

# Relationship between customer satisfaction and customer loyalty in the retail sector

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## Abstract

This article delves into the relationship between customer happiness and customer loyalty in the retail business. It's about understanding how satisfaction impacts consumers' intention to refer, their loyalty to retail companies, and their repeat purchase behaviour. Determining what makes customers loyal has grown in importance in today's cutthroat retail industry as customer retention becomes a top strategic priority. The research is based on quantitative methods, and the main data came from retail customers who filled out organised questionnaires. The Likert scale is a useful tool for measuring customer satisfaction and loyalty along several dimensions, including product quality, price, service quality, and the store environment. It also measures intent to repeat purchase, preference for a particular brand, and word of mouth recommendation. Descriptive statistics, correlation, and regression are some of the statistical tools used to examine the data and find any relationships between the variables. The results demonstrate a positive and robust relationship between customer satisfaction and customer loyalty, suggesting that higher customer satisfaction levels result in improved customer retention and promotion. It seems like the most compelling variables influencing happiness and, by extension, loyalty are product value and service excellence. Along with price and emotional attachment, the study found that they play a moderate role in customer loyalty. Retailers may strengthen their long-term connections with consumers by consistently offering high-quality customer experiences, as highlighted by these studies. Retail managers and marketers may use the research to their advantage by adding to our understanding of consumer behaviour in retail settings and improving their capacity to develop customer retention strategies.

**Keywords:** Customer Satisfaction, Customer Loyalty, Retail Sector, Consumer Behavior, Service Quality, Customer Retention, Brand Loyalty

## 1. Introduction

The retail business has been undergoing profound transformation in recent years due to increased competition, shifting customer preferences, and the meteoric rise of both organised and unorganised retail (Ryu, K. 2020). In such a fast-paced industry, merchants are always trying to figure out how to stand out and maintain long-term growth. Businesses in this sector rely heavily on happy and loyal customers to continue doing business with them. It is now common practice to utilise customer satisfaction as a key performance indicator to evaluate how well a company's products and services meet or exceed consumer expectations (Rather, R. A. 2021). Loyal customers are less price sensitive, more likely to buy, and generate positive word-of-mouth, therefore fostering their loyalty has become a strategic aim. A fundamental tenet of marketing and consumer behaviour research is the importance of happy and loyal

customers (Sharma, S. 2020). Satisfied customers are more likely to invest in a brand, which increases the likelihood that they will remain loyal over time. However, in retail, where clients are frequently presented with a multitude of alternatives and promotions that can influence their purchasing behaviour, such a direct association is not necessarily so evident (Wang, X. 2020). Therefore, in order for merchants to gain a lasting competitive edge, they need to know how much customer happiness affects loyalty.

Retail businesses benefit from customer loyalty as it is often less expensive to keep an existing client than to get a new one (Choi, L. 2020). In addition to assisting in the achievement of consistent income streams, loyal consumers also act as brand advocates, which in turn reduces marketing expenditures. excessive customer satisfaction ratings are vital, but most stores have struggled to maintain them due to issues including inconsistent service quality, excessive prices, and a lack of personalisation (Khan, I. 2021). Because of this, it's crucial to think carefully about what makes people happy and how it affects their loyalty. The primary objective of this study is to investigate whether or not there is a correlation between happy customers and loyal shoppers in the retail sector (Rahman, Z. 2020). This study will focus on three main areas: customer happiness, the variables that influence it, and the extent to which these elements contribute to customer loyalty. The goal of the study report is to help shops enhance their customer connection processes by providing valuable insights in these areas. Ultimately, understanding this connection can aid companies in formulating better plans to boost consumer satisfaction, foster loyalty, and endure in a cutthroat retail industry (Aggarwal, A. G. 2022).

