



www.arseam.com

## CUSTOMER LOYALTY IN E-RETAIL

**Dr. Nazia Sultana**<sup>1</sup>

Assistant Professor and Head,  
Department of Commerce,  
University College for Women, Osmania  
University, Hyderabad, Telangana State

**Dr. G. China Babu**<sup>2</sup>

Assistant Professor, Bandari Srinivas  
Institute of Technology, Hyderabad,  
Telangana State

### Abstract

E-retail, also known as e-tailing is shopping through the Internet and other media forms. It is also known as Internet shopping, e-shopping, or virtual shopping. The paper tries to examine the growth of e-retail across the world and in India and analyse the online shopping behaviour of the consumer across the stores selected and also analyses the impact on membership and loyalty programs on customer loyalty in e-retail. This paper attempts to study the online shoppers' perception of 1) Whether the online shopping service creates loyalty in customers 2) customer opinion on online money transaction and 3) preference of online shopping in Indian retailing context.

It is an empirical paper where in four organized retailers were selected in India namely Pantaloons, Life style, Westside and Shoppers' Stop. Study has conducted survey in four major metros in India which are Delhi, Hyderabad, Kolkata and Mumbai. The study has collected customer opinion and interest of different areas like customer preference of online transaction, customer loyalty of online shopping and opinion of online money transaction. 100 customers are selected from each store, making it a total of 400 customers chosen based on stratified sampling method.

The study brings forth various facts related to experiences of online shopping of the Indian retail shoppers and their duration (in terms of number of years) of online shopping. It is found that there is a significant relationship between loyalty programs and customer loyalty. The survey also found that 70% of online shoppers of these four shops from four selected metros expressed loyalty on frequent buyer programs and 62% use comparison engines to compare price before buying. Online shoppers feel that member discounts and members-only special are very

important to online shipping. The study is confined to only four organised retailers in India, it can be extended to the modern online retailers such as amazon, flipkart, ebay and others. The study is useful to retailers in managing their loyalty programs and helps in retaining existing customers and attracting new customers to their online stores. The paper includes practical examples from retail sector which is based on empirical research and primary data analysis.

**Key words:** Information technology, E-Retailing, relationship management, loyalty

*1.0 Introduction:* Retail industry is generally divided into organized and unorganized sectors. Organized retailing refers to trading activities carried out by licensed retailers. These retailers are registered for sales tax, income tax, etc. These include the hypermarkets and retail chains, and also the privately owned large retail businesses. Generally organized retailing shops are located in the main center of towns/cities occupied with large space. Examples Wal-Mart, Carrefour Group, Target, JC Penny, Pantaloons, Shopper's Stop, Lifestyle, Westside, Reliance Mart, Big Bazaar, Spencer's etc. Unorganized retailing, on the other hand, refers to the traditional formats of low-cost retailing and family run business from the house, example, the local *kirana* shops, owner manned general stores, book stores, telephone booths, paan/*beedi* shops, convenience stores, hand cart, pavement vendors, etc. Unorganized retailing is by far the prevalent form of trade in India constituting 95% of total trade in retail business.

*1.1 e-Retailing/Online Retailing:* The e-Retailing or e-Tailing or Online Retailing is the concept of selling the product using electronic media particularly internet. It is synonym for Business-to-Consumer (B2C) transaction model of e-Commerce. The e-retailing has resulted in the development of e-tail ware. Some e-marketing activities that do not directly involve transactions. Thus an e-Retailing is a B2C (Business to Consumer) business model that executes a transaction between businessman and the final consumer. E-Retailers can be pure businesses like Amazon.com. Retailing is no doubt, a technology intensive industry. The business of *e-retail* has been defined as the sale of goods and services via Internet or other electronic medium, for personal or household use by consumers (*Harris and Dennis, 2002*).

