Factors Affecting Customer Loyalty in Organized Indian Retail Sector : A Case Study of Big Bazaar

Pooja Chopra

University Institute of Applied Management Science,
Panjab University, Chandigarh

Abstract

Retailing in India is one of the most strongest pillars of its economy, but it is largely untapped and unorganized, with several international retail companies yet to commence operations here Currently, India is ranked fifth most lucrative retail destination globally. Growing economy, better income dynamics, shrinking family structures (joint to nuclear), changing demographics, increasing dual income couples, better lifestyles, enhanced shopping environment, multi-channel marketing, increasing retail tentacles in rural market are some of the few dominant factors which propels retail consumption in India. The recent wave of reforms by the Government on Foreign Direct Investment in retail sector has brought a new zeal to the investment climate in India. So, it is very essential for the retailers to study the determinants of customer loyalty for achieving long-term success and growth in their business. This study is conducted at Big Bazaar to innumerate the various determinants leading to customer loyalty and focusing on the factors that would unleash their retail potential for long-term success and survival.

Key Words

Untapped, Unorganized, Multi-channel, Rural Market, Foreign Direct Investment, Determinants, Customer Loyalty

INTRODUCTION

India is the fifth most lucrative retail destination globally. Since ages, the Indian retail market has been in the shackles of unorganized players but only during the last decade there has been a paradigm shift from unorganized retail towards

organized retailing. The Indian retail market is expected to reach Rs 47 trillion (US$ 792.84 billion) by the end of FY 2017 (CCI, 2015).The wish list and aspirations of Indian consumers are changing. Growing economy, better income dynamics, shrinking family structures (joint to nuclear), changing demographics, increasing dual income couples, changing lifestyles, better shopping environment, increasing retail tentacles in rural market are some of the few dominant factors which propels retail consumption in India. (KPMG Report, 2009).The Indian retail market is on new trajectory to become one of the most promising markets for both domestic and global players. In 2013, the Indian retail sector was estimated at US$520 billion and was among the largest employers in the country. It is projected that by 2018, the Indian retail sector is likely to grow at a whopping CAGR of 13% to reach the size of US$950 billion (Ernst and Young, 2014). Food and grocery has the largest share in retail sector pie with 60 per cent share followed by the apparel and mobile segment (Deloitte, 2013).Organized retail is blooming at a blistering pace. Earlier it constituted seven per cent of total retail in 2011-12 and is estimated to grow at a CAGR of 24 per cent and attain robust 10.2 per cent share of total retail by 2016-17(Ernst and Young, 2013). According to A T Kearney's Global Retail Development Index (GRDI) 2013, due the global meltdown India's growth rate fell from a 10-year average of 7.8 per cent to astonishing 5 per cent and in GRDI ranking too, India slipped to 14th position. Despite the downturns, the organized retail market in India is growing exponentially due to growing consuming classes resulting from economic growth and organized retail is attracting more and more existing shoppers into its open door (FICCI, 2011).

REVIEW OF LITERATURE

Loyalty is a multi-faced concept which has a blend of both behavioural and attitudinal components (Balabanis *et al.*, 2006). Dick and Basu, 1994 explained loyalty as the unique combined effect of relationship between customer's relative attitude and repeat patronage behaviour. Customer loyalty is a key mediating variable which helps in explaining customer retention. It is mainly concerned with the likelihood of a customer coming back, along with bringing powerful referrals, providing meaningful word of mouth, as well as references and publicity to the business at large (Pitchard and Howard, 1997). Loyal customers are less likely to switch to a competitor due to a given price inducement, and these customers make more repeated purchases patterns as compared to a less loyal customers (Baldinger and Rubinson, 1996). Customer loyalty has plethora of benefits for the marketers that is why they form the basis for most of the marketing strategies

(Jacoby and Chestnut, 1978). Loyal customers always buy more products, show strong resistance to competitive messages and generate positive word of mouth, thus leading to profitability along with loyalty (Reichheld 1993; Zeithmal, Berry and Parsuraman 1996). Due to intense cut throat competition, understanding the loyalty behaviour patterns of the customer has become a critical issue for the business houses. They are now shifting their nucleus from attracting new clientele to focusing, improving and retaining existing customers so as to increase loyalty (Bruhn and Grund, 2000). Thus retailers' rigorous efforts to enhance customer loyalty is a crucial defensive strategy for retailers to retain its customer base (Jacoby and Chestnut, 1978).

