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Impact of Customer Relationship Management on Customer Satisfaction and Customer Loyalty in Retail Sector

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Abstract - Enterprises may achieve success and growth via Customer Relationship Management (CRM). In the retail sector, customer relationship management (CRM) helps businesses learn more about their customers and create stronger bonds with them. Maintaining a dominant position in your industry requires a focus on customer loyalty. The assessment, reward, and campaign mantras may be used to achieve this. An attempt was made to examine the impact of customer relationship management on retail customer happiness and loyalty in this study using customer happiness and customer trust as intermediary variables, this paper investigated if there are relationships between relationship marketing and client loyalty. Examining customers' views of customer satisfaction and their faith in the honesty and dependability of their exchange partners, the research sought to identify the elements that impact consumers' trust in banking services. The results showed that relationship marketing strategies had a significant impact on customer loyalty by increasing trust and satisfaction. Customer loyalty is built on an organization-wide strategy that banks have put in place to manage and nurture their engagement with customers and sales prospects.

Keywords: CRM, Customer Satisfaction, Retail Sector.

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INTRODUCTION

Over the past three decades, scholars and researchers in the field of service marketing have worked tirelessly to find an effective response to the marketing challenges posed by increased competition, have determined that relationship marketing (RM) is the best strategy for dealing with cultural diversity, technical innovation. Coelho and Henseler (2012) et al. it is clear that RM is heavily influenced by traditional social exchange theory. According to Social Exchange Theory (Blau, 1960; Thibaut & Kelley, 1959), people form and sustain connections freely because they hope to benefit financially and socially from them. According to the definition provided by Morgan and Hunt (1994), RM encompasses "all marketing activities directed toward establishing, developing, and maintaining successful relational exchanges."

Consumerism and international competition have pushed customer focus to the forefront of corporate strategies, and any company that can't read the pulse of the modern market is doomed to fail. According to Hansemark and Albinsson (2004), companies have made ensuring their customers are happy their top priority since they feel it would increase their market share and keep them as customers. According to Zineldin (2000), pleased consumers are less price sensitive and less inclined to switch brands, which means they are more likely to buy more and remain loyal. On the other hand, McCarthy (1997) pointed out that happy Xerox Corporation consumers don't always reorder from the company.

Anderson and Mittal (2000), et al. are only a few of the research that looked at the correlation between happy customers and repeat business. An extensive body of research has linked happy customers to continued patronage. Their relationship's shape and importance, however, have been the subject of conflicting research. Researchers have looked at the moderating elements that might influence the aforementioned link and found conflicting results (Chandrashekaran et al., 2007). In light of the above, it is crucial to develop an in-depth theoretical comprehension of the connection between happy customers and repeat business. Investigating the many external factors that may have an effect on the nature or dynamics of this connection.

Acquiring, maintaining, and working with high-value customers to mutually benefit the business and the customer is what Customer Relationship Management entails. Better customer value is delivered via the coordinated efforts of the retail industry's marketing, sales, customer service, and supply-chain departments. A happy client may act as a free marketing tool for any company. However, in today's competitive economy, client happiness is not enough to guarantee success. The cost of marketing to keep an existing client is far lower than the cost of marketing to attract a new one. There's a favorable correlation between happy customers and repeat business.

Relationship Marketing and Customer Loyalty

Customer loyalty is the goal of relationship marketing, which rests on the premise that this loyalty can be earned and maintained by appropriate corporate activity and customer engagement (Berry, 1995). According to Gummesson (1999), relationship marketing is the practice of maintaining profitable connections with existing customers and prospects. By carefully crafting their marketing strategy, financial institutions like banks may hold on to their most valuable clients and even win over new ones (Kim, Park, & Jeong, 2004). Previous research (Bagherzad, Chavosh, & Hosseinikhah, 2011) confirms the immense value devoted clients provide to service providers. The concept of customer loyalty was first described by Moorman, Zaltman, and Deshpandé (1992). Customer loyalty was described by Yim, David, and Chan (2008) as "a strong preference for continuing to buy the same brand of goods or services despite the presence of circumstances and marketing initiatives that could lead to a change in purchase behavior." Managers and marketers in the banking industry have the primary responsibility of building and maintaining client loyalty.

