

IMPACT OF CUSTOMER LOYALTY PROGRAMS ON CUSTOMER RETENTION IN CALICUT REGION

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ABSTRACT

Customer retention is more economical than customer creation. But customer retention is not simple as we expect. The study focused on this aspect. The main intention of the study was to find out the rate of loyalty programs on customer retention. For this purpose the researcher conducted study among the customers from the Calicut district. The sample size of the study was hundred customers and used questionnaire method for collection of data.

Key words: Customer Loyalty, Relationship Marketing, Point System, Tier Reward System, CRM System, Customer Retention.

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1. INTRODUCTION

Customer loyalty can't be bought. It is the result of various strategies adopted by the firm. The relationship marketing concentrate on building a long term relationship rather than an individual transaction. It is more economical than creating new Customer. The past studies in this area shows that only about 10% of the cost of acquiring new customer is enough for retaining a customer (Jaya & Gopinath, 2020). So the marketer's in the modern era focused on customer retention rather than 'customer creation.' Dawkins and reached (1990) calculated a company's customer retain rate. It aims to find out the percentage of customers at the beginning of the year that is still customer at the end of the year (Usharani & Gopinath, 2020). The present study give an insight to the customer loyalty programs in shops at Calicut and their influence customer,

thereby the effect on customer retention. The loyal customers are most valuable asset of any business unit. They determines the existence of business in the future (Gopinath & Kalpana, 2019).

1.1. Research Methodology

Tables and charts are used for presentation analysis of the data. Hypothesis were tested through ANNOVA and chi-square test. Customer influence index was calculated for the purpose of evaluating the level of influence of each strategy.

The index was calculated as follows by the help of point linear scale.

Table 1

LEVEL OF INFLUENCE	LOW	MODERATE	HIGH
	1	2	3

$$\text{Index} = \text{sum}(\text{score} * \text{frequency})$$

1.2. Research Objectives

- To examine whether there is any difference in usage of various strategies within and various customers of various income groups.
- To study the influence of various customer retention programs on customer buying decision.

1.3. Hypothesis

- 1) H_0 : There is no significant difference in use of strategies by different income groups.
 - (1a) H_{01} : There is no significant difference in use of various strategies with in the same income groups.
 - (1b) H_{02} : There is no significant difference between use of strategies based on income.
- 2) H_0 : There is no significant difference in preference of different strategies of customer decision.
- 3) H_0 : All strategies have almost equal importance in case every category of product.
 - (3a) H_{03} : There is no significant different in use of different strategy in case of textile items.
 - (3b) H_{04} : There is no significant different in use of strategy in use of food items.
 - (3c) H_{05} : All the strategies are in similar importance in case of footwear.
 - (3d) H_{06} : All the strategies are in similar importance in case in electronics.
 - (3e) H_{07} : All the strategies are in similar importance in case in bag
 - (3f) H_{08} : All the strategies are in similar importance in case in cosmetics.

1.4. Importance of Study

Customer retention is very for the long run of every business. Business units of use various strategies for this. Loyalty programs have a greater role in the retention of customer. The present study discussed on the influence of loyalty programs on customer retention. It helps the business know the effect of this loyalty programs and thereby the success of this retention effect. It facilitates the customers to know about various programs adopted by firms to retain them.

1.5. Problem Discussion

The tastes and preference of every customer may be different. So a single study can't catch the all the customers in some depth. Through this study the researcher try to find out influence of various customer loyalty programs and their influence on various categories of customers and thereby the effect on customer retention.

1.6. Area of Study

The presented study was conducted among the customers at Calicut district. this study was conducted 100cutomers from this area.

1.7. Data Collection Techniques

The researcher used sample survey method through questionnaire among the customers in Calicut district. The researcher provides times to fill the questionnaire and got it after filling. This continued still the sample size of 100 respondents satisfied. The questionnaire had two parts-demographic and product related facts.

1.8. Basic Design of the Study

The present study was descriptive in nature based on sampling survey method, where data were collected through questionnaire.

1.9. Nature of Sample

This study used non-random sample of 100 represents from Calicut district.

