

## CUSTOMER LOYALTY TOWARDS ORGANISED RETAIL STORES IN RURAL INDIA: A STUDY OF HIMACHAL PRADESH

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### Abstract

*In recent times, organized retailing is gaining huge importance as the academicians and marketers are showing great interest in organized retailing. This area is equally valuable and lively like unorganized retailing within the discipline of marketing. In both of these two different sectors of retailing, the main focus is customers. That is why it becomes important to make effective relationships with customers. And for that, the retail industries are now investing to gain customer's loyalty and make itself a brand as the average rural customer doesn't know any difference between store and brand. It is a long way process but the easiest and cheapest way as compared to attracting a new customer. To gain the customer loyalty customer pass through different steps in which satisfaction of customer and customer retention plays an important role. Due to the increase in income and other sources of income than agriculture, in a rural area, sales of goods and services have increased. Also, the maximum population lives in rural area. In this research paper, an attempt has been made to get some clarity regarding customer loyalty in the rural area.*

**Keywords:** Retail, Organized Retailing, Unorganized Retailing, Customers, Customer Loyalty, Rural Market.

### Introduction

#### CUSTOMER

“A customer is the most important visitor on our premises.

He is not dependent  
on us. We are  
dependent on him.

He is not an interruption on our work.

He is the purpose of it.

He is not an outsider on our business.

He is part of it.

We are not doing him a favour by serving him.

He is doing us a favour by giving  
us the opportunities to do so.”

-- Mahatma Gandhi.

This word ‘customer’ is obtained from the word custom which means “to render a thing customary or usually” and habitual practice. Where, having a good relationship with the customer helps the seller to increase the loyalty, decrease acquisition costs, and more business from existing customers (Biswas, 2011). Loyalty is a complex fact and to gain the customer loyalty different loyalty programs are there but loyalty programs are not only the sole factor. Besides other factors like quality, satisfaction, convenience, habit, reputation etc. are described to gain customer loyalty (Chhabra, 2017). In retailing, to raise the repeat purchase and to gain the customer loyalty these loyalty programs like plastic cards, coded card other code on packaging scanner which provides gifts, price discount and redeemable points are there which encourage the customer to continue purchasing from that particular retailer who provides such benefits (Kim *et al.*, 2013).

### **Indian retailing industry**

The retail market in India is divided into two different sectors namely organized and unorganized. Where organized sector refers to the licensed retailers and unorganized sector covers Kirana shops, local convenience store. Unorganized retailing is a traditional format retailing and covers more than 90% of the Indian retail industry. Still, the Indian retail market is the fifth largest destination (Kulshreshtha, Dhingra, and Chitkara, 2015). In India, the retail industry is at its growing stage because of which it has great importance among practitioners and academicians. The retailing industry is estimated to account for more than 10% of the Indian GDP & 8% of Indian employment (Uapdhyaya and Upaadhyaya, 2020).

## Rural retail market

“India lives in its village”- Mahatma Gandhi.

Villagers comprise the centre of Indian society and represent the real India (Gupta and Gandhi, 2016). The rural population in India accounts for exactly 74.3% of the total population. Which cause high revenue in the country as maximum consumer approx 627 million lives in rural India (Yadav, 2018). Rural retail marketing in words of Pandey and Kaur ( 2018), “A set of decisions which a retailer undertakes to identify the needs of the rural customers and satisfying them”. The Indian retail industry is going through a transformation and the emerging market is showing a significant change in its growth where organized retailing is the fastest-growing sector. But still, 94% of the Indian retail industry is covered by the unorganized sector (Uapdhyaya and Upaadhyaya, 2020). In rural India mostly these unorganized retailing shops are fulfilling the requirements of people (Gupta and Gandhi, 2016). The present scenario of the rural retail market seems promising and there is a huge scope in the retailing sector in future. This is because of initiatives taken for rural areas by the government, change in the taste and preference of the consumer, increase in income of rural people and change in lifestyle of people (Pandey and Kaur, 2018).

### Profile of rural market

1. India population 1,380,004,385 people
2. Total Population of rural India 892,321,700
3. Population in Himachal Pradesh 6,864,602
4. No. of male 3,481,873
4. No. of Female 3,382,729
5. Villages in India 664,369
6. Villages in Himachal 17449
7. Retail outlets in India 3,697,527

Source: Census of India 2011; Global Retail development index 2019

### Literature Review

Oliver (1999) presented, the study that there is an inextricable link between satisfaction and

loyalty. The researcher explains the four steps of the loyalty model consisting of cognitive, affective, conative and action. This four-stage loyalty model has different vulnerabilities, depending on the nature of the commitment by consumers. Loyalty is the highly praised concept but little understood. It is difficult and confusing to explain the satisfaction and loyalty circle. Researchers have classified both the aspect in detail and reveal that satisfaction does not always lead to loyalty. And the result of the analysis shows that satisfaction does not always show a significant relation with loyalty. As it becomes less significant when loyalty is brought through a different mechanism.

