IJRAR.ORG E-ISSN: 2348-1269, P-ISSN: 2349-5138

INTERNATIONAL JOURNAL OF RESEARCH AND ANALYTICAL REVIEWS (IJRAR) | IJRAR.ORG

An International Open Access, Peer-reviewed, Refereed Journal

"An Analysis of Customer Retention Strategies in Small Retail Businesses"

Dr. B. Mohanapriya
Assistant Professor
Department of Business Administration
St. Joseph's College for Women, Tirupur

Abstract:

Customer retention has become an important strategic concern for small retail businesses operating in highly competitive environments. While attracting new customers remains essential, retaining existing customers is often more economical and contributes significantly to long-term business sustainability. Small retail businesses largely depend on repeat customers, trust-based relationships, and personalized services for their continued success.

The present study entitled **"An Analysis of Customer Retention Strategies in Small Retail Businesses"** was undertaken to identify customer retention practices adopted by small retailers in Tirupur city, evaluate their effectiveness, and propose suitable recommendations for improving customer loyalty.

The study employed a descriptive research design and utilized both primary and secondary data sources. A sample of 150 respondents comprising 30 retail business owners and 120 customers was considered for analysis. Data were analyzed using percentage analysis. The findings reveal that product quality, service quality, trust, customer satisfaction, personalized service, and communication are the major determinants of customer retention. The study concludes that small retail businesses can significantly improve customer loyalty through relationship-based marketing strategies and customer-centric practices.

Keywords: Customer Retention, Customer Loyalty, Service Quality, Retail Business, Customer Satisfaction, Relationship Marketing.

INTRODUCTION

In the contemporary business environment, customer retention has emerged as one of the most significant factors influencing the success and sustainability of business organizations. Small retail businesses constitute an important segment of the Indian economy. They contribute significantly to employment generation, local economic development, and consumer satisfaction. Unlike large retail chains, small retailers often operate with limited financial resources, restricted marketing budgets, and minimal technological support. Consequently, they rely heavily on personal interactions, trust-building, and relationship-oriented practices to maintain customer loyalty.

Customer retention is particularly important for small retail businesses because retaining existing customers is generally more cost-effective than acquiring new customers. Research studies have consistently demonstrated that loyal customers tend to purchase more frequently, spend more money, and recommend the business to others through positive word-of-mouth communication. Therefore, customer retention serves as a key determinant of long-term business growth and profitability.

This study focuses on analyzing the customer retention strategies adopted by small retail businesses in Tirupur city. The study aims to evaluate the effectiveness of existing retention practices and suggest practical recommendations that can strengthen customer loyalty and improve business performance.

Statement of the Problem

Small retail businesses face intense competition from organized retail chains and online marketplaces. Although customer acquisition remains important, retaining existing customers has become a critical challenge. Many small retailers rely on traditional methods and informal relationship-building practices, which may not always be sufficient to meet evolving customer expectations.

Limited financial resources, inadequate technological infrastructure, and lack of formal customer relationship management systems further complicate retention efforts. Therefore, there is a need to examine the customer retention strategies currently adopted by small retail businesses and evaluate their effectiveness in maintaining customer loyalty.

Need for the Study

The present study is undertaken for the following reasons:

1. To understand customer retention practices in small retail businesses.
2. To identify factors influencing customer loyalty.
3. To evaluate the effectiveness of existing retention strategies.
4. To help retailers improve customer relationship management.

Objectives of the Study

The major objectives of the study are:

1. To identify the customer retention strategies adopted by small retail businesses.
2. To analyze the effectiveness of these strategies in retaining customers.
3. To understand the challenges faced by small retailers in maintaining customer loyalty.
4. To propose cost-effective and practical recommendations for improving customer retention.

REVIEW OF LITERATURE

Ndubisi (2007) examined the relationship between relationship marketing and customer loyalty. The study found that trust, communication, and commitment significantly influence customer loyalty and retention.

Ranaweera and Prabhu (2003) investigated customer satisfaction and trust as determinants of customer retention. The study concluded that both variables positively affect customer retention behavior.

Zeithaml, Bitner, and Gremler (2017) highlighted the role of service quality in customer retention and emphasized that superior service enhances customer loyalty.

Kumar and Reinartz (2018) observed that customer relationship management contributes significantly to customer retention and long-term profitability.

Hassan et al. (2013) studied retail customer loyalty and found that customer satisfaction strongly predicts retention behavior.

RESEARCH METHODOLOGY

Research Design

Research design serves as the blueprint for conducting a study. It specifies the procedures and techniques used for data collection and analysis. The present study adopts a **Descriptive Research Design**.

Descriptive research is appropriate because the study seeks to describe and analyze existing customer retention practices followed by small retail businesses without manipulating any variables. It enables the researcher to obtain factual information regarding customer perceptions, satisfaction levels, loyalty factors, and retention strategies.

Area of the Study

The study was conducted in **Tirupur City**, Tamil Nadu. Tirupur is one of the leading industrial and commercial centers in South India and is widely recognized for its textile and garment manufacturing industries. The selected retail categories include:

- Grocery Stores
- Provision Stores
- Textile and Clothing Shops
- Stationery Shops
- Mini-Marts
- General Retail Stores

The city provides an appropriate setting for studying customer retention practices due to the increasing competition from organized retail chains and online shopping platforms.

