Introduction:

Indian retail market is witnessing a transformational period where every big retail player is confronting the problem of retaining the Customers. While low cost items and frequent sales help them to attract Customers for a short duration, once these strategies are imitated by the competitors, they are no longer able to retain the same Customers. Also, these short term strategies put a heavy burden on their operating costs resulting in shrinkage of profits. Thus, maintaining profitability and market share are issues of concern for every player in the market. But it is unlikely to increase brand loyalty without any marked distinction among different outlets. In order to increase the brand loyalty among Customers, the retailers are now focusing on the Customer lifetime value. Here, Customer retention emerges as the most important aspect for the retailers.

In Indian market, there is very little understanding of the variables and factors which contribute to Customer retention and Customer lifetime value has become an issue of prime concern in Indian retail market. The purpose of the study is to identify the underlying factors responsible for Customer retention, propose and test a quantitative model of the same for Indian retail market. In order to find variables of Customer retention, the study commences with review of extant literature and appreciative inquiry. It assumed a linear relationship between Customer retention and Customer satisfaction, Customer trust and switching barriers. The underlying factors were derived employing factor analysis. A theoretical framework was devised with pragmatic approach and tested using statistical techniques. The study findings confirm that Customer satisfaction, Customer trust and switching barriers are positively related to the overall Customer retention in retail market. Wherein, Customer satisfaction has a positive effect on Customer trust but unlike traditional belief Customer trust has emerged as more prominent factor than Customer satisfaction. The study reveals prominent role of Customer trust this paradigm shift is helpful for Indian retail sector to devise improved strategies for Customer retention. Though the study findings are in-sync with the findings of prominent studies but the same needs to be further validated for another socio-demographic setup in India. The study ventures into new domain, it tests whether traditional approaches are relevant for Indian retail segment in today.

Keywords: Customer satisfaction, Customer trust, Switching barriers, Customer retention.
Customer retention. This present research is an attempt to address this very important issue. The purpose of the research is to identify the underlying factors responsible for Customer retention, propose and test a quantitative model of the same for Indian retail market. In order to find variables of Customer retention, the study commences with review of extant literature and appreciative inquiry. It assumed a linear relationship between Customer retention and Customer satisfaction, Customer trust and switching barriers. The underlying factors were derived employing factor analysis. A theoretical framework was devised with pragmatic approach and tested using statistical techniques.

**Literature Review:**

**Customer Retention:**

(Dawkins & Reichheld, 1990) defined customer retention as the number of customers doing business with a firm at the end of a financial year, expressed as percentage of those who were active customers at the beginning of the year. Several other prominent authors termed customer retention as the key benefit of relationship marketing (Sheth & Parvatiyar, 2002); (Žvirbliene & Bučiuniene, 2008); (J. b. Shao & X. X. Long, 2008); (Manoj & Sunil, 2011); (Jyh-Fu Jeng & Bailey, 2012). The present research model is based on underlying assumption that customer retention affects customer satisfaction, customer perceived value, trust relationships and switching costs. But, at the same time, these factors are equally important for customer retention. Retention can also be defined as the customers’ liking, identification, commitment, trust, willingness to recommend, and repurchase intentions, where the first four constructs fall under being emotional-cognitive retention constructs, and remaining two fall under behavioural intention (Stauss et al., 2001). (Oliver, 1980) defined customer retention as deeply held commitment to rebuy or re-patronize a preferred product or service consistently in the future, despite situational influences and marketing efforts having the potential to cause switching behaviour. Later, (Chatura & Andy, 2003) defines customer retention is the propensity of the customer to stay with their service provider.

Customer retention is the ever going enigma for the retailers in a competitive market environment. Customer retention can be defined as the measure of tendency or attitude of existing Customers to come back in the store in near future. The time period or gap between two consecutive visits of a Customer, to be categorized into a retained Customer, is dependent on the industry of the business, market scenario, product lifetime, Customer behaviour, and purchasing power of Customers. This is also a major managerial judgment and the time period can be determined as per the experience and decision of higher management.

**Customer Satisfaction:**

Customer satisfaction is defined as “the individual's perception of the performance of the product or service in relation to his or her expectations” (Schiffman & Kanuk, 2000). (Cronin, Brady, & Hult, 2000) conceptualized customer satisfaction as an evaluation of an emotion, reflecting the degree to which the customer believes the service provider evokes positive feelings. Customer satisfaction is a customer’s overall or global judgment regarding the extent to which product or service performance matches expectations (Anderson & Sullivan, 1993). (Fornell, 1992) declared that the high is the customer satisfaction, the high will be the retention of existing customers, which helps to protect existing Customers from the opposition, decreases price elasticity, future transaction costs with the customers reduces, costs of failure decreases, need of attracting new customers reduces, and reputation of the organization increases. The research by (Rust & Subramanian, 1992) confirmed that customer satisfaction has a direct positive effect on customer retention and companies thus, a satisfied Customer is the most basic necessity for any business. A satisfied Customer leads to good business and better promotion in terms of word of mouth and recommendations done by them. It also leads to ease of understanding the target segment and in launch of new products or services to different target segments.

