

IMPACT OF MARKETING STRATEGY ON CUSTOMER RETENTION IN HANDLOOM INDUSTRY

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ABSTRACT: Marketing strategies and customer retentions occupy predominant place in marketing literatures. This research attempts to know the relationship between marketing strategies and customer retention in handloom industry. This study selected a non-probability sampling technique i.e. convenience sampling to collect data from a sample size of 100 customers. The method of data collection is based upon questionnaire. Results revealed that all the items had alpha values more than 0.7 which assures the test reliability of items taken into this study. In this study, correlation is used to know the relationships between marketing strategies such as product, price, place & promotion and customer retention. It has been identified that correlation coefficient of product was 0.795. There is strong positive relationship between people and customer satisfaction. It can also be recognized that this dimension has highest value of person correlation when compared with other variables. Correlation coefficient of Promotion was 0.577. There is strong positive relationship between product and customer retention. Correlation coefficient of price was 0.492. There is moderate positive relationship between above price and customer satisfaction. As well as, correlation coefficient of place was 0.369. There is moderate positive relationship between place and customer retention. Results of multiple linear regression analysis revealed that value of adjusted R square equals 0.728 explaining around 73% of variation. Marketing mix such as product, price, place and promotion explain around 73% of variation on customer retention.

Keywords: Customer Retention, Handloom Industry, Marketing Strategy.

1. INTRODUCTION

Marketing Strategies is one of the most important factors associated with the desirable business outcome in a competitive market place. It is the most essential factor that is required to product sustainability in a competitive market place (Alvdary, 2007). Customer retention is the activity that a seller undertakes so as to reduce customer defections. It is all about attracting the right customer, getting them to buy often and in higher quantities and to bring you even more customers (Anderson & Narus, 1998). Customer retention can be seen as the mirror image of customer defection. Customer retention, simply defined, is the ability for a company to keep its existing customers. It is the measure of a company's ability to provide enough value with its products or services for customers to keep them coming back (Leverin & Liljander, 2006). Customers will have unique expectations from handloom industry. These expectations should always be satisfied by the handloomers. According to that, the customer retention is most important to the handloom sector in Sri Lanka. Sri Lanka's handloom industry is a highly labor intensive, export oriented rural based industry. It demonstrates excellent fabric handling properties partly due to its weaving method. The fabrics presently manufactured in Sri Lanka are mostly of cotton with relatively small quantities of rayon, and polyester cotton. The output of the handloom sector can be estimated at less than 10% of the production of textiles for the domestic market. Currently, the handloom industry provides a range of fabrics for the local and international markets. The items manufactured include bed linen, table and kitchen linen, towels, upholstery fabrics, curtaining, sarees, sarongs, dress materials, soft toys, tapestries and other allied products. To improve the current

situation of handloom sector and to make the sector more competitive in current scenario, where market situation are changing very fast it is very necessary to design appropriate marketing Strategies.

STATEMENT OF THE RESEARCH PROBLEM

Surveys found that the major problem facing handloom industry is insufficient promotion and advertisement of Handloom (Ismail, 2013). Handloom sector is far lagging behind in promotion and advertising of its product as compared to the textile sector. Generally, the promotion is only through exhibitions and fairs with limited outlets. Hence, the customer purchases only when available and switches to the other competing product when it is unavailable. Therefore, this sector needs a continuous promotion and regular advertising campaign to have a durable and effective impact of the handloom products on the customer (Ismail, 2011a & 2011b). The handloom is famous for the production of the finest quality of cloth. It uses the unique selling proposition in many cases like carpets, furnishings and fine designs. But the quality and standardization of the product is not regularly mentioned. Hence a procedure is needed for checking the quality standards of the products like durability, shrinking etc., So that the customer is assured about this. Also, the fields of marketing of handloom products, which are mostly, exist. There are few challenges for handloom because of changing market environment like globalization, industrialization and mechanization. Timely intervention from handloomers is required for a bright future in the handloom sector (Ismail, 2012). So, these are the main issues facing in the handloom industry. That is why the marketing Strategies of product, price place, and promotion crucial factors that needs to be examined to determine their effect and relationships with customer retention of Handloom industry (Ismail, 2014). The variables concerned are marketing Strategies and customer retention for handloom industry. Few researches have been done on marketing Strategies and customer retention individually (Ismail, & Velnampy, 2013). There is a need to link the gap between these two variables. This research study will attempt to address the gap and identify the marketing Strategies element and its effect on customer retention for handloom industry. In other words, the study will attempt to identify and link the cause and effect of marketing Strategies between customer retention for handloom industry.

RESEARCH QUESTION AND OBJECTIVE

From the above stated problem, the research question is asked “whether there relationship exists between marketing strategies and customer retention in handloom industry?”. This research question is translated into research objective as “to know the relationship between marketing strategies and customer retention in handloom industry”.

