

Impact of Customization on Customer Retention

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Abstract

Objective: The study aims to study the impact of customization on customer retention.

Research Methodology: The primary data was collected from guests visiting five star and five star deluxe hotel in NCR through a structured questionnaire and regression analysis was applied to examine the relationship.

Findings: The study found that there exist a positive relationship between customization and customer retention.

Proposed Utility: The study will help the hotels to understand the importance of the concept of customization or personalization in Hospitality Industry and its positive impact on customer retention.

Key Words: Customization, Customer Retention, Hospitality Industry

Introduction

Customization is not a recent invention rather it is an age old phenomenon like custom tailoring but service industry is using this concept in full swing today because of rapidly increasing competition, homogeneity and intangibility of products. It basically refers to offering a product or service to customer tailored in accordance to the peculiar needs and preferences. Every firm wants to make profits and for profitability customer retention is one of the very effective strategy as cutting costs or increasing sales is not a easy job. Loyalty of customers can be gained in many ways like delivering quality service, customer relationship management, customer satisfaction and also personalization or customization. Delivering what customer wants, the way he wants lead to establishment of a connect between the service provider and customer which can further or indirectly help in customer retention. Hospitality Industry which is selling intangible experiences to the customers can always gain a competitive edge over other by customization.

Review of Literature

Kown, K & Kim, C. in 2012 in his study on personalization stressed on the importance of customer satisfaction and customer retention in the era of aggressive competition. They connoted that in order to be competitive attaining customer retention is the goal of every firm and customization is one of the approach to reach the goal as it has a positive influence on customer satisfaction and customer retention.

Sashi, C.M. in 2012 in his study stated that due to increased involvement of customers in social media interaction between customers and companies has also expanded which helps in discovering the specific needs and preferences of customers . And further when products or services are customized it brings a personal character to it which helps in establishing a emotional bond with the customer.

Many studies like **Henseler, PSCJ.; Ball AD, Coelho PS, Vilares MJ.; Bock DE, Mangus SM, Garretson Fols JA(2016); Coelho P, Henseler J(2012)** have concluded through their studies that customization is more beneficial for service industry as personalized services are positively correlated with customer satisfaction and lead to higher customer loyalty.

Halimi AB, Chavosh A, Namdar J, Espahbodi S, Esferjani PS.(2011) and **Tong C, Wong SKS, Lui KPH.(2012)** in their studies highlighted the importance of customization in banking industry and its impact on customer loyalty and also connoted that “eoyalty” can be gained in case of online banking.

Lovelock & Wirtz in 2004 in similar context suggested that customization helps in establishing strong bond with the customers which further lead to gaining their loyalty.

Ball et al. (2006) in their study examined the relationship between service customization and customer retention and through their results proved that customization of services indirectly lead to customer loyalty. But there are some variables which play an intermediate role in between like customer satisfaction and trust. There is a lack of research on the direct relationship between customization and customer retention in Indian context. So, in this study a modest attempt has been made to identify the impact of customization on customer retention.

Research Methodology

Objective

The primary objective of the study is to examine the relationship that exists between customization and customer retention.

Data Collection

Secondary data has been collected by reviewing research papers, research articles, case studies, books, proceedings of the conferences etc. Primary data has been collected through a structured questionnaire which was pre tested. To achieve the objectives of the study the questionnaire has been divided into three parts. The first Part A has been made to collect the diverse demographic details of the respondents. Part B of the questionnaire comprises of the questions related to customization of products and services according to the needs of customers. Part C of the questionnaire consists of questions related to customer retention.

Survey Sample

The survey sample includes the guests visiting five star and five star deluxe hotels in Delhi and NCR. A total of 525 questionnaires were filled and used for data analysis.

Hypothesis

The objective of this study is to identify the relationship that exists between customization and customer retention in the hotel industry. To this end, two hypotheses have been developed:

H₀: There is no significant relationship between customization and customer retention.

H₁: There is a significant relationship between customization and customer retention.

Interpretation of Results

Table: 1

Model Summary of Regression between Customization and Customer Retention									
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	.430 ^a	.185	.183	.78933	.185	118.452	1	523	.000

a. Predictors: (Constant), customization

Results in table 1 indicate that there is a positive and significant relationship between customization and customer retention as the R value is .430 at F value of .000. R square value of .185 connotes that if the independent variable (customization) is increased then 18.5% chances of positive change in customer retention are there. The R square value which is not very high suggests that there are many factors in customer retention which play their roles in gaining the loyalty of customers and customization is one of those factors and has 18.5% chances of increase in customer retention due to customization.

Table: 2

Anova table of regression between customization and customer retention						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	73.800	1	73.800	118.452	.000 ^b
	Residual	325.849	523	.623		
	Total	399.650	524			

a. Dependent Variable: customer retention

b. Predictors: (Constant), customization

The relatively higher value of F 118.452 significant at the p value of .000 indicates that the model of relationship between the said dependent and independent variable is fit.

Table: 3

Value of Anova Coefficient of regression between customization and customer retention						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.648	.210		7.862	.000
	customization	.562	.052	.430	10.884	.000

a. Dependent Variable: customer retention

From the resulting values in the above table in which the constant value is 1.648 and customization coefficient is .562. So, the regression equation comes out to be

$$\text{Customer retention} = 1.648 + .562 (\text{customization})$$

Therefore, null hypothesis H01 is rejected and the alternate hypothesis H1 is accepted that there exist a positive relationship between customization and customer retention.

Conclusion

The study above in context with the previous studies concludes that there is a positive relationship between customization and customer retention. Customizing or personalizing the services by Five Star Hotels can be very beneficial to gain the loyalty of customers. There is a crucial need to retain customers in Hospitality Industry because of the rigorous and rivalry competition and one the effective ways to retain them is by understanding their needs and wants and molding the services accordingly.

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