Relationship Quality: What It Means in Indian Retail Context?

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ABSTRACT

With services becoming the impetus of growth in economies across the world, quality has emerged as one of the critical issues that need adequate attention. Customers have a larger role to play in defining the success of services as these are customer-oriented in nature. The complex nature of services makes it imperative to satisfy customers in the most competitive manner. This necessitates creation of bond with the customers. Relationship quality as a comprehensive construct aims at development of trust, commitment and satisfaction with the customers. The present study seeks to validate the relationship quality scale in the context of retail services in India. This would contribute to the upcoming retail sector in India by revealing the crucial parameters of relationship quality as it will assist retailers in achieving market success based on healthy customers’ relationships.

KEYWORDS
Customer Loyalty, Customer Relationship Management, Relationship Marketing, Relationship Quality

INTRODUCTION

The developments in consumer and competition side of the market have forced marketers’ attention from customer attraction to customer retention (Reichheld & Sasser, 1990; Day, 2000; Osarenkhoe & Benani, 2007). This reality first affected the goods markets and has spilled over to services. There been a paradigmatic shift in where and how to invest the marketing dollar. Firms seek to develop loyalty and relationship through customer satisfaction and happiness (Zhou et al., 2008). Marketing performance is directly influenced by customer satisfaction and retention (Morgan & Hunt, 1994; Zineldin & Jonsson, 2000; Chandra & Kumar, 2000; Sahay,

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2003; Stefanou et al., 2003). The value and importance of customer relationship in generating mutually satisfying value is widely acknowledged and practiced (Gronroos, 1990, 1995, 1996, 1997; Gummesson, 1994; Morgan and Hunt, 1994; Donaldson and O’Toole, 2002; Sahay, 2003). This shift in focus on relationships is engendered by excess supply of products and consequent reduction in switching barriers. Market share protection through customer relationship is not possible without strategic planning and meticulous execution (Kandampully & Duddy, 1999). It is for these reasons that relationship focus has assumed central position in conduct of marketing.

BACKGROUND

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; Gronross, 1996). 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).

The retail market in India is unique in many ways compared to the Western countries. The industry is dominated by unorganized sector players, which constitutes more than 92% of total retail. These players are present in the form of small, family-owned 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 high numbers of retail outlets are spread out in wide geographic area which operate at small scale and make products available in close proximity. The absence of municipally designated residential and business areas has let to mixed land use. Accordingly, people are able to fulfill their buying needs by moving short distances. This makes the Indian shopper different from the Western shopper in many ways including high shopping frequency, small buying size and unplanned shopping trips. The low opportunity cost of frequent shopping trips to neighborhood stores provide fertile ground for ties development that extend into the psycho-social realm much beyond business transactions like buying and selling.

The consumers on the other hand are made up of highly diverse socio-cultural groups with their own unique consumption patterns. These segments tend to have diverse consumption baskets. For instance, consumers in South India are different from
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