## 2. Literature Reviews

**Yadav, N. (2021)** shown beyond a reasonable doubt the existence of a theoretical connection between happy customers and loyal ones, while emphasising that the former is a necessary but not sufficient condition for the latter. Loyalty, according to Oliver's theory, is the conviction to continue making frequent purchases of a beloved good or service. Customer commitment grows over time as a result of pleasant experiences, since his model identifies four stages of satisfaction (cognitive, emotive, conative, and action loyalty). This indicates that consumers are more likely to become repeat shoppers in a retail setting if they are consistently provided with high-quality and value-added products. However, as Oliver also mentioned, factors beyond of the couple's control, such as rival offers or the effects of external events, might strain this bond. The significance of this study lies in the fact that it presents a multi-stage dynamic process rather than the simplistic view of happiness resulting in loyalty. Customers' expectations are always evolving, making this perspective particularly relevant to modern retail centers. In order to understand how merchants may strategically maximise customer happiness and establish long-term loyalty, the research provides a sound theoretical basis.

**Mubarak, M. S. (2020)** the American Customer Satisfaction Index (ACSI), a tool for measuring the relationship between happy customers, repeat business, and financial success. According to the study's findings, customer happiness significantly influences retention and price sensitivity, which in turn influences loyalty. Given the prevalence of alternatives and price competition in the retail industry, this connection takes on added significance there. Loyalty outcomes, such as repeat purchases and good word-of-mouth, are influenced by customer satisfaction, which in turn is influenced by consumer expectations, perceived quality, and perceived value, according to the ACSI model. Furthermore, studies show that consumers are less likely to switch brands when they are happy with the service they receive, regardless of how little the price difference may be. Provided a quantitative methodology of assessing satisfaction

and its correlation with financial performance metrics, the study is essential because of this. It lends credence to the idea that investing in happy customers is a smart move for retailers' bottom lines and competitiveness in the long run.

**Hemsley-Brown, J. (2020)** looked into how service quality may influence happy and loyal customers. Their efforts resulted in the SERVQUAL model, which categorises service quality according to five main characteristics: responsiveness, assurance, tangibles, empathy, and dependability. According to the study's findings, client loyalty rises in tandem with customer happiness and the level of service provided. Because of the importance of direct interaction with consumers, service quality is a competitive differentiator in the retail sector. Even a small service failure can have a big impact on customer happiness and loyalty, as the authors have pointed out. Customers see service in a holistic way. The study also noted that devoted consumers are less likely to be hostile to rivals and more likely to participate in good word-of-mouth. Retail businesses who want to increase customer loyalty through superior service may find this study particularly useful. In order to build lasting connections with consumers, it stresses the need of educating employees, maintaining service consistency, and focusing on the client.

**Söderlund, M. (2020)** studied the non-linear relationship between happy customers and repeat business. The study's authors found that satisfaction's effect on loyalty varies with satisfaction level and is not always linear. While little improvements in satisfaction may not seem to matter much at lower levels of loyalty, they can make a big difference in customer retention at higher levels. Because of the high levels of competition and consumer expectations in the retail sector, this insight is particularly relevant there. Also, because they have a stronger connection to the brand, pleased customers are more tolerant of price increases and service failures, according to the study. The importance of customers' expectations and perceived value in deciding satisfaction level was also highlighted in the study. This study contributes to the current body of knowledge by providing a more nuanced understanding of the connection between customer happiness and loyalty; this understanding can encourage businesses to aim for exceeding customers' expectations rather than settling for mediocrity.

### 3. Methodology

#### 3.1 Research Design

In order to investigate the link between happy customers and loyal shoppers, this article will use a descriptive and analytical research strategy. The descriptive part helps figure out how satisfied and loyal retail customers are right now, and the analytical part finds out what kind of link there is between the two factors. Because it allows for the systematic measurement and statistical analysis of customer answers, quantitative research methods are commonly used. The study is cross-sectional since it only collects data from a subset of the population at a single point in time. The design is appropriate because it paints a picture of how customers feel and what they do without requiring extensive long-term observation. The use of structured questionnaires improves reliability and comparability by ensuring data gathering is standardised. There will be some substantial findings about the satisfaction-loyalty link, and the research strategy will generally be suitable for testing hypotheses.