Having a satisfied Customer depends on a multitude of factors: the expectation level set by the Customer about the product, the services offered, the layout of store, previous experience with the store, word of mouth heard from other Customers, etc. A Customer evaluates a particular store not just on the basis of his or her functional needs but based on several emotional and different social needs. Satisfying a Customer entails fulfilling or satisfying all these needs. After attaining Customer satisfaction, a company can plan to take Customers to the next level so that the Customer can be retained for his or her life time.

**Customer Trust:**

(Doney & Cannon, 1997) argued that trust as composition of two aspects namely perceived credibility and benevolence. There are two levels of trust. According to (Rauyruen & Miller, 2007), at the first level, the customer trusts one particular sales representative while at the second level, the customer trusts the institution. (Garbarino & Johnson, 1999) proposed significant positive effect of trust on customer retention. Intermarket Group (2004) reported that trust leads to increase the customer retention. There is a direct relationship between customer trust and customer retention. (Gounaris, 2005) explored that trust is a significant factor in any kind of association between the customers and existing
service providers. The more the Customer trusts a service provider, the greater the chances that the customer remains in the relationship. Gaining the trust of its Customers is the ultimate prize which a company wants to obtain. Customer trust leads to increased brand loyalty. In such a case, it becomes much easier to get premium prices from Customers. Also, cross selling and upselling become much easier. Relationship building is the most adequate method to build trust with the Customer. There are multiple dimensions at play for such a situation to develop. Now a day, Customers want the company from which to buy a product or service to have an active social face: from corporate social responsibilities to greater environmental friendly activities and concerns. Also, there must be a consistency in quality service provided to the different Customers according to their personalized needs over a period of time. Proactive relationship building is believed to be the key to this process. Although it is essential to solve Customer problems with great care and urgency, it is double beneficial if the problems and needs of Customers could be identified and understood in advance and solutions could be suggested or provided in the form of products or services. Companies must act as consultants or trusted advisors with the mentality of solution orientation to become a trusted friend or partner in the lives of Customers.

**Switching Barriers:**

Switching barriers are factors that make it difficult for a customer to change service providers (Jones et al., 2000). (Ranaweera & P., 2003) mentioned that firms may hold their Customers by building switching barriers that must put in worth to their existing services. (Valenzuela, Pearson, & Epworth, 2005) explored from their research that the positive switching barriers have a positive effect on all variables. In order to prevent Customers to switch to competitors or other stores, they emphasized on creating physical, social and psychological switching barriers for the Customers. If the created switching barriers are relatively very high then the Customers will find it very difficult to go to other stores and will remain your Customer even if he or she is not very satisfied with your store. This can be achieved through multiple ways like by providing very personalized services or products to the Customer, easy availability of products/services to Customers which makes it very time consuming or cumbersome or taking too much effort or monetarily costing for them to switch to a rival competitor store.

Although high switching barriers and satisfied Customers does not guarantee to retain Customers. There needs to develop mutual trust between the Customer and the retailer. Trust is the only factor which is not easily copied by competitors. But, it takes the most strenuous of efforts to build trust with the Customer.

Customer trust can be attained only when the Customer is satisfied. A long term relationship of utmost sincerity and efficiently built personalized service experience leads to building a strong bond with the Customer which ultimately transforms into Customer trust.

**Research Methodology:**

This research has been conducted in two stages. Initially, exploratory research was conducted with extant literature review and focused group discussions for identification of variables. Input from literature review and focused group interview was used in constructing hypothesis. Appropriate Sampling technique was used to identify the sample used for the surveying. After Data collection, Reliability and validity test was done followed by Factor analysis. In order to establish relationship between variables Quantitative equation modelling was done by conducting final survey and collecting data. The tests used for establishing relationship are Reliability and Validity test, Z-transformation, multiple regression analysis and Simple regression analysis.