BACKGROUND

Big Bazaar, one of the largest brick n mortar retail chains of Pantaloons Retail India which is owned by Future Group. The mastermind behind this venture and the current CEO Mr. Kishore Laxminarayan Biyani has made 250 plus Big Bazaar stores, a household name in more than 95 cities, 63 rural locations, which attracts over 300 million customer footfalls every year pan India (CCI, 2014). It offers a host of value-added special discounts and rewards to both perspective and loyal customers so as to retain and maintain its customer base. An INR 100-cr marketing campaign for has been rolled out for Big Bazaar as Future Group wants to reposition itself as a change agent rather than a discount player (Pinto, 2014). It was the first retail chain to work on the principle of value retailing which means working on low margins and high volume (Saxena, 2009). The strong foundation of Big Bazaar rests on the pillars of standards in terms of price, quality, customer service and above all, convenience for its customers ("Big Bazaar India's Real Retail Story," 2008). Big Bazaar has been an essential part and parcel of robust growing consumption economy of India. A survey conducted by Brand Equity (ET Bureau, 2012) has ranked Big bazaar as the 3rd amongst India's service sector brands. Future Group works on understanding the heart and soul of Indians. Their product offerings are not only pocket friendly but are also are well-tailored keeping in view the needs, demands and preference of Indian household. Their USP remains in the value for money propositions for the Indian customers. Big Bazaar serves as one-stop shop where the customer gets vast array of choices. It deals in fashion apparels, general merchandise, grocery (both wet and dry) home furnishings, utensils, crockery, cutlery, sports goods and much more at prices that will not burn a hole in consumers' pockets (Dey, 2015).

OBJECTIVES OF THE STUDY

1. To know the demographic characteristics of the consumers visiting big bazaar.
2. To identify the important dimensions of customer loyalty in Big Bazaar.

RESEARCH METHODOLOGY

A total of 200 respondents were taken for the study. Random sampling method was used to collect the responses from the respondents using self-administered questionnaire. The responses were collected from the customers who visit Big Bazaar from October 2014 till January 2015. Area of study was the Union Territory of Chandigarh, India. After data cleaning 164 questionnaires were used for analysis, showing a yield rate of 82%.

SOURCES OF DATA

The data for the study is collected using both primary and secondary data. The primary data is collected using the self administered questionnaire. The secondary data was collected from books, magazines and internet.

Tools Used for Analysis

The responses obtained were analyzed using Percentages, Karl Pearson coefficient of correlation and stepwise regression, Durbin Watson and Kruskall Wallis tests. Results obtained were then analyzed using tables.

Results and Interpretation

Table 1 shows the comprehensive demographic profile of the respondents who participated in the survey. This profile helps the retailers in drafting effective plans to gauge the needs of the esteemed customers visiting Big Bazaar at Chandigarh.

Table 1 indicates that 47.6% of customers who belong to age group of 25-34 yrs, 55.5% males, 74.4% married couples, 48.8% of post-graduates and 36.6% people with income >45,001 visit Big Bazaar to meet their shopping needs. When Kruskal Wallis test was applied, the results show that personal interaction dimension was significantly affected by age of respondents where $p = 0.033$, mean value is 3.5088 for below 24 yrs, mean value is 3.6652 for age between 25-34 yrs, mean value is 3.7708 for age between 35-44 yrs and mean value is 3.8095 for age above 45yrs.

