



Relation between customer satisfaction and customer loyalty in organized retailing: a study in saurashtra

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Abstract: *This paper studies the correlation between customer satisfaction and customer loyalty in organized retail in Saurashtra region of Gujarat state. The customer satisfaction is derived out of twenty factors evaluation while, the customer loyalty is derived out of five factors evaluation. A sample of 219 consumers was personally surveyed using structured questionnaire. Using statistics like correlation test, the relation between customer satisfaction and customer loyalty was measured. Significant correlation was found between customer satisfaction and customer loyalty.*

Key words: *organized retailing, customer satisfaction, customer loyalty, relationship, correlation analysis.*

I. INTRODUCTION

A retailer is any person or organisation is a reseller who sells goods or services directly to consumers or end-users. Retailing has initiation with the initiation of civilization. Looking from ancient India to medieval Europe, from Greece to Africa, everywhere studies found out retailing with development of mankind civilization and trade. The industrial revolution initiated a completely new view to production and commerce, which ultimately converted to a whooping change of communication and trade with customer's i. e. retailing.

The retail market is expected to reach a whopping Rs. 47 lakh crore by 2016-17, as it expands at a compounded annual growth rate of 15 per cent, according to the 'Yes Bank - Assocham' study.

The Indian Retail sector has gone through major transformation since last several years with a noticeable move towards organised retailing. A T Kearney, a US Based global management consulting firm ranked India as the fourth most attractive nation for retail investment among several promising markets. The retail market, (including organised / contemporary and unorganised / conventional retail), was at Rs. 23 lakh crore in 2011-12. According to the infoshine report study, organised retail, that comprised just seven per cent of the overall retail market in 2011-12, is expected to grow at a CAGR of 24 per cent and attain 10.2 per cent share of the total retail sector by 2016-17. (infoshine report, 2014).

II. REVIEW OF LITERATURE

Churchil and Surprenant (1982) conceptualized customer satisfaction as an outcome of purchase and use consequential from the buyers' comparison of the rewards and costs of the purchase in relation to the predictable consequences. While, customer loyalty has usually been said as a result of all the experiences that a customer has with a service / product provider (Mascarenhas, Kesavan, & Bernacchi, 2006). The experiences might include emotional involvements, physical interactions, and value chain moments (Mascarenhas et al., 2006). Customer loyalty can also be defined as the final consequences of the overall and cumulative experience, which consumers have with an organization (Brunner, Stöcklin, & Opwis, 2008).

Customer loyalty works by four factors : the customer's intention to repurchase; intention of cross-buying (buy another product from the same company); intention to switch to a competitor (price tolerance); and intention to recommend the brand/company to other consumers. Customer loyalty has constructive impact on both a firm's market performance and its economic performance (Camarero et al., 2005).

The relationship between customer satisfaction and customer loyalty can be found in literature. Customer satisfaction and customer loyalty are different concepts but they are highly correlated (Gelade & Young, 2005; Silvestro & Cross, 2000). Customer satisfaction is a necessary precondition for customer loyalty, which is in tum a key driver of performance, profit and growth (Reichheld 1993; Heskett et al. 1997). Most of the studies validate that there is positive association between service quality and customer loyalty and customer satisfaction is usually the intermediary between them (Chodzaza & Gombachika, 2013; Chu et al., 2012). **Customer satisfaction** and perceived value significantly influence post-purchase behaviour. (Tam, Jackie L. M., 2004). Satisfaction is the heart of loyalty, satisfaction is one of the necessary components of loyalty, satisfaction and loyalty are the machinery of ultimate loyalty and satisfaction as the preparatory point of loyalty (Munari, Ielasi & Bjetta, 2013).



Employee loyalty, service quality, and customer satisfaction have a positive impact on customer loyalty in a high-contact service industry. (Yee, Yeung, and Cheng, 2010). Customer satisfaction is a "lead the way" of loyalty specifically in service context in various studies (Belas & Gabcova, 2016; Coelho & Henseler, 2012; Lam, Shankar, Erramilli, & Murthy, 2004; Mittal & Kamakura, 2001).