LITERATURE REVIEW

Feliks Anggia Binsar Kristian P., Hotman Panjaitan (2023), Customer happiness and loyalty are discussed in this study, along with the impacts of overall quality service and customer relationship management. KFC, a fast-food restaurant, is dedicated to continuously bettering the quality of its services in an effort to keep its customers happy, which in turn increases their likelihood to return. Customers need to feel like they have a strong connection to the business in order to return. Participants were all adults who visited the KFC fast food restaurant in Rungkut Surabaya, Indonesia, throughout the study period. Based on the data collected from 200 customers at KFC fast food restaurants in Rungkut Surabaya, Indonesia, this study tested a model that, with the help of accidental sampling, structural equation modeling, and the Amos 20 software, explained the connection between total service quality, customer relationship management, customer satisfaction, and customer loyalty. According to the findings, several factors significantly affect a company's ability to retain customers: the quality of its customer service, the effectiveness of its customer relationship management, the level of satisfaction its customers report with that service, and the degree to which those customers are satisfied with that service.

Raul Oltra-Badenes, Vicente Guerola-Navarro, and Hermenegildo Gil-Gomez (2019), The premise of this research is that customer relationship management (CRM) is not just one tool, but rather a suite of interrelated technical solutions that are essential for effective corporate management. Following verification of our predictions, validation of such a model ought to provide a deeper comprehension of how CRM-related advantages may boost the beneficial influence of its constituent parts on each dimension of sustainability. With its focus on digital transformation and sustainable business model innovation, CRM may be seen of as a type of Green IT. Our findings suggest that this study framework may serve as the cornerstone of a more nuanced technique for assessing the value of CRM's effects, which we define as include positive contributions to long-term company viability and fresh ideas.

Tao, F. (2022), Satisfaction of customers + meeting their expectations equals optimal customer relationship management.a happy clientele. There is a clear inverse relationship between customer happiness and their expectations, as seen in the figure. A large gap exists between the chart's depiction of real service and the expectations of clients. Consequently, it is sorted into five groups: severely unhappy, highly delighted, slightly satisfied, and overall pleased. When things work out the way customers expected, they're happier overall.

Customer happiness drops, however, when actual service falls short of expectations. Two approaches may help businesses achieve higher levels of customer satisfaction. We will first strive to improve our service to make our customers' experiences more pleasant in general, and then we will try to control their expectations by setting a lower ideal level. On the other hand, the first tactic has spread like wildfire across the organization because of how well it works. Companies will still need to make some changes in the future to ensure they are always improving.

According to Thomas and Tobe (2013), "loyalty is more profitable." The cost of acquiring a new client far outweighs the cost of maintaining an existing one. Customers that are loyal to your business will spread the word about how great you are and will think twice before switching to a competitor. Loyal customers are not acquired by chance, but rather built as a result of strategic sourcing and design. Building a loyal client base demands designing services around the needs and preferences of the people who will be using them. Repeated interactions with a company can foster customer loyalty.

According to research conducted by Hill, Roche, and Allen in 2017, An important element of many companies' balanced scorecards is dedicated to gathering data on customer satisfaction. Measuring customer satisfaction helps businesses make quick decisions that will have a lasting impact on their operations. If you want to bring in new customers and strengthen your current relationships with them, measuring customer satisfaction is crucial. Keeping the clients, you have requires measuring their contentment. Information that may be used to enhance the overall experience for customers is, consequently, crucial. Without targeting the right areas for improvement, the company would struggle to stay up with the level of competition in a given market. Measuring customer satisfaction is important because it demonstrates the company's commitment to doing what it takes to make its customers happy.

METHODOLOGY

In order to collect data for this research, a structured questionnaire was created and sent to clients of Pantaloon, Mega Mart, Subhiksha, huge bazaar, Reliance, and Spencer stores in the Chennai region. One hundred individuals were selected at random for this study. The study's sample was drawn both conveniently, from the pool of consumers who happened to be in the shop at the time of the survey, and statistically, from the many structured retail forms that fell within the study's purview.

1. To gather primary data, a survey approach was used, aided by semi-structured interview schedules.

2. Additional data included in the research came from published, reliable sources.

In this research, we use a three-dimensional framework developed by Yen, Liu, and Chao (2009) to evaluate relational marketing strategies. These strategies include special treatment, open lines of communication, and material incentives. There are eight metrics that capture these factors. Meanwhile, we use the four-factor model developed by Zeithaml and Bitner (2003) to assess customer loyalty. These include service quality, product quality, pricing, and contextual considerations. Ten indicators were developed to quantify these factors. We used Morgan and Hunt's (1994) approach to measuring consumer trust, which included two dimensions: trust in the honesty and dependability of the trading partner. Six indicators are used to measure both dimensions. Griffin (2009) identified four characteristics of loyal customers: frequency of purchases, variety of products purchased, word-of-mouth recommendations, and resistance to switching to a competitor's offering. Every metric imaginable is tracked. All responses are recorded on a five-point Likert scale, from "strongly disagree" (1) to "vigorously agree" (5).