Table 1

Demographic Profile of the Respondents

Variables	Attributes	Number of Respondents	Percentage
Age	<24 years	19	11.6
	25-34 yrs	78	47.6
	35-44yrs	32	19.5
	>45 yrs	35	21.3
	Total	164	100.0
Gender	Male	91	55.5
	Female	73	44.5
	Total	164	100.0
Marital Status	Married	122	74.4
	Single	42	25.6
	Total	164	100.0
Educational Qualification	Under-Graduates	12	7.3
	Graduates	60	36.6
	Post-Graduates	80	48.8
	Others	12	7.3
	Total	164	100.0
Monthly Income	Upto INR. 15,000	10	6.1
	INR. 15,001 to 25,000	36	22.0
	INR. 25,001 to 35,000	26	15.9
	INR. 35,001 to 45,000	32	19.5
	INR. 45,001 and above	60	36.6
	Total	164	100.0

Even policy dimension was significantly affected by marital status of respondents' $p = .016$, and mean value is 3.6311 for married and mean value is 3.40 for singles. Apart from this, problem solving dimension was also significantly affected by gender of respondents where $p = 0.042$, mean value is 3.5971 for males and mean value is 3.3927 for females.

Table 2

Reliability Analysis

Dimensions	Cronbach Alpha (α)	No. of Items
Physical Aspects	0.732	6
Reliability	0.743	5
Personal Interaction	0.787	9
Problem Solving	0.714	3
Policy	0.777	5
Product	0.823	6
Store Image	0.767	5
Customer Loyalty	0.789	4

Table 2 shows the reliability statistics for each of the dimensions i.e. physical aspects, reliability, personal interaction, problem solving, policy, product, store image and customer loyalty. Cronbach Alpha (α) for all dimensions well-exceeded 0.60 i.e. the lower limit of the acceptability (Hair *et al.*, 1998) .In this sample Cronbach Alpha (α) was more than 0.7. So, it can be concluded that questionnaire accurately measures what is supposed to measure and our data fulfills the condition of reliability. Further, to investigate the determinants of customer loyalty in Big Bazaar, correlation and stepwise regression analysis was used that linked customer loyalty to physical aspects, reliability, personal interaction, problem solving, policy, product and store image dimensions. It is a useful tool when dealing with many explanatory variables. The regression ends with the selection of the best fitting model where no variable can be added or deleted from the last fitted model.

Relationship Analysis

Table 3 based upon Karl Pearson Correlation analysis reveals that there are no violations of the assumptions of linearity and homoscedasticity and all associations are found to be significant at 95% level, with the strongest association being between customer loyalty and store image ($r = 0.652$, $p < 0.05$) followed by product ($r = 0.566$), personal interaction ($r = 0.556$), problem solving ($r = 0.445$), reliability ($r = 0.410$) and physical aspects ($r = 0.317$) in Big Bazaar.

Table 3

Correlation of Customer Loyalty and its Determinants in Big Bazaar

	Physical Aspects	Relia-bility	Personal Intera-ction	Problem Solving	Policy	Product	Store Image
Customer Loyalty	0.317(**)	0.410(**)	0.556(**)	0.445(**)	0.528(**)	0.566(**)	0.652(**)
Sig. (2-tailed)	.000	.000	.000	.000	.000	.000	.000

- Karl Pearson Correlation
- Correlation significant at .05 level

Regression Analysis

Stepwise regression is used to identify the best predictors of customer loyalty at Big Bazaar. In the model, seven quality dimensions i.e. physical aspects, reliability, personal interaction, problem solving, policy, product and store image served as the independent variables and customer loyalty as the dependent variable. The regression ends with the selection of the best fitting model where no variable can be added or deleted from the last fitted model. Preliminary analysis revealed no violation of the assumption regarding sample size, multicollinearity and outliers. From the Table 4, it is found that the two dimensions i.e. store image, and product are significant predictors of customer loyalty at Big Bazaar.

Table 4

Regression Model Summary: Customer Loyalty and its Determinants in Big Bazaar

R	R Square	Adjusted R Square	Std. Error of Estimate	Change Statistics					Durbin-Watson
				R Square Change	F Change	df1	df2	Sig. F Change	
0.691	0.478	0.471	0.37490	0.052	16.142	1	161	.000	2.097

Predictors : (Constant), Store Image, Product

Dependent Variable : Customer Loyalty

- R^2 refers to the coefficient of determination that measures the proportion of the variance in the dependent variable that is explained by the independent variables.

