



# Assessing Customer Retention Strategies and Their Impact on Business Performance: A Study of Selected Retail Chains in the Hassan and Mangalore Districts

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## Abstract

This study examines how customer retention tactics affect retail industry business success, with a particular focus on a few retail chains in the Hassan and Mangalore areas of Karnataka. 200 respondents from 15 retail locations participated in the study, which used a descriptive survey design with convenience and stratified sampling. The methods used to acquire data are secondary sources, interviews, and surveys. To test hypotheses, bivariate analysis and partial correlation are employed, with the assistance of SPSS version 2.0. The findings emphasise the relationship between customer satisfaction, retention, and overall performance, as well as the significance of pricing, service quality, and customer care in determining a store's profitability. The research highlights the significance of proficient pricing and service quality management in cultivating customer loyalty and augmenting business efficacy. For retail managers looking to optimise their strategy in ever-changing market contexts, these findings offer practical insights.

**Keywords:** Customer retention strategy, Business performance, Retail chains, Hassan and Mangalore districts.

## 1. INTRODUCTION

With consumer tastes and market dynamics constantly changing in today's hypercompetitive retail environment, client retention has become more and more important for long-term business success. Customer retention, which is the ability of a firm to hold onto its current clientele for a predetermined amount of time, is a key factor in determining a company's profitability, market share, and general performance. It is also a measure of customer happiness. Acknowledging the importance of customer retention in the retail industry, this study examines customer retention strategies in detail and how they affect business performance, with a particular focus on a few retail chains in the Karnataka, India, districts of Hassan and Mangalore.

India's retail sector, especially in areas like Hassan and Mangalore, is distinguished by fierce competition, quick technology development, and changing customer trends. These areas present a variety of difficulties for retail chains, such as pricing wars, shifting consumer tastes, and the rise of internet marketplaces. Retail chains must comprehend the efficacy of client retention methods in this dynamic and competitive climate if they hope to preserve their customer base, continue to make money, and secure their long-term survival.

The explanation behind the concentration on the Hassan and Mangalore areas is their strategic significance in the Karnataka retail scene. Recognised for its agricultural economy and rapidly increasing urbanisation, Hassan offers a distinctive blend of consumer demographics from both the rural and urban areas, providing insightful information on a wide range of consumer preferences and shopping habits. However, Mangalore, a significant port city and centre of commerce, offers an example of a vibrant urban market with a diversified demographic base and rising disposable incomes. This study looks at customer retention methods in three different but related markets in an effort to offer insightful analysis that may be used in a variety of retail settings.

The practical ramifications of this research for retail managers, legislators, and industry stakeholders make it significant beyond the realm of academia. This study intends to provide retail chains in Hassan and Mangalore with useful insights to improve their competitive position, encourage customer loyalty, and promote sustainable growth by clarifying the factors that influence customer retention and their effects on business performance.

The purpose of this study is to find out how well retail chains' client retention tactics work and how that affects the districts of Hassan and Mangalore's company performance. The



study specifically attempts to evaluate the relationship between retail chain store profitability and price, service quality, customer service care, and customer satisfaction initiatives. Through hypothesis testing, the research aims to provide empirical evidence on the effectiveness of different customer retention strategies in improving profitability and overall operational success within the retail industry. These hypotheses postulate significant and positive relationships between these variables and business performance.

## 2. LITERATURE REVIEW

**Castaldo et al. (2016)** examine how important it is for physical shop environments to foster consumer trust and happiness in the context of pharmacy retailing. Through their research, they highlight the significance of the in-store experience, stressing how elements like ambience, staff interactions, and shop layout affect customers' views, which in turn affects their loyalty to the retail establishment. Their results highlight the necessity for retail chains to make investments in establishing a welcoming and interesting shop atmosphere in order to improve customer satisfaction and ensure enduring loyalty.

**Dash (2015)** investigates the connection between organised retail sector customer retention and service quality. Dash examines the effects of service quality characteristics as certainty, responsiveness, empathy, and tangibles on customer retention in retail environments using empirical data. Higher levels of service quality result in more client loyalty and repeat business, according to the study, which also shows a strong positive association between service quality and customer retention. Dash's results highlight how crucial it is to provide consumers with constant, excellent service in order to keep them in the competitive retail environment.