**Table1.0 World-wide Online Sales**

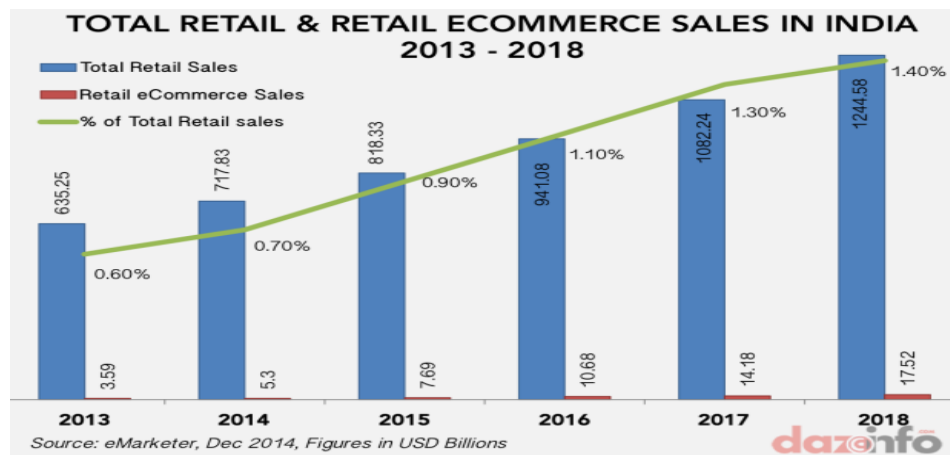
Country	Online Sales (US \$ Billion)	%
China	672.01	42.1%
USA	349.06	14.2%
UK	99.39	14.5%
Japan	89.55	14.0%
Germany	61.84	12.0%
France	42.60	11.1%
South Korea	38.86	11.0%
Canada	26.83	16.8%
Brazil	19.79	17.3%
Australia	19.02	9.3%

(Source: <https://www.internetretailer.com/2015/07/29/global-e-commerce-set-grow-25-2015>)

Some e-marketing activities like promoting brands and image, are considered to be part of B2C but are not normally considered as being within the scope of e-retail. E-Retailing is implementing in different sectors like books, music and DVD movies, groceries, sex products, games and software, electronic and computer equipment, travel, and clothes.

Perhaps a more substantial advantage is the ease with which e-retailing integrates with customer relationship management and with the system of micro-marketing – identifying and treating the customer as an individual.. In India, retail sales in store and online registered huge growth over the years. The following figure talks about the total retail and retail ecommerce sales in India

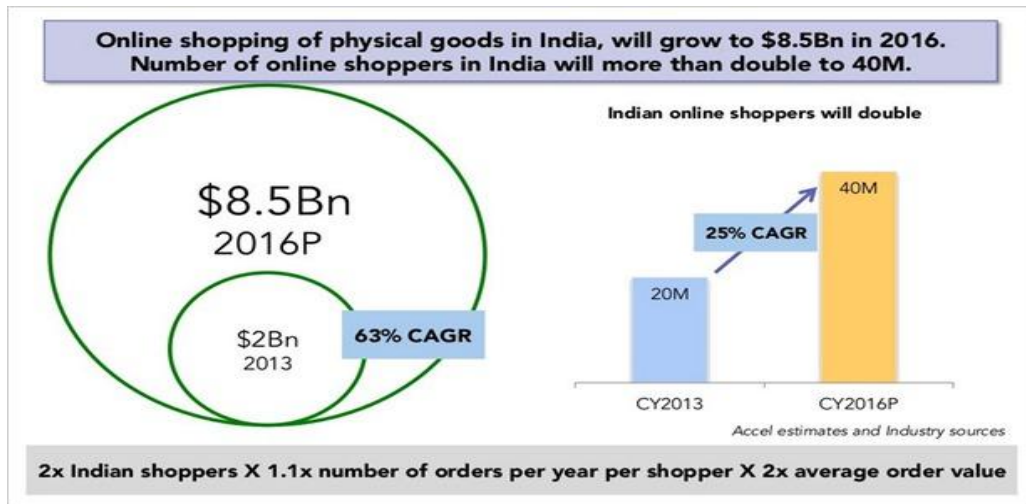
**Figure 1.0 Total Retail Sales in India**



(Source: eMarketer, December 2014, Figures in USD Billions)

It can be seen that the ecommerce sales are projected to multiple 5 times in a span of just 5 years from 2013 to 2018.

**Figure 1.1 CAGR for Online Sales in India**



(Source: Accel Estimates for the Year 2016, [www.accelestimates.com](http://www.accelestimates.com))

It can be seen that there will be a 63% increase in the CAGR of online retail sales in India. The number of shoppers is also estimated to increase from 20 million to 40 million as per the report.

*Examples of Customer Loyalty Solutions from Indian etail sector:*

- 1) Flipkart recently launched Flipkart First,
- 2) Amazon's pioneering PRIME loyalty programs: In addition to all of these loyalty programs, Amazon also runs a "subscribe & save" option where buyers can subscribe to a monthly quota of specific products and get an additional discount on those products. Of course, this gives predictability to Amazon's revenues.