Table 4 reports the strength of the relationship between the model and the dependent variable. It is found that store image and product dimensions causes 47.1% of the variance on dependent variable i.e. customer loyalty construct of Big Bazaar. Durbin Watson value i.e. 2.097 also is lying between 1to 3, showing an independence of errors in the table.

Table 5
ANOVA : Customer Loyalty and its Determinants in Big Bazaar

	Sum of Squares	Df	Mean Square	F	Significance
Regression	20.684	2	10.342	73.580	.000
Residual	22.629	161	.141		
Total	43.312	163			
Predictors : Constant, Store Image and Product					
Dependent : Customer Loyalty					

Table 5 summarizes the results of an analysis of variance. This objective of ANOVA Table is to test the acceptability of the model from a statistical perspective. The significance value of the F statistic is less than 0.05, which means that the variation explained by the model is not due to chance.

Table 6
Stepwise Regression Analysis : Customer Loyalty and its Determinants in Big Bazaar

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	95% Confidence Interval for B		Collinearity Statistics	
	B	Std. Error	Beta			Lower Bound	Upper Bound	Tolerance	VIF
Constant	1.342	0.211		6.354	.000	0.925	1.759		
Store Image	0.443	0.062	0.495	7.162	.000	0.321	.566	0.680	1.471
Product	0.246	0.061	0.278	4.018	.000	0.125	.367	0.680	1.471

Dependent Variable : Customer Loyalty

- Beta co-efficient is the standardized regression coefficient, which allows comparison of the relatives on the dependent variable of each independent variable.

- t-statistics help to determine the relative importance of each variable in the model.

A closer scrutiny of the results in Table 6 shows that the key explanatory variables, namely, store image and product significant predictors of customer loyalty in Big Bazaar. All of the coefficients are in the expected direction, and store image has the highest Beta coefficient (0.495). Therefore, we can conclude that 49.5% increase in store image dimension will lead to 100% increase in customer loyalty. Customer loyalty improves as the customer's judgment about store image and product aspects of quality becomes more favourable. The value of VIF is 1.558, which serves as an indicator of multicollinearity is far below the cut-off value of 10. In addition, it could be seen that the tolerance value for each independent variable is closer to one (i.e. 0.680) that indicates there is no evidence of multicollinearity in the Table.

FINDINGS

The present study attempts to explore the various determinants of customer loyalty at Big Bazaar. The Karl Pearson coefficient of correlation reveals that customer loyalty had strongest correlation with store image (r=0.646, p<0.05). Through stepwise regression analysis it is confirmed the strongest association of customer loyalty in Big Bazaar is with store image followed by product. The value of standardized beta coefficient is found to be highly significant for store image (?=0.476). As store image emerged as the strongest determinant of customer loyalty which means that the store should be located at a convenient place, provide good guarantees and warranties, provide good deals and variety to customers and the sales persons should have requisite knowledge of the products and services in which the store deals. The retail store atmosphere offers multitude of stimuli that serves as vital cues information processing heuristics by the customer (Baker *et al.*, 1994). Various empirical evidences also highlight that the store image perception accounts for high level of variance in retail loyalty intentions (Finn and Louviere, 1996; Kasulis and Lusch, 1981; Chopra, 2014). In nut shell, Big Bazaar should try to create differentiated experience for its shoppers. Another vital determinant is product (? =0.278). The managers should do a holistic profiling of the shoppers so as to understand the product purchase patterns of the shoppers. Consumers' perception of product quality greatly depends on the store type from which the purchases are made (Darden and Schwinghammer 1985). Furthermore, a consumer's perception of the quality of a store's merchandise is directly proportionate to the patronage of that store (Darley and Lim 1993; Olshavsky 1985). As an important

determinant of store evaluation, merchandise quality has a positive linkage with merchandise value (Grewal *et al.* 2003; Thang and Tan 2003). In brief, merchandise determines a retailer's reputation and influences consumers' choice at stores. The store managers should constantly work on achieving ideal level of inventory so that at no point the customer should shift to another store due of stock outs. The management should ensure that the store should offer merchandise that have long-use life, vast assortment of product gambit both in terms of depth and breadth at the most competitive prices.

