Impact of Customer Relationship Management Practices on Customer Loyalty. Does Satisfaction Mediate?

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In this study we focus on the CRM practices and its effects on the customer loyalty and on how customer satisfaction affects the outcome of the customer loyalty. Customer Relationship Management revolves around the concept of trust and bonding exchanges. It is the based on the environmental factors which affect the company's relationship with the customers for the better, by establishing, developing and maintaining a positive rapport between either parties. A systematic report of similar journal articles, covering from 2010-2019 are referred and analysed to aid and support the understanding and validating of this thesis. For this article, a total of 350 customers were requested to fill out questionnaires which had a total of 43 questions ranging from the appearance of the store to the service provided in order to analyse and interpret how their preference and loyalty was established.

Keywords: CRM, CRM Practices, Customer Satisfaction, Customer Loyalty, Customer retention and CRM Dimensions.

In the retail industry, Customer Relationship Management (CRM) system is a central hub that comes with sales, marketing and customer service processes. It provides business owners with an efficient tool to mix all sales-related issues and manage the sales process. CRM for retail allows to retain clients, deliver personalized top-notch customer experience and boost sales. It helps organize all customer data in an exceedingly structured and easy-to-access way. Further, it allows to develop and fulfil marketing campaigns for your audience and analyse their effectiveness with charts and graphs. Thus, by aligning the sales processes and managing customer data, retailers can build a long-term and profitable customer relationship (Ama Achiaa Kankam Boadu, 2019).

Companies' measure patron commitment by their number of transactions, but it frequently has little to do with how the companies run their business. In order to determining the customer's loyalty, retailers ought to do it through measuring consumer's willingness to come once more and provide top review with reference to the on-going business. The most difficult element is keeping a steady flow of customers at a constant stream (Campbell, P., 2013). Over the past years, several researches have been conducted to study the relationship behaviour of customer satisfaction to customer loyalty. Adding to this, the major scenario that needs to be exploited is if the CRM practices on customer loyalty aids in improving the customer satisfaction as well.

Objectives of the study

The primary objective of this research is to find whether the customer satisfaction play a mediating role in customer loyalty. The secondary objectives are:

- To review the CRM practices in retail sector
- To study the CRM effects on consumer satisfaction

Scope and Limitations of the Study

The purpose of this study was to explore the top retail markets in India and rate them on the basis of their appearance, productivity, products, promotion, price, satisfaction, trustworthiness and customer loyalty to determine if the companies are following CRM practices to boost their customer loyalty and if that would in turn improve the customer satisfaction. The limitation of this research is that it would be hard to conclude the results and connect with the entire country as it is from a single region,

which would reduce the generalization as well as the diversity of the survey. The other major concern was to get the customers to agree on providing the survey and to publish them in this survey (Moyi, J., 2010).

Customer getting retained by the efforts of the organization is known as customer retention. Based on a few articles, the customer retention is proportional to behavioural perspective. (Ama Achiaa Kankam Boadu 2019). Satisfaction and Loyalty are two different entity. Customer satisfaction is obtained by the process through which the requirements of the customers are met. Satisfaction can be preceded with emotions such as surprise, pleasure, relief or contentment. Satisfaction is registered by the gap created between the expectation of the customer and the quality delivered by the organization.

High quality product and services form the linkage between customer satisfaction and customer loyalty. High level of satisfaction results in increased customer loyalty whereas, the customer loyalty decreases as the satisfaction level decreases. But according to the studies conducted by (Pradeep Kumar Deka, 2016), the relationship between the satisfaction and loyalty is not "simple and linear" always unless a customer is totally satisfied as they can lure away at any point.

Method

This study is based on the primary data collected as per the objective scores provided by the respondents of 350 members over 5 of the top retail supermarket brands in India, namely, Reliance Fresh, Big Bazaar, Nilgiris Supermarket, D-Mart and More Supermarket. The geography of this location considered was Chennai, Tamil Nadu. The respondents of the survey are a wide range of customers varying from teenagers to senior citizens. The questionnaire of the survey consisted of questions, which would give some basic details of the respondents such as their age group, income group, and gender.

A total of 150 females and 200 males acted as the respondents to this survey thus splitting it into a ratio of 42.9%: 57.1%. The respondents were selected from various social backgrounds, out of which 11.7% of the customers fall within the income of Rs. 5 lakhs per year; 23.7% of the population range in the income group of Rs. 5 to Rs. 10 lakhs per year; 26.6% of the respondents have their income between Rs. 10 to Rs. 20 lakhs per year; 21.1% of the customers have an income between Rs. 20 to Rs. 30 lakhs per year and finally, 18.9% of the people have an income of over Rs. 30 lakhs per year.