1.10. Sampling Method

The investigator used convenience sampling method for data collection

2. THEORATICAL REVIEW

2.1. Customer Retention

In the modern world, customers are the king of the market. Traditional marketing concepts give more importance to new customers rather than the existing customers. Today, however factor was replaced beyond, deciding strategies for new customers the companies are developing retaining strategies on current customers and maintain a relationship with them. Today, many companies are losing their customers day-by-day. It is like adding milk to a leaking jar. More factors can influence the customers such as demographic factors economic factor, marketing strategies of other industries. Customer retention is very different from creating new customers. There are two ways to retain the customers. one is to identify the reason of the customers , why they choose another supplier , sometimes it would involve high capital cost ,high search cost, the loss of loyal customer disconnects and so on .the another way is to provide high customer satisfaction . A highly satisfied customer 1) loyal customer forever 2) purchase more companies new products and improving the existing ones 3) give advertisement among the public favorably 4) less interest to purchase another competing products .5) discuss the product or service ideas to the company. The important strategy for creating high customer satisfaction is relationship marketing, value chain, value delivery network and TQM. Relationship marketing which means that the creating, maintaining and enhancing good relationship among the internal and external parties. Value chain is an important tool for analyzing the ways to develop customer value .value chain is an inter-related activity of a firm which coordinates and controls the all activities of each department of a company. The success of a firm many depends upon the performance of an each departments. Value-delivery network mainly focused on the

competitive strategy and the external parties such as supplies, distributors and customers. Finally the success of the firm mainly depends on the TQM (Total Quality Management). It is the management approach which mainly implemented to create customer satisfaction through the quality of the product, process, culture, and service in which they work.

2.2. Relationship Marketing

Relationship marketing is a form of marketing that evolved from direct response marketing in the 1960's and emerged in the 1980's. Relationship marketing emphasis is placed on developing life time relationship with key people. It identifies the customers' needs and wants and also builds the strategies which required retaining them (Karthick *et al*, 2020 a). Relationship marketing strategies also maintained the healthy relationship with the internal and external people which are connected with the firm. However, the research studies are shown the cost of retaining an existing customer is only about 10% of the cost of acquiring a new customer. In the economic sense the retention of customers is better than the acquiring of new customer.

2.3. Customer Valuation

A company can valuing their customers and classifies them on the basis of their financial and strategic basis. It help the company can decide where to apply deeper relationship, Consumer Perception (Gopinath, 2019 a) and Consumer Behaviour (Gopinath, 2019 b)..

Customer Retention Measurement

Drawings and Reached (1990) calculate data company's customer retention rate. According to him, the beginning year percentages of the customer still retain the end of the year. In accordance with these calculations an increase in retention rate from 80% to 90% is given the picture of average life of a customer relationship from 5 to 10 years.

Determine Reason for Leaving

Identify the basic cause of the customer why they leaving.

Build an applying a Corrective Plan

This includes taking corrective actions of the performance of the employee's better endorsement of the top management to take favorable decision about the reward and recognition system of the company.

2.4. Scope of Relationship Marketing

Relationship market concepts the organization fully structured on the basis of complete task and process rather than the functions. Which implies that the all teams are responsible for the whole process of the organization rather than the departmental basis? Relationship marketing is cross functional marketing, which is arraigned the entire performance of the organization.

2.5. Customer Loyalty

Customer loyalty refers to the overall value of the goods and services received by a customer from the business. Customer loyalty shows the customer satisfaction and the positive feelings of a customer from a particular company or a brand. Customer loyalty never be bought, it must be created. In 80's the airline industry introduced the customer loyalty programs firstly, then after that the other industries followed loyalty programs. Loyal customers are the important factor of every business concern. However, huge business firms have to focus their existing customers. The customer loyalty programs can help to predict which customer is satisfying and which are not.

2.6. Methods of Developing Customer Loyalty

The successful business mainly depends upon the steady customers. A firm can select different methods for developing their customer loyalty.

Communicate- A holiday greeting card, wishes, reminder, email etc...To use a firm to retain their customers.

Customer service-An organization should develop their employees for treat their valuable customers. The customers are always remembering their service.

Product awareness-The firm must know that what their customers purchased regularly, they must stocked that item or to sponsored such product as a compliment.