Measuring the customer satisfaction and customer loyalty requires many factors to be assessed or evaluated. The use of multiple questions for each variable increases the accuracy of the estimate, instead of using a single question, and there are previous studies supports for using such an approach for satisfaction and loyalty measurements (Fornell & Cha, 1994; Fornell et al., 1996; Ryan et al., 1995).

Various constructs are used for measuring customer satisfaction in organized retail (Badiyani, 2009) i. e. Value / price, quality of products, variety, convenience, one roof buying, hours of operation, security arrangement, proximity from house, assistance provided, product advertising and display, low crowding, parking facilities, low traffic, availability of ATM / bank, home delivery service, children entertainment, music, air conditioning, automatic stair / elevator facilities and acceptance of credit cards. The factors for measuring quality here includes telling positive aspects about the retailer, recommending to others, encouraging to friends and family positively, considering the retailer as first option for next purchase and for the next few purchases.

III. OBJECTIVES OF THE STUDY

The objectives of the study are

1. To study the customer satisfaction in organized retail outlets.
2. To observe the customer loyalty in organized retail outlets.
3. To measure the relationship between customer satisfaction and customer loyalty.

IV. DATA COLLECTION, SAMPLE AND TOOL

The twenty factors for customer satisfaction and five factors for customer loyalty measurement are taken from review of literature. Through a structured questionnaire data were collected. The data are collected from Rajkot, Bhavnagar, Jamnagar and Junagadh cities of saurashtra region of Gujarat state. Out of total 250 questionnaires administered, 219 questionnaires were found valid for analysis. Sampling technique used here is convenience sampling. Survey questionnaire included a number of questions related to customer satisfaction and customer loyalty and the responses are recorded on five point likert type scale.

V. DATA ANALYSIS AND INTERPRETATION

The reliability tests were applied to factors for customer satisfaction as well as factors for customer loyalty. The factors for measuring customer satisfaction shows the chronbach's alpha for reliability 0.770 while the factors for measuring customer loyalty shows the chronbach's alpha for reliability 0.790 as shown in table 1 and table 2.

Table 1. reliability test for factors for customer satisfaction.

Cronbach's Alpha	N of Items
.770	20

Table 2. Reliability test for factors for customer loyalty.

Cronbach's Alpha	N of Items
.790	5

To measure the relationship between customer satisfaction and customer loyalty, bivariate correlation test is applied as shown in table 3 and table 4.

Table 3. descriptive analysis for correlation analysis between customer satisfaction and customer loyalty.

	Mean	Std. Deviation	N
Customer satisfaction.	61.6484	8.49121	219
Customer loyalty.	16.6621	3.49770	219

Table 4. correlation analysis between customer satisfaction and customer loyalty.



Correlations		VAR00037	VAR00038
Customer satisfaction.	Pearson Correlation	1	.609**
	Sig. (2-tailed)		.000
	N	219	219
Customer loyalty.	Pearson Correlation	.609**	1
	Sig. (2-tailed)	.000	
	N	219	219

** . Correlation is significant at the 0.01 level (2-tailed).

Table 3 and table 4 suggest that between customer satisfaction and customer loyalty, two tailed correlation is significant at the 0.01 level. That means, customer satisfaction and customer loyalty are highly correlated. If customer satisfaction increases, customer loyalty increases and if customer satisfaction decreases, customer loyalty decreases.

VI. CONCLUSION

Though, customer loyalty has many constructs in addition to the customer satisfaction, the customer satisfaction plays a pivotal role in increasing customer loyalty and the organization's growth and profit. The customer satisfaction is based on many factors which are found in previous studies and a continuous research is required to update them with the changes in the market. Further research may be fruitful in the direction.

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