*2.0 Need for the Study:* Online customer's loyalty is an important concept for online business organizations. Developing online customer's loyalty is much more difficult than customer loyalty in traditional stores. The internet allows your customer's base to be worldwide, but also puts you head to head with a larger number of competing businesses. There are many different

approaches and theories as to why customers develop loyalty to particular online businesses. In India, every business organization like retailing, entertainment, banking, travelling, hospital etc., are promoting online shopping transaction especially for their membership customers/users. In this context companies need to identify the customer's opinion and interest of their online service. This study tries to find ecommerce customers' opinion and interest of the online shopping.

### *2.1 Objectives of the Study:*

- To examine the growth of e-retail across the world and in India.
- To examine and analyse the online shopping behaviour of the consumer across the stores selected.
- To analyse the impact on membership and loyalty programs on customer loyalty in e-retail.

### *2.2 Hypothesis:*

H1: There is a significant relationship between loyalty programs and customer loyalty.

*2.3 Methodology:* The study has chosen top four organized retailers in India namely Westside and Shoppers' Stop , Life style , Pantaloons. Study has conducted survey in four major metros in India which are Delhi, Hyderabad, Kolkata and Mumbai. The study has collected customer opinion and interest of different areas like customer preference of online transaction, customer loyalty of online shopping and opinion of online money transaction. 100 customers are selected from each store, making it a total of 400 customers chosen based on stratified sampling method.

*3.0 Findings:* The study brings forth various facts related to online shopping experiences of the Indian etail shoppers. Respondents were asked if they shop online and the following results are yielded.

Table 2.0 Customers Shopping Online or Instore

Name of Shop	Online	Instore	Total
Lifestyle	24 (13.1)	172 (86.9)	<b>196</b> <b>(100)</b>
Pantaloons	27 (12.8)	184 (87.2)	<b>211</b> <b>(100)</b>
Shoppers Stop	30 (12.3)	213 (87.7)	<b>243</b> <b>(100)</b>
Wes side	11 (8.3)	99 (91.7)	<b>110</b> <b>(100)</b>
<b>Total</b>	<b>92</b> <b>(12.1)</b>	<b>668</b> <b>(87.9)</b>	<b>760</b> <b>(100)</b>

(Source: Authors – Primary Data Analysis)

Above table 2.0 shows the online/web/internet purchase trend of respondents on buying the items from the above mentioned malls. Majority of the respondents i.e., 87.9% out of 760 recorded 'No' on purchasing any item through online/web/internet. 86.9%, 87.2%, 87.7%, and 91.7% gave their response as 'No' to purchase any item through online from the websites of Lifestyle, Pantaloons, Shoppes Stop, and Westside respectively. 11.1%, 12.8%, 12.3%, and 10.3% recorded 'Yes' to buy online at Lifestyle, Pantaloons, Shoppers Stop, and Westside respectively. It concludes that though Indian customers are aware of IT and IT related transactions, but they do not prefer much for online shopping. Generally Indian customers are more attached to family, they like to shop with their family and they like to feel the touch of the product.

Respondents were asked about the duration (in terms of number of years) of online shopping. The following results reveal the same.

**Table 2.1 Duration (Number of years)**

Name of the Shop	1-6 Months	6-12 Months	12-24 Months	More than 24 Months	Total
Lifestyle	11 (46.0)	5 (19.2)	3 (11.5)	5 (19.2)	<b>24</b> <b>(100)</b>
Pantaloons	9 (33.3)	11 (40.7)	4 (14.8)	3 (11.1)	<b>27</b> <b>(100)</b>
Shoppers Stop	8 (26.7)	12 (40.0)	6 (20.0)	4 (13.3)	<b>30</b> <b>(100)</b>
Westside	7 (59.6)	3 (33.3)	1 (11.1)	0 (0.0)	<b>11</b> <b>(100)</b>
<b>Total</b>	<b>35</b> <b>(38.0)</b>	<b>31</b> <b>(33.7)</b>	<b>14</b> <b>(15.2)</b>	<b>12</b> <b>(13.0)</b>	<b>92</b> <b>(100)</b>

(Source: Authors – Primary Data Analysis)

The table 2.1 recorded the period of using web shopping for surveyed shops by the respondents. Maximum number of respondents i.e., 38.0% had started web shopping from period of 1 to 6 months. Out of 24, 50% respondents recorded 1 to 6 months web using period at Lifestyle shop. At Pantaloons shop and Shoppers Stop shop 40.7% and 40.0% respectively recorded usage of web shopping from period of 6 to 12 months. The number of respondents using web shopping from more than 24 months is 13.0%. Finally customer web shopping experience is very less for all the shops.