Reliability-The Company should develop a healthy relationship to their valuable customers. If the company says that the goods are delivered coming Monday. It's reliable. If it go in opposite manner immediately and compensate them for their irresponsibility.

2.7. Strategies

CRM SERVICES-It is a system which mainly concentrates how the company manages and interact their current and potential customers. This system specifically concentrates on retention customers.

POINT SYSTEM-This is the common loyalty program. According to this the customer can earn points of their each purchase. If the customer achieved certain amount of points they are automatically eligible for some benefits from the firm, some time it must be reward, gift, and discount.

LOYALTY CARD PROGRAM-This is one of the business strategy which aims to build repeat business by offering something to regular customers than the others. These strategies are mainly shown in retail shops.

GIFT CARD AND CERTIFICATES-This is the most commonly used strategy by the retailers. With this gift card the company fixed a certain amount and period of validity. When the customers are ready to purchase this type of goods without considering the cost, the retailers can increase their selling of goods (Gopinath, 2016 b).

TIER SYSTEM-It is a base offering reward system. It is a part of loyalty program. Through this method the customer became the part of loyalty ladder.

FREQUENT BUYER PROGRAM-Through this system the customer get an offer from the retailers. Retailers offering the low free service to the customer. Retailers fixed the number of purchase or the specific limit of the amount for getting the offer. This creates the tendency to customers for getting this offer.

RETURN POLICY FOR LOYAL CUSTOMERS-The retailers offer to the loyal customers to extended return policy.

Pay back money to loyal customers.

Non-monetary programs

3. LITERATURE REVIEW

Tabaku and zerellari (2015)-According to him, customer loyalty has two approaches. They are behavioral and attitudinal. In behavioral approaches the customer select one provider, and regularly visit and continuously purchase from same provider. In attitudinal loyalty comes from the psychological factor, which connected to product or service. It includes the preference and components like a positive attitude and commitment.

Syed Md.faisalalikhana and Chanchalchawla (2014)-The author conducted study on the Indian retail strategy and how the strategies are affected to the buying decision of the customers.

The authors work caption like “impact of retail strategy on buying behavior of consumers”. Finally this study find out that there is a strong association between the personality factors such as age, education, income, marital status.

Sigh and khan(2012)-Authors were concentrating their study was how to affect the customer retention and loyalty programs to the business. Throughout this study the authors were identified different approaches to increase the customer retention and loyalty programs towards the business. Customer loyalty is a long term process. The authors also understand the consumer behavior and the customer satisfaction level. This study also find out the strategies to the retailers and how they attract the customers and to reduce the competition.

Motshedisi Elizabeth Molapo and Geoffery Mukwada(2011)-For this case study the authors were employed many customer retention strategies in the South African cellular industry. The main aim of this study was to find out the customer retention strategies adopted by the South African telecom industry. To collect accurate data, the author prepared questionnaire in both aspects that is qualitative and quantitative method. This study also analyzes the advantages and disadvantages of customer retention strategies which applied in South Africa.

Usman Ahmad Qadri and M.mahmood shah khan(2014)-The authors high lighten that what are the factors affecting on customer retention. for this purpose they select five cellular companies which located in Lahore. They prepared questionnaire and also conduct interviews for collecting valid and reliable data. They found that mainly five important factors are affecting customer retention. They are customer trust, customer satisfaction, brand image, price perception and switching barriers.

Sharmeelabanu et al, (2012)-This study found that customer retention strategy will be an effective management tool for retailers to survive. Every retail industries gave special attention to this area for their further improvement.

Mujeeb-ur-Rahman(2013)-In this work ,the author could understand that the customer loyalty programe is the most important marketing tool for increasing the performance of retail stores. According to him, who can easily understand their customers they will survive in this competitive environment.

Dowling and uncles (1997)-This research work mainly concentrate three primary lessons. Firstly author focused on the major reason for introducing customer loyalty programe in competition concept. second lesson related with product or service value proposition. Third lesson related with brand loyalty. The author’s opinion that brand loyalty comes from the market.

