Relationship between Customer Relationship Management and Customer Loyalty in Retail Sector

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Abstract—*Business around the globe is facing ever-growing challenges due to globalization. The Customer can choose between more alternatives due to the growing competition among the companies and each company is finding various ways to attract them to their target. More and more retailers are on the lookout for spread out beyond their traditional borderline and get in touch with different kind of customer splinter group. One such strategic focus is customer loyalty, which should be viewed as a "must" for retailer hoping for gaining competitive advantage. Now companies are focusing on retaining their customers for long rather than gaining new. It has been found that it costs significantly less to retain an existing customer than it does to get your hands on a new one, making loyalty especially critical in times when corporate marketing budgets are scrutinized, so customer relationship management is very much important. The main aim of this study is to examine the impact of Customer relationship management on customers' loyalty in retail. The study adopted co-relational design. The sample consisted of one hundred customers from the retail sector. The results indicated significant effect of customer relationship management on customer loyalty. Results were discussed in the light of previous studies in this area.*

Keywords: *customer relationship management, customer loyalty, retail.*

Introduction

Acquiring new customers can cost five to eight times more than satisfying and retaining in progress customers. Indeed, retaining customers and strengthening their loyalty is a very effective but complicated method to increase a company's success. Due to high competition and numerous alternatives provided to the customer there has been a gradual move in marketing thoughts and practices, from product centric approach to customer centric approach, and from concentrating on selling as much products as possible to acquiring, keeping and retaining as much customers as possible.

Customer loyalty:-

Customer loyalty is a valuable asset for a company in competitive markets (Srivastav et.al 2000). In the 90s the loyalty concept was the object of increased attention in the scientific literature. It is supposed that loyalty helps to increase sales and prices, reduce marketing costs and influences profitability positively (Griffin 1995). In this study, customer loyalty is defined as repeated purchasing stimulated by a strong internal propensity (Day 1969).

Customer relationship management:-

Customer relationship management (CRM) is "an integrated approach to managing relationships by focusing on customer retention and relationship development" (Chen & Popovich 2003, p.672). CRM is a way of "developing a comprehensive picture of customers needs, expectation and behaviours and managing those factors to affect business performance" (Hoots 2005). The paradigms of CRM include the following:-

Customization: - The essence of customization process is expressed in the motto "treat each customer uniquely". This means that customization is not simply about 1-to-1 marketing; it supposes the creation of products for individual consumers, based on their favours and peculiarities (Winer 2001). Customization is defined as the process, where "content and services to customer should be designed based on customer preferences and behaviour".

Customer service: - Customer service is defined as "all interactions between a customer and a product provider at the time of sale, and thereafter". The goal of customer service is to satisfy customers' needs and to solve their problems efficiently and quickly.

Brand image: - Brand image is devoted o the "total product concept" containing names, colours, symbols, mottos (Berrey et.al 1998). It is "the perception of the brand in the minds of people, it is what people believe about a brand – their thoughts, feelings, expectations" (Bennett 1995, Kavaratzis & Ashworth 2005, p.509), being trust to the brand (Keller & Lehman 2006).

Interactive websites: - The interactive websites now give the customers the possibility to share their opinions and

experience on any brand or company (Chess 2010). Social networks contain variety of "non-traditional industry influencers" that can answer all consumers question and influence their perception about the product or service (Chess 2010, p.9).

Media for creating social networks:- Media as a concept covers not only online communication channel in use, but "real life" interactions, such as "letters, phone calls, feedback forms, and comment cards" (Chess 2010, p.4). It is important to notice that mass marketing in form of television, radio and print advertisements is little efficient in terms of CRM, because of "their impersonal nature" (Winer 2001, p.13).

Some researchers observed that customer relationship management have significant impact on customer loyalty in hotel sector. In a study Jay and Dwi (2000), reported that the hotel image and service quality of hotel like performance of housekeeping, food and reception are positively correlated with customers' future comeback in the New-Zealand hotel industry. Research also shows that in hospital sector CRM influence CL. In his study Kesuma et al (2013) investigated the effect of service quality on patient's loyalty at private hospitals. The study revel that service quality has positively and significantly influenced customer loyalty. In addition, implementation of CRM mediated the relationship and effect of service quality on customer loyalty.

