CUSTOMER LOYALTY AND EMPLOYEE ENGAGEMENT: AN EMPIRICAL STUDY IN RETAIL INDUSTRY

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ABSTRACT

A study was done in the retail industry in the Delhi NCR region to ascertain the associations between staff engagement and customer commitment, service excellence, and customer pleasure.The sample size for the current study, 251, which was obtained with the aid of a suitable sampling technique, has several phases in the research design. The LIKERT Scale (1–5) was used in the development of the online survey questionnaire to examine the correlations between different aspects of staff engagement and customer loyalty. According to the findings, customer satisfaction is the most crucial consideration when dealing with employees, and customer loyalty is a reflection of a good or bad relationship with a customer's affirmative commitment.Additionally, this study supported the notion that customer pleasure, service excellence, and customer positive commitment are all directly related to customer loyalty.

Keywords: Customer loyalty,Employee engagement, retail industry,service quality, customer satisfaction.

INTRODUCTION

The Indian retail market is currently worth $500 billion and is expanding quickly at a rate of about 20% annually. Retail is the second-largest employer after agriculture. Only the retail sector saw job chances increase by more than 35 million. India's retail market is divided into two categories: organized and unorganized. Retailers are considered to be involved in organized retailing if they are registered to collect sales taxes, income taxes, and other taxes. Several instances of organised retailing include supermarkets, retail chains, and huge individually owned retail businesses. The most prevalent unorganised retailing forms include neighbourhood Kirana shops, proprietor-managed general stores, street sellers, convenience stores, and others.

On the other hand, the modern opinion holds that traditional markets have paved the way for the expansion of department stores, supermarkets, and specialty shops. Buying branded goods and doing your shopping in malls are both growing in popularity. Despite this, between 95 and 97 percent of the Indian retail market is controlled by the unorganised sector. This is a result of the sector's extensive rural penetration and the profusion of mom-and-pop shops in cities.

Industry Trends in Retail
 ❖ The organised retail industry is booming, thanks in part to the development of mega malls and hypermarkets.

- ❖ Young people's purchasing power is growing. India has a sizable youth population.
- ❖ Access to low-interest, quick loans is easier to come by, and customer credit is more widely available.
- ❖ The views of consumers are changing. Low pricing and vast volumes are no longer as important to consumers as improved quality and satisfaction.
- ❖ Customers are well-aware of brands.

Retail market segments and Opportunity range

- ❖ **Retail food and grocery:** The Indian food market is mostly disorganized. Indian households spend more than any other in the world on food items. Rapid urbanization and consumerism have created a wealth of latent potential that needs to be investigated.
- ❖ **Apparel:** Clothing demand is rising between 40% and 45% annually, especially for western clothing. Fashionable clothing that is readily available, reasonably priced, and offers value-added benefits are essential ingredients for this market segment's success.
- ❖ **Beauty and wellness:** A local pharmacist mostly holds the position of pharmacy retailing in India. However, brand-new drugstores like 98.3 are opening up and selling medications as well as health and beauty care items.
- ❖ **Consumer durables**: These are predicted to expand at an 18% annual rate, with a market value of US $6.5 billion.
- ❖ **Furniture and furnishings:** These have recently started to appear in hypermarkets and specialized shops, which is a trend among modern retailers. In this market, local retailers compete ferociously.

EMPLOYEE ENGAGEMENT

The trust, honesty, commitment to teamwork, and communication amongst members of a business are the cornerstones of employee engagement.It's a tactic that boosts organisational and individual performance, productivity, and wellbeing, assisting businesses in succeeding. It is quantifiable. From being below average to being excellent. It can be raised and considerably increased or it can be wasted and thrown away.

Employee engagement can be crucial to a company's success given the clear connections between job satisfaction and morale among workers. Effective communication is necessary for employee engagement. More engaged workers are more likely to be productive and generate higher-quality work. They frequently exhibit greater commitment to the goals and tenets of the organization.Clearly defining expectations, praising and recognising great work, educating employees of the company's accomplishments, and providing frequent feedback are just a few ways employers can improve employee involvement. Instilling a sense of respect and worth in employees as well as paying attention to and comprehending their viewpoints are additional strategies. Employees that are engaged in their job feel that it matters, that their bosses respect and support them, and that they are held accountable for the company's success.