### 3.2 Data Collection

Primarily, the study relies on primary data collected through structured questionnaires sent out to retail consumers. The intended audience consists of shoppers who frequent various types of retail establishments, including grocery stores, department stores, and convenience stores. Respondents are easily accessible, which is why the non-probability convenience sampling approach is used. In order to conduct statistical analysis and generalisation with a small sample size, it is anticipated that the study will include 150-250 participants. The survey will enquire about basic demographic information like age, gender, and income level in addition to more complex topics like customer happiness and loyalty. In order to get a more representative sample of the population and more varied answers, we use both online and offline methods to gather data. Before it is given to the general public, the questionnaire is pilot tested on a small subset of the population to remove any room for confusion and improve clarity. The reliability and validity of the collected data would be enhanced with this.

### 3.3 Measurement Instruments

A systematic questionnaire measuring the vital factors is used in the research. The questionnaire uses a five-point Likert scale, ranging from strongly disagree to strongly agree. Satisfaction with the store's atmosphere, pricing, products, and services, among other factors, serves as the independent variable. Indicators of consumer loyalty, which include intentions to buy again, recommendations, brand preference, and emotional investment, serve as the dependent variable. Each construct is measured using many elements to ensure it is covered extensively and accurately. So, the content validity will be assured because the questionnaire items are built on previously recognised scales that have been validated in the literature. An instrument's dependability may be ascertained by calculating its Cronbach's Alpha. An internal consistency value greater than 0.70 is considered satisfactory. To improve the validity of the study outcomes, standardised measuring instruments will be used to guarantee that the data acquired is reliable and can be further statistically evaluated.

### 3.4 Data Analysis Techniques

To evaluate the research hypothesis and explore the association between customer happiness and customer loyalty, the data is processed using relevant statistical procedures. To begin, the demographic profile and general replies of the respondents are summarised using statistics such as frequency, percentage, mean, and standard deviation. After that, correlations between variables are examined using inferential statistical tests. Correlation analysis is a powerful tool for determining the nature and direction of the link between customer pleasure and loyalty. Additionally, the relationship between customer happiness and customer loyalty is examined by regression analysis. Using these techniques, one may ascertain the relative weight and impact of the independent and dependent variables. In order to analyse and analyse data efficiently, statistical programs such as SPSS or Microsoft Excel are utilised. The results are presented in a way that is easy to understand and use, with supporting tables and figures.

## 4. Results

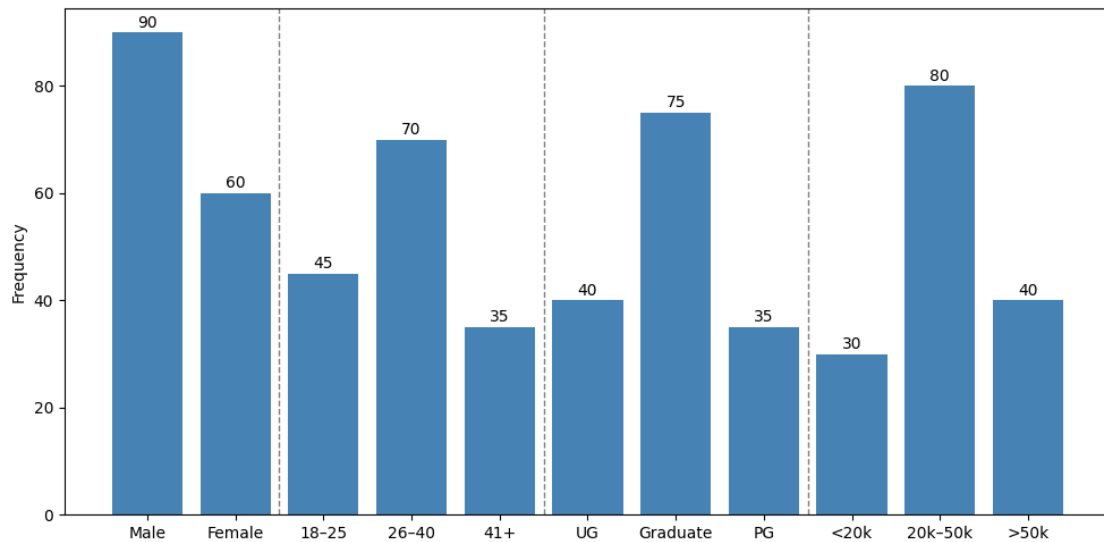
### 4.1 Demographic Profile of Respondents

For a better understanding of the sample composition, this section provides the demographic characteristics of the respondents. It is easy to understand consumer behaviour trends by analysing demographic characteristics such as gender, age, education level, and income. To ensure that the results are reflective of a varied range of retail consumers, the sample is intentionally heterogeneous. It is possible to generalise the results to a larger population because the data demonstrates that different demographic groups were well-represented.