With the frequency of their visits and the number of respondents at each store, we could conclude from this survey, that, a 17.1% of the population were from Reliance Fresh; 31.1% of the respondents belong to Big Bazaar; 20.3% of the customers were from Nilgiris Supermarket; 15.1% of the people were from D-Mart and 16.3% of the population were from More Supermarket.

The primary data obtained in this survey is based on the questionnaire filled out by the respondents on the basis of the basic CRM attributes of the stores along with the other qualities such as the geography, convenience and their overall experience. They were asked to provide their feedback on a Likert scale ranging from 1 to 5, where 1 represents "Strongly Disagree", 2 represents "Disagree", 3 represents "Neither Agree nor Disagree", 4 represents "Agree" and 5 represents "Strongly Agree" (Bin-Nashwan SA. and Hassan H., 2017)

The primary data was collected using a questionnaire with 43 questions (items), which were grouped into ten dimensions based on similar categories of items. The dimensions are listed in Table 3.1 (Chaabane, A.M., & Volle, P., 2010).

Table 3.1: CRM Dimensions

Dimension No	Dimensions
1	Physical Appearance
2	Convenience
3	Personal Attention
4	Responsiveness
5	Service Orientation
6	Reliability
7	Trustworthiness
8	Product
9	Promotion
10	Price

Hypotheses

H_0: There will not be significant variance of the CRM practices' impact on customer loyalty due to the mediation of customer satisfaction.

H_1: There will be significant variance of the CRM practices' impact on customer loyalty due to the mediation of customer satisfaction.

Sample Description

The survey conducted is a study which involves feedbacks from 350 respondents representing 5 of the top retail companies in India (Subhaish Das, 2018). However, the survey was initially conducted with a total of 378 customers out of which only 350 customers returned the feedback form, which is 93% of the total sample selected. The geography of the survey was Chennai, India. Based on the feedback collected, the response rate for Reliance Fresh is 17.1%, Big Bazar is 31.1%, Nilgiris Supermarket is 20.3%, D-Mart is 15.1% and More Supermarket is 16.3%.

Reliability Analysis

Cronbach's Alpha test is used to identify the closely associated groups in the list with some internal consistency. Table 4.2 illustrates the scale reliability of 350 respondents' feedback on the chosen attributes.

Table 4.2: Scale Reliability

Cronbach's Alpha	N of Items
0.748	43

As the Cronbach's Alpha reliability test has a score of 0.748, which can be widely accepted as very trusted and reliable source.

Analysis and Interpretation

On analysing the data collected from the 350 respondents based on the 43 questions surveyed to them, reliability test, factor analysis of dimension and the mediator effect was calculated.

Factor Analysis of Dimensions

The Exploratory Factor analysis (EFA) for this CRM survey was based on 10 dimensions associated to a retail store. These attributes were grouped on the basis of three factors namely Service quality, Product offering and In-house experience along with their dimension numbers as their number tag.

Table 4.3 illustrates, the % variance (% Var), which is used to determine the amount of variance. Here, we have obtained 3 factors.

The three factors have different attributes and are grouped as follows:

FACTOR-1: Service Quality: The attributes and the strengths that benefit and boosts this

Table 4.3: Factor Analysis of Dimensions

S. No	Dimension No.	Dimensions	Component			h2
			1	2	3	
1	4	Responsiveness	0.914	0.132	0.231	0.746
2	6	Reliability	0.913	0.159	0.245	0.852
3	7	Trustworthiness	0.910	0.158	0.206	0.771
4	5	Service Orientation	0.896	0.150	0.256	0.906
5	8	Product	0.152	0.928	0.165	0.891
6	10	Price	0.143	0.902	0.158	0.918
7	9	Promotion	0.157	0.894	0.202	0.896
8	2	Convenience	0.295	0.155	0.861	0.911
9	3	Personal attention	0.203	0.198	0.831	0.865
10	1	Physical Appearance	0.245	0.185	0.807	0.859
		Eigen value	3.557	2.661	2.398	86.158
		% variance extracted	35.575	26.607	23.977	