ANALYSIS AND INTERPRETATION

The researcher has used frequency analysis to learn about the demographics and socioeconomic status of Chennai retail store consumers. The findings are shown below;

Table 1 Demographic and Socio-economic Profile of retail shop customers

S. No	Socio-Economic-Demographic Factors	Responses	Frequency	Percentage
1	Gender	Male	68	68.0
		Female	32	32.0
2	Age	20 - 25	5	5.0
		26 - 30	20	20.0
		31 - 35	16	16.0
		36 - 40	22	22.0
		Above 40	37	37.0
3	Education	Educated	78	78
		Uneducated	22	22
4	Marital Status	Single	45	45.0
		Married	55	55.0
5	Type of Family	Nuclear Family	84	84.0
		Joint Family	16	16.0

6	No. of. Family Members	Below 4	36	36.0
		4 - 6	60	60.0
		Above 6	4	4.0
7	Monthly Income (in Thousands)	Below 10,000	21	21.0
		10,001 – 30,000	43	43.0
		Above 30,001	36	36.0
8	Religion	Hindu	79	79.0
		Christian	21	21.0
9	Category	BC	44	44.0
		MBC	27	27.0
		SC / ST	29	29.0

According to Table 1, the majority of retail store clients are men (68%) with an average age of 36, a median education level of 40, a typical family size of 4-6 people, and a monthly income of $10,001-$30,000. About half of all shoppers are considered to be BC, with Hindus being the largest single religious group using retail establishments.

Customers' opinions on the store's usage of customer-related technologies, services, and new efforts to make shopping a pleasant experience are likely to be influenced favorably or adversely by the customers' age, education level, and other demographic aspects. The impact of several demographic parameters on the retailer's efforts to foster customer relationships are shown in Table 6.6.

Table 2 shows that the majority of respondents report their fathers influencing their decision of where to shop for "name of the brand" products and services. Services like "attractive seasonal arrangement," "Buy one, get one free sale," and the like are highly valued by the respondent's mother, who has the greatest influence over her child's final decision. It's fascinating to see how spouses inspire their partners to purchase at stores that have things like discounts, festival sales offers, special offer sales, friendly staff, and kid-friendly environments.

We employed a Structural Equation Model (SEM) to test our hypothesis. We validated the indicators/constructs to ensure their accuracy before utilizing SEM. Utilizing the corrected item-total correlation approach, we conducted an investigation of the constructs' dependability. Every relationship marketing component has a value higher than 0.361. (the table value for df = 28, 0.05). This confirms the reliability of the indicators used to evaluate relationship marketing strategies. Values for customer happiness, trust, and loyalty all exceed the table average (0.361) for these categories. The Cronbach's alpha values for customer loyalty, confidence in the company, customer happiness, and relational marketing strategies are all above 0.94. This study's findings support the validity and reliability of all constructs used.

Table 2: Relationship factors and demographics of customer

	Social factor										Total
RelationshipFactor	Father	Mother	Spouse	Son	Daughter	Brother	Sister	Friends	Colleague	Neighbor	
Name of the brand	37 (37)	11 (11)	21 (21)	4 (4)	3 (3)	3 (3)	4 (4)	14 (14)	1 (1)	1 (1)	100
Attractive seasonal decoration	7 (7)	30 (30)	21 (21)	12 (12)	2 (2)	4 (4)	5 (5)	16 (16)	1 (1)	2 (2)	100
Annual clearance sales	8 (8)	20 (20)	26 (26)	7 (7)	3 (3)	4 (4)	9 (9)	14 (14)	1 (1)	4 (4)	100
Festival sales offer	7 (7)	21 (21)	24 (24)	12 (12)	3 (3)	5 (5)	5 (5)	16 (16)	1 (1)	3 (3)	100
Special offer sales	11 (11)	19 (19)	26 (26)	4 (4)	6 (6)	4 (4)	7 (7)	17 (17)	1 (1)	2 (2)	100
Buy one get one free sales	7 (7)	20 (20)	18 (18)	4 (4)	6 (5)	10 (10)	9 (9)	19 (19)	1 (1)	3 (3)	100
Spacious parking area	13 (13)	12 (12)	24 (24)	4 (4)	3 (3)	4 (4)	5 (5)	25 (25)	2 (2)	4 (4)	100
All products are available inshop	10 (10)	14 (14)	26 (26)	8 (7)	5 (5)	7 (7)	8 (8)	18 (18)	2 (2)	1 (1)	100
Customers aretreated with care and respect	14 (14)	16 (16)	17 (17)	6 (6)	7 (7)	10 (10)	8 (8)	15 (15)	2 (2)	3 (3)	100
Children enjoythe shop	7 (7)	11 (10)	24 (24)	12 (12)	10 (10)	3 (3)	11 (11)	14 (14)	2 (2)	3 (3)	100