A substantial proportion of retail buyers may be working professionals, as the majority of respondents are in the 26–40 age bracket. There are slightly more male replies, but otherwise the gender ratio is almost equal. There is an educated clientele because most of the participants have graduate degrees or beyond. There is a considerable dispersion of income levels, and respondents' purchasing power varies.

**Table 4.1: Demographic Profile of Respondents**

Variable	Category	Frequency	Percentage
Gender	Male	90	60%
	Female	60	40%
Age Group	18–25	45	30%
	26–40	70	46.7%
	41+	35	23.3%
Education	Undergraduate	40	26.7%
	Graduate	75	50%
	Postgraduate	35	23.3%
Monthly Income	Below ₹20,000	30	20%
	₹20,000–₹50,000	80	53.3%
	Above ₹50,000	40	26.7%



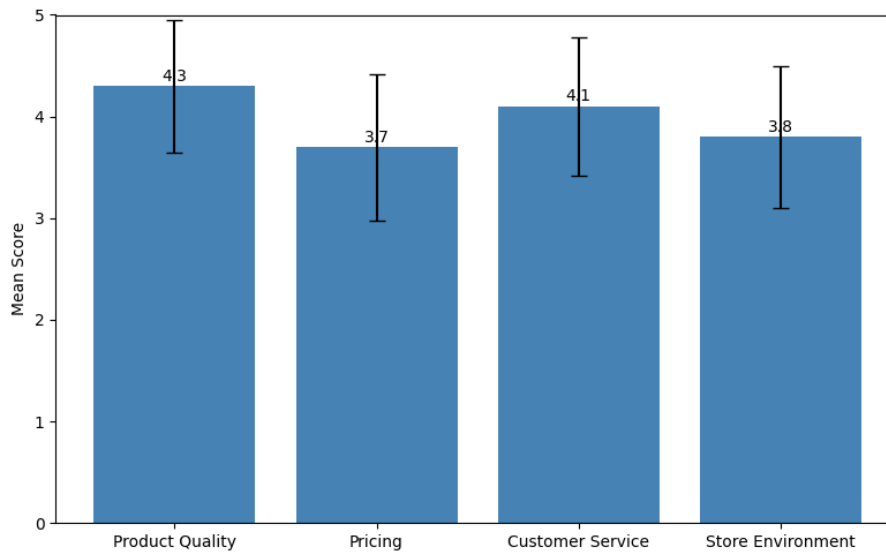
**Figure 4.1: Demographic Profile of Respondents**

## 4.2 Customer Satisfaction Analysis

Here we take a look at how happy customers are with the major features of the store. The store's ambiance, prices, customer service, and product quality are other indicators of consumer happiness. These factors significantly impact consumers' overall shopping experiences and their views of retail companies. Mean scores of the satisfaction-measuring Likert-scale replies form the basis of the analysis. Customers are quite pleased with the quality of the items offered by shops, as the findings demonstrate that product quality has the best mean score. The staff's demeanour and the effectiveness of service delivery are key factors in the good customer service ratings. Retailers may improve customer satisfaction by focusing on the somewhat high ratings in the areas of price and shop atmosphere. Customers are generally happy, according to the results, although the pricing methods and shop atmosphere might use some work.