Also, to understand and identify the factors which are essential for generating Customer satisfaction, Customer trust and switching barriers, the study undertook focused group discussion. In each focus group there were two moderators, one to initiate and carry out discussion and another to note down all the points, and ten participants. Roughly equal proportion of men and women were selected as participants. They were of age group of 20 to 45 years and they were representative of our target population in Pune supermarkets. The group discussions were conducted after intensive literature review only so as to ensure that all the relevant topics are discussed thoroughly. The focused group interview revealed eleven factors for Customer satisfaction, nine factors for Customer trust and eleven factors for switching barriers. The factors for Customer satisfaction are Knowledgeable staff, Equal treatment of Customers, Equal treatment of Customers, Reliable Services, Optimum infrastructure, E-shopping facility, Empathetic staff, Communication about changes, Timely delivery, Feedbacks matter, Privacy concerns addressed, and Signage and information good. The factors for Customer trust here are Personal information safety, Secure electronic payment, E-wallet option is ok, Ethical operations, CSR activities, Green products, Trustworthy assistants, Trust in offers and Ok to pay premium. Similarly, factors for switching barriers are Preferential treatment, Sense of loyalty, Best deals, My needs understood, Switching costs money, Preferred assortment available, Switching involves uncertainties, Switching takes a lot of effort, No differentiation, Quick complaint solving, Good feedback mechanism. Further, smaller set of...
underlying factors for each of these constructs were obtained using factor analysis.

To ascertain the structure of the constructs the validity of our constructs and scale was tested using descriptive factor analysis. The Kaiser-Meyer-Olkin (KMO) measure of adequacy of samples and Bartlett’s test of Sphericity were analysed for each construct. Also to ascertain whether all the factors are good constructs, the Eigen values and factor loadings were reviewed. For Customer satisfaction, the value of Kaiser-Meyer-Olkin (KMO) was 0.769 (between 0.5 and 1.0) and Bartlett test of Sphericity was significant with Chi-square value = 225.709, p = 0.000 and d.f. = 22. Eigen values of all the factors were greater than 1. Factor loadings of all variables within a factor were greater than 0.700. For switching barriers, the value of Kaiser-Meyer-Olkin (KMO) was 0.812 (between 0.5 and 1.0) and the statistical test for Bartlett test of Sphericity was significant with Chi-square value = 287.326, p = 0.000 and d.f. = 18. Eigen values of all the factors were greater than 1. Factor loadings of all variables within a factor were greater than 0.700. For Customer trust, the value of Kaiser-Meyer-Olkin (KMO) was 0.732 (between 0.5 and 1.0) and the statistical test for Bartlett test of Sphericity was significant with Chi-square value = 305.452, p = 0.000 and d.f. = 27. Eigen values of all the factors were greater than 1. Factor loadings of all variables within a factor were more than or equal to numerical value of 0.700. Thus, the study established both the validity and reliability of the constructs and the scale used.

After conducting factor analysis at stage one, the study obtained the five underlying factors underlying factors namely Reliability, Empathy, Technology, Commitment and Privacy for “Customer Satisfaction”, three underlying factors namely Social Responsibility, Secure transaction, Premium benefits for “Customer Trust” and four underlying factors Ideal services, Switching costs, No alternatives and Service recovery for “Switching barriers”.

Under stage two, a survey of Customers on these underlying factors along with an additional question “I will go to the same retail store next time also” was asked to get the Customer intention for retention.

Adopting simple random sampling technique sample of size 45 and 74 at first and second stage respectively were collected from Big Bazaar and D-Mart supermarkets in Pune using this self-administered questionnaire. There questionnaire was comprised of two parts where the former part contained demographic information about the Customers while the later contained factors which are to be scored by Customers. These factors were collected seven-point Likert scale from 1 to 7 with 1 being the minimum and 7 being the maximum.

Furthermore, following research hypotheses were constructed based on the primary objective.

**H_{a1}**: Customer retention and Customer satisfaction have a linear relationship with the later having a proportional impact on the former.

**H_{a2}**: Customer retention and Customer trust have a linear relationship with the later having a proportional impact on the former.

**H_{a3}**: Customer retention and switching barriers have a linear relationship with the later having a proportional impact on the former.

**H_{a4}**: Customer trust and Customer satisfaction have a linear relationship with the later having a proportional impact on the former.

**Data Analysis:**

Out of the total survey respondents, the male and female proportion was 65.4% and 34.6% respectively. Wherein, 10% of the respondents were Less than 20 year old, 32.5% of respondents were between 21-30 years, 38.7% were between 31-40 year old and 18.8% were above 40 years of age.

The study reported the value of Cronbach alpha for Customer retention is 0.931. Also, for Customer retention, the value of Kaiser-Meyer-Olkin (KMO) was 0.849 (between 0.5 and 1.0) and the statistical test for Bartlett test of sphericity was significant with Chi-square value = 399.709, p = 0.000 and d.f. = 15. Eigen values of all the factors were greater than 1. Factor loadings of all variables within a factor were greater than 0.700. Thus, the study established both the validity and reliability of the constructs and scale used.