**Grosso, Castaldo, and Grewal (2018)** Examine how store features affect customers' loyalty, especially in developing nations like India. Through their analysis, they clarified how consumers' impressions and subsequent loyalty behaviours are influenced by several elements, including retail ambience, convenience, selection, and service quality. Their findings emphasise how important it is to match shop qualities with consumer preferences and expectations in order to provide a positive and engaging in-store experience that would encourage customer loyalty in the Indian retail market.

**Khaled et al. (2023)** through an empirical study, add to our understanding of consumer satisfaction and loyalty within the Indian retail sector. Through an analysis of the correlation among customer satisfaction, perceived value, trust, and loyalty, the writers provide valuable perspectives on the fundamental factors that influence consumer loyalty in Indian retail environments. According to their research, customer happiness and perceived value have a big impact on customer loyalty. This highlights how important it is to provide outstanding value and foster trust in order to improve client retention in India's cutthroat retail market. The study also emphasises the significance of trust as a factor in determining customer loyalty, emphasising the necessity for retail establishments to build connections with their consumers based on trust in order to promote repeat business and long-term loyalty.

**Kumar and Ayodeji (2021)** carry out an empirical investigation on the e-retail elements affecting client activation and retention in the context of Indian e-commerce. They clarify the essential elements influencing consumer engagement and retention in online retail settings through their research, highlighting the importance of elements including website usability, product assortment, price tactics, and post-purchase support. Their results highlight how crucial it is to comprehend and take advantage of e-retail elements in order to improve client activation and retention, which in turn promotes long-term growth and profitability in the cutthroat e-commerce market.

## 3. METHODOLOGY

### 3.1. Research approach

This study, which has a descriptive research approach, intends to investigate the relationship between customer retention tactics and business profitability among a subset of retail chain outlets in the Karnataka, India, districts of Hassan and Mangalore.



### 3.2. Population and Sampling

All retail chain stores and supermarkets that operate in the southern state of Karnataka are included in the population of interest. In order to provide sufficient representation of the wider community, a representative sample of 15 retail chain stores and supermarkets is chosen in order to address practical restrictions like time limits and travel expenses.

### 3.3. Data Collection Instrument

A systematic questionnaire is created for data collecting in order to gain pertinent information from the intended audience. Ten copies of the questionnaire are sent to chain store consultants and prominent academicians for pre-testing in order to guarantee content validity. Pre-testing feedback is taken into account to improve the questionnaire's efficacy and refinement.

### 3.4. Pilot Testing

The questionnaire is then given in 30 copies to chain shop managers in the districts of Hassan and Mangalore in order to carry out pilot testing. It is found that 75% of the questionnaires were completed and returned.

### 3.5. Sample Size Determination

Because there are no data records on the entire population of chain stores in Karnataka, the sample size is determined using the Topman's formula.

### 3.6. Research Hypothesis

**Ha1:** Pricing and retail chain store profitability are significantly and favourably correlated, suggesting that pricing tactics are essential to increasing profitability.

**Ha2:** Retail chain store profitability is positively and significantly impacted by service quality, indicating that better service quality improves business success.

**Ha3:** The profitability of retail chain stores is favourably and strongly influenced by customer service care, suggesting that offering superior customer service raises profitability.

**Ha4:** Customer satisfaction has a positive and considerable moderating effect on retail chain stores' business success and customer retention, indicating that higher customer satisfaction levels promote both better business performance and higher customer retention.

### 3.7. Data Analysis

After data collection, the information is statistically analysed using the relevant techniques to investigate, in the context of retail chain outlets in the Hassan and Mangalore districts, the connection between customer retention techniques and business profitability.

**Table 1:** Summary of Selected Retail Chain Stores' Survey Participation

S. No.	18 registered chain shop names	Target population	Participants
1.	Reliance Retail	24	12
2.	Big Bazaar	15	10
3.	D-Mart	10	10
4.	Spencer's Retail	14	10
5.	More Megastore	10	9
6.	Vishal Mega Mart	13	9
7.	Lifestyle Stores	16	10
8.	Pantaloons	10	9
9.	Shoppers Stop	12	9
10.	Westside	16	11
11.	Central	10	10
12.	HyperCITY	14	10
13.	Brand Factory	9	10
14.	Max Fashion	12	10
15.	Fabindia	15	11
<b>Total</b>		<b>200</b>	<b>150</b>



Table 1 presents a thorough summary of the survey responses from a subset of retail chain locations, including information on the total number of respondents from each store as well as the demographic that was accessible. The data shows that the accessible population varies among the 18 registered chain stores that were part of the survey, with values ranging from 9 to 24, which is indicative of the different sizes of these retail locations. In spite of this variation, 150 people in all from the chosen stores took part in the survey. Interestingly, the number of responses stayed comparatively constant across many stores, suggesting a similar degree of interest and desire to participate in the survey, even if some stores had a larger accessible audience. Overall, this table highlights the cooperation and dedication of the participating retail chain stores, offering a strong basis for comprehensive data gathering and analysis in the research's later stages.