Inamullahkhan (2012)-This study shows that customer loyalty highly depends on customer satisfaction rather than customer retention. This work was conducted in Pakistan. For collecting reliable and valid data the author adopted questionnaire method which sent through the electronic mail. In the analysis part the author used linear regression analysis. One of the main drawback of this work is that the study limited only a single industry of mobile telecom.

4. ANALYSIS OF DATA

4.1. Testing of Hypothesis

- 1a) H_{01} : There is no significant difference in the use of strategies within the same income groups.
- 1b) H_{02} : There is no significant difference in the use of strategy between different income groups.

Table 2 Which Shows the Influence of Income Level to Various Strategies.

Income	Point system	CRM system	Loyalty card programe	Credit card facility	Frequent buyer programe	Pay back money to loyal customers	Return policy for loyalty customers	Gift card or certificates	Tier system	total
0-25000	4	3	2	3	2	2	1	5	1	23
25000-50000	5	5	3	7	1	1	1	2	2	27
50000 and above	4	8	3	9	3	1	3	2	3	36
TOTAL	13	16	8	19	6	4	5	9	6	86

4.2. Two Way Annova

Table 3

Source of variance	Sum of squares	Degree of freedom	Mean square	Frequency ratio
Between columns	SSC=74.05	8	MSC=9.26	Fc=MSC/MEE=4.097
Between rows	SSR=9.85	2	MSR=4.93	
Error	SSE=36.17	16	MSE=2026	Fr=MSR/MSE=2.181

Fc; calculated value=4.097,df=8,16 ; Table value=2.591

Fc>table value, so reject the null hypothesis

Fr=2.181,df=2,16,Table value=3.634

Fr<Table value ,so accepted the null hypothesis.

4.3. Hypothesis Testing 2

H_0 : There is no significant difference in influence by various strategies on customers

Table 4

Strategies	O	E	O-E	(O-E) ²	$\sum(O-E/E)^2$
Point system	165	157.5	7.5	56.25	.36
CRM system	185	157.5	27.5	756.25	4.80
Loyalty card programe	165	157.5	7.5	56.25	.36
Credit card facility	190	157.5	32.5	1056.25	6.70
Return policy for loyalty customers	171	157.5	13.5	182.25	1.16
Non-monetary programe	85	157.5	72.5	5256.25	33.37
Pay back money to loyal customers	148	157.5	-9.5	90.25	.57
Gift card or certificates	169	157.5	11.5	17.25	.11
Frequent buyer programe	149	157.5	-8.5	72.25	4.59
Tier system	148	157.5	-9.5	90.25	.57
		1575			5259

Df=9,chi-square=52.59,table value of chi-square=16.92

Rejected null hypothesis.

Table 5 Which Shows the Strategies Based on the Product Wise Purchase.

strategies	Textile items	Food items	footwear	electronics	bag	cosmetics	Total purchase
Point system	17(19.76%)	26(30.23%)	19(22.09%)	9(10.46%)	23(26.74%)	16(18.60%)	110
CRM system	17(19.76%)	17(19.76%)	24(27.90%)	16(18.60%)	19(22.09%)	20(23.25%)	113
Loyalty card program	9(10.46%)	8(9.30%)	10(11.67%)	8(9.30%)	10(11.67%)	14(16.27%)	59
Credit card facility	26(30.23%)	9(10.46%)	9(10.46%)	10(11.67%)	3(3.48%)	8(9.30%)	65
Return policy for loyalty customers	2(2.32%)	6(6.97%)	8(9.30%)	25(29.06%)	6(6.97%)	4(4.65%)	57
Non-monetary program	3(3.48%)	-	-	-	-	-	3
Pay back money to loyal customers	4(4.65%)	7(8.13%)	-	1(1.16%)	4(4.65%)	10(11.67%)	26
Gift card or certificates	5(5.81%)	-	-	2(2.32%)	11(12.79%)	6(6.97%)	24
Frequent buyer program	3(3.48%)	11(12.79%)	16(18.60%)	7(8.13%)	8(9.30%)	5(5.81%)	50
Tier system	-	2(2.32%)	-	8(9.30%)	2(2.32%)	33.48%	15
	86	86	86	86	86	86	516

4.4. Testing of Hypothesis – 3

H₀₃: There is no significant difference in use strategy in case of textile item.

