

Factors Affecting Customer Retention in Discount Stores: A Case of Utility Stores Corporation of Pakistan

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Abstract

This study is aimed to examine the impact of customer satisfaction customer loyalty service quality on Customer retention of Utility Stores Corporation of Pakistan. This is a quantitative study AMOS 18 and SPSS 20 techniques will be used to analyze the data. Populations of this study are the customers of Utility Stores of Bahawalpur Region. Sample size was 300 and convenient sampling strategy will be used to collect the data. Conclusion of this study indicates that in a highly competitive business world quite a lot factors significantly affect and sustain customer's perceptions and loyalty with the firm's business and products. So in order to hold customers for a long period of time, firms must pay attention on several important factors that make the customers satisfied, loyal and pleased by improving the quality of products and services of their businesses.

Key Words: Customer Satisfaction, Customer Loyalty, Service Quality

Introduction

Customers are the main strength of the firms (Gupta and Zeithaml, 2006). Without customers, firms could not be able to sustain and enhance their performance (Buttle, 2004; Gupta and zeithaml, 2006). Firms believe that there is no revenue, no profit and no any market value without customers (Ang and Buttle, 2006). For the organizational accomplishment, one of the primarily significant drivers is that the enterprisers have to capture the needs and wants of its customers into account (Singh, 2006). In order to get success, it is significant for the firms to implement the right marketing strategies (Armstrong and Kotler, 2008). Therefore, customer's needs and expectations are vital to consider in the process of developing products and services, because it the value of the customer's experiences about the product or service that is important (Gumesson, 2002). However, In a global competition of retail business, the demands of customers are increased from time to time and there is a significant need of firms to improve the service quality and product variety for the retention of their customers (Yuen & Chan, 2010). According to past numerous studies, the survival of any firm is primarily based on the creation and retention of profitable association with its preferred customers (Ryals and Knox, 2005; Ang and Buttle, 2006). Besides enjoying significant savings from the retention of existing customers, the practice is understood to allow the firms to prolong in the said perfect competition. According to past studies, a significant association exists between the enhancement in the firm's performance and customer retention practice (Stengel, 2003; Ryals and Knox, 2005; Singh, 2006; Trasorras et al., 2009).

Problem Statement

In order to build successful relational exchanges with the customers, there is a need to understand customer behaviors and to focus on the retained customers (Winer, 2001). Previous researches are silent on the customer retention towards discount store's

business in Pakistan. Negligible studies conducted on the customer retention in discount store's business in Pakistan. An insignificant research work is available on customer retention towards discount stores which not clearly describes the factors affecting the customer retention, especially in the context of Utility Stores Corporation of Pakistan (USC) which has a Government owned chain network of discount stores in Pakistan. Consequently, there is a need to investigate the factors which are affecting customer retention in USC's discount store's business in Pakistan. Therefore, this study has explored the factors necessary to retain the customers in Discount Stores.

Objective of the study

The objectives of this study are the following:

- The endeavor of this study is to examine the effect of the customer satisfaction, customer loyalty and service quality on customer retention in the Discount Stores Industry of Pakistan.
- The objective of this research is to determine how Discount Stores can retain their existing customers. Furthermore, in this research association among customer satisfaction, customer loyalty, service quality and customer retention towards Discount Stores (Utility Stores) is studied and conversed.
- In addition, this research will determine the factors which affect the customer loyalty, customer satisfaction and customer retention in the Government Owned Discount Stores of Pakistan.

Significance of the study

This research will be of significance to the management of the Government Owned Discount Stores will gain an additional knowledge in relation to the subject that need to be concentrate on to retain the customers. This will allow them to rise above the competition posed by other discount stores in Pakistan.

Limitation of the study

The limitation of this study is originated from its scope. As the study highlighted the role of customer satisfaction; customer loyalty and service quality on customer retention in USC's Discount Stores in Bahawalpur City, it is difficult to wrap up about other Discount Stores. Only the population of Bahawalpur City is selected as the respondents of the questionnaire.

Literature Review

Customer Satisfaction

According to Kotler, (2000); Hoyer & MacInnis, (2001) Satisfaction is a person's feeling of contentment, stimulation, delight or disappointment which results from evaluating a products perceived performance to his or her expectations. Satisfaction is the customer's judgment about the delivered services by the firm or purchased goods (Goncalves and Sampaio, 2012). While on the other hand Gustafsson, Johnson et al., (2005), believe that satisfaction is the comprehensive measurement of the organizational presentation. Customer satisfaction positively affects on customer retention through increasing emotional commitment indirectly or it may directly affect customer retention process (Hennig Thureau, 2004). Furthermore, Jeng and Bailey, (2012) concludes that customer satisfaction plays a vital role as a motivator to retain the customers (Jeng and Bailey, 2012). According to earlier articles in literature, in the process of customer retention, there is a contribution of 3 dimensions and 8 criteria mostly (Jeng and Bailey, 2012). Cost of the product, Quality of the product and Customer Experience are measured as the major contributors of customer retention while on the other side in the process of customer retention, the mentioned criteria consists on Service Price, Switching Cost, Service or Product Quality, Customer Service Quality, Complaint Management, Social Norms and Brand Image. Quality is

acknowledged as an additional dynamic having a remarkable positive effect on customer satisfaction (Kim, Park et al., 2004). Additionally, in the process of retaining firm's existing customers, Customer Satisfaction and Commitment are considered as the major criteria in the articles (Gustafsson, Johnson et al., 2005). Furthermore, Customer retention rate is also depends on customer satisfaction (Reinartz & Kumar, 2003).