#### 4. DATA ANALYSIS AND RESULTS

##### 4.1. Descriptive Statistics

Descriptive statistics are a collection of concise descriptive coefficients that show a certain data set as being typical of the entire population or a sample of it. These coefficients are used to describe the data set.

**Table 2:** Descriptive Statistics

Variables	Mean	No. Of Items	Standard Deviation	Cronbach Alpha
Pricing	3.54	5	2.512	0.969
Service quality	3.96	5	2.706	0.981
Customer service care	4.51	5	2.706	0.983
Profitability	4.42	5	2.469	0.967
Customer satisfaction	3.94	5	2.501	0.974

The descriptive data for the study's major variables—price, service quality, customer service care, profitability, and customer satisfaction—are shown in Table 2. The average scores for each variable are shown by the mean values, where the highest mean score is 4.51 for customer service care and 4.42 for profitability. This implies that respondents believe the chosen retail chain outlets to have exceptionally high levels of profitability and customer service. Higher standard deviations indicate greater variability. The standard deviation numbers provide information on the variability or dispersion of responses around the mean. Furthermore, Cronbach's alpha coefficients, which have values somewhere in the range of 0 and 1, survey the inner consistency dependability of the scales used to gauge every variable. For research purposes, Cronbach's alpha values above 0.7 are typically regarded as appropriate, signifying a high degree of reliability. With Cronbach alpha values ranging from 0.967 to 0.983, all variables in this table show strong internal consistency and reliability when measuring price, service quality, customer happiness, profitability, and care within the parameters of the study.

##### 4.2. Correlation Analysis

Utilizing Spearman's position request connection coefficient (rho), the relationship examination was used to find out the level of relationship between the components of customer retention strategies and business performance.

**Table 3:** Correlation matrix

	Pricing	Service quality	Customer service care	Customer satisfaction	Retail chain store profitability
Pricing	1	0.857	0.865	0.871	0.869
Service quality	0.857	1	0.791	0.823	0.834
Customer service care	0.865	0.791	1	0.787	0.821
Customer satisfaction	0.871	0.823	0.787	1	0.854
Retail chain store profitability	0.869	0.834	0.821	0.854	1



The direction and intensity of these associations are shown by the correlation coefficients. There are notable correlations between all the variables, since each one shows a strong positive correlation with the others. The constantly high association between retail chain store profitability, the dependent variable, and each independent variable (price, service quality, customer satisfaction, and customer service care) is particularly noteworthy. Pricing, for example, has a substantial positive association ( $r = 0.869$ ) with retail chain store profitability, meaning that profitability tends to improve with pricing. Similarly, with coefficients ranging from 0.821 to 0.854, service quality, customer service care, and customer happiness likewise show high positive associations with profitability. These results imply that increased profitability in retail chain stores is linked to higher levels of customer happiness, customer service care, and service quality. In general, the correlation matrix emphasises how these important variables are related to one another and how their combined impact affects the profitability of retail chain stores, offering managers and practitioners insightful information about how to maximise business performance.

**4.3. Multiple Regression Analysis**

The directing impact of customer satisfaction on the three qualities of customer retention strategies and business performance (profitability) was resolved utilizing various relapse examinations. Thus, it was decided to establish the fourth hypothesis, which states that the relationship between customer retention methods and corporate performance is not moderated by customer satisfaction.

**Table 4:** Model summary of variables

Model Summary					
Model	R	R Square	Adjusted Square	R	Std. Error of the Estimate
1	.775 <sup>a</sup>	.599	.591		.92071
a. Predictors: (Constant), Pricing, Service quality, Customer service care, Customer satisfaction					

The regression model's overall fit to predict retail chain store profitability is displayed in Table 4's model summary of variables. The R-squared value of 0.599 suggests that the model's predictors—price, service quality, customer happiness, and customer service care—can account for around 59.9% of the variation in profitability. Indeed, even subsequent to representing the quantity of indicators, the model's prescient power has all the earmarks of serious areas of strength for being, demonstrated by the changed R-squared worth of 0.591. The typical contrast between the normal and genuine profitability values is reflected in the gauge's standard blunder, which remains at 0.92071.