LIMITATIONS OF THE STUDY

The limitation concerns the nature of the measures used. The measures included in this research were all based upon the perceptions of the participating customers. Therefore, the data inaccuracies due to item misinterpretation or predispositions to certain responses on the part of the participants do exist. Responses with respect customer loyalty have been solicited from the customers of Chandigarh at Big Bazaar. The perception of may vary from those of the rest of India.

SCOPE FOR FUTURE RESEARCH

There can be a scope of for future research by incorporating the right use of technology in delivering customer satisfaction and loyalty in retail outlets. The role of supply chain could also be incorporated for meeting customer loyalty at larger scale. The study can also be extended to understand the impact of price, distribution system and psychological factors on customer loyalty.

CONCLUSION

These days, India is marketers' delight. Consumerism in India is undergoing a metamorphosis change due to amalgamation of favorable demographics, young dynamic population, increasing income levels, urbanization and growing brand awareness. Gone are the days when the sale mantra was "one size fit for all". Today it's the age of polymarkets, micro markets, localization and customization. Hence Big Bazaar holds a substantial advantage over emerging retail formats by other corporate bigwigs, owing to its strong brand recognition, quality product, superb supply chain and commendable customer service. At Big Bazaar the company is working wholeheartedly to enhance the store image in terms of both functional and psychological attributes as there is a direct linkage between store image and intensity of customer loyalty in terms of both functional and psychological attributes. No wonder the Big Bazaar has a tougher time than ever in predicting the dynamic consumer behaviour and consumption patterns, even than the company is working

on uniqueness of its assortment mix which forms the basis for its favorable inclination for revisit for its customers. One the most widely used strategy at Big Bazaar is penetration of private labels which provides best bargain option to the price sensitive Indian population. Moreover, they are constantly emphasizing on tailoring the changing environmental cues to foster loyalty amongst its customers thus building a new Indian Bazaar for its Indian consumers.

References

A. T. Kearney (n.d.), Global Retailers : Cautiously Aggressive or Aggressively Cautious? (2013), *Global Retail Development Index*, Retrieved November 8, 2013 from https://www.atkearney.com/...retail/global-retail-development-index/full

Baker, J.; Paruraman, A.; Grewal, D.; and Voss, G. B. (2002), "The Influence of Multiple Store Environment Cues on Perceived Merchandise Value and Patronage Intentions," *Journal of Marketing*, 66(2), 120-141.

Balabanis, G.; Reynolds, N.; and Simintiras, A. (2006), "Bases of e-store Loyalty : Perceived Switching Barriers and Satisfaction", *Journal of Business Research*, 59, 214-224.

Baldinger, A. L.; and Rubinson, J. (1996), "Brand Loyalty : The Link Between Attitude and Behaviour," *Journal of Advertising Research*, 36.6, pp. 22-34.

Big Bazaar India's Real Retail Story (2008, Sep 29). Retrieved from : http://www.moneycontrol.com/news/business/big-bazaar-%E2%80%93-india%E2%80%99s-real-retail-story_358768.html

Bruhn, M.; and Grund, M. A. (2000), "Theory, Development and Implementation of National Customer Indices : The Swiss Index of Customer Satisfaction", *Total Quality Management*, 11(7), S1017-S1028.

CCI (2015), A Brief Report on Retail Sector in India, Retrieved from : www.cci.in/pdfs/surveys-reports/Retail-Sector-in-India.pdf

Chopra, P. (2014), "Determinants of Customer Loyalty in Organized Apparel Retail Industry : A Study of Chandigarh", *International Journal of Research in Management & Technology (IJRMT)*, ISSN : 2249-9563, Vol. 4, No. 5, and October 2014, Retrieved from: http://www.iracst.org/ijrmt/vol4no5.html.

Darden, W. R.; and Schwinghammer, J. (1985), "The Influence of Social Characteristics on Perceived Quality in Patronage Choice Behaviour," in Perceived Quality : How Consumers View New Stores and Merchandise, Jacoby Jacob and C. Olson Jerry eds. Lexington, MA : D.C. Heath and Company, 161-172.

