AN EMPIRICAL STUDY ON FACTORS INFLUENCING CUSTOMER LOYALTY IN ORGANIZED FOOD AND GROCERY RETAIL STORES

Dr. K. Nithya Kala
Research supervisor, Assistant Professor, Department of Business Administration, PSGR Krishnammal College For Women, Peelamedu, Coimbatore

Roly Grace. C. A
Research scholar, M. Phil (Management), Department of Business Administration, PSGR Krishnammal College For Women, Peelamedu, Coimbatore

ABSTRACT

Indian retail is a mix of organized and unorganized retail stores. The study examined the factors influencing customer’s loyalty in food and grocery retailing. The data have been collected using structured questionnaire. A total of 96 respondents were randomly selected from organized food and grocery retail store. The collected data were examined using correlation and regression analysis. The factors such as service quality, product quality, pricing strategy and customer loyalty were studied in detail. The study found that service quality and pricing strategy have a positive relationship with customer loyalty.

Keywords: Organized Retail Stores, Service Quality and Customer Loyalty
INTRODUCTION

Indian retail is moving towards the modernization each and every day. According to Global Retail Development Index 2017, India has ranked first in the retail investment followed by China. Retail industry comprises of various sectors like food and grocery, mobiles, apparels, jewellery, medicines, etc. amongst them 60% of the retail market is dominated by the food and grocery and it is expected to increase by 66% by 2020. The Organized Retail Penetration (ORP) in India in the year 2015 was 8% and it is estimated to reach 13% by 2019. The scope for expansion of organized retail market in India is expected to grow at a Compound Annual Growth Rate (CAGR) of 24% by 2020. Retail industry can be broadly classified into two categories namely- organized and unorganized retail.

Organized Retail

Organized traders/retailers, who are licensed for trading activities and Register Organized retailing. It is a place all the items are segregated and brought under one roof, unlike the unorganized retail where there are different things are sold in different shops. Organized retailing comprises mainly of modern retailing with busy shopping malls, multi stored malls and huge complexes that offer a large variety of products in terms of quality, value for money and makes shopping at memorable experience to pay taxes to the government.

Unorganized Retail

It consists of unauthorized small shops - conventional Kirana shops, general stores, corner shops among various other small retail outlets - but remain as the radiating force of Indian retail industry. Traditional or unorganized retail outlets are normally street markets, counter stores, kiosks, and vendors where the ownership and management rest with one person only. This sectors accounts for the two thirds of the market and requires low skilled labour. These are highly competitive outlets, with negligible rental costs (unregistered kiosks or traditional property), cheap workers (work is shared by members of family) and low taxes.
Customer Loyalty
According to Financial Times” Customer loyalty can be said to have occurred if people choose to use a particular shop or buy one particular product. Customer loyalty is the key objective of customer relationship management and describes the loyalty which is established between customers and companies, persons, products or brands”.

Service Quality
Phillip Kotler defined service as” an action or an activity which can be offered by a party to another party, which is basically intangible and cannot affect any ownership. Service may be related to tangible products or intangible products”.

Product Quality
The collection of features and characteristics of a product that contribute to the ability to meet and fulfill the requirements of the end users. For a product to be of good quality it should be reliable and perform all its functions smoothly.

Pricing Strategy
Pricing strategy in marketing is “the pursuit of identifying the optimum price for a product. This strategy is combined with the other marketing principles known as the four P's (product, place, price, and promotion), market demand, product characteristics, competition, and economic patterns. The pricing strategy tends to be one of the more critical components of the marketing mix and is focused on generating revenue and ultimately profit for the company. The success in pricing strategies for businesses is heightened with clarity on market conditions, an understanding of the consumer's unmet desire, and the amount they are willing to pay to fulfill it”.

LITERATURE REVIEW
Bareja and Sain (2014) explored the impact of pricing strategy as a promotional tool in organized retail sector in India, with a sample of 100 respondents. The study analyzed using Chi-square test. The study concludes that retailers have made the price and discounts as their tool to promote their
products. The study suggested that traditional retailers need to redesign their business strategies to attract their customers and the organized retail sector must consider the customer value and their buying pattern.

Rahman and Jalil (2014) examined the factors influencing customer’s loyalty in Malaysian hypermarket, with a sample of 292 respondents. The study employed Structural Equation Modeling (SEM) technique using Confirmatory Factor Analysis (CFA) and tested the hypothesis. The result showed a positive correlation between dependent and independent variables, the factors such as service quality, product quality and price strategy have positive impact on customer loyalty and factors like price strategy were found to be highly significant with customer’s loyalty.

