CUSTOMER RETENTION THROUGH CUSTOMER SATISFACTION REVISITED IN FRAMEWORK OF RETAIL MARKETING

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ABSTRACT: In the new global economy, customer retention has become a central issue for business survival. Customer retention lies under the umbrella of relationship marketing. This study is an endeavor to revisit customer retention in context of retail marketing through customer satisfaction. A review of pertinent literature is conducted to explore the relationship of customer retention with customer satisfaction in context of retail marketing with dimension such as brand community, shopping convenience, and personalization of service. A research framework is suggested with review of pertinent literature that takes customer retention as independent variable, retail marketing as dependent through mediation of customer satisfaction.

Keywords: customer retention, customer satisfaction, retail marketing

1. INTRODUCTION
In recent years, there has been an increasing interest in relationship marketing. One of the most significant current discussions in customer relationship marketing literature is about customer retention. Customer retention is one of basic concepts in relationship marketing, and it has obtained a great value because of fact that it is capable of giving more profits when a business retains customers as compared to recruit new customers [1]. Increasing customer retention rates makes a noteworthy increase in returns [2]; therefore, customer retention has become very vital for business success. Markets are becoming more competitive day by day; this may lead to decrease in customer loyalty. Thus, companies are finding new means to enhance customer retention [3]. Customer retention serves as an important tool to ascertain ‘zero defections’ of valuable customers [4, 5]. Company needs to acquire loyal customers because retained customer can be turned into a partner and an advocate. Customers are like products; products comprise of different life cycles stages which are managed by organizations. Customer life cycle is based on acquiring, retaining, and keeping them over life time. Customers precede through a value ladder such as: suspects, prospects, first time customers, majority customers, and at the status of partner or advocate [6]. Losing a customer is very costly in this intensive competitive era. Cost of acquiring new customers is five times of retaining existing customer. Firms need to build long-term relationships with their customers to develop loyal customers and profits [7].

In other words, customer retention means to engage customer in the contract which can be formal and informal through repeated transactions [8]. The survival of business is dependent on repeat purchase from the customer [9]. An existing customer is more important as compared to a new potential customer; because, existing customers are more receptive to new offerings. So a large portion of marketing expenditure should be devoted to retain and make the “best customer” [10]. The concept that profits have a relationship with customer retention has become widely accepted [11]. Companies choose to retain customer rather than acquiring new customer because it results in higher profitability [12]. Majority of businesses are trying hard to adopt best marketing strategies to satisfy consumer needs; however, the problem is that these businesses are focusing more to acquire new customers rather than retaining the old customers. Several companies have the formal incentives system; moreover, whole departments devoted to find and develop new business. But these companies do not pay attention towards retention of the existing customers who are neglected [13]. Customer retention gives sustainable competitive advantage in comparison to acquiring new customers [14]. As well as customer retention has an ability to give profits to an organization in long-run [15]. The segment of customers who are emotionally loyal is very small but this small segment is essential for organization because they spend more and do not migrate downward. Furthermore, organizations need to develop emotional ties with their customers in context of long-term objective [16].

Customer retention approach needs organizations to become receptive towards customer related issues through open dialogues with customers. There should be efficient programs in order to handle complaints, analyze data of customer satisfaction level, and managing strategic relationship with their customers through meeting proactive needs of customers [17]. Firms are able to retain their customers through particular marketing strategies [18]. The primary concern of customer retention is to pay attention towards lifetime value obtained from satisfied customers instead of focusing on profits that will be attained from a sole transaction. The concept of life time value in customer retention is mostly applied to consumer goods [17]. Some antecedents to customer retention comprise of liking, identification, commitment, trust, willingness to recommend, and repurchase intention [19].

A considerable amount of literature has discussed several approaches to measure customer retention such as: behavioral
measurement, attitudinal measurement, and composite measurement. In the context of services, customer retention is known as observed behavior; while, behavioral model shows that repeat purchase is a single measurement of retention. This does not differentiate who is the loyal customer [20].

Numerous studies have attempted to explain customer retention; this study focuses on reprise of customer retention literature in the context of retail marketing through shopping convenience, personalization, customer satisfaction, and brand community. The following section reviews literature that sheds light through various studies about customer retention in context of retail marketing with shopping convenience, personalization, customer satisfaction, and brand community.

