

## Chapter 8

# Relationship Quality and Customer Demographics in Indian Retail

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### ABSTRACT

*Service industries are becoming highly contested markets in India. This has shifted the focus of players towards quality and relationship quality. Building lasting customer relationships is the only way to sustain in the long run. Accordingly, quality in different forms needs to be articulated and deconstructed. The complexity of services makes it difficult for firms to satisfy and retain customers. Relationship quality is driven by trust, commitment, and satisfaction. The chapter sought to validate the retail relationship quality scale in Indian context. The components defining relationship quality were investigated to determine their relative importance across different customer groups. It was found that satisfaction with the employees is the most valued aspect across select demographic groups. This reinforces the role of employees in producing outcomes that are likely to bind customers with the service firm. Operationally, it implies that employee-customer interaction is important in managing retail business.*

### INTRODUCTION

The retail market in India is unique in many ways compared to its Western counterparts. The industry is dominated by unorganized players which constitute more than 92% of total retail. Structurally these are family owned small mom and pop outlets and corner stores. Out of about 14 million total outlets, only less than 5% are of size more than 500sq.ft. (KPMG, 2014). The retail space is highly penetrated and products are available in close proximity of consumers. The poorly enforced municipal laws allow business activity in residential areas. Indian shopping is characterized by high shopping frequency, small buying size and unplanned shopping trips. The frequency of shopping encounters with neighborhood

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stores allow for ties to develop between seller and buyers beyond economic value into psycho-social realm. The retail space has been undergoing a subtle transformation. Firstly, the players across the borders are moving with different formats and scale like Zara and Metro. Secondly, Indian organized players have joined the fray like Reliance and Future Group. And then there has been strong activity in Internet based retailing with big companies like Amazon and Flipkart and small niche operators like Grofers. Managing customers in an online environment is challenging (Verma et al., 2016). This new emergent retail scenario is characterized by not only direct competition from similar players but also across different formats. Sustaining in this turbulent environment is both challenging and difficult. This requires retailers to focus on their customers and forge lasting relationships.

The marketers are forced to shift their attention from customer attraction to customer retention as a strategy to survive in competitive environment (Reichheld & Sasser, 1990; Osarenkhoe & Benani, 2007). For a long period of time services remained insulated from competition but now they face same goods like high intense competitive rivalry. Firms seek to develop loyalty and relationship through customer satisfaction and happiness (Zhou et al., 2008). Evidence exists to support that marketing performance is directly influenced by customer satisfaction and retention (Sahay, 2003; Stefanou et al., 2003). The value and importance of customer relationship in generating mutually satisfying value is widely acknowledged and practiced (Gronroos, 1990; Gummesson, 1994; Donaldson and O'Toole, 2002; Sahay, 2003). Strong buyer seller relationship provides buffer and comes to rescue even in failures (Ha and Jang, 2009). Accordingly, relationship building has assumed central position between business partners (Cater & Cater, 2010; Marquadt, 2013; Vize, 2017). The focus on relationship building is engendered by excess supply of products and consequent reduction in switching barriers. Comprehension and administration of customer relationships is thus indispensable in marketing (Zhang et al., 2016). This study sought to explore the components of retail relationship quality and answer the question whether this varies across different demographic groups.

## **CUSTOMER RELATIONSHIP AND BUSINESS SUSTAINABILITY**

Business organizations have been forced to embrace relationship orientation in response to environmental ambiguity and uncertainty (Day, 2000). Customers are now informed, sophisticated and unpredictable (Buttle, 1999). Most services have been localized, protected and hence have become less competitive. But now services are liberalized and have opened up to foreign participation. In India, service sectors like health care, air transportation, banking, insurance, education, and telecommunications have moved on to become highly competitive. The incidence of competition makes it imperative for firms to shift focus on customer retention as customer attraction becomes costly and ineffective (Christopher et al., 1991; Lehtinen, 1996). It is for these reasons that relationship building has become a widely-adopted philosophy (Noble & Phillips, 2004).

Customer loyalty cannot be an outcome of a random approach. This is especially true when markets are competitive and customers don't suffer from switching costs. Relationship is different from repeat buying. Loyalty is willful and is a voluntary commitment; it results from long-term healthy relationships with the customers (Kuhn & Mostert, 2018). The relationship building cost pays back by increased revenue and profits (Abdul-Rahman & Kamarulzamanb, 2012) and is a win-win situation for both the customer and the marketer (Estell, 2002; Barlow, 2000). However, the relationship strategy must be implemented deftly for it produces positive results (Noble & Phillips, 2004). For delivering better performance and

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