Kumar and Kumar (2019) studied, to know about consumer behaviour, as it is the utmost important factor to gain the market share. And there are demographic, geographic and psychological factors which affect the behaviour of the consumer. Their study was based on the impact of demographic variables on the electronic product in rural Himachal. Where 80% of the population lives in rural area and income of the rural consumer has also increased. The research revealed that it is important for the manufacturers to know the behaviour of consumer as demographic variables have a significant impact on consumer behaviour. Also, gender group and brand loyalty have no significant relationship.

Pandey and Kaur (2018) founded that, the advantages of retail marketing in the rural region through the depth analysis of opportunities in the rural market. The researcher reported the major rural retailing market advantages like less advertising cost, less promotional or media cost, low distribution cost, store management and branding is easy and convenient, inexpensive

warehousing, easy market segmentation and support of government to the rural retailers. At last, the researcher reveals that the future of the rural retail market is bright and promising.

Uapdhyaya and Upaadhyaya (2020) conducted, a study on customer satisfaction in retail store big bazaar. The purpose of the study was to highlight the role of customer satisfaction concerning the store environment and merchandising mix. The research revealed that the impact of store environment and merchandising mix on customer satisfaction in high.

Yadav (2018) describes the general structure of the Indian retail market and also explain the challenges and opportunities. The main features of the rural retail market are large,

diverse and scattered market, traditional outlook, rising literacy level, diverse socio-economic background, living standard and disposable income. But still, there are so many challenges in the rural market. However, in the end, the study concluded that rural India offers huge opportunities.

### **Research Gap**

Despite the vast number of studies that have been conducted in the context of customer loyalty, this research is looking at customer loyalty from the rural Indian context which is limited. So, there was a huge need for researching this area. Keeping this in mind, the purpose and objectives of the current study are reviewed in the following headings.

### **The need for the study**

In rural India, the organized retailing sector is growing but not with great speed and customer loyalty is at its nascent stage. As a result, customer loyalty in a rural area may be not the same as it is perceived in an urban area. In Himachal, more than 80% of the population lives in a rural area and it is an untouched market yet. So, the researcher tried to know the loyalty of customers towards the organized retail store and provides few suggestions to retailers to increase their share and gain market share.

### **The objective of the Study**

1. To study organized stores.
2. To examine the factors affecting customers loyalty.
3. To report the suggestion and recommendation, if any.

### **Research methodology and Data collection**

To collect the information about formulated objectives convenience sampling was adopted. Firstly, this study was restricted to know customer loyalty towards the organized retail store with specific reference to a rural area. The sample was selected from Kangra town of Himachal Pradesh. As per census (2011), the maximum portion of the rural population lies

in Himachal Pradesh. And as per (*Discover Retail Companies in Himachal Pradesh - Dun & Bradstreet, 2020*) Kangra has the highest number of retail companies. Primary data was collected through a self-designed questionnaire and secondary data was collected from the internet, journals and published work. Finally, the collected data has been analyzed with the help of the percentage method and SPSS. Data was collected via an online survey of 100 respondent.

### **Instrument**

Based on the review of the literature and previous studies of Himachal Pradesh the measurement items used were selected. In the formation of respondents' demographic profile (name, gender, age education qualification, monthly income, marital status, occupation, family status with option prefer not to say) was asked to describe respondents. To check the knowledge organized retail store and satisfaction level questions obtained from Kaushal (2003). For the customer loyalty construct, three valid measures were obtained from Kim *et al.*, (2013). The response scale was a 5-point Likert-type scale (1= strongly agree to 5= strongly disagree).

### **Reliability**

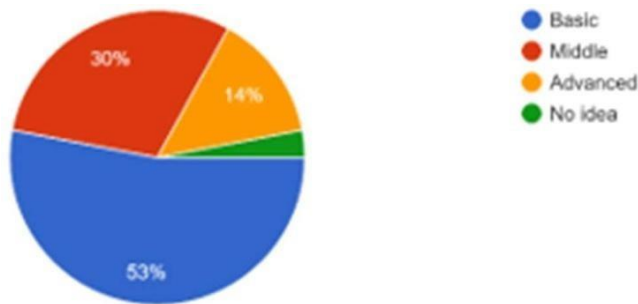
Reliability Statistics was used to check the internal consistency of the factors obtained where the value of Cronbach's Alpha 0.625 which is reliable but not sufficient. Kerlinger and Lee, (2000) stated that Cronbach's alpha coefficient at 0.5 or higher is considered acceptable.