SIGNIFICANCE OF THE STUDY

Marketing Strategy is a process that can allow an organization to concentrate its limited resources on the greatest opportunities to increase sales and achieve a sustainable competitive advantage (Ballantyne, 2000). Thus, findings of this study may conclude appropriate marketing strategies for Handloom Industry. There are enough studies with respect to marketing strategies alone. But, there are lack of studies that test the relationship between marketing strategies and customer retention (Berry, 1995). Thus, this study motivated the researchers to carry out this study. Thus, marketing strategies should be centered on the key concept that

customer retention. Realising this fact, this research is conducted to know the relationship between the marketing strategies and customer retention for handloom (product, price, place, promotion). Customer retention is also generally assumed to be a significant determinant of overall satisfaction, intention to recommend, perceived value for money and intention to repurchase (Booms & Bitner, 1981). Therefore, focus on customer retention is rooted in contemporary managerial tool for handloom industry. The Srilankan handloom products have a distinct place in the world of fabrics. This is not just a cloth material or traditional wear; it is symbolic to the Sri Lankan civilization, which is one of the oldest on the planet. The situation of the Srilankan handloom industry is one the most important sector for economic development to the country. Hence considering about Eastern Province (Specially Ampara District) it can be identified that still the marketing Strategies in Handloom industry are to be improved. Further Ampara district people are having low-level income and they have lack of knowledge in understanding about marketing Strategies.

2. REVIEW OF LITERATURE

Literature is reviewed into three parts such as introduction to handloom, marketing strategies and customer retention. For the first instance, introduction about handloom is reviewed. In case of Handloom, Nayak (2009) studied about “Hard Times for Indian Textiles” referred to the challenges of competitiveness of the Indian textile industry reeling under the pressure of the global financial crunch and to the exporters, who were already suffering from the appreciation of the Rupee since January 2007. High inflation rates and slow industrial growth were discussed as the reasons for the textile exporters being in a difficult state. Bilalis (2006) studied about an analysis of European textile sector competitiveness and discussed the challenges to the European Textile sector and its competition with the exports of new industrialized countries whose low wages and social charges give them a considerable competitive advantage. The analysis is based on industrial excellence IE model developed by INSEAD. Quality, flexibility, supply chain management, strategy formulation and strategy implementation were observed as key indicators of textile sectors. Ogunnaike (2010) studied Nigerian Perceptions of locally made textile products of Kaduna State and mentioned local textile company. This study identified some perceptual variables affecting buying behaviour and explores influence of marketing strategies on consumer perception.

Following the introduction of handloom, marketing strategies such as product, price, place and promotion are reviewed. The Chartered Institute of Marketing define marketing as “the management process responsible for identifying, anticipating and satisfying customer requirements profitably”. Product refers to physical product or services that should be based on customer needs and demands and to provide for more comfort and yet be necessary Improve the quality of existing services to be performed. Two factors should be considered in product (Ali Pur & Kvarvyy, 2009). Price refers to that consumers use price as an important extrinsic cue and indicator of product quality or benefits. High-priced brands are often perceived to be of higher quality and less vulnerable to competitive price cuts than low-priced brands (Blattberg & Winniewski 1989; Dodds, Monroe & Grewal 1991; Kamakura and Russell 1993; Milgrom & Roberts 1986; Olson 1977). Therefore, price is positively related to perceived quality. Rao & Monroe (1989) show that a positive relationship between price and perceived quality has been supported through previous research. Place is one of the important strategy of marketing which has lot of implication for Handloom sector.

Place is not only point where customer purchase the product, but this also includes the route through which product has travelled to reach the end customer. In case of handloom this route or channel has lot of bottleneck for healthy growth of business. Promotion is one of the marketing strategies and it is very important to the business environment. Promotion is also one major reason where handloom sector lacked behind and pushed out of competition. According to Alma (2004), marketing campaign is a form of marketing communication is a marketing activity that tries to spread information, influence, persuade, and / or remind the target market or company and its products to willing to accept, buy and loyal to the products offered by the company concerned.

At last, customer retention is reviewed. Many companies realize that customer retention is extremely important. They recognize that losing valued, loyal customers is bad for the company's long term revenue potential and overall success. Even though this is understood on a basic level, few companies – especially those companies providing a service – seem to misunderstand what losing a single customer can mean to their business. So, customer retention is very essential for some reasons such as increased revenue, lower customer acquisition costs and increased referrals. This study developed a conceptual framework which is depicted in Figure 1.