Now a day's everything is changing rapidly, especially in Asia. When we think about Asia, two countries immediately stuck to our mind, India & China. If we consider the changes, we can't ignore the revolution in retail sector. At the present day customers have become more difficult to please with offers that would have pleased them past. Customers are getting smarter, price sensitive, more demanding & are approached by many competitors with equal & better offer. The challenges are not to create the satisfied customers but to produce delight & create loyalty among the customers in a manner that competitors can't achieve. CRM stresses the importance of long–lasting relationship with customers and enhancing their loyalty and their commitment to a company. The impact of CRM on CL have been already investigated in most of the service sectors like manufacturing sector, hotel industry, hospital sector and in automobile sector. But in retail sector a few researches have been found. Thus, to have a clear picture of customer relationship management and customer loyalty in retail sector the present study attempts to find out the impact of CRM on CL in retail sectors.

RESEARCH OBJECTIVE

To examine the relationship between customer relationship management and customer loyalty in retail sector.

RESEARCH HYPOTHESIS

The relationship between customer relationship management and customer loyalty will be positive and significant.

DESIGN

The study was based on co-relational design with independent variable being the Customer relationship management and the dependent measure was customer loyalty.

Sample

The sample consisted of 100 customers in the age group of 20-35 years. For selection of participant's purposive sampling method was used. Out of 143 responses 100 completed questionnaires were obtained. All customers have at least one year of relationship with the respective stores.

Tools

In our study, we used questionnaire as an instrument of survey method. This questionnaire has three main parts. The first part consists of demographic questions regarding the name, gender, age, and the years of experience they had with respective organization. The second part of the questionnaire comprises of 25 items. The respondents were asked to indicate their responses on a five point scale. The response and scoring were done like strongly agree (5) agree (4) somewhat agree (3) somewhat disagree (2) completely disagree (1). For positive statements scores can range from 5 to 1 and in a reverse way for the negative statements from 1 to 5. Score was calculated by reverse coding item no-7. Scores can range from 35 to 125, with higher scores indicating higher customer relationship management.

The third part of the questionnaire comprised of 15 items. The respondents were asked to indicate their responses on a five point scale. The response and scoring were done like strongly agree (5) Agree (4) somewhat agree (3), somewhat disagree (2), completely disagree (1). For positive statements scores can range from 5 to 1 and in a reverse way for the negative statements from 1 to 5. Score was calculated by reverse coding item no-12. Scores can range from 15 to 75, with higher scores indicating high loyalty. The scales which we used in our questionnaire were taken from already existing research papers.

In this study two questionnaires were used to measure the independent variable and dependent variable namely, customer relationship management and customer loyalty.

Procedure

After taking prior permission from the store manager, the researcher approached the subjects in the retail store according to their convenience. Customers were asked for participation after explaining the very purpose of the study and they were assured of the confidentiality of data. Adequate amount of rapport was established before administering the questionnaires. There was no fixed time limit. After the respondents completed responding to the questionnaire the researcher collected the questionnaire and thanked them for their cooperation.

RESULTS

The primary purpose of the present study was to find out the impact of CRM on CL in retail sector. The data were statistically analyzed by correlation.

Table 1: Mean score of CRM & CL in retail.

	Mean	N
CRM	89.05	100
CL	78.48	100

Table 1 shows the mean score of CRM & CL in retail sector. The mean score of CRM in retail store was 89.05 and the mean score of loyalty in retail sector was 78.48.

Figure 1

Figure1 shows the average CRM scores in retail store. It was evident that the mean scores of CRM in retail stores were 89.05.
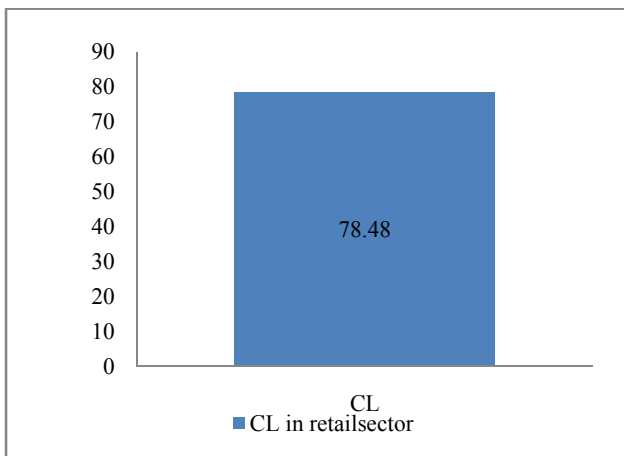

Figure 2

Figure 2 shows the average loyalty scores in retail store. It was evident that the mean loyalty scores of retail store were 78.48.