The suggested model is both fit and parsimony, as shown by the measurement model indices (Table 3).

Table 3: Indicators of Good Fit for the Relationship Loyalty-Measurement Model in Relational Marketing

Fit Index	This Study	Recommended values	Source
df	57		
χ2	64.78		
χ^2/df	1.136	≤ 3.00	Gefen (2000)
GFI	0.940	≥ 0.90	Hoyle (1995)
AGFI	0.900	≥ 0.80	Chau and Hu (2001)
CFI	0.990	≥ 0.90	Bagozzi and Yi (1988)
RMSEA	0.030	≤ 0.08	Browne and Cudeck (1993)
NNFI (TLI)	0.990	≥ 0.90	Bagozzi and Yi (1988)

Consequently, the suggested model is capable of measuring all variables. You can see the outcomes in Figure 2.

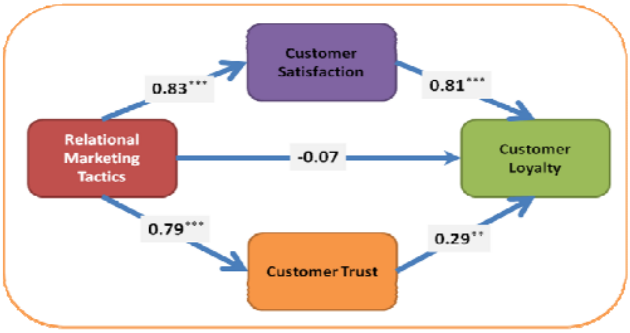

Figure 1: Interaction Model for Relational Marketing Strategies and Loyalty Measurement

Results and Discussion

First hypothesis testing in this investigation shows that relational marketing strategies do not affect consumer loyalty (= -0.07, p< 0.05). This result runs counter to studies by Guenzi and Pelloni (2004) and Ndubisi, Chan, and Gibson (2007), who found that interpersonal relationships and relational marketing strategies had a direct impact on consumer loyalty. We contend that the samples, which consist mostly of prime (affluent) clients, are immune to relational marketing strategies since the primary motivation for their savings is investment diversification. High return is more important than special treatment or extras. Current marketing strategies have no discernible effect on consumer loyalty in this demographic. According to Bain & Co.'s (2010) research, even the banks' wealthiest clients had low opinions of the financial institutions.

Both customer happiness and trust are strongly affected by relational marketing strategies (= 0.83, p<0.01 and = 0.79, p<0.01, respectively). The bank's marketing strategies were well received, and clients were happy with the services they received. Simultaneously, these strategies have a major impact on patron confidence. This indicates that the strategies were successful in boosting clients' confidence in the bank. This confirms what Morgan and Hunt (1994) discovered: that winning over customers' confidence is paramount. The inclination to rely on an exchange partner in whom one has confidence is what Morgan and Hunt (1994) mean when they say trust. Consequently, a bank that has trust from its consumers has a clear edge over its competitors. They state that the bank's high levels of client trust are the cause of the bank's success in areas such as profitability, expansion, market share, and customer retention. So, in order to thrive in today's cutthroat business climate, banks need to adopt creative relational marketing strategies to win customers' confidence.

Customer satisfaction and trust have a considerable effect on customer loyalty (β = 0.81, p<0.01 and β= 0.29, p<0.05, respectively), as shown by the results of the fourth and fifth hypothesis' tests. The happy clients are definitely turning into dedicated ones. The same holds true for businesses that have earned their clients' confidence. The company's longevity will be ensured by its devoted clientele. Previous research has shown that building trust between a bank and its clients is more significant than offering the lowest rates possible (Coulter & Coulter, 2003). In other words, reliability is the cornerstone of every successful enterprise. Improving service has to do with satisfying customers and earning their trust, which may seem like stating the obvious, but the research found that these are the main factors that create customer loyalty, meeting customers' most basic requirements, actively listening to feedback and responding to it, Monitoring the company's image and maximizing its presence on social media are of utmost importance. If the organization consistently delivers on these fundamental needs, it may gain the confidence and loyalty of its clientele.

Important evidence for the mediating effects of customer pleasure and trust is also provided. Relational marketing strategies have a 67% (0.83 x 0.81) indirect impact on client loyalty via customer happiness, and a 23% (0.79 x 0.29) indirect impact on customer trust. These indirect consequences exceed the direct ones, which are 7%. Affluent (prime) consumers in the retail banking business are not readily swayed by marketing strategies. Since standard relationship marketing strategies wouldn't have much of an impact on their loyalty, their unique position (rich client category) necessitates tailor-made approaches. It is challenging for commercial banks to compete with private banks and asset management companies that specialize in serving ultra-high-net-worth individuals by providing similar high-end services to their own clientele. But retail banks might reap the benefits of client loyalty via the happiness and trust they instill.

Based on the results of this research, it is clear that clients want more from their banks than just transactional services if they want to form lasting relationships with them. Customers who are treated nicely by their bank are more likely to remain there. The evidence suggests that modern consumers are more informed, more discerning, and more insistent on receiving services and goods that are specifically designed to meet their needs. They are no longer content to just purchase whatever is available on the market, but rather need customized solutions that are tailored to their specific needs. Therefore, banks must establish solid connections with their ever-changing consumers in order to guarantee they are always prepared. This is due to the fact that putting money into customer loyalty often yields better results than launching a radical new advertising campaign or opening more locations.

To establish a loyalty program, this means that banks must mandate a way of thinking and behaving that becomes intrinsic to the very fabric of the company. This approach must motivate workers by teaching them to be loyal to the company. Relationship marketing strategies need competent staff to implement and maintain. The four suggestions made by Bain (2010). The first step for the financial institutions is to create loyalty training programs. Employees should be aware of the specific service expertise required to get a perfect 10 on the service assessment. Second, it's essential that leaders constantly assess employees' progress and teach them to improve their customer service abilities in real time. Third, a culture of transparency and trust is essential for fostering employee engagement. The company should provide platforms where workers may have their opinions heard. Finally, workers must be motivated to sustainably improve their output. There is no shortage of success stories to share with the rest of the company when clients provide positive reviews and testimonials.

The value of devoted customers is once again shown by these findings. Customer loyalty in the banking business not only creates a platform where customers are willing to remain with the company for as long as possible, resulting in long-term gain, but also gives a name of inspiration with the firm's goods or services. Both the internal analysis of client data and the external dissemination of information are areas where banks may benefit from better technology use. Banks may use this technology to do more than just track volume changes when evaluating customer behavior.

CONCLUSION

Large-scale integrated systems, such as customer relationship management (CRM), provide significant problems for organizations as they seek to please consumers and foster loyalty. Retailers may better foster customer loyalty by using strategies including providing consumers with information about sales and discounts as well as other services offered by the company, expressing gratitude for customers' patronage, and assuring them that their opinions would be taken into account. The retail store's management should equip its sales employees with specialized training in communication skills so that they can maintain a positive relationship with the store's clientele. Customer relationship management (CRM) is the most effective method for establishing and nurturing connections with customers. CRM isn't only about making money; it's also about fostering meaningful connections between people. The growth of such connections propels organizations to greater heights of achievement. Once this connection has been established, the company may more easily determine the clients' true requirements and provide for them accordingly. It is often believed that a more complex CRM implementation would provide better results for the company. Tools for adopting CRM systems in the workplace are an investment that should not be taken lightly by retailers. In this article, we investigate how relational marketing strategies for retail banks affect client loyalty. This research indicates that customer-relationship-centered marketing strategies increase customer loyalty directly via the mediating effects of customer satisfaction and trust. Relational marketing strategies have larger indirect impacts on client loyalty than direct ones due to the positive effects on consumer satisfaction and trust. We contend that the little direct influence of the bank's marketing strategies on customer loyalty is due to the sample feature of wealthy (prime) clients.

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