Table 4.4: Mediator Regression Models

Models	Independent variables	B	SE(B)	95%CI	B	T	sig
Model 1	Dependent variable: Customer Loyalty						
	R^2=0.741; F (3,346) = 140.159; p=0.000						
	In-House experience	0.047	0.010	0.027 to 0.066	0.212	4.776	0.000
	Service quality	0.052	0.007	0.038 to 0.067	0.312	7.211	0.000
	Product offering	0.103	0.010	0.083 to 0.123	0.415	10.314	0.000
Model 2	Dependent variable: Satisfaction						
	R^2=0.975; F (3,346) = 2212.174; p=0.000						
	In-House experience	0.100	0.004	0.092 to 0.108	0.359	24.384	0.000
	Service quality	0.067	0.003	0.061 to 0.073	0.317	22.113	0.000
	Product offering	0.175	0.004	0.167 to 0.184	0.558	41.797	0.000
Model 3	Dependent variable: Customer Loyalty						
	R^2=0.760; F (4,345) = 177.880; p=0.000						
	In-House experience	-0.014	0.016	-0.044 to 0.017	-0.062	-0.872	0.384
	Service quality	0.012	0.011	-0.010 to 0.033	0.070	1.074	0.284
	Product offering	-0.003	0.024	-0.049 to 0.044	-0.010	-0.109	0.913
	Satisfaction	0.602	0.124	0.358 to 0.846	0.764	4.857	0.000
	Mediating effects: Mediator: Satisfaction; Dependent variable: Customer Loyalty						
	In-House experience	0.060	0.011	0.043 to 0.078	0.274	5.455	0.012
	Service quality	0.041	0.008	0.027 to 0.051	0.242	5.125	0.010
	Product offering	0.106	0.020	0.073 to 0.138	0.426	5.300	0.013

factor fall under the dimension numbers 4, 6, 7 and 5. The eigen value of the first factor is 3.557 and the % variance extracted in 35.575.

FACTOR-2: Product Offering: The attributes and the strengths that benefit and boosts this factor fall under the dimension numbers 8, 10 and 9. The eigen value of the second factor is 2.661 and the % variance extracted in 26.607.

FACTOR-3: In-house Experience: The attributes and the strengths that benefit and boosts this factor fall under the dimension number 2, 3 and 1. The eigen value of the third factor is 2.398 and the % variance extracted in 23.977.

Further, the table clearly indicates that the Communality (h2) is higher than 0.6 for all the dimensions and henceforth, it could be referred to as a good case.

Mediation Regression Analysis

The effects of dependent variables are observed as mentioned in table 4.4.

It can be observed from Table 4.4, the following three models have emerged:

MODEL-1: Dependent Variable - Customer Loyalty: The β value for in- house experience, service quality and product offering is observed as 0.212, 0.312 and 0.415 respectively. The significance of the independent variables is noted to be 0.00 which is to have greater influence.
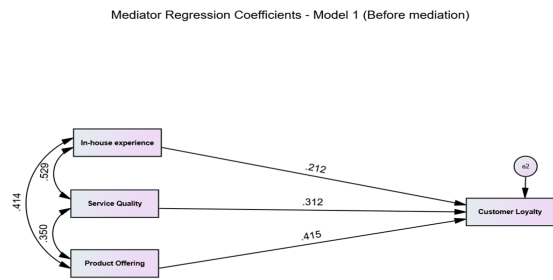
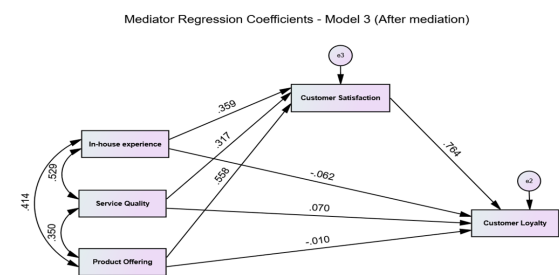**Fig. 4.1: Mediator Regression Coefficients – Model 1 (Before Mediation)**

MODEL-2: Dependent Variable - Customer Satisfaction: The β value for in- house experience, service quality and product offering is observed as 0.359, 0.317 and 0.558 respectively. The significance of the independent variables is noted to be 0.00 which is to have greater influence.

MODEL-3: Dependent Variable – Customer Loyalty; No Mediator: The β value for in- house experience, service quality, product offering and satisfaction is observed as 0.062, 0.070, 0.010 and 0.764 respectively. The significance of the independent variables are noted to be as 0.384, 0.284, 0.913 and 0.00 which do not have an influence overall except for the satisfaction variable.

MODEL-3: Dependent Variable: Customer Loyalty; Mediator: Customer Satisfaction: The

β value for in- house experience, service quality and product offering is observed as 0.274, 0.242 and 0.426 respectively. The significance of the independent variables is noted to be as 0.012, 0.010 and 0.013, which indicates that the customer satisfaction is having an effect on the customer loyalty due to its mediation.

With the above observations, it is precise to assume that without the mediation of customer satisfaction, the customer loyalty does not get affected and remains static. But as the customer satisfaction is considered as a mediator, changes could be noticed, which affected the customer loyalty significantly. Hence, the hypothesis H0 is rejected and H1 is accepted based on the survey and the computed observation.

Fig. 4.2: Mediator Regression Coefficients – Model 3 (After Mediation)

Conclusion

The focus of this paper was to understand the CRM practices followed by the top retail stores in India with a specific geographic location, Chennai. An analysis and interpretation was conducted to investigate if the customer satisfaction would in any way mediate the customer loyalty. With reference to the above survey and tests, it is safe to assume that the customer satisfaction does intervene and plays a vital role in determining the loyalty of a customer.

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