Chi-square=0.05, DF=5, table value=11.07

Calculated value > table value

So reject null hypothesis.

H₀₄: There is no difference in use of different strategy in case of food items.

Chi-square=0.05, DF=6, table value=12.59

Calculated value > table value

So reject null hypothesis.

H₀₅: All strategies were equal importance in footwear

Chi-square=56.41, DF=5 table value=11.07

Calculated value > table value

So reject the null hypothesis.

H₀₆: All strategies have similar role in case of electronics items.

Chi-square=70.10, df=6, table value=12.59

Calculated value > table value

So reject null hypothesis.

H₀₇: All strategies have similar role in case of bag items

Chi-square=50.50, df=5, table value=11.07

Calculated value > table value

So, reject null hypothesis.

H₀₈: All strategies have similar role in case of cosmetics items

Chi-square=35.96, df=6, table value=12.59

Calculated value > table value

So, reject null hypothesis

Table 6 Which Shows the Influence of Various Strategies on Customer Retention

STRATEGIES	NONE	LOW	MODERATE	HIGH	TOTAL
Point system	11	21	18	36	86
CRM system	7	8	36	35	86
Loyalty card program	8	14	41	23	86
Credit card facility	5	9	35	37	86
Return policy for loyalty customers	11	13	28	34	86
Non-monetary program	28	35	19	4	86
Pay back money to loyal customers	8	24	38	16	86
Gift card or certificates	6	19	33	28	86
Frequent buyer program	8	21	43	14	86
Tier system	9	27	29	21	86

4.5. Index Calculation

Table 7

STRATEGIES	VALUES	INDEX
Point system	21+36+108	115
CRM system	8+72+105	185
Loyalty card programe	14+82+69	165
Credit card facility	9+70+111	190
Return policy for loyalty customers	13+56+102	171
Non-monetary programe	35+38+12	85
Pay back money to loyal customers	24+76+48	148
Gift card or certificates	19+66+84	169
Frequent buyer programe	21+86+42	149
Tier system	27+58+63	148

5. FINDINGS & SUGGESTIONS

5.1. Findings

The present study was concentrated at Calicut district. It covers 100 respondents, among them 86 were completed the questionnaire properly and those 86 were analyzed here. 64% of 86 respondents were male and remain were female. 15% were in between the age of 15-20 years. 23.25% belonged 20-30 years. 45.35% belongs to 30-40 years and remaining 16.28 were above the age of 40.

The major findings of the study given below;

- The present study should that there is exit not significant relationship in use of strategy with in the same income group. They used different strategies. The customers having below 25000 monthly income more used gift card or certificates strategies for their purchase. Whereas customers having monthly income in between 25000 and 50000 income group adopted credit card facilities for their purchases. But this inter group difference was not significant at all (Karthick *et al.*, 2020 b).

- The study stated that there is a significant influence strategies existed over customers. Credit card facility is the most influential strategy. It is followed by customer relationship marketing, return policy to loyalty customers (Kavitha & Gopinath, 2020). (Index calculated was 190,185,171 respectively).
- There exist significant difference in effectiveness of various strategies on different categories of products. Strategy with widely used in case of a product is not much useful income of another. In the case of textile items; credit card facility was widely used (30.23%) strategy. Where as in the case of food items, point system was effective. But regarding footwear, CRM service widely used one. Meanwhile, point system was mostly used strategy in case of bag items as regards cosmetic items (Unnamalai & Gopinath, 2020).

6. SUGGESTIONS

Based on the present study the researcher put forward the following new suggestions.

- It is better to conduct strategy oriented massive campaign to make the customers more aware of the strategy (Gopinath & Irismargaret, 2019)
- To get more importance to salesman. if the salesman can influence the customers for selecting the strategy of their purchase, which will help to improve the effect of customer retention program.

7. SUMMARY & CONCLUSION

On the basis of the findings of present study all the loyalty programs are more useful and needed for the building and maintaining customer retention. It means that the all loyalty programs have highly influenced by the customer retention on the basis of the nature of the product (Gopinath, 2016 a).

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