

A Study on Relationship between Customer Satisfaction and Customer Loyalty in Apparels Retail Store: With Reference to Hyderabad

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Abstract

Loyalty can be understood as faithfulness, dedication, commitment or devotion to a person, profession, institution, or product. Formation of loyalty is an extremely important but difficult philosophy and psychology to decode. Loyalty implies a feeling or an attitude of devoted attachment caused by affection. Such attachment makes a person feel responsible to persevere with relationship even in adverse times. However, loyalty in commercial relationships involving company and its customer denotes a subtly different meaning. Customer loyalty is a transpired from a simple measure of repeat patronage to a broadly interpreted and multidimensional construct. The customer loyalty can be considered as the sum total of customer's level of satisfaction and degree of the customer's emotional attachment with a company that constructs a state of willingly and consistently being in the relationship and ultimately translate into customer loyalty. In the above context the objective of the study is to examine the relationship between customer satisfaction and customer loyalty in apparel retail store in Hyderabad. Data were collected through questionnaire survey of 50 customers of retail store in Hyderabad. Regression model is employed to examine impact of various drivers of satisfaction on customer satisfaction and correlation model is employed to examine the relationship between customer satisfaction and customer loyalty

Keywords: Customer Satisfaction, Customer Loyalty, Retail Stores, Apparels

1. Introduction

Customer Satisfaction

Customer Satisfaction stands out as an ambiguous and abstract concept whose tangible expression differs from person to person and product to product. A number of psychological and physical factors affect the state of satisfaction, which prompts favourable behaviours such as revisit and recommendation. In addition, alternatives available to customer also manipulate a customer's level of satisfaction since they provide of comparison. Satisfaction is a post consumption state of mind which varies along the hedonic continuum focussed on the product. It is understood as an overall attitude that customer hold towards a retailer/service provider.

Customer satisfaction is a cognitive reaction that surface in the form of a response to a single set of service encounter. This response is evoked from a comparison of a product's performance with some pre-purchase standard during or after consumption. Giese and Cote (2000) proposed three main components of consumer satisfaction namely cognitive, affective or conative. Customer satisfaction is an extensively important topic in marketing, often linked with loyalty. Although loyal customers are generally found to be satisfied, satisfaction does not universally translate into loyalty. Customer satisfaction and

customer loyalty are found to be driven by the value of a service to customers. Working on the same line Reichheld(1996) coined the term satisfaction trap which states that between 65% and 85% of customer are called as satisfied and very satisfied and these customers are hardly defect. This decreased defection is called a state of customer loyalty.

Customer Loyalty

Customer loyalty, at its most general level, reflects various customer propensities towards the service providers Jones and Taylor (2012). Dick and Basu (1994) stated that the strength of relationship between relative attitude ad repeat patronage of customer determine his loyalty. They identified four dimensions like true loyalty, latent loyalty, spurious loyalty and no loyalty. Lewis (1999) stated that latent loyalty, denotes the event of infrequent purchase despite a strong emotional connect with the product. Situational factors also play a role in repeat purchase. Javalgi and Moberg (1997) said that spurious loyalty takes place when there are no other options in a particular category or past experience and habits dominate the decision of choosing a particular product.

Uncles et al. (2003) distinguished loyalty as behavioural attitudinal and situational. The role played by intentions in a person's decisions to remain loyal to a particular company. Selnes (1993) stated that loyalty is an attitude expressed in the form of readiness to advocate the service provider before other customers.

Ostrowski et al. (1993) asserted that loyalty is also cognitive which could be operationalised as a product or service that is the first choice among alternatives or price tolerance as put by Anderson (1996). Gembl (2002) assumed cognition-based or cognitive loyalty as rational because a customer makes decisions recognising the processes in the enterprise, thinking, handling information, and estimating, the technology. Caruana (2002) noted that researcher in service suggest that loyalty should incorporate behavioural, attitudinal and cognitive elements.

Customer Satisfaction and Customer loyalty

Customer satisfaction is generally supposed to be a important determinant of replicate sales, positive word of mouth and consumer loyalty. High customer satisfaction leads to an increase in customer loyalty towards the firm and such loyalty are less likely to fall for competitive overtures. There has also been a positive relation of quality of service with repurchase intention and in formation of positive attitude towards a particular brand. Customer satisfaction also determines customer loyalty to a great extent. Customer satisfaction has often been held responsible for customer loyalty, which is referred to as continuous positive buying behaviour of customer towards a certain brand or company. Customer satisfaction has a remarkable impact on the future purchase intentions and consequently, on customer loyalty building. Bloemar et al. (1998) pointed out that a positive relationship exists between perceived service quality, preference loyalty and price indifference loyalty.