H 1: Customer retention affected by the Satisfaction of the Customer and there is a relationship present

Customer Loyalty

Customer loyalty is one of the other major characteristics of Customer Retention which has been considered in large number of studies (Hallowell, 1996; Bolton, Kannan et al., 2000; Lewis, 2004; Keiningham, Cooil et al., 2007; Concalves & Sampaio, 2012; Peighambari, Salehi Sangari et al., 2009). Since it would direct to customer retention, in any company's accomplishment, Customer Loyalty is the most fundamental component (Peighambari, Salehi Sangari et al., 2009). According to Caruana research conclusions, there is a strong correlation exists between switching costs and customer loyalty (Caruana, 2004; Kim, Park et al., 2004). Costs and complexities, which dissatisfied customers, have to commence in order to transfer to a substitute service or product is known as switching barriers (Kim, Park et al., 2004). But on the other hand, most of the scholars argued on the fact that all loyalty schemes have a positive impact on customer retention. According to Bolton, Kannan et al., loyalty program association does not essentially impacts on customer retaining process (Bolton, Kannan et al., 2000). They consider that retaining long term permanent relationship with clients may cause product or service switch to firms' contestant. The motive behind their findings is customers' elevated prospect of loyalty programs (Bolton, Kannan et al., 2000). Keiningham, Cooil

et al., in the support of previous article, also shore up that all loyalty programs would result in loyalty behavior and ultimately leads to profits (Keiningham, Cooil et al., 2007).

H 2: Customer retention affected by the Loyalty of the Customer and there is a relationship present

Service Quality

Service quality is the ability of any organization to accomplish the customer's expectations in order to assure the needs and wants of the customer (Albrecht and Zemke, 2002; Edvardsson, Thomasson, and Ovretveit, 1994; Martin, 2003). Customer's perceptions are the basis of service quality, while perceptions are built up over time, based on customer's opinion, past experiences, process and delivery of the service (Albrecht and Zemke, 2002; Zeithaml, Parasuraman, and Berry, 1990). According to Tang et al., service quality is established as a key antecedent to customer retention (Tang et al., 2012). They originate that between service quality and customer retention, positive relationship exists. Better service quality can cause the repeat visits of the customers (Kozak, 2001). Similarly, Kim et al., exemplified that customer retention significantly based on customer's perceptions towards service quality of the organization (Kim et al., 2004). Retained customers have a tendency of higher levels of perceived service quality which consequently helps to improve the performance of the organizations (Kim et al., 2004; Molapo and Mukwada, 2011).

H3: Customer retention affected by the Service Quality and there is a relationship present.

Methodology

Research Type

This is a quantitative research and adapted questionnaire are designed for the survey method for the study of customer retention in Utility Stores.

Population

The customers of Utility Stores of Bahawalpur Region are considered as the population or respondents of the questionnaire for data collection.

Data Collection Technique

For the purpose to collect data, convenience sampling technique will be used in this research. Personally administered questionnaire will be distributed among the respondents/customers of the Utility Stores.

Sample Size

For the data collection, the sample size 300 is selected in this research. Comrey and Lee (1992), says that selecting the sample size in a series for inferential statistics. Sample size with 50 respondents indicates the weaker sample; 100 would be weak; 200 would be sufficient; 300 would be considered as good; 500 observed as very good; while 1000 would be regarded as excellent.

Instrument and Scales

An adapted instrument from previous research studies, with some modifications according to the research model is used in this study. In order to authenticate the reliability, contents will be discussed with expert. The questionnaire consists of 35 easy to follow and easy to answer closed question. The instrument is based on structured and measuring scale of structured questionnaire and all responses will be on 5-Point

Likert scale and the responses rang used from 1 to 5, where 1is for strongly disagreed, 2 is for disagreed, 3 is for neutral, 4 is for agreed and 5 is for strongly agreed.

Data Analysis Techniques

Reliability Analysis

Through reliability analysis the accuracy and stability of some specific idea or theory will be confirmed (Sekaran, 2003). To check the reliability and consistency between the items, Cronbach's Alpha is the coefficient used in this regard.

Correlation, Regression Analysis

For the purpose to identify the interaction between the variables to answer the question, correlation method will be used in this research. To measure the impact of independent variable on innovative capability, Multiple Regression Analysis technique will be used.

Mediation

Mediation test by Baron & Kenny (1986) will be roundabout to examine the mediating role of independent constructs on dependent construct. Through statistical procedures like SEM (Structural Equation Modeling) by using AMOS 18 and SPSS 20 (Statistical Package for Social Sciences), all the responses will be tested in this research.

Conclusion

Firms can't be succeed without customers, they are the profitable ingredient and a long term relationships with them sets a prosper future for firms. In the same manner Customer retention strategy has always been an important phenomenon for firms. As they know that in a highly competitive business world quite a lot factors significantly affect and sustain customer's perceptions and loyalty with the firms business and products. So in order to hold customers for a long period of time to build loyalty, firms

must pay attention on several important factors that make the customers satisfied, loyal and pleased by improving the quality of products and services of their businesses.

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