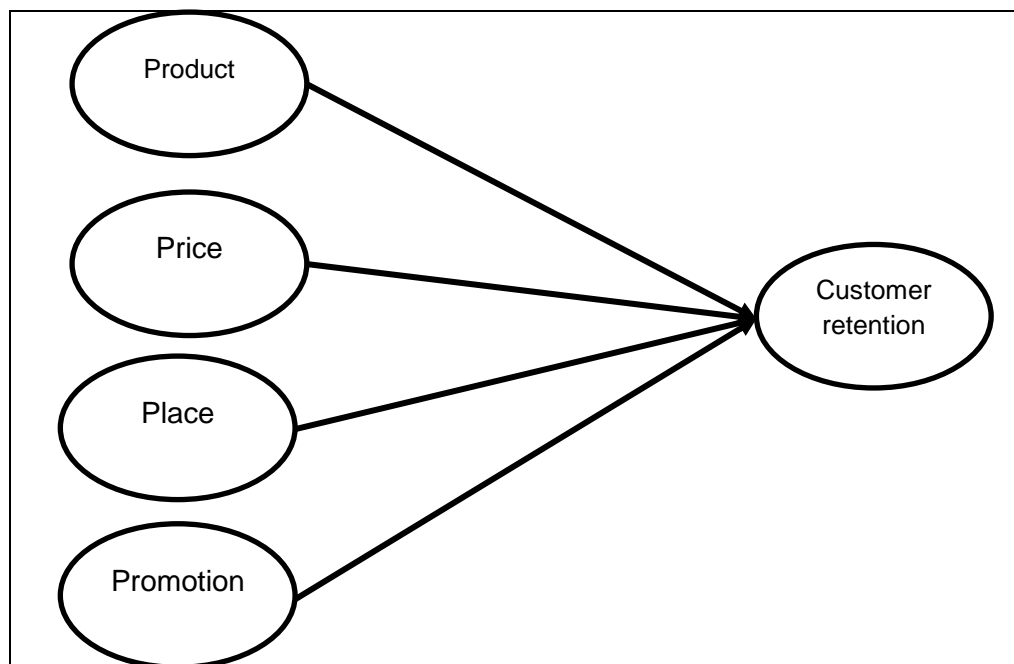


Figure 1. Conceptual framework

Hypotheses Development

From the above conceptual framework, the following four null hypotheses have been developed to know relationships between marketing mix and customer retention.

Null hypotheses: There are no relationships between product, price, place & promotion and customer retention

Alternative hypotheses: There are relationships between product, price, place & promotion and customer retention

3. METHODOLOGY

Population and sample size

Population refers to all the handloom industry users in Ampara District, Eastern Province, Sri Lanka. There are no correct figures of handloom users. This situation blocked the researcher to select the probability sampling technique. Thus, researcher selected a non-probability sampling technique i.e. convenience sampling to collect data. Sample size was 100 customers.

Method of collecting data

The method of data collection is generally based primary data that are obtained from questionnaires. Questionnaire consisted of two main sections. The first section was for acquiring personal detail of customers (employment, gender, age, civil status and income level). Second section of questionnaire consisted of questions regarding marketing strategies and customer retention using a five point likert scale.

Method of data analysis

This research analysed data using correlation and regression analysis. Researcher used SPSS that has a version of 22.0 for data analysis.

4. RESULTS AND DISCUSSION OF FINDINGS

Cronbach's alpha and reliability test

This test allows studying the properties of measurement scales and the items that compose the scales. The reliability analysis procedure calculates a number of commonly used measures of scale reliability and also provided information about the relationships between individual items in the scale. All the items had alpha values more than 0.7. It assures the test reliability of items taken into this study.

Correlation Analysis

In this study, correlation is used to know the relationships between marketing strategies such as product, price, place & promotion and customer retention. Literatures found that correlation coefficient may vary between -1 to +1. Therefore relationship can be evaluated by following decision rules. Correlation analysis is performed in order to identify the relationship between the marketing strategies and customer retention. Table 1 tabulates correlation between customer retention and each marketing strategies.

From Table 1, it can be identified that correlation coefficient of product was 0.795. There is strong positive relationship between people and customer satisfaction. It can also be recognized that this dimension has highest value of person correlation when compared with other variables. Correlation coefficient of Promotion was 0.577. There is strong positive relationship between product and customer retention. Correlation coefficient of price was 0.492. There is moderate positive relationship between above price and customer satisfaction. As well as,

correlation coefficient of place was 0.369. There is moderate positive relationship between place and customer retention. Table 2 also shows the acceptance and rejection of hypotheses.