**Table 2.2 Membership card- customers' satisfaction status**

	Highly Agree	Moderately Agree	Neither/nor	Moderately Disagree	Disagree	Total
Lifestyle	10	9	4	1	0	<b>24</b>
Pantaloons	8	12	5	1	1	<b>27</b>
Shoppers Stop	8	13	7	2	0	<b>30</b>
Westside	3	5	2	1	0	<b>11</b>
<b>Total</b>	<b>29</b>	<b>39</b>	<b>18</b>	<b>5</b>	<b>1</b>	<b>92</b>

(Source: Authors – Primary Data Analysis)

The above table 2.2 shows the relationship between online shopping and customer loyalty. The 5 X 4 table explains the customer loyalty comes through online shopping. Four selected shop customers were served which are Lifestyle, Pantaloons, Shoppers Stop and Westside. To measure this 5 point scale like “highly agree, moderately agree, neither/nor, moderately disagree

and disagree” chosen. Majority of these four shop customers are expressed highly agree and moderately agree.

**Table 2.3 Chi-Square Statistics**

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	21.527 <sup>a</sup>	12	.043
Likelihood Ratio	23.279	12	.025
Linear-by-Linear Association	3.620	1	.057
No. of Valid Cases	760		

a. 4 cells (20.0%) have expected count less than 5. The minimum expected count is 1.14.

(Source: Authors – Primary Data Analysis)

The above table 2.3 indicates calculated value of Chi-Square is 21.527 at 5 percent level of significance and 25 degrees of freedom  $\{(5-1) \times (5-1) = 4 \times 4\}$  whereas the Table value is 26.296. The asymptotic value is 0.043 which is lower than 0.05 and affirm the Chi-square value is greater than table value which highly strengthens the alternative hypothesis statement and rejects the null hypothesis. Hence it is concluded that there is a significant relationship between loyalty programs and customer loyalty.

**Table 2.4 Customer opinion on online money transaction**

Name of the Shop	Strongly agree	Moderately agree	Neutral	Moderately disagree	Strongly Disagree	Total
Delhi	10 (6.4)	95 (60.5)	28 (17.8)	17 (10.8)	7 (4.5)	<b>157</b> <b>(100)</b>
Hyderabad	19 (13.1)	62 (42.8)	45 (31.0)	8 (5.5)	11 (7.6)	<b>145</b> <b>(100)</b>
Kolkata	3 (3.1)	56 (57.1)	25 (25.5)	10 (10.2)	4 (4.1)	<b>98</b> <b>(100)</b>
Mumbai	4 (3.1)	64 (49.6)	36 (27.9)	20 (15.5)	5 (3.9)	<b>129</b> <b>(100)</b>
<b>Total</b>	<b>36</b> <b>(6.8)</b>	<b>277</b> <b>(52.4)</b>	<b>134</b> <b>(25.3)</b>	<b>55</b> <b>(10.4)</b>	<b>27</b> <b>(5.1)</b>	<b>529</b> <b>(100)</b>

(Source: Authors – Primary Data Analysis)

The above table 2.4 presents the safety of the web shopping money transaction is recorded at four different locations (Delhi, Hyderabad, Kolkata, and Mumbai) and four different shops - Lifestyle, Pantaloons, Shoppers Stop, and Westside. Out of 529 customers Majority of the



respondents 52.4% moderately agree that web shopping money transaction is safe. At the same time a majority of the respondents did not comment. At Delhi out of 95 respondents, 60.5% recorded moderately agree on the safety of online money transactions. It is strange that around 17.8% did not comment on the safe online transactions. At Hyderabad out of 145 respondents, 42.8% recorded moderately agree on the safety of online money transactions. It is more surprising than Delhi respondents that around 31.0% did not comment on the safety of online transactions. At Kolkata out of 98 respondents, 56.0% recorded moderately agree and 25.0% did not comment on the safety of online money transactions. At Mumbai out of 129 respondents, 49.6% recorded moderately agree on the safety of online money transactions. Same like Delhi and Hyderabad respondents around 27.9% did not comment on the safety of online transactions. According to the above table data, from all four selected cities, majority of customers' express online money transaction as safe. So retailers can promote it for their online shopping transactions.

The survey also found that 70% of online shoppers of these four shops from four selected metros belong to loyalty on frequent buyer programs and 62% use comparison engines to compare price before buying. Online shoppers feel that member discounts and members-only special are very important to online shopping (53%). 56% of customers responded online shopping as it saves the time and effort. Online shoppers are also apt to ship several stores, looking for the best price before buying.