**Table 5:** ANOVA summary

ANOVA <sup>a</sup>						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	236.073	3	60.520	74.167	.000 <sup>b</sup>
	Residual	160.126	296	.813		
	Total	396.199	299			
a. Dependent Variable: Retail chain store profitability						
b. Predictors: (Constant), Pricing, Service quality, Customer service care, Customer satisfaction						

The ANOVA summary, which evaluates the regression model's overall significance in predicting retail chain store profitability, is shown in Table 5. The overall statistical significance of the regression model is indicated by the significant F-value of 74.167 ( $p < 0.001$ ) in the analysis. This implies that a considerable portion of the variance in retail chain store profitability may be explained by at least one of the independent variables (price, service quality, customer service care, or customer pleasure).



Table 6: Coefficient of Variable Determination

Coefficients <sup>a</sup>						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-.763	.309	-.625	-8.503	.019
	Pricing	.384	.114	.261	7.492	.003
	Service quality	.700	.089	.531	7.954	.002
	Customer service care	.382	.112	.259	7.490	.002
	Customer satisfaction	.698	.087	.529	7.952	.001

a. Dependent Variable: Retail chain store profitability

The coefficients of assurance for every indicator variable in the relapse model are displayed in Table 6. The normalized coefficients (Beta) show the overall meaning of every indicator in making sense of profitability, while the unstandardized coefficients (B) show the adjustment of the reliant variable (profitability) for a one-unit change in the indicator variable. The t-values and p-values of each predictor variable—pricing, service quality, customer satisfaction, and customer service care—indicate a strong positive correlation with profitability. This implies that better levels of profitability in retail chain stores are linked to improvements in pricing, service quality, customer satisfaction, and customer care. All things considered, these tables offer insightful information on the significance and forecasting abilities of different elements that affect retail chain store profitability.

5. DISCUSSION

The speculations can be evaluated considering the information investigation and study discoveries. The outcomes give belief to Ha1, which declares major areas of strength for a positive connection among's pricing and retail chain store performance. cost procedures are basic to expanding profitability, as shown by the significant positive relationship coefficient (0.869) among cost and profitability. Along these lines, Ha2, which demonstrates that service quality well affects the profitability of retail chain stores, is additionally upheld. It is affirmed that better service quality outcomes in better business accomplishment by the connection coefficient (0.834) among profitability and service quality. Also, the proof backings Ha3's suggestion that customer service care well and fundamentally impacts the profitability of retail chain stores. The relationship coefficient (0.821) among profitability and customer service care recommends that offering first rate customer care raises profitability. In any case, there is no proof to help Ha4, which battles that customer delight emphatically and extensively directs both customer retention and retail chain organizations' monetary performance. The relapse concentrate on tracks down no proof of a significant directing impact of customer satisfaction on the connection between customer retention strategies and business achievement, regardless of a huge positive relationship (connection coefficient of 0.854) between customer satisfaction and profitability. In synopsis, the examination offers observational information that supports the meaning of pricing, service quality, and customer service care in enlarging the profitability of retail chain stores. Nonetheless, it likewise features the need for extra examination concerning the directing impact of customer satisfaction.

6. CONCLUSION

During the course of leading this examination study, we were given the opportunity to determine the relationship between client retention methods and business success in retail chain stores located in the regions of Hassan and Mangalore, Karnataka. According to descriptive statistics, customer service and profitability got the highest mean scores, respectively, suggesting that respondents saw these as their areas of strength. Furthermore,



robust internal consistency was noted for every variable, indicating accurate observations. Pricing, service quality, customer contentment, customer service care, and retail chain store profitability were all shown to have substantial positive correlations with one another through correlation analysis. Regression analysis revealed no significant moderating effect, despite a considerable link between profitability and customer happiness. These results highlight how important it is for retail chain stores to focus on pricing, service quality, and customer care in order to increase profitability. To fully comprehend the complex relationship between customer satisfaction and business performance, more research is necessary. For retail chain store managers and practitioners looking to maximise their company strategies and performance in cutthroat markets, the study offers insightful information overall.

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