**Table 4.2: Customer Satisfaction Factors and Mean Scores**

Satisfaction Factor	Mean Score	Standard Deviation	Interpretation
Product Quality	4.3	0.65	High Satisfaction
Pricing	3.7	0.72	Moderate Satisfaction
Customer Service	4.1	0.68	High Satisfaction
Store Environment	3.8	0.70	Moderate Satisfaction



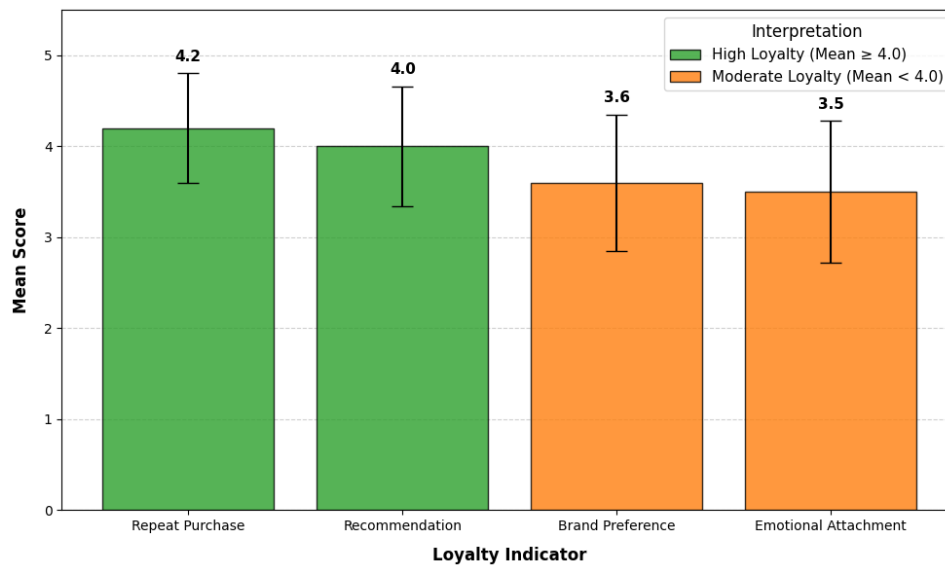
**Figure 4.2: Customer Satisfaction Factors with Standard Deviation**

### 4.3 Customer Loyalty Analysis

This section assesses consumer loyalty through the use of behavioural and attitude measurements, such as the following: emotional connection, brand preference, willingness to recommend, and intention to purchase again. Because loyal consumers are more likely to make repeat purchases and generate favourable word-of-mouth, they are essential to a company's long-term viability. To what extent are respondents loyal is determined by the mean scores. Customers who are happy with their purchases are likely to return to the same stores, as the results demonstrate a high mean score of repeat buy intention. Customers are eager to spread the word about their great experiences, which is supported by the high intention to refer. However, consumers' emotional attachment to and liking for brands are rated modestly, suggesting they are open to switching brands if better options are available. So, while loyalty in terms of actions is strong, loyalty in terms of attitudes may use some work.

**Table 4.3: Customer Loyalty Indicators and Mean Scores**

Loyalty Indicator	Mean Score	Standard Deviation	Interpretation
Repeat Purchase	4.2	0.60	High Loyalty
Recommendation	4.0	0.66	High Loyalty
Brand Preference	3.6	0.75	Moderate Loyalty
Emotional Attachment	3.5	0.78	Moderate Loyalty



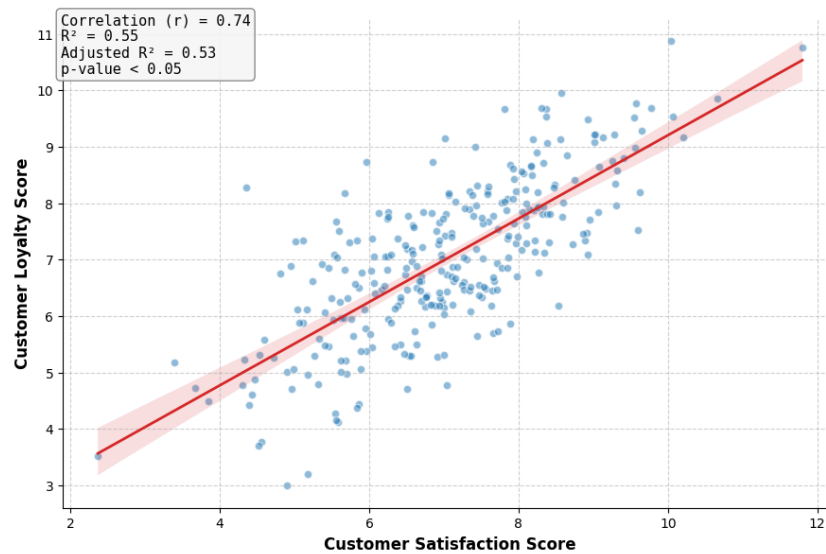
**Figure 4.3: Customer Loyalty Indicators and Mean Scores**