Ping (1993, 1999) posited that decrease in relationship satisfaction leads to a drop in loyal behaviour with an increased likelihood of relationship termination. In case ending the relationship is not feasible and solving the problem is important, loyal behaviour takes a hit with decline in satisfaction. High degree of relationship satisfaction is able to reduce the intensity of blame and anger damage relationships.

Studies also demonstrated a positive association between satisfied customer and repurchase intentions. Satisfaction among customer across product categories can strongly be related to repurchase intentions. Murray and Howat (2002) reviewed the literature related to impact of customer satisfaction on customer loyalty and found evidence suggesting that customer's level of satisfaction play a significant role in determining their future intentions and behaviour towards the service and also supported them in their study centred on a sport and leisure centre and stated that satisfaction seems to be a principal antecedent of customer future intentions. There is also direct influence of customer satisfaction over customer intention to re-use the service. Howat et al. (1999) investigated the link between customer satisfaction and customer's willingness to refer in a sports and leisure context and concluded that satisfaction of customer has a positive relationship with their willingness to recommend the service. Mc Dougall and Levesque gave a casual path wherein the perception about service quality affects satisfaction which in turn influences the repurchase intentions of customer. Several recent studies offered evidence of a direct and positive relationship between satisfaction and loyalty. They reviewed the relevant literature and suggested that the association of customer satisfaction with brand loyalty is well established at both the transaction specific level and the overall level. They reported that in the context of ski resorts, customer satisfaction operates as a main determinant of customer loyalty and a customer and a customer's intention to repurchase a product or service as well as his readiness to recommend and reflect the positive effects of satisfaction. They established a casual model of customer satisfaction along with image predicting customer loyalty and posited that ski resorts that got the highest rating in customer satisfaction and image enjoy the highest scores in loyalty also. Kiran K and Diljit (2011) developed a structural model for testing the links among web-based library service quality, services value, customer satisfaction and customer loyalty and their

findings suggested that customer satisfaction exerts a direct and positive effect on customer loyalty.

2. Objective of the Study

- 1) To examine how drivers of satisfaction creates customer satisfaction with reference to apparel retail store.
- 2) To investigate the relationship between the customer satisfaction and customer loyalty with reference to apparel retail store.

3. Review of Literature

Coyne (1989) established that loyalty and customer satisfaction share a weak relationship when customer satisfaction is low, moderate when customer satisfaction is intermediate and strong when customer satisfaction is high. Fornell (1992) pointed that high customer satisfaction will lead to improved loyalty for the firm and it will also decrease customer's sensitivity towards competitive offers. Jones and Sasser (1995) also supported to be loyal with an increase in customer satisfaction that reflects the strong impact of satisfaction on loyalty. They found that the satisfaction and loyalty relationship is neither simple nor linear and defection may take place among satisfied customers also.

Oliver et al. (1992) supported the non-linear relationship viewpoint stating that in the event of satisfaction reaching above a certain level, customer loyalty will increase swiftly. Bloemer and kasper (1995) affirmed that satisfaction and loyalty share a complex relationship which further gets complicated due to a customer's level of elaboration playing the role of a relationship moderator. Ruyter and Bloemer (1999) argued that when level of satisfaction are relatively higher, customer satisfaction acts as a major antecedent of customer loyalty. It has been found that higher degree of satisfaction is generally associated with superior service quality. Cassel (2001) examined the relationship between satisfaction and loyalty and found it to be related to higher loyalty in ESCI model. Kristensen et al. (2000) defines the ESCI model as a structural equation model with unobservable latent variable that link customer satisfaction to its determinants and, in turn, to its consequences, namely customer loyalty

Barsky (1992) perceived customer satisfaction as a key element in service delivery due to benefits like increased market share from repeat business and referrals that are possible to achieve only by understanding and satisfying customer needs and wants. Eriksson and Vaghult (2000) argued that customer satisfaction is enough to achieve customer loyalty and customer could be retained by merely satisfying them. Jones and Sasser (1995) contented that there is no direct link between satisfaction and loyalty, particularly in competitive environment by stating that merely satisfying customers that have freedom to make choices is not enough to keep them loyal. Oliver (1999) opinionated that while satisfaction might be seen as an essential stage of loyalty building, ultimate loyalty cannot be achieved without combining superior perceived quality, personal determination, social bonding and their synergistic effects. Fredericks (2001) agreed with Oliver and clarified that satisfaction is a passive state of the customer, whereas loyalty refers to an active or proactive relationships with the suppliers and thus both differ from each other greatly.