**4.0 Conclusion:** By 2020, It is expected that India will generate \$100 billion online retail revenue out of which \$35 billion will be through fashion e-commerce. Online apparel sales are set to grow four times in coming years. The retail sector has played a phenomenal positive role throughout the world in meeting the demand of consumer goods and services. In terms of GDP, India Retail Industry is the second largest industry, followed by agriculture, accounting for over 10 per cent of the country's Gross Domestic Product (GDP) and around 8 per cent of the employment. Online retailing is an important business transaction in current decade. Every business organization is operating online service. In India most of the customers are not interested to use online service, but whoever use online shopping service are very satisfied and positively responded about the online retailers and their services. To improve loyalty in online

customers, retailers need to provide effective services and take appropriate steps to overcome every challenge in this regard.

## REFERENCES

- Anshul Kaushesh. (2004). *Marketing Strategy*. Hyderabad: ICFIA University press.
- Arun kumar., & Rachana Sharma. (1998). *Marketing Management*. Atlantic Publishers & Distributors (p) Ltd.
- Bajaj C., Nidhi V. Srivastava., & Rajneesh Tuli. (2005). *Retail Management*. New Delhi: Oxford University Press.
- Berman, Barry., & Joel R. Evans. (2005). *Retailing Management – A Strategic approach*. New Delhi: Prentice-Hall of India Pvt. Ltd,
- Charles Dennis., Tino Fenech., & Bill Merrilees. (2004). *E- Retailing*. Published by [Routledge](#).
- Chetan Bajaj., Rajnish Tuli., & Nidhi V. Srivastava. (2005). *Retail Management*. Oxford University Press.
- Dennis, C. (2005). *Objects of Desire. Consumer Behavior in Shopping Centre Choices*. Hampshire/New York: Palgrave Macmillan.
- Kotler, Philip. (2003). *Building Customer Satisfaction, Value and Retention. Marketing Management*. Pearson Education Pvt. Ltd., 59-87.
- Kristina, Backstroma., &F Johansson. (2006). Creating and consuming experiences in retail store environments: Comparing retailer and consumer perspectives. *Journal of Retailing and Consumer Services*, 13 417–430.
- Kumar, V., & Denish, Shah. (2004). Building and sustaining profitable customer Loyalty for the 21<sup>st</sup> Century. *Journal of Retailing*, Vol. 80 (4), pp. 317-330.
- Lacey, R., & Sneath, J. Z. (2006). Customer loyalty programs: are they fair to consumer. *Journal of Consumer Marketing*, Vol. 23(7), pp. 458-464.
- Lara, Pedro Reinares. Exploring the Benefits Obtained in a Loyalty program applied to Retailing. *European Retail Digest*, Winter2005 Issue 48, p48-52, 5p.
- Lee, G.C., (1998). *Designing a successful Shopping Center, Unpublished dissertation*. School of Building and Real Estate, National University of Singapore.

Leon, G. Schiffman., & Leslie, Lazar Kanuk. (2007). *Consumer Behavior* (9<sup>th</sup> edition), Printice-Hall of India Pvt. Ltd.

Sharp, B., & Sharp, A. (1997). Loyalty programs and their impact on repeat- purchase loyalty patterns. *International Journal of Research in Marketing*, Vol. 14(5), pp.473

Srinivasan, R., & Morman, C. (2005). Strategic firm commitments and rewards for Customer Relationship Management in Online Retailing. *Journal of Marketing* 69 (4), 193–200.

Turner, J. J., & Wilson, K. (2006). Grocery loyalty: Tesco Club card and its impact on loyalty. *British Food Journal*, Vol. 108 (11), pp.958-964.

Uncles, M. D., (1994). Do you or your customer need a loyalty scheme? *Journal of targeting measurement and Analysis for Marketing*, vol. 2 (4), pp.335-350.

Uncles, M. D., Dowling, G. R., & Hammond, K. (2003). Customer loyalty and customer loyalty programs. *Journal of Consumer Marketing*, vol. 20 (4), pp.294-316.

V. Kumar., & Reinartz, Werner. The Mismanagement of Customer Loyalty. *Harvard Business Review* (July 2002).

V.K. Dubey. (1997). *Retail Management*. Commonwealth Publishers.

Evolution of e-commerce in India, PwC Report 2014

"Online shoppers in India to cross 100 million by 2016: Study". *The Times of India*. Retrieved 4 May 2016.

Chaitanya Ramalingegowda (25 June 2014)<http://yourstory.com/2014/06/flipkart-first-innovation>