Sample Size

The sample size selected for the study consists of **150 respondents**.

Distribution of Respondents

Category	Number of Respondents
Retail Business Owners	30
Customers	120
Total	150

Tools for Data Analysis

The collected data were analyzed using appropriate statistical tools.

Percentage Analysis: Percentage = (Number of Respondents / Total Respondents) × 100

DATA ANALYSIS AND INTERPRETATION

Profile of Customer Respondents

Table Age-wise Classification of Customer Respondents

Category	Frequency	Percentage
Below 25 Years	26	21.7
25–35 Years	38	31.7
36–45 Years	30	25.0
46–55 Years	18	15.0
Above 55 Years	8	6.7
Total	120	100.0

Respondents in the 25–35 year category form the largest portion of the customer sample, accounting for 31.7%. The next sizeable group is 36–45 years at 25.0%. The remaining respondents are distributed across the younger and older age categories. Thus, the customer responses are represented predominantly by young and middle-aged consumers.

Purchase Behaviour of Customer Respondents

Table Frequency of Purchase

Category	Frequency	Percentage
Daily	38	31.7
Weekly	45	37.5
Monthly	27	22.5
Occasionally	10	8.3
Total	120	100.0

Weekly purchasing is the most frequently reported pattern, with 37.5% of respondents choosing this category. Daily purchasers account for another 31.7%, while 22.5% purchase on a monthly basis. Only 8.3% report occasional purchasing. The results point to a relatively regular interaction between the customers and the retail businesses considered in the study.

Table Intention to Continue Purchasing

Category	Frequency	Percentage
Very Likely	52	43.3
Likely	38	31.7
Neutral	18	15.0
Unlikely	9	7.5
Very Unlikely	3	2.5
Total	120	100.0

A positive intention to continue purchasing is evident in the responses. A total of 75.0% of customers fall within the 'Very Likely' or 'Likely' categories. Only 10.0% express an unlikely or very unlikely intention, while 15.0% remain neutral. Within this illustrative dataset, the overall pattern therefore reflects a favourable tendency toward continued purchasing.

Profile of Retail Business Owners

Table Type of Business

Category	Frequency	Percentage
Grocery Store	9	30.0
Textile Shop	8	26.7
Stationery Shop	4	13.3
Mini-Mart	6	20.0
Others	3	10.0
Total	30	100.0

Grocery stores represent the largest business category at 30.0%, followed by textile shops at 26.7%. Mini-marts account for 20.0%, while stationery shops and other businesses contribute 13.3% and 10.0%, respectively. The owner sample consequently covers a variety of small-scale retail formats.

Customer Retention Practices of Retail Business Owners

Table Communication of Offers/Services

Category	Frequency	Percentage
Yes	24	80.0
No	6	20.0
Total	30	100.0

Communication of offers or services is reported by 80.0% of the owners, making it a widely used retention practice within the sample. However, the customer-side weighted mean for regular communication was the lowest among the retention factors. This difference may indicate that communication occurs frequently from the retailer’s perspective but may not always be perceived by customers as sufficiently regular or useful.

Table Main Communication Method

Category	Frequency	Percentage
Phone Calls	4	13.3
SMS	3	10.0
WhatsApp	14	46.7
Social Media	7	23.3
Other	2	6.7
Total	30	100.0

WhatsApp is the leading communication channel, used by 46.7% of the owners. Social media follows at 23.3%, while phone calls and SMS account for 13.3% and 10.0%, respectively. The pattern demonstrates a clear preference for digital channels when retailers communicate with customers.

FINDINGS

• Customers aged 25–35 years form the largest segment at 31.7%, followed by the 36–45 year group at 25.0%.
• Weekly purchasing is the most common pattern at 37.5%, while 31.7% of customers report purchasing daily.
• Approximately 75.0% of customers are either likely or very likely to continue purchasing from the store, reflecting a generally favourable retention intention.
• Product quality records the highest weighted mean among the twelve factors, identifying it as the strongest perceived contributor to retention.
• Intention to continue purchasing receives one of the highest mean scores, supporting the positive retention pattern observed in the behavioural analysis.
• Grocery stores form the largest business category at 30.0%, followed by textile shops at 26.7%.
• WhatsApp is the leading communication channel at 46.7%, followed by social media at 23.3%.

SUGGESTIONS

1. Maintain consistent product quality because it emerged as the strongest factor associated with customer retention.
2. Improve service delivery by training employees in courteous communication, product knowledge, responsiveness and customer assistance.
3. Introduce simple and attractive loyalty schemes with useful rewards, discounts or repeat-purchase benefits.
4. Maintain customer information systematically to understand purchasing patterns and respond more effectively to customer requirements.

CONCLUSION

The study concludes that long-term customer retention is unlikely to depend on one isolated initiative. Sustainable relationships are more likely when retailers consistently provide reliable products, dependable service, fair value, responsive complaint handling, meaningful loyalty benefits and relevant customer communication.