Table 2

		Loyalty	CRM
Loyalty	Pearson correlation	1	.432
	sig (2-tailed)		.000**
	N	100	100
CRM	Pearson correlation	.432	1
	sig (2-tailed)	.000**	
	N	100	100

**p<0.01(2-tailed)

Table 2 shows the co-relation between CRM and CL. The analysis revels that CRM has significant positive correlation with CL (r=.432, p<0.01).

DISCUSSION

The purpose of this present investigation was to assess the level of CRM and CL in retail sector and to examine the relationship between CRM and CL in retail sector. It was found that in retail sector they are giving more emphasis on customer relationship management, the rate is pretty higher. It has been also found out that customer loyalty was also elevated in retail sector.

In recent years, significant developments have been experienced in the retail sector. The study revealed that there was a significant and positive correlation between CRM and CL. It is of significance that retailer should make one-to-one and individualized relationships with their customers, offer superior services and determine the customers' needs because there is a greater alternative available in the market place, so people will prefer the one which provide better service. Human beings love to be respected, being recognized and being valued, they want to feel welcomed when they enter to the store. By providing better customer service the organization can supply a greater shopping experience to its customer, which will have a great impact on their future comeback.

To collect information about the customer and update them are among the important milestones of customer relationship management. Research results show that not only collecting data about the customers but also giving information to them arouses customer loyalty, arousing in him the sense that he is valued. Asking feedback from customers was a good idea. By doing this the organization will be able to make the customer feel that their feedback does counts, they are being heard and they are valuable to the organization. Which will ultimately increase their future come back. This could only be possible through interactive websites and media. Organization can be able to stay connected with their customers through social media. Now a day the use of social media has been increased dramatically, so the organization can use SMS, email etc to being updated with its customers. The above finding supports

the earlier findings done in this area in different sector such as hotel sector and banking sectors. (KOCOGLU 2012, Jay and Dwi 2000).

Implications of the study

The general finding of this study are important from the theoretical as well as applied point of view. Theoretically the result explicates factors that could be studied more systematically in a framework of cause and effect relationship. Possible causal links can be hypothesized and rigorous experimental situations can be investigated later. In academic sense this research confirmed the claims of scientific literature about efficiency of correct CRM implementation and its direct influence on the customer loyalty to the company. In applied terms, specific feedbacks can be communicated for developing customer's loyalty in retail store. Supporting the problem statement of thesis, research findings showed CRM has positive co-relation with C.L. The company's management has to pay its attention to the implementation of CRM.

Company which integrates CRM has to think about special courses and trainings for its staff to update their knowledge and skills of communicating with customers. Now-a-days a lot of relevant literature can be found and a lot of experts offer their help in this area. The training should also include the information how to recognize the customers likely to attrite and retain them. Company has to provide incentives and compensation for sales person to motivate their effort to save the customer for future. The company has to petition actively to customers to make them interested in cooperation. It has to create a unique image of the brand, the separate world in which customer like to join. Common objective is to create a perception of customers that if they use this product they will be more cool/meaningful/respectful or any other characteristics depending on the company's products and goals. The company needs to provide a two way website to the customer where they can get enough information about the company and share their opinions and experiences. The choice of media influences the CRM processes. In this digital era company should use SMS, E-mail and social networking sites for advertisement which in turn would bring new customer and save customers for future.

CONCLUSION

This paper examined the impact of customer relationship management on customer loyalty in retail sector. According to research findings CRM has significant positive relationship with CL. the stronger the company's CRM the more is CL. Customer relationship management directly influences customer loyalty in the retail stores. Based on research findings, one ways for building customer loyalty was to improve customer relationship management.

LIMITATIONS OF RESEARCH

The present study has several limitations. Some of them are;

- The sample size for the research was relatively small (N=100), due to the constraint of time and incomplete questionnaire. Therefore, the result based on such a sample cannot be generalized for all kinds of customers.

- The study was conducted by taking only one factor, CRM. Other factors, such as; SES, gender, age, location and price might be playing significant role in customer loyalty which could not be explored with the limited scope of the present study.

- The samples were collected from a few retail stores of urban area only. So the result may not generalize to semi urban towns and cities.

Direction for further research

- In order to have a more authentic and objective result, a larger sample can be taken into consideration.

- To get clearer picture other factors like perception of price, age, gender, SES can also be taken up in future research to arrive at a more detailed picture on customer loyalty.

- In future research, participants from different stores may be included, so that the study would have a greater degree of sampling frame.

- Stores from different cities can be included for better approximation about customer loyalty.

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