Thenmozhi (2014), analyzed whether retail business meets the customer needs and expectations which is measured by aspects like retail service quality, customer satisfaction, customer loyalty, with a sample of 463 respondents. The study analyzed the data using factor analysis and multiple regression. The study revealed that retail service quality factors like store merchandise, policy, problem solving and personal interaction have significant impact on customer satisfaction and loyalty in retail outlets.

Mass and Ghaswyneh (2013) identified the impact of various factors of shopping experience affecting customer’s loyalty in organized retail store, with a sample of 706 consumers. Structural Equation Modeling (SEM) technique was applied for analysis of the data. The result indicated that factors of shopping experience such as execution related experience, expediting, problem recovery have a positive impact on customer loyalty. The study found that ‘Execution Related Excellence’ has least impact on customer loyalty and ‘Problem Recovery’ has highest impact on customer loyalty.

Sharma (2013) studied consumers brand preference towards FMCG products with special reference to organized retail store in Erode, with a sample of 200 customers. The study analyzed the data using simple percentage, chi-square test and weighted average rank. The study revealed that the customers were satisfied with FMCG products irrespective of brands, the customers gave more preference towards the quality of the products followed by price, design, sales and service.
OBJECTIVE

1. To examine the factors influencing customer loyalty in food and grocery retail stores.
2. To study the impact of service quality, product quality, price strategy towards customer loyalty.

RESEARCH METHODOLOGY

Sample size: 96 respondents

Sampling Technique: Random sampling method

Data Collection Method:

Primary Data: Collected through structured questionnaire.

Secondary Data: Collected through journals and online websites.

Variables used for the Study:

<table>
<thead>
<tr>
<th>Variables</th>
<th>Source</th>
</tr>
</thead>
<tbody>
<tr>
<td>Customer Loyalty</td>
<td>Rahman and Jalil, 2014</td>
</tr>
<tr>
<td>Service Quality</td>
<td>Rahman and Jalil, 2014</td>
</tr>
<tr>
<td>Product Quality</td>
<td>Rahman and Jalil, 2014</td>
</tr>
<tr>
<td>Price Strategy</td>
<td>Rahman and Jalil, 2014</td>
</tr>
</tbody>
</table>

Tools for Data Analysis:

- Correlation
- Regression
From the above it is found that the positive correlation exist between service quality and customer loyalty ($r=0.362$, $p<0.01$); followed by pricing strategy and customer loyalty ($r=0.317$, $p<0.01$).
This implies that service quality have a positive relationship on customer loyalty than pricing strategy.

**Regression:**

Table 2: Predicts the variation of service quality, product quality and price strategy on customer loyalty

<table>
<thead>
<tr>
<th>Model</th>
<th>R</th>
<th>R Square</th>
<th>Adjusted R Square</th>
<th>Std. Error of the Estimate</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>.431^a</td>
<td>.185</td>
<td>.159</td>
<td>.14025</td>
</tr>
</tbody>
</table>

The $r^2$ value (.18), there is 18% of the variation in the customer loyalty can be predicted using the service quality, product quality and price strategy.

Table 3: Shows the impact of service quality, product quality, price strategy on customer loyalty

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>t</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(Constant)</td>
<td>2.781</td>
<td>.286</td>
<td>9.737</td>
<td>.000</td>
</tr>
<tr>
<td>Service Quality</td>
<td>.097</td>
<td>.044</td>
<td>.234</td>
<td>2.173</td>
</tr>
<tr>
<td>Product Quality</td>
<td>.055</td>
<td>.039</td>
<td>.138</td>
<td>1.381</td>
</tr>
<tr>
<td>Pricing Strategy</td>
<td>.111</td>
<td>.052</td>
<td>.217</td>
<td>2.116</td>
</tr>
</tbody>
</table>

Source: Primary data
Table reveals that service quality have a significant and positive impact of 23.4% on customer loyalty (β= 23.4%, t=2.173 positive, p<0.05), the pricing strategy also have a significant and positive impact of 21.7% on customer loyalty (β= 21.7%, t= 2.116 positive, p<0.05).

**CONCLUSION**

The study examined the factors such as service quality, product quality, pricing strategy and customer loyalty. The study found that the service quality have a positive relationship on customer loyalty followed by pricing strategy. The study proved that there is a positive and significant impact of service quality and pricing strategy towards the customer loyalty than product quality. The study suggest that the organized retail store should improve the quality of the product, by providing wide range of products, high quality products, accurate product information. The study recommends the retailer to provide various offers such as price discounts, quantity discount on bulk purchase and promotional price for new products to improve pricing strategy; it helps the retailers to draw the customer towards the store.

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