2. LITERATURE REVIEW

2.1 Customer retention: A large and growing body of literature has investigated customer retention; for the purpose of increasing the value of company’s customer base, a company needs to have knowledge of which customer it should target, when and how it should contact those customers, amount of resources to be allocated and these scarce resources are divided for various acquisition and retention activities [21]. Customer retention has an impact on customer equity [22, 23]. Customer retention serves as an incremental tool for customer equity [22]. Analysis of customer retention process can increase customer equity [23]. Customer retention depends on cost, customer experience and product quality [8]. Complaint management is related to retention of customers [6, 24]. Complaint management seems to be valuable mean for customer retention because it enhances customer’s expected utility gained from purchase [24]. Superior customer retention occurs when the process of the complaints handling is documented [6]. Recent evidence suggests that relationship marketing (RM) tools such as customer service, personalization, brand community, and loyalty / rewards programs are positively associated with customer retention [25]. Relationship marketing activities assist firms to develop significant relationship with their customers [26]. Customer prioritization’s impact on customer retention is conditional on the time-span of the association [27]. Stand-alone programs (SAP) are more contributing to increase customer retention as compared to multi-vendor loyalty programs (MVLP). While MVLP seems to be more beneficial to acquire new customers as compared to SAP [28].

A number studies have found that service quality helps to retain customers [20, 29]. Service quality plays a vital role in retaining customers [29]. Service quality is a significant factor in retaining customers [20]. Perceived service quality with respect to call handling has an effect on primary brand retention [30]. Service quality works as hygiene factor with respect to customer retention [8]. Perceptions of service quality on the consumer retention are considerable and found to be positive. Perceptions of price and indifference have same impact on retention. Satisfaction with respect to service quality has not effect on co-branded service retention [30].

Customer orientation of a company’s employees affects customer retention and commitment; however, there is more impact on customer satisfaction [31]. Customer satisfaction is a vital component of the relationship between service provider and user. Satisfaction and retention have been seldom studied together because both constructs have a complex relationship with each other. Customer retention reflects what actual worth customer satisfaction have [8]. Customer dissatisfaction reduces a company’s established customer base and company has to rely on new and changing customers. Moreover, customer dissatisfaction erodes reputation of the company. In service sector it looks common that customers are dissatisfied [32]. Marketers want to retain their customers in the long run rather than short run, therefore, more attention is being paid towards building strong relationship with the customers [33].

Customer relationship management programs are helpful to enhance customer retention, satisfaction, and loyalty [34]. Quality of relationship increases customer retention and it results in sustainable competitive advantage which cannot be easily replicated by other companies. Customers’ previous experience with firm has an important influence on the choice to keep on the relationship with the firm. It is very important to understand about what customer thinks about this relationship in future. Quality of relationship is the level of suitability of relationship in order to fulfill requirements of customer [3]. In order to maintain customer retention in service companies, managers have to identify some switching barriers [32]. In service business the customers expect extra benefits plus core service when they have built up relationship with service provider [35]. Customer retention is affected through several factors; summary of these factors is presented in Table 1. Anticipated future usage and expected regret has an impact on the retention decision [33]. Uncertainty of future usage means that it is not sure at what level customer will continue product usage more or less and at same level. Customers’ previous experience with company enhances customers’ decision about to continue relationship with the company [36]. Social intelligence is a very beneficial tool for customer retention. Social intelligence works very well in the whole customer life cycle [37].

Table 1 Retail marketing, customer retention and satisfaction

<table>
<thead>
<tr>
<th>Factors</th>
<th>Studies</th>
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<tr>
<td>Brand community</td>
<td>[4, 25, 38-41]</td>
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<tr>
<td>Shopping convenience</td>
<td>[42-49]</td>
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<tr>
<td>Personalization</td>
<td>[25, 50-55]</td>
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<tr>
<td>Customer satisfaction</td>
<td>[12, 31, 38, 46, 56-61]</td>
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2.2 Retail marketing

Retail marketing or retailing can be described as “retailing is the last link that connects the individual consumer with the manufacturing and distribution chain. A retailer is involved in the act of selling goods to the individual consumer at a margin of profit” [62]. Another definition is “The set of business activities involved in selling products and services to ultimate consumers” [63]. Retail marketing is discussed with three perspectives such as brand community, shopping convenience, and personalization of services. The following
section discusses these factors in details in context of customer retention and customer satisfaction.

2.2.1 Shopping convenience: Convenience is a rationale through which customers strengthen a relationship [49]. Convenience plays a significant role in purchasing of products, this shows that it has an important role in the services [46]. Convenience is customer’s perceived degree to which she can avoid time and effort associated with shopping process. Convenience phenomenon is based on three dimensions such as: time, space, and effort [45]. Whenever convenience shopping is lacking there will be defection of customer; however, convenience will make the customer to retain the relationship with one retailer, social exchange theory is based on this notion [48]. Convenience concept began with products such as Copeland (1923) proposed a categorization of consumer products. Convenience goods are defined as a great deal of distributed products and these products need least time, minimal mental and physical efforts to buy [46]. A customer requires convenience and does not want to search again and again for the new provider in order to buy a product or service [42]. More than 20% of consumer discontinue their relationship with their service provider due to inconvenience [47]. Retailers are trying to make sure that during shopping their customers can have an exceptional shopping experience, and retailers keep this interest at the top of their priority list [34]. Service convenience is important predictor of satisfaction. Service convenience has positive relationship with satisfaction [44]. Service convenience affects the customer satisfaction and the repeat purchase behavior from a service organization [49]. Service convenience is a source of adding value to the customer by reducing effort and the amount of time which a customer must spend on the service [44]. Convenience construct is multidimensional and it is operationalized through five dimensions: decision, access, search, transaction, and after sales convenience [43, 48].