To come up with the structural modelling intended for the research and to validate the pre-established hypotheses multiple regression and simple regression was employed. Multi regression analysis has been used to validate hypotheses H_{a1}, H_{a2}, and H_{a3}. Simple regression analysis has been used to establish validity of hypothesis H_{a4}.

For any regression analysis, it is essential to have a dependent variable which depends upon one or more independent variables. The data used to run the analysis must contain values for these variables. In present study, all the independent variables have been measured in the form of underlying factors. Thus, Customer satisfaction has been measured as a combination of 5 different factors. Similar was the case for Customer trust and switching barriers. The study employed Z-score transformation method to overcome the problem.

By using Z-transformation, the variable score were transformed into z values and thus normality was ensured. To calculate new clubbed score, the values of all the variables were clubbed into one and their mean was calculated.

As a result, we obtained single unique values for Customer satisfaction by finding the mean of Z-scores of all of its factors. Similar is the case with switching barriers and Customer trust. This transformation made it possible to run regression analysis.
With Multiple Linear Regression analysis the study established that there is a linear relationship between Customer retention, Customer trust, switching barriers and Customer satisfaction. It was also estimated the coefficients of the linear equation so that the value of dependent variable could be predicted optimally. Multiple regression analysis was carried out to test three pre-determined hypotheses in the study (H$_{a1}$, H$_{a2}$ and H$_{a3}$).

**Table 1: Multiple Regression Analysis**

<table>
<thead>
<tr>
<th>Model</th>
<th>R</th>
<th>R Square</th>
<th>Adjusted R Square</th>
<th>Std. Error of the Estimate</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>.556$^a$</td>
<td>.309</td>
<td>.280</td>
<td>.84867</td>
</tr>
</tbody>
</table>

a. Predictors: (Constant), Customer trust, Switching barriers, Customer Satisfaction

R square value of 0.309 holds good enough value to establish that the hypothesized model established by this analysis is a good enough fit for the data obtained and analysed in this whole process.

**Table 2: ANOVA Results**

<table>
<thead>
<tr>
<th>ANOVA $^a$ Model</th>
<th>Sum of Squares</th>
<th>df</th>
<th>Mean Square</th>
<th>F</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Regression</td>
<td>22.584</td>
<td>3</td>
<td>7.528</td>
<td>10.452</td>
<td>.000$^b$</td>
</tr>
<tr>
<td>Residual</td>
<td>50.416</td>
<td>70</td>
<td>.720</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>73.000</td>
<td>73</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

a. Dependent Variable: Customer Retention
b. Predictors: (Constant), Customer trust, Switching barriers, Customer Satisfaction

The value for F-test is 10.452 and it indicates that this model explains the variance among constructs adequately. Also, the level of significance denoted by p-value is 0.000 which is less than 0.05 and thus study retains the hypotheses denoting a direct linear relationship in which Customer retention can be quantitatively measured in terms of proportional values of Customer trust, switching barriers, and Customer satisfaction.

Table 3 shows that the beta coefficients for the constructs Customer satisfaction, switching barriers and Customer trust are shown in the above figure. As the significance values for all the three are less than 0.05, hence all the coefficients are significant which in turn makes it to retain hypotheses H$_{a1}$, H$_{a2}$ and H$_{a3}$.

Based on the SPSS output, the following multiple regression equation was formed:

Customer Retention = k + 0.163 Customer Satisfaction + 0.435 Customer Trust + 0.348 Switching barriers, where k = Constant.

**Customer Trust:**

In conclusion, the values of unstandardized Beta coefficient among the independent variables were tested in the hypotheses ranged from the weakest relationship of 0.163 (between Customer satisfaction and Customer retention) to the strongest relationship of 0.435 (between Customer Trust and Customer retention). It was concluded that the “Customer Trust” is the most powerful antecedent in affecting the Customer retention.

Simple Regression Analysis was carried out to test the fourth hypothesis.

**Table 4: Simple Regression Analysis**

<table>
<thead>
<tr>
<th>Model</th>
<th>R</th>
<th>R Square</th>
<th>Adjusted R Square</th>
<th>Std. Error of the Estimate</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>.315$^a$</td>
<td>.099</td>
<td>.087</td>
<td>.91544</td>
</tr>
</tbody>
</table>

a. Predictors: (Constant), Customer retention

R square value of 0.099 indicates that the model resulted from this analysis a not a very good fit for the data obtained and analysed in this process.