Darley, W. K.; and Lim, J. (1993), "Store-choice Behaviour for Pre-Owned Merchandise," *Journal of Business Research*, 27, 17-31.

Deloitte (2013), Indian Retail Market, Opening More Doors, Retrieved from : http://www.rasci.in/downloads/2013/Indian_Retail_Market_Opening.pdf

Dey, A. (2015, January 17), Big Bazaar : Naya India ka Bazaar. Retrieved from : http://big-bazaar.co.in/big-bazaar/

Dick, A. S.; and Basu, K. (1994), Customer Loyalty : Towards an Integrated Conceptual Framework, *Journal of Academy of Marketing Science*, 22 (Spring), 99-113

Ernst and Young (2013), India Single Brand Retail Poised for Growth. Retrieved from: http://www.rai.net.in/EY_RAI.

Ernst and Young (2014), Pulse of Indian Retail Market. Retrieved from: http://www.rai.net.in/ EY-RAI_Pulse_of_Indian_retail_market_Final.

ET Bureau (2012, 7 Nov), Most Trusted Brands 2012 : Top 50 Service Brands, Retrieved from : http://economictimes.indiatimes.com/magazines/brand-equity/most-trusted-brands-2012-top-50-service-brands/articleshow/17101285.cms

FICCI (2011, 2 Dec), Sector Profile, Retrieved from: www.ficci.com/sector/33/ Project_docs/ Sector-prof.pdf

Finn, A.; and Louviere, J. (March, 1996), "Shopping Center Image, Consideration and Choice : Anchor Store Contribution," *Journal of Business Research,* 35, 241-251.

Grewal, D.; Baker, J.; Levy, M.; and Voss, G. (2003), "The Effects of Wait Expectations and Store Atmosphere Evaluations on Patronage Intentions in Service-Intensive Retail Stores," *Journal of Retailing,* 79, 259-268.

Hair, J. F., Jr.; Anderson, R. E.; Tatham, R. L.; and Black, W. C. (1998), Multivariate Data Analysis, Prentice Hall, Inc., New Jersey.

Jacoby, J.; and Chestnut, R. W. (1978), *Brand Loyalty Measurement and Management,* New York Wiley & Sons.

Kasulis, J.; and Lusch, R. (1981), "Validating the Retail Store Image Concept," *Journal of the Academy of Marketing Science,* 9 (4), 419- 435.

KPMG Report (2009), Indian Retail : Time to Change Lanes. Retrieved from : www.kpmg.com/cn/en/.../pages/indian-retail-o-200904.aspx

Olshavsky, R. W. (1985), "Perceived Quality In Consumer Decision Making : An Integrated Theoretical Perspective," in Perceived Quality : How Consumers View Stores and Merchandise, Jacoby Jacob and C. Olson Jerry eds. Lexington, MA : D. C. Heath and Company, 3-29.

Pinto, V. S. (2014, March 13), Now, A Rs 100-cr Marketing Campaign for Big Bazaar, *Business Standard,* Retrieved from: http://www.business-standard.com/article/ companies/now-a-rs-100-cr-marketing-campaign-for-big-bazaar-114031300987_1.html

Pritchard, M. P.; and Howard, D. R. (1997), "The Loyal Traveller: Examining a Typology of Service Patronage," *Journal of Travel Research,* 35.4, pp. 2-10.

Reichheld, F. (1993), Loyalty Based Management, *Harvard Business Review,* 71 (March-April), 64-73.

Saxena, R. (2009), Marketing Management (4 Ed.), New Delhi : Tata McGraw-Hill Education Private Limited.

Thang, D. C. L.; and Tan, B. L. (2003), "Linking Consumer Perception to Preference of Retail Store: An Empirical Assessment of the Multi Attribute of Store Image", *Journal of Retailing and Consumer Services,* Vol. 10(4), pp. 193-200.

Zeithmal, V. A.; Berry, L. L.; and Parasuramna, A. (1996), The Behavioural Consequences of Service Quality, *Journal of Marketing,* 60(April), 31-46. http://smallseotools.com/ plagiarism-checker/