### **Results**

The result showed a mixed result of customer loyalty. The respondent varied in age from below 20 to above 45 years with the median age being 25 to 30. Slightly more than 60% of respondent chose the option of prefer not to say about there income where 52% of respondent were male and 48% were female. 53% of the respondent had basic knowledge about the organized store (see

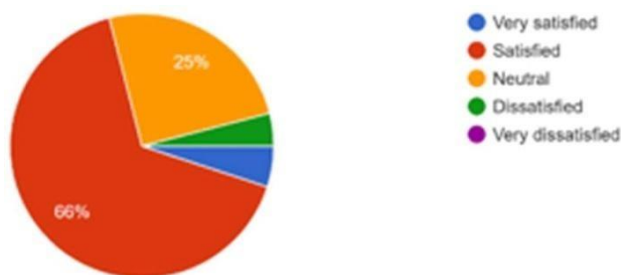
figure 1). And as shown in figure 2, a total of 66% response to satisfied after shopping from the store.

Figure:1



And as shown in figure 2, a total of 66% response to satisfied after shopping from the store. Oliver, (1999) stated that loyalty is related to satisfaction inextricably but it doesn't always lead to loyalty.

Figure: 2



In figure 3 as we can see only 10% of respondent strongly agreed to do future shopping at the same store and approx. 70% were agreed. Only 10% and 8% of respondent were strongly agreed to recommend the store to friends/ relatives and spend their budget with the same storerespectively.

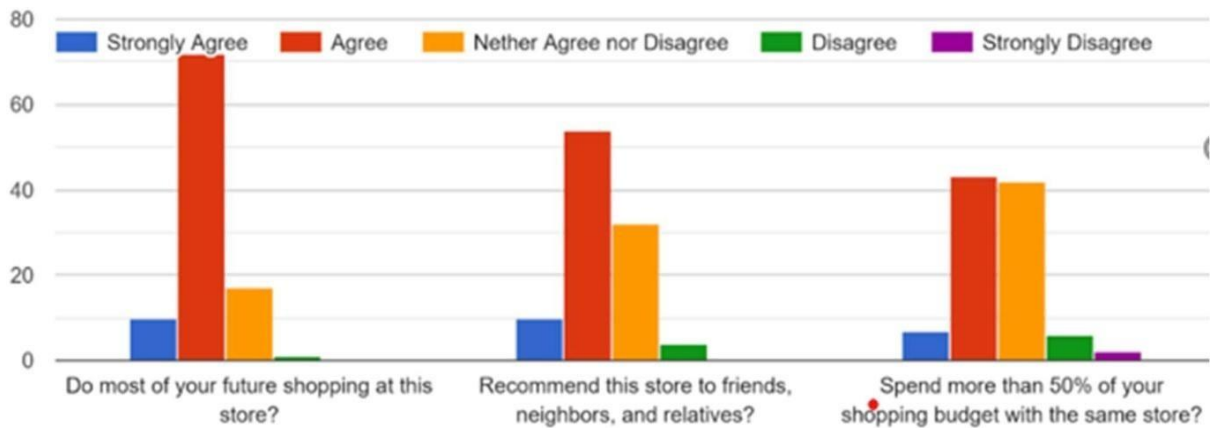


Figure:3

### Limitations and Suggestions

This study has certain limitations. firstly, the researcher allowed the respondent to choose the retail store that they consider or frequently visit and did not focus on loyalty condition within a particular retail type. to cover the loyalty in the rural retailing basic attempt of studying loyalty and rural retailing separately was not done. In this attempt large area was tried to cover which shows mixed results. One should be cautious in generalizing the findings of rural retailing The study did not include the condition of no loyalty. Future researchers should examine all the aspect of loyalty.

People in Himachal consider organized store as “Badi Dukan” or “mall”. Respondents hardly distinguished between organized and unorganized store. To attract more customers, the retail store needs to offer quality products and more brands. The store can improve their customer loyalty by providing services and quality products. However, the result shows that the purchasing power of rural people increased and they are showing interest in organized stores. Accordingly, it becomes an important and fruitful area of research for future research.



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