4. Hypothesis

Hypothesis -1

Ho – Product Quality have a positive impact on the customer satisfaction

Hypothesis -2

Ho – Price of the product have positive impact on the customer satisfaction.

Hypothesis -3

Ho – Service Quality have significant impact on the customer satisfaction.

Hypothesis – 4

Ho – Employee Behaviour towards customer have signification impact on customer satisfaction.

Hypothesis – 5

Ho – Convenience to customer have signification impact on customer satisfaction.

Hypothesis – 6

Ho – There is a relationship between customer satisfaction and customer loyalty

5. Research Methodology

Research Design

The study examines how drivers of satisfaction creates customer satisfaction and investigates the relationship between customer satisfaction and customer loyalty with reference to apparel retail store.

Sampling

The sample size – 50

Sample Unit – Customer of different shopping malls, authorised retail Outlets, and local Retail Outlets located in the East Zone of Hyderabad. Sampling Techniques – Cluster Sampling with age group of 18-30 Male.

Data Analysis

1) Age of the respondents

Table-1

	Frequency	Percent	Valid Percent	Cumulative Percent
18	6	12.0	12.0	12.0
19	22	44.0	44.0	56.0
20	14	28.0	28.0	84.0
21	2	4.0	4.0	88.0
22	2	4.0	4.0	92.0

Table -4 Summary of Regression Analysis

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics		
					R Square Change	F Change	df1
1	.340 ^a	.115	.015	.70872	.115	1.147	5

Interpretation

A regression model test is conducted to test which describes the impact of product quality, price, service quality, employee behaviour and convenience on customer satisfaction. Value of r=.340 which indicates that product quality, price, service quality, employee behaviour and convenience have a 34% influence on the customer satisfaction of the customers of the apparel retail stores.

Summary of Correlation Analysis

		Customer Satisfaction	Customer Loyalty
Customer Satisfaction	Pearson Correlation	1	.471
	Sig. (2-tailed)		.001
	N	49	49
Customer	Pearson	.471	1

23	1	2.0	2.0	94.0
25	2	4.0	4.0	98.0
30	1	2.0	2.0	100.0
Total	50	100.0	100.0	

Interpretations

From the above tabulation it is clearly indicated that the response of age group of 19 is high to the survey.

2) Educational background

Table -2

	Frequency	Percent	Valid Percent	Cumulative Percent
3.	40	80.0	80.0	80.0
4.	10	20.0	20.0	100.0
Total	50	100.0	100.0	

Interpretations

From above tabulation it is clearly indicated that respondent pursuing graduates have responded more in the survey.

1) Occupation of the Respondent

Table -3

	Frequency	Percent	Valid Percent	Cumulative Percent
1.	1	2.0	2.0	2.0
2.	1	2.0	2.0	4.0
4.	48	96.0	96.0	100.0
Total	50	100.0	100.0	

Interpretations

From above tabulation it is clearly indicated that response of students community is high in the survey.

Hypothesis Testing

Test the established framework on the relationship between corporate Product Quality, service quality, price factor, employee Behaviour, convenience, customer satisfaction, and customer loyalty. Regression model test was conducted identify the impact of each independent variable on dependent variable. Tool to analyse data was IBM SPSS Statistics Version 20. The Result of regression analysis is illustrated in the (table4).

Loyalty	Correlation		
	Sig. (2-tailed)	.001	
	N	49	50

Interpretation

A 2 tailed correlation model test significant at the 0.05 level is conducted to examines the relationship between customer satisfactions. The value of correlation = 0.471 which illustrate that the influence of customer satisfaction on customer loyalty is moderate.

6. Finding

1) It is found that product quality, price, service quality, employee behaviour and convenience have only 34% influence on the customer satisfaction. There are other indiscernible drivers of satisfaction which influence in customer satisfaction of the retail customer with reference to apparels.

2) It is found that the influence of customer satisfaction on customer loyalty is modest

7. Conclusion.

Customer loyalty is treated with great reverence in almost all customer centric industries characterised by intense rivalry. Lower cost of switching and shorter product cycles. In this research it was found that there are imperceptible drivers of satisfaction that influence customer satisfaction of retail customer where Organization should ensure superior customer service in a bid to create satisfied and loyal customer. The retail organization must come out with customer care mechanisms to secure customer loyalty by retaining customer and satisfying them all fronts.

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