Employee involvement has been a component of management philosophy since the 1990s, and it became more widespread in the 2000s. The profitability and financial health of a firm have been shown to directly correlate with employee engagement, despite the doubters who typically point out how challenging it may be to evaluate.

Factors Affecting Employee Engagement

Nearly every aspect of management has some connection to employee engagement. Despite the lack of sufficient data to support a direct connection, several criteria suggest an indirect connection. Similar associations have been established between traits like motivation and hygiene and workforce management. In fact, it has been established that they are reliable and consistent measures of employee involvement and engagement in their jobs.

An individual's level of participation is influenced by motivational components, which are innate characteristics. The psychological needs of an individual, such as those for competence, a sense of success, personal and professional advancement, and organisational position, can be met by them. Psychological fulfilment is a key component in assessing a person's commitment and devotion to their job and the company at every stage of their career. Sanitary circumstances, on the other hand, are seen as the exterior aspects that encourage employees to do their best effort and feel devoted to their work. A number of variables, including as the work environment, company culture, pay, benefits, and relationships with coworkers, direct reports, and superiors, have an impact on employee retention and career advancement.

❖ MotivationalElements

I. **Recognition:** Recognizing and rewarding employees' efforts is an organization's principal responsibility. It should collaborate with its HR department and a reputable management consultancy to create a reward and recognition programme that is clearly defined.

II. **Employee Empowerment:** Employees should have the autonomy to decide on matters relating to their jobs on their own. This makes it possible for them to complete the task as quickly as possible. Additionally, this gives children the chance to exercise their creativity and complete a task in a distinctive manner.

III. **Career Progression:** Organizations that can help people advance their careers attract talent. Companies must have systems in place for employee promotion that is precise and well-defined.

IV. **Personal and Professional Growth:** This motivates employees to go above and above and do their best work. If people can see their own personal and professional development within the company, they will stay and experience a sense of belonging.

V. **Interesting and Challenging Work:** Employees must be given different responsibilities at various times. Employers should make an effort to provide employees difficult, unusual tasks that will inspire them to attempt something new and feel accomplished.

VI. Sense of**Achievement:** Not to mention, when someone feels like they have accomplished something, they feel psychologically satisfied. Employees can feel this way if their managers appreciate and recognise their work.

❖ **Hygiene Factors**

I. **Pay and Benefits:** Offering competitive pay and benefits is the first step in attracting top personnel and keeping them actively involved in the workplace.

II. **Job Security:** People only want to associate with businesses where they can be sure of a job. Because they offer greater salary, job security, and working conditions than government-run businesses, highly productive and well-known private businesses are far more well-liked.

III. **Peer, subordinate, and senior relationships:** Belonging and being belonged to are essential human desires. Having cordial interactions with coworkers helps to foster a positive work

environment. In order to finish a task as quickly as possible, employees don't hesitate to offer or ask for help from others.

IV.   **HR Policies and Procedures:** A company's HR policies and practises disclose a lot about how it conducts business. Companies with clearly defined HR practises are more successful at retaining employee engagement and attracting a wider spectrum of talent.

CUSTOMER LOYALTY

Customer loyalty is the willingness of a customer to conduct business with a company repeatedly. Loyal customers will frequently opt to conduct business with a brand and will frequently defend it against rivals.

Building a loyal customer base is getting people to buy your products even if there are less expensive alternatives because they are so committed to your brand. With suggesting your product or service to their friends and family and sticking by your company even in trying times, loyal and satisfied consumers can become brand ambassadors.Gaining client loyalty requires a business to provide an experience that motivates visitors to come back time and time again. Customers are more likely to remain loyal to a company if they feel an emotional connection to it.

Individuals who act in the following ways are loyal customers:

❖ Make further purchases.
❖ Are you unconcerned with your competitors.
❖ Participate with you in various ways.
❖ Make recommendations for ways to make your company's offers better.
❖ Spread awareness of your brand by letting people know about it and praising your goods and services.

What Elements Influence Customer Loyalty?

I.   **Great customer service**

Even though they may enjoy using your product or service, customers are less likely to develop a deep emotional bond with your company if they don't feel respected and