**Table 5: ANOVA Results**

<table>
<thead>
<tr>
<th>ANOVA $^a$</th>
<th>Sum of Squares</th>
<th>df</th>
<th>Mean Square</th>
<th>F</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Regression</td>
<td>6.636</td>
<td>1</td>
<td>6.636</td>
<td>7.919</td>
<td>.006$^b$</td>
</tr>
<tr>
<td>Residual</td>
<td>60.338</td>
<td>72</td>
<td>.838</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>66.974</td>
<td>73</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

a. Dependent Variable: Customer trust
b. Predictors: (Constant), Customer Retention

F-value of 7.919 is very high and it shows that the variance is explained adequately by this model. Also, the significance value is 0.006 which is less than 0.05, hence the hypothesis H$_{a4}$ is retained that there is a relationship between Customer trust and Customer satisfaction.

Table 6 shows that the p value of the t-test (p = 0.006) between Customer satisfaction and Customer trust is less than the alpha value of 0.05. Therefore, it is obvious that there is a positive relationship between the Customer satisfaction and Customer trust.

Based on the SPSS output, the following simple regression equation was formed:

Customer Trust = k$_1$ + 0.302 Customer Satisfaction, where k$_1$ = constant

The study concluded that the above simple regression equation indicates that the Customer satisfaction is the antecedent of the Customer trust.
Conclusion, Discussion and Implications:

Taken together our results offer strong support for the positive main effects of satisfaction, trust and switching barriers on retention. The results also support the interaction effects of satisfaction with trust and switching barriers respectively. As numerous of previous scholars have reported the considerably sizable effect of satisfaction on Customer retention (Anderson & Sullivan, 1993); (Rucci, Steven, & Richard, 1998); (Bansal & Taylor, 1999); (Cronin, Brady, & Hult, 2000). In the similar lines our study supports the same effect. In contrast, unlike the previous research findings present research reports a paradigm shift. Wherein, previous research has provided limited empirical insight into the impact of trust on retention. This study reports the major role of trust in retention. This is in line with findings reported by (Chatura & Andy, 2003). This could hold true for Indian retail market. Here, for Indian retail market trust has emerged as strong predictor of retention than satisfaction. This contradiction suggests that trust as a stronger emotional response than satisfaction, thus firms must therefore go beyond satisfaction to build trust to increase commitment and create true loyalty (Hart & Johnson, 1999). Therefore, Indian retail players may need to employ a mutual strategy which is aimed at increasing both satisfaction and trust simultaneously.

Implications of Research Findings:

Although it is widely believed that Customer satisfaction is the most important factor in Customer retention, we have come to the conclusion that Customer trust is the most important factor. Also, Customer satisfaction does not have very huge effect on Customer retention; it is slowly becoming a hygiene factor. It can have serious implications for future research process. As Customers are becoming more and more utilitarian and seeking value for money, building trust and increasing switching barriers are a must.

Future scope and Limitations:

In future, there is great scope of carrying out Confirmatory Factor Analysis (CFA), and Structural Equation Modelling (SEM) to find the best fit of the model. It will give us detailed path analysis of measured variables and structural equation involving latent variables. The data was collected in Pune only so it may contain some effect of local factors of the city. The survey has been done offline only and hence it cannot be applied to online purchase behaviour as many factors change in online shopping.

References:


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**Table 3: Coefficients**

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>t</th>
<th>Sig.</th>
<th>Correlations</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>B</td>
<td>Std. Error</td>
<td>Beta</td>
<td></td>
<td>Zero-order</td>
</tr>
<tr>
<td>1 (Constant)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Customer satisfaction</td>
<td>6.399E-016</td>
<td>.099</td>
<td>.114</td>
<td>.148</td>
<td>1.434</td>
</tr>
<tr>
<td>Customer trust</td>
<td>.163</td>
<td>.106</td>
<td>.407</td>
<td>3.981</td>
<td>.000</td>
</tr>
<tr>
<td>Switching barriers</td>
<td>.435</td>
<td>.333</td>
<td>3.278</td>
<td>.002</td>
<td>.315</td>
</tr>
</tbody>
</table>

a. Dependent Variable: Customer retention

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**Table 6: Coefficients**

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
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<th>t</th>
<th>Sig.</th>
<th>Correlations</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>B</td>
<td>Std. Error</td>
<td>Beta</td>
<td></td>
<td>Zero-order</td>
</tr>
<tr>
<td>1 (Constant)</td>
<td>1.211E-016</td>
<td>.106</td>
<td>.315</td>
<td>.000</td>
<td>1.000</td>
</tr>
</tbody>
</table>

a. Dependent Variable: Customer trust

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