2.2.2 Personalization: Personalization means customizing some of service features or the delivery system and treating each customer at individual level with the view that every customer is different and they have different set of needs, and creating matchless fit between company’s service and its customers [51]. Personalization is personal interaction which a store follows in order to build strong relationship with customer [25]. Personalization provides an opportunity that directly links customer and service representative and between the customers and services themselves. Company gathers all information relevant to customer in order to get novel ideas so that the firm can assist its customers, all this happens at operational level [52].

Basic purpose of personalization is to improve customer retention rates and delivering superior customer value. Competition is intense between products and services, organizations have been using differentiation strategies in acquiring and retaining the customers. A frequent differentiation strategy is personalization of products or services to fulfill the customer’s needs [54]. Service personalization serves as a very powerful tactic in customer retention [50]. Personalization is considered as a strategic tool regarding differentiation of products and services, particularly when competition is intense in the markets. Customization and personalization are used in same context but difference is that customization is under the umbrella of personalization. Customization concept is an initiative from customer side while personalization is firm’s initiative [52]. One-to-one marketing usage interest is growing than ever before. Personalization in terms of services, products and communication are increasingly utilized in marketing theory and also in the practice. Personalization has always remained a source of competitive advantage [50]. Personalization creates customer satisfaction [53]. Personalization covers personalized marketing output, personalized marketing execution, and value for both the marketer and customer [55].

2.2.3 Brand community: A community is comprised of member persons and the relationship among these member persons. Identification of communities is made on the basis of some common values or identification between the members, for example religion, neighborhood, memberships’ in clubs or devotion for a brand and occupation [40]. A brand community is defined as specialized, not bound with respect to region or geographical area, organized set of social relationships among fans of brand [41].

Brand community is a collective connection the customer has with the store or product [25]. McAlexander et al. (2002) extended previous research work on “brand community” and presented a customer-centered view of the brand community which states that the meaning and existence of a community lies in what a customer does not experience in the brand about which experience rotates. Customers’ groups which have similar interests with respect to a brand, store or any association or with respect to a product are called one community. Relationships with respect to brand community consist of those between (1) the customer and the brand (2) the firm and the customer (3) product in use and the customer, and finally (5) relationship among fellow customers [40]. Continuous relationship strengthen the social association in customers’ mind [25]. Companies that focus on social interaction with customers can improve customer loyalty and retention [40]. Satisfied members of community are keen to maintain the community actively by the means of interaction with other people in community [63]. Satisfaction and brand community integration are positively related. Brand community integration is more powerful tool in building loyalty as compared to overall satisfaction [39]. So a brand community in its integrated form can give maximum output that is satisfaction. Interaction between brand community and firm is supportive for firm and for the purpose of identifying customers’ characteristics and their needs with accuracy, by this way firms can build long term relationship with their customer at low cost [4].

A brand community helps to build stronger association among customers and also between customers and company or brand. Customer who participate in brand communities may be loyal customers [25]. However, it is not necessary that participation in brand communities should be from fan of that brand, an active participant in brand community may be
a customer who is anxious to get information about product, in other words curiosity may be a drive for a participant in brand community [38].

2.3 Customer satisfaction:
Satisfaction is “a judgment that a product or service feature, or the product or service itself, provides a pleasurable level of consumption-related fulfillment” [60]. Customer satisfaction is an effective state connected with positive feelings as a resultant of overall usage experience evaluation [12]. Customer satisfaction level is an outcome of an analysis by customer of how fine their expectations matched with experience but measurement of satisfaction has always remained a difficult question for researchers [56]. In the situations where service performance exceeds more than customer’s expectations then customer satisfaction is increased, this is positive confirmation. When negative disconfirmation arises it generates dissatisfaction [59]. For the future of a company customer satisfaction should be predicted as a significant competitive factor, reason is that it is an indicator of a company’s ability to generate profits. In this current environment of fierce competition, if an organization is capable to deliver superior quality service this will result in satisfied customers, then organization can achieve sustainable competitive advantage [46].

