

Conclusion

The proposed research work would surely be an earnest attempt in the retailing landscape of Tamil Nadu focusing the customer retention strategies of organised retailers. The findings of the study would expose the secrets behind the behaviour of consumers forwards the preference of companies. The customer retention model proposed at the end the study shall act as a ready reckoned for retention strategies of retailers and play a crucial in their relationship with customers.

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