#### 4.4 Correlation and Regression Analysis

Here we will examine the relationship between customer happiness and customer loyalty via regression and correlation analysis. With the use of these statistical approaches, we can determine the direction and intensity of the relationship, as well as the capacity of customer pleasure to forecast loyalty. The study's theory relies on this link. According to the results of the correlation study, there is a positive link between customer pleasure and customer loyalty, implying that the former is directly proportional to the latter. client happiness is a strong predictor of client loyalty, as confirmed by the regression analysis. According to the R<sup>2</sup> value, levels of satisfaction account for a large portion of the variance in loyalty. This association is confirmed to be statistically significant using the significance level ( $p < 0.05$ ). These findings highlight the importance of customer happiness in the retail business for the establishment and preservation of client loyalty.

**Table 4.4: Correlation and Regression Analysis of Customer Satisfaction and Customer Loyalty**

Analysis Type	Variables/Model	Coefficient/Value	Additional Statistics	Significance (p-value)
Correlation	Satisfaction vs Loyalty	$r = 0.74$	Strong Positive Relationship	$< 0.05$
Regression Model	Satisfaction → Loyalty	$R^2 = 0.55$	Adjusted $R^2 = 0.53$	$< 0.05$



**Figure 4.4: Impact of Customer Satisfaction on Customer Loyalty**

## 4.5 Discussion

In the retail sector, this study's findings provide credence to the idea that happy customers are more likely to remain loyal customers. There is little doubt from the results of the regression and correlation studies that customer happiness directly correlates to loyalty behaviours, such as repeat purchases and good word-of-mouth referrals. Consistent with previous ideas that state that happy consumers are more likely to form lasting relationships with retail companies, this finding supports the primary hypothesis of the study. Product quality and customer service stood out among all the criteria that affected satisfaction, indicating their critical role in shaping consumer views and experiences. Although the impact of pricing and shop atmosphere was shown to be minimal, merchants should not overlook their significance in determining overall satisfaction levels. Further research on consumer loyalty reveals that behavioural loyalty, such as recurrent purchases, outshines attitude loyalty, which includes things like emotional attachment and brand preference. What this means is that consumers may be devoted to a store, but they may not have any strong feelings about it, making them readily swayed by superior offers. Retailers should aim to make customers feel something by tailoring their experiences and using relationship marketing tactics, in addition to delivering practical value. In order to achieve a lasting competitive advantage, retail businesses should take a holistic approach that includes quality, service, and customer-centric practices. The research shows that increasing customer satisfaction is the main factor that leads to loyalty.

## 5. Conclusion

client happiness is a key factor that determines client loyalty in the retail business, according to this paper's conclusion. Customers who are happy with their shopping experience are more likely to return, buy more, and tell their friends about the store, therefore the results show that there is a substantial positive correlation between consumer happiness and loyalty. According to the study's authors, product quality and customer service are the two most influential aspects of a successful business in shaping consumers' opinions and inspiring loyalty. Retailers would be foolish to ignore factors like price and shop atmosphere, which together comprise the consumer experience even though they have a minor impact. Additionally, the report highlights that while consumer behavioural loyalty is satisfactory, there is a need to strengthen

attitudinal loyalty, which encompasses emotional connection and brand commitment. What this implies for retailers is that they need to work on building deeper relationships with consumers by providing them with meaningful and engaged experiences, in addition to meeting their expectations. The study's shortcomings, such as its limited geographical coverage and small sample size, may affect the conclusions' generalisability, notwithstanding the study's merits. Research on the significance of digital and online purchasing places, as well as larger and more diverse samples, can help to further expand this in future studies. In sum, the study sheds light on the importance of customer-oriented strategies for businesses by showing how they may build loyalty and achieve long-term success.

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