Table 1. Correlation between the Customer retention and each marketing strategies

		Customer retention	Product	Price	Place	Promotion
Pearson Correlation	Customer retention	1.000	0.795	0.492	0.369	0.577
	Product	0.795	1.000	0.366	0.333	0.369
	Price	0.492	0.366	1.000	0.226	0.560
	Place	0.369	0.333	0.226	1.000	0.168
	Promotion	0.577	0.369	0.560	0.168	1.000
Sig. (1-tailed)	Customer retention	.	0.000	0.000	0.000	0.000
	Product	0.000	.	0.000	0.000	0.000
	Price	0.000	0.000	.	0.012	0.000
	Place	0.000	0.000	0.012	.	0.047
	Promotion	0.000	0.000	0.000	0.047	.
N	Customer retention	100	100	100	100	100
	Product	100	100	100	100	100
	Price	100	100	100	100	100
	Place	100	100	100	100	100
	Promotion	100	100	100	100	100

Table 2. Summary table of hypothesis

Hypothesis	Null hypothesis	Alternative hypothesis
There is a significant relationship between product and customer retention	Rejected	Accepted
There is a significant relationship between price and customer retention	-do-	-do-
There is a significant relationship between place and customer retention	-do-	-do-
There is a significant relationship between promotion and customer retention	-do-	-do-

Multiple Linear Regression Analysis

This study presents outputs of regression analysis. Model summary table is presented in table 3. Coefficient of determination is denoted by adjuster R Square. Here it shows the value of 0.728. It explains 73% of variation is explained by the model. So here the out of total variation, explained variation is 73% and unexplained variation is 27%. The explained variation is significantly higher than the unexplained variation. So, model is best fitted.

Table 3. Model summary of multiple regression analysis

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df 1	df 2	Sig. F Change
1	0.860	0.739	0.728	0.2690	0.739	67.157	4	95	0.000
a. Predictors: (Constant), Product, Price, place, promotion									
b. Dependent Variable: Customer retention									

Analysis of variance shows sums of square, degrees of freedom, means sums of squares, F statistics and sig. values. Analysis of variance is tabulated in Table 4.

Table 4. Analysis of variance

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	19.437	4	4.859	67.157	0.000
	Residual	6.874	95	0.072		
	Total	26.310	99			
a. Dependent Variable: customer retention						
b. Predictors: (Constant), product, price, place, promotion						

According to the table 4, it can be identified that 19.43% variance was explained by regression and 6.87% was explained by residual. It can be identified that F value was 67.16 and it suggested that most of the variance explained by model because calculated F value was greater than table F value. P value 0.000 suggested that test was highly significant and overwhelming evidence to say that there is relationship between marketing mix and customer retention.

Unstandardised beta coefficient values for marketing mix such as product, price, place and promotion are revealed in table 5.

Table 5. coefficient table

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error			
1	(Constant)	0.788	0.249		3.167	0.002
	Product	0.439	0.042	0.630	10.511	0.000
	Price	0.078	0.062	0.083	1.270	0.207
	Place	0.101	0.061	0.093	1.664	0.099
	Promotion	0.202	0.046	0.282	4.361	0.000

These are the beta coefficients, one to go with each predictor. Unstandardized coefficients are used because (beta zero) is included. Based on this table, the equation for the regression line is;

$$CR = 0.788 + 0.630(\text{product}) + 0.083(\text{price}) + 0.093(\text{place}) + 0.282(\text{promotion})$$

Eq.(01)

With respect to Multi- collinearity, Gujarati (1995) advocated that Variation Inflation Factor (VIF). In this study, VIF for regressors are below 10. Similar ideas are also highlighted by Kleinbaum, Kupper and Muller (1988) in their book of “Applied Regression Analysis and other Multivariate Methods”.

5. FINDINGS AND CONCLUSIONS

According to the correlation coefficient analysis, it can be identified that there is strong positive relationship between product and promotion with customer retention. Furthermore, it can be recognized that product had highest value of correlation coefficient when compare with price, place, and promotion. Finally, it can be concluded that there have product and price strong positive relationship with customer retention and product is most effective factor of customer retention. When considering about the p value of product, price, place, promotion, it can be identified that p values of all four dimensions were 0.000. It implies that that all tests were highly significant and overwhelming evidence to say there is relationship between above each dimensions and marketing strategies. According to the multiple regression analysis it can be identified that there is positive relationship between products, promotion, with customer retention. Furthermore it can be recognized that people as most effective type of marketing strategies provided by handloomers towards customer retention in Ampara district

LIMITATIONS AND DIRECTIONS FOR FUTURE RESEARCHER

Data collected for this research was based on a questionnaire. Hence, using only questionnaire method may not be sufficient. Sometime different outcomes can be, achieve from non-questionnaire method. Another limitation of scope is that this study is concerned with only Ampara District handloom customers. Only four marketing strategies elements (product, price, place, promotion) are used in this research but other marketing strategies elements are not considered. Future researches can be done on similar subject domains by avoiding all the shortcomings.

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