Service quality works as hygiene factor with respect to customer satisfaction [8]. Customer satisfaction creates customer loyalty, and this loyalty in turn helps to generate profitability [58]. Customer satisfaction is strongly correlated with customer retention, added value exerts positive effect on the customer satisfaction [61]. It is a matter of wisdom that if a company wants to retain its more profitable segment of customers then prime objective should be allocation of resources in order to enhance customer satisfaction [57]. Customer satisfaction has positive relationship with customer retention [12]. Customer satisfaction has direct relationship with customer retention [31].

3. RESEARCH FRAMEWORK
Customers always want convenience in the shopping. Convenience in shopping will make customers more satisfied. If customers are satisfied then they will come back to that particular store/retailer and same is the case for product which meets customers’ expectations and their experience with that product. Nowadays customers do not have much free time to decide and search for the information about retailers/stores, they just want to save their time and effort in choosing a particular retailer. A customer needs quality information related to a retailer and about the competitors of that particular retailer. Customers prefer to purchase from the store which is located near to their homes, sometimes customers go for shopping after office hours then they buy from the store which is located on their way to office and home. So store location is an important determinant of customers’ choice of a retailer on the basis of convenience. During shopping when customers select a product from a store they want to save time and efforts. If products in a store are well arranged and this arrangement reduces efforts and time in searching their required product customers will feel convenience in shopping at that store. If customers are able to make speedy transactions then this will save their time and efforts which results in making a customer feel convenient with that particular store. When a store or retailer offers a return or change the product, guarantee on merchandise, after sales services or complaint handling services then customer will have a shopping convenience. Literature shows that brand communities contain the members who share some common interests. These members may or may not be fan of a brand; they may be customers seeking some information about a brand or product. Brand community members may serve as a tool to increase brand involvement, in this way customer retention will be enhanced. Brand community integration is beneficial to exert a positive impact on satisfaction. Brand communities play a vital role in customer satisfaction when these communities are integrated. When a customer through a brand community gets information she wants; then definitely it will provide some sort of satisfaction and she will go to buy that product or visit to that particular retailer. When brand communities are fully integrated they enhance satisfaction which increases customer retention.

A customer becomes satisfied if the expectations with respect to particular product or retailer are met with the experience. Satisfied customers are more likely to stay as compared to customers who are dissatisfied with a product or service. Success of every business depends on the customer base, in order to retain the customers many business consider personalization. Through personalization a business can directly interact with the customers. In personalization concept customers are given attention at individual level because every customer has different needs. Attention to customers at individual level leads toward customer satisfaction and retention. A research framework is suggested on the basis of literature review; therefore, shopping convenience, personalization and brand community are predictors while customer retention is criterion. Moreover, customer satisfaction intervenes the relationship of shopping convenience, personalization, and brand community with customer retention.

4. CONCLUSION
From review of literature it can be concluded that brand communities exert a positive impact on customer satisfaction. When brand community members are satisfied they show interest to make community alive. Businesses that develop social interaction with their customers are more likely to have higher retention rates as compared to those businesses which are paying less attention to social interaction with their customers. Brand community integration yields in satisfaction, and satisfaction will ultimately create customer retention. When there is enough social interaction with the customer, it can develop a sense of attachment. As well as there will be repeat purchase and customer is retained. Thus, it can be concluded that brand communities may lead to customer retention and satisfaction. Service convenience can results in customer satisfaction; customer finds that shopping at particular retail store seems speedy and store location best suits to the customer as it saves time and efforts. Thus, the customer will be satisfied and
customer is retained. In other words, shopping convenience creates customer satisfaction retention; moreover, this conclusion with respect to store location or access holds only for utilitarian shopping. Moeller et al. (2009) argue that for utilitarian shopping customers choose the store which is easily accessible but when they go for hedonic shopping they do not care about store location or easy access to store. The study showed a direct link of customer retention and shopping convenience.

When a customer cannot return or change the product in case of any complaint then the customer will be dissatisfied. Review of literature suggests that inconvenience in service will lead to dissatisfaction; dissatisfaction will provide a solid ground to discontinue the service. Therefore, it does not matter whether shopping is hedonic or utilitarian dissatisfaction will make the exit intention very high. In other words convenience in shopping will lead to satisfaction and ultimately customer retention. Shopping convenience also has direct relationship with customer retention. Literature on personalization and customer satisfaction shows that personalization creates customer satisfaction and personalization also has direct positive relationship with customer retention. The conclusions drawn on the basis from literature can be summarized are as: shopping convenience creates customer retention this is direct relationship between these variables but there is another outcome in which customer satisfaction mediates this relationship. Personalization and brand community have direct relationship with customer retention and these relationships can be mediated by customer satisfaction. An important contribution of this study is that customer satisfaction mediates relationships of shopping convenience, brand community and personalization with customer retention in the retail store environment. Collective impact of these variables has not been investigated so far in the retail store environment. Retail businesses can attract and retain customers when customers are satisfied through brand community interaction, personalization of services, making shopping experience more convenient.

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