

**Customer Loyalty in e-Retail***Dr. G. China Babu**Professor & Head of the department-MBA, Bandari Srinivas Institute of Technology (BSIT), Hyderabad.*

Abstract :- E-retailing, most commonly known as e-tailing is nothing but shopping through the Internet and other media forms. It is also known as Internet shopping, e-shopping, or virtual shopping. According to a PwC 2014 report, India's e-commerce market was worth about \$3.9 billion in 2009, it went up to \$12.6 billion in 2013. In 2013, the e-retail segment was worth US\$2.3 billion. About 70% of India's e-commerce market is travel related. According to Google India, there were 35 million online shoppers in India in 2014 Q1 and is expected to cross 150 million mark by end of year 2018. The industry is expected to record a CAGR vis-à-vis a global growth rate of 8–10%. Electronics and Apparel are the biggest categories in terms of sales. Customer loyalty plays a very important role in building strong customer relationship in e-tail where seller and customer do not come in a physical set up. Customer loyalty involves building a long-term relationship between the supplier and the individual customer in order to improve profitability. To achieve this, suppliers need to understand the customers' spending habits and products that they currently buy, stores they prefer. This paper is tries 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.

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

Article Classification: Empirical Research Paper

1.0 Introduction: Retail industry is divided into organized and unorganized sectors. Organized retailing refers to trading activities undertaken by licensed retailers, that is, those who are registered for sales tax, income tax, etc. These include the corporate-backed 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 kiranashops, 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.

Chetan Bajaj, Rajnish Tuli, Nidhi V. Srivastava (2005) explained the retail industry in India is largely unorganized and predominantly consists of small, independent, owner-managed shops. Organized retailing in India represents a small fraction of the total retail market. Modern retail formats are showing robust growth as several retail chains have established a base in metropolitan cities, especially in south India, are spreading all over India at a rapid pace. However, space and rentals are providing to be the biggest constraints to the development of large formats in metropolitan cities since retailers are aiming at prime location. In urban India, families are experiencing growth in income but dearth of time. More and more women are taking up corporate jobs, which is adding to the family's income and leading to better lifestyles. Rising incomes has led to an increased demand for better quality products while lack of time has led to a demand for convenience and services.

Suja R. Nair (2008) stated in the past, Indian retailers had viewed information technology (IT) with suspicion, as stories of huge outlays with almost no gain were doing the rounds, making them rather skeptical. However, the recent boom has opened their eyes to the fact that in order to compete with international standards and processes, it is very necessary to invest in IT. Retailers are investing in extensive computer and high speed communications network which collect and exchange data between stores, distribution retailers. Retail supplier's partnerships will depend on technology, substituting information for inventory in the pipeline to reduce costs while improving productivity. Retailers will rely on technology to establish links with customers through electronic retailing and customer relationship management. Generally, retailers take the help of IT in carrying out basic functions such as systems for selling items, obtaining sales data item-wise, control of stock, buying, management reports, customer information and accounting.

e-Retailing/Online Retailing: The e-Retailing or e-Tailing or Online Retailing is the concept of selling of retail goods using electronic media, in particular, the 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 – the software tools for creating online catalogs and managing the business connected with implementing the e-Retailing. B2C rather than B2B. Some e-marketing activities that do not directly involve transactions, such as providing (free) information or promoting brands and image, are considered to be part of B2C but are not normally considered as being within the scope of e-retail. 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 Amazone.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 channels, for personal or household use by consumers (Harris and Dennis, 2002).

Table1.0 World-wide Online Sales

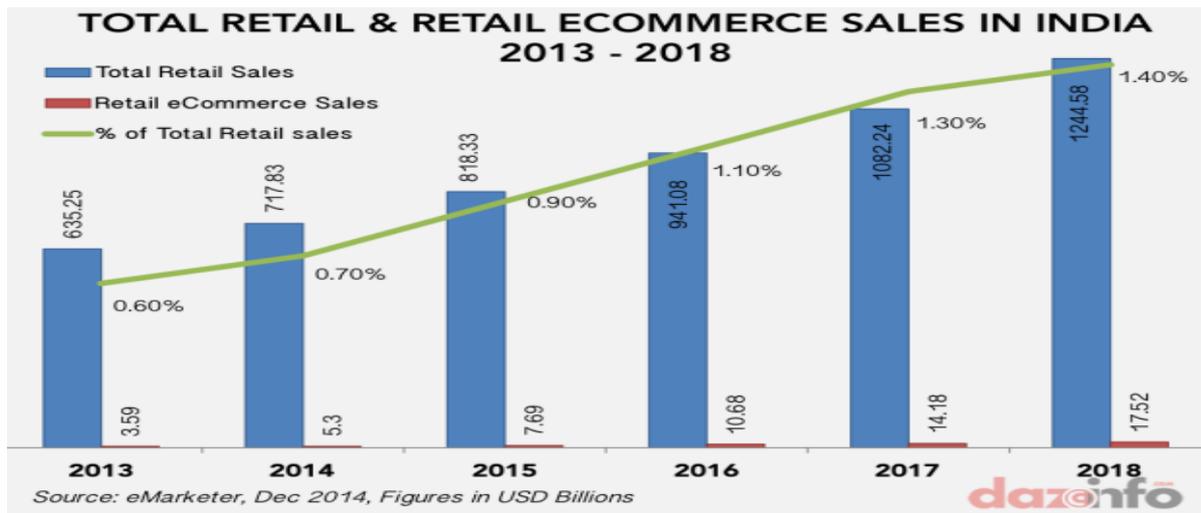
Country	Online Sales (US \$ Billion)	%
China	672.01	42.1%
USA	349.06	14.2%
UK	99.39	14.5%
Japan	89.55	14.0%
Germany	61.84	12.0%
France	42.60	11.1%
South Korea	38.86	11.0%
Canada	26.83	16.8%
Brazil	19.79	17.3%
Australia	19.02	9.3%

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

Charles Dennis (2005) The business of e-retail has been defined as the sale of goods and services via Internet or other electronic channels, for personal or household use by consumers (Harris and Dennis, 2002). This definition includes all e-commerce activities that result in transactions with end consumers (rather than business customers), i.e. B2C rather than B2B. Some e-marketing activities that do not directly involve transactions, such as providing (free) information or 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.

The savings may be less than expected, though, as there are still costs in Internet customer contact, packaging and delivery can be more expensive to provide. Perhaps a more substantial advantage is the ease with which e-retailing integrates with customer relationship management (CRM) and micro-marketing systems – identifying and treating the customer as an individual. This, together with the easier provision of product information, leads to greater opportunities for cross-selling and selling up. Finally, the late entrants into e-retailing are largely being driven by ‘if we don’t, our competitors will’. In India, retail sales instore and online registered huge growth over the years. The following figure talks about the total retail and retail ecommerce sales in India.

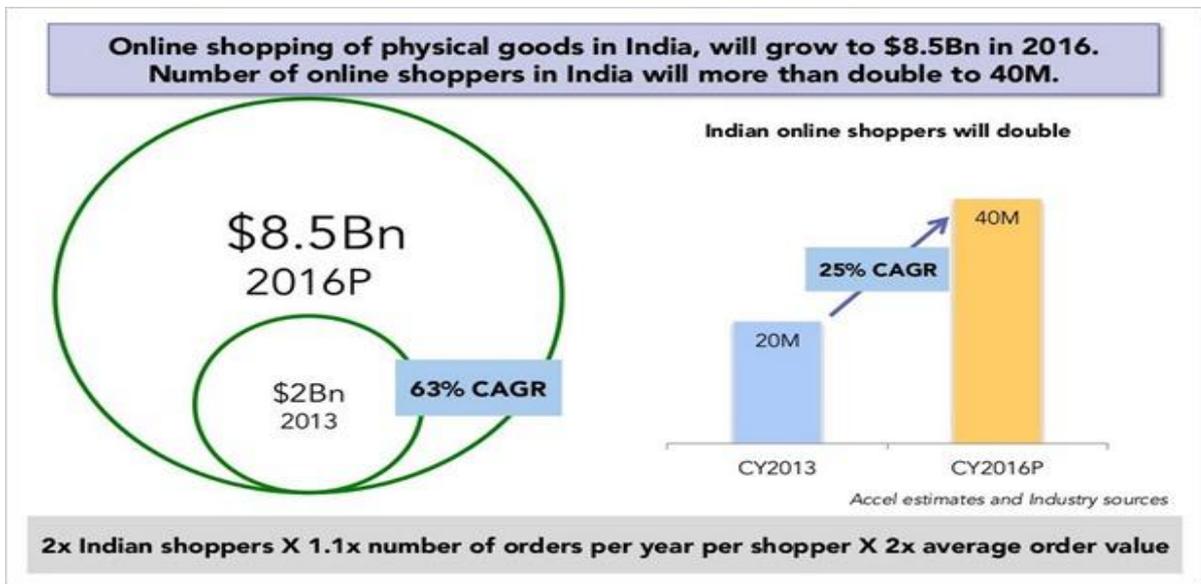
Figure 1.0 Total Retail Sales in India



(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)

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.

1.2 Customer Loyalty: Customer loyalty involves building a long-term relationship between the supplier and the individual customer in order to improve profitability. To achieve this, supplier needs to understand the customers' spending habits and know what products they currently buy (and don't buy) so that any communication can be meaningful. In simple terms, customer loyalty from Czepiel's (1990) perspective is a notion to describe the end result of a relationship between the company and the customer. In order to gain loyalty, the company can provide incentives that will increase the value for the customers and in that manner create buying fidelity among them (Blomqvist et al., 2000). Customer loyalty is although a more complex concept than that. By screening the theories, the authors have chosen to focus on three different theories. Customer Loyalty programs are mandatory for every Retail industry in the world. Three

drivers of retention (Gus-tavfsson, Johansson and Roos, 2005), Relative attitude and behavior relationship (Dick and Basu, 1994) and the Conceptualization of customer loyalty (Dowling et al., 2003).

Examples from Indian e-tail sector:

Flipkart recently launched Flipkart First, a seemingly innocuous subscription service for its customers. The subscription policies are simple enough – you pay INR 500/- per annum and in return, receive free shipping of orders, ensure in-a-day guaranteed delivery, get 50% off on same day delivery (INR 70/-) and get priority customer care. The fine print gives a few more features – these services are only valid for products owned by the seller WS Retail (which was earlier a Flipkart entity but had to be separated due to FEMA regulations) and for specific PIN codes of India. Further, what ‘priority customer care’ means is not quantified – does it mean that I get to wait 50% less? Or that there is no waiting? Or that this is going to be handled by a separate team? We are willing to bet that this small announcement is going to be the first step in a series of big innovations in Indian e-commerce sector in the coming months. This subscription service is nothing but a ‘customer loyalty program’ modified for e-commerce. If you have been a member of frequent flyer programs of airlines or have a discount card for Lifestyle or Big Bazaar, then you have experienced a flavor of loyalty programs. In those industries, you either end up getting points which can be redeemed for other products, or you get to use the points as a discount on your next purchase. But in e-commerce, where the buying patterns are very different, and the margins are wafer thin, the companies cannot afford to give away money or points. There are other indirect reasons why they have started this program:

Customer Data: Obtain deeper customer data than is possible from a normal registered user. Further, many users simply check out as guests without bothering to register. This brings even those users into the loop, providing better insights into buying behavior.

Loyalty Helps: With brand loyalties in Indian e-commerce in a constant state of flux as per user surveys, any inkling of loyalty that can get a user back to the site for purchases, earns brownie points.

Same Day Delivery: By all accounts, same day delivery volumes have not reached a critical volume by city and hence they cost a lot more than the charged INR 140/- That means the e-commerce sites are making losses on those transactions. If such buyers are brought under this scheme, the losses incurred can be controlled to some degree.

Prevent ‘Sticker Shock’: Various studies have shown that shopping cart abandonments have been on the rise, and one of the major reasons for this is what is known as the ‘sticker shock’, where users get shocked when they see the final price in the cart after adding taxes, shipping charges and other costs. So when shipping charges need not be shown in the cart, it is a psychological way to provide a feel-good scenario for the buyers

Amazon’s pioneering PRIME loyalty programs: Amazon launched the Prime loyalty programs in 2005 and has since fine-tuned it into a well-oiled machine. While revenues from the program are estimated to be only a small percentage (~1-2%) of the overall revenue, it is relatively profitable revenue and the larger benefits provided to the company are huge. There are numerous variations in the Prime program to target different buyer segments:

Prime: \$99 per annum for unlimited music streaming, free two-day shipping, free ebooks and access to TV shows. It also provides exclusive access to specific shows sometimes

Amazon Student: \$49 per annum plus options to earn cash credits for referring other students. Pretty much similar to the standard Prime subscription but at a discount

Amazon Mom: \$99 per annum to enjoy all benefits of Prime plus get up to 20% off on diapers and wipes for babies

Amazon Fresh: Same as Prime, but for some handpicked zip codes in California and Seattle, buyers also get access to fresh groceries and local food stores thus assuring fresh foods

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 Methodology: The study has chosen top four organized retailers 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.

3.0 Findings: The study brings forth various facts related to online shopping experiences of the Indian retail 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)	196(100)
Pantaloons	27(12.8)	184(87.2)	211(100)
Shoppers Stop	30(12.3)	213(87.7)	243(100)
Wes side	11(8.3)	99(91.7)	110(100)
Total	92(12.1)	668(87.9)	760(100)

(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)	24(100)
Pantaloons	9(33.3)	11(40.7)	4(14.8)	3(11.1)	27(100)
Shoppers Stop	8(26.7)	12(40.0)	6(20.0)	4(13.3)	30(100)
Westside	7(59.6)	3(33.3)	1(11.1)	0(0.0)	11(100)
Total	35(38.0)	31(33.7)	14(15.2)	12(13.0)	92(100)

(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

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

(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 Tests

Chi-Square Tests			
	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	21.527a	12	.043
Likelihood Ratio	23.279	12	.025
Linear-by-Linear Association	3.620	1	.057
N 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 of online shopping and customer loyalty. Finally it concluded that there is a strong relationship between online shopping 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)	157(100)
Hyderabad	19(13.1)	62(42.8)	45(31.0)	8(5.5)	11(7.6)	145(100)
Kolkata	3(3.1)	56(57.1)	25(25.5)	10(10.2)	4(4.1)	98(100)
Mumbai	4(3.1)	64(49.6)	36(27.9)	20(15.5)	5(3.9)	129(100)
Total	36(6.8)	277(52.4)	134(25.3)	55(10.4)	27(5.1)	529(100)

(Source: Authors – Primary Data Analysis)

The abovetable 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 shipping (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, India is expected to 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.

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