

CUSTOMER RETENTION STRATEGIES IN RETAIL SECTOR WITH SPECIAL REFERENCE TO CHENNAI

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Abstract:

Customer retention is of paramount importance in the retail sector, as it directly influences a business's long-term success and profitability. Retaining existing customers is often more cost-effective than acquiring new ones, primarily because the costs associated with marketing and on boarding new customers can be significantly higher. Moreover, loyal customers tend to spend more over time, not only due to repeat purchases but also because they are more likely to try new products and services offered by a trusted retailer. This on-going relationship helps stabilize revenue streams and can provide a buffer during economic downturns or market fluctuation. Both Primary and secondary data has been used for the study. The Primary data are required to analyse the retail customers in Chennai. The sample size for the study is 385. The findings of the study shows that 'Product variety' 'Quality', 'Brand Product variety consciousness', 'Service & Facilities' and 'Pricing'. It is identified that all the above five variables are highly influencing the customers.

Keywords: Customer Retention, Strategies, Retail Sector, Service Quality.

1.1 Introduction:

Customer retention is a critical aspect of the retail sector, playing a vital role in the sustained growth and profitability of businesses. In a highly competitive market, retaining existing customers is often more cost-effective than acquiring new ones, as it helps in building a loyal customer base that consistently contributes to revenue. A key strategy for enhancing customer retention involves delivering exceptional customer service, which can significantly influence a customer's decision to return. Retailers can achieve this by providing personalized shopping experiences, understanding customer preferences, and ensuring that their needs and expectations are met. Loyalty programs are another effective tool, offering rewards and incentives that encourage repeat business and foster a sense of exclusivity and appreciation among customers. Furthermore, maintaining a consistent quality of products and services is essential, as it builds trust and reliability, encouraging customers to choose a particular store over competitors. Communication also plays a pivotal role in customer retention strategies; regular engagement through personalized marketing, newsletters, and exclusive offers keeps customers informed and connected to the brand. Additionally, soliciting and acting on customer feedback demonstrates that a retailer values its customers' opinions, leading to improvements in products and services that better meet customer needs. In the digital age, leveraging data analytics allows retailers to gain insights into customer behavior and preferences, enabling them to tailor their offerings and marketing efforts more effectively. Overall, customer retention strategies in the retail sector are multifaceted, encompassing quality service, personalized experiences, loyalty programs,

effective communication, and data-driven decision-making. These elements collectively contribute to building strong customer relationships, enhancing satisfaction and loyalty, and ultimately driving profitability in the retail sector.

1.2 Review of Literature:

Sethurajan and Jayalakshmi V. (2020) observed in their study that store attributes, customers' habitual preference for shopping at the same outlets, and their belief in prompt service delivery significantly influence repeat visits to retail shops. Customers tend to revisit stores where products are available as per their requirements, at affordable prices, and with minimal waiting time at billing counters. Despite the rapid growth and strong potential of the Indian retail sector, the organized retail segment still has considerable scope to better understand and respond to customer needs. The study emphasizes that organized and unorganized retail sectors in India can coexist and prosper only if both recognize their operational strengths and limitations and adopt strategic approaches to ensure future success, sustainability, and customer satisfaction; otherwise, one sector may grow while the other risks gradual decline.

Raab et al. (2022) explained that the customer lifecycle comprises three key elements, with customer retention forming its core identified three strategic segments within customer retention: retaining profitable customers, winning back former customers, and reducing unprofitable relationships. These strategies are aimed at building a valuable customer base, which is closely linked to a firm's overall success. Furthermore, customer retention management can be categorized into three groups retained customers, at-risk customers, and lost customers each requiring distinct handling protocols and management strategies.

1.3 Objective of the Study:

The main objective of the study is to analyse the Customer retention strategies in retail sector with special reference to Chennai.

1.4 Research Methodology:

1.4.1 Selection of the study area:

Taherdoost (2016) stated that the first step in sampling is defining the target population clearly. Target population refers to the group of individuals or objects the researcher is interested in generalizing the findings. The sampling procedure begins with the selection of the study area and ends with data collection. The main purpose of the study is to analyse the Customer retention strategies in retail sector, customer perception towards retail sector. The Primary data were collected from both customers. The data were collected from Chennai. The Sample size for the study is 385 by using row software calculator.

1.4.2 Sources of Data:

For the purpose of the study the researcher collected both primary as well as secondary data.

1.4.2.1 Primary Data:

The Primary data are required to analyse the retail customers in Chennai. The data were collected from customers by using well-structured questionnaire in Chennai.

1.4.2.2 Secondary Data:

The secondary data were collected from the reports of collected from Journals, Magazines, Books.

1.5 Data Analysis and Interpretation:

1.5.1 Demographic Profile of the Customers:

In order to understand the demographic profile of the customers, percentage analysis was used to identify the personal information like Gender, Age, Marital status, Residential status, Educational Qualification, Occupation, Monthly Income, Monthly Savings. The Table 4.1 shows the demographic profile of the respondents

Table 1.1 Demographic profile of the respondents

Demographic Profile	Options	Frequency	Percent
Gender	Male	152	41
	Female	228	59
	Total	385	100
Age	Less than 30 years	36	9
	31 to 40 years	144	37
	41 to 50 years	46	12
	51 to 60 years	130	34
	Above 60 years	29	8
	Total	385	100
Marital status	Married	249	65
	Unmarried	68	18
	Widowed	28	7
	Divorced	40	10
	Total	385	100
Educational Qualification Residence	Not Formally Educated	78	20
	High school	51	13
	Degree	112	29
	Master Degree	101	26
	Illiterate	43	12
	Total	385	100
	Semi - Urban	133	34
	Rural	252	66
Total	385	100	

Occupation	Student	38	10
	Professional	86	22
	Business	58	15
	House Wife	185	48
	Others	18	5
	Total	385	100
Monthly Income	Below Rs.10,000	15	4
	Rs.10,001 to 15000	75	20
	Rs. 15,001 to 20,001	110	29
	Rs. 20,001 to Rs. 25000	149	39
	Above Rs. 25001	36	8
	Total	385	100
Monthly Savings	Less than Rs.1,000	15	4
	Rs.1,001 to Rs.2,000	75	20
	Rs.2,001 to Rs.3000	110	29
	Rs.3,001 to Rs.4,000	149	39
	Above Rs.4,001	36	8
	Total	385	100

Source: Primary Data

Gender: Among 385 respondents considered for the study, 228 respondents (59%) are female and 152 respondents (41%) are males. It is observed that majority of the female respondents are purchasing the products in retail stores.

Age: Age of the customers plays a major role in the using the bank accounts. Customers can operate their individual accounts only after the completion of 18 years. Age is one of the most important factors for a human being and age also serves as a yard stick to participate or discontinue in any occupation or profession. Among 385 respondents considered for the study; 36 respondents (9%) were age between less than 30 years, 144 respondents (37%) were in the age group of 31 to 40 years, 46 respondents (12%) were in the age group of 41 to 50 years, 130 respondents (34%) belongs to the age group between 51 to 60 years and 29 respondents (8%) were above 60 years. Thus, majority of the customers contacted are in the age group of 31 to 40 years.

Marital status: Marital status gives a person social recognition. It increases the responsibility of a person in the society and in his family. Among 385 respondents considered for the study, 249 respondents (65%) are married, 68 respondents (18%) are not married and 28 respondents (7%) are widowed and 40 respondents (10%) of them were divorced. Hence, majority of the respondents contacted for the study are married.

Educational Qualification: Education is the process of gaining knowledge in the respective fields. Educational qualification is a basic indispensable demographic variable in

the social science research. Education is one of the most important factors that influence a person in the society to a large extent. So an attempt is made to analyze the level of education of customers. Among 385 respondents considered for the study, 78 respondents (20%) are Not formally educated, 51 respondents (13%) have completed their high school, 112 respondents (29%) are qualified with degree, 101 respondents (26%) are qualified Master Degree and 43 respondents (12%) are categorized as belonging to Illiterate. Therefore, majority of the customers are qualified degree. Educated customers are using green banking services.

Occupation: Among 385 respondents considered for the study, 38 respondents (10%) are student, 86 respondents (22%) are professionals, 58 respondents (15%) are business, 185 respondents (48%) are housewife and 18 respondents (5%) are categorized as belonging to others category. Therefore, majority of the housewife customers are purchasing in the retail stores.

Residence: Residence is significant factor to be considered in agriculture. Among 385 respondents considered for the study, 133 respondents (34%) belongs to semi urban, and 252 respondents (66%) belong to rural area. Therefore, majority of the respondents are belongs to rural area.

Monthly Income: Income is like a lubrication of wheel in the vehicle. Income is a deciding factor of purchasing power of consumers in the world. Everyone is striving to get something as monetary value for the exchange of their work. Among 385 respondents considered for the study, 15 respondents (4%) have a monthly income of less than Rs.10,000, 75 respondents' (20%) monthly income is between Rs.10,001 to Rs.15,000, 110 respondents' (29%) monthly income is between Rs.15,001 to Rs.20,001, 149 respondents' (39%) monthly income is between Rs.20,001 to Rs.25000 and remaining 36 respondents' (8%) monthly income is above Rs. 25,001. It shows that majority of the respondents' monthly income is between Rs. 20,001 to 25000.

Monthly Savings: Among 385 respondents considered for the study, 15 respondents' (4%) monthly savings is less than Rs.1000, 75 respondents' (20%) monthly savings is between Rs.1001 to Rs.2000, 110 respondents' (29%) monthly savings is between Rs.2001 to Rs.3000, 149 respondents' (39%) monthly savings is between Rs.3001 to Rs.4,000 and 36 respondents' (8%) monthly savings is above Rs.4,001. It shows that majority of the monthly savings is Rs. Rs.3,001 to Rs.4,000.

1.5.2 Customer Retention towards Retail Sector- Mean Score Analysis:-

Descriptive statistics were used to analyze the customer retention towards retail stores.

Table 1.2 Customer Retention towards Retail Sector - Rank Analysis

Customer Retention	Mean	Standard Deviation	Rank
Quality	4.764	1.581	2
Product variety	4.891	0.889	1
Brand Product variety consciousnesses	4.684	0.669	3

Service & Facilities	4.541	0.963	4
Pricing	4.423	0.834	5
Customer satisfaction	3.894	0.671	6
Less time to choose	3.756	0.531	7
Economical	3.589	0.862	8
Variety of brands	3.381	0.291	9
Trust	3.891	1.256	10
Friend Referral	3.564	3.289	11

Source: Primary Data

The rank analysis was performed by using the overall mean score on factors. The Customer Retention towards Retail Sector; it is inferred from the Table that out of 11 variables the mean score value is more than 4.00, for the variables namely, 'Product variety' (4.891), 'Quality' (4.764), 'Brand Product variety consciousnesses' (4.684), 'Service & Facilities' (4.541) and 'Pricing' (4.423). It is identified that all the above five variables are highly influencing the customers.

1.6 Conclusion:

Customer retention strategies play a vital role in the long-term success and sustainability of the retail sector. In an increasingly competitive retail environment, maintaining strong relationships with existing customers ensures stable revenue and reduces the cost associated with acquiring new customers. Strategies such as offering quality products, competitive pricing, personalized services, efficient billing systems, and effective loyalty programs significantly enhance customer satisfaction and trust.

Moreover, the effective use of customer relationship management practices enables retailers to understand customer needs, resolve issues promptly, and build long-term loyalty. In the Indian retail context, both organized and unorganized retailers must continuously adapt their retention strategies by leveraging their unique strengths to meet evolving customer expectations. Overall, well-designed and consistently implemented customer retention strategies not only improve customer loyalty but also contribute to sustained growth, competitive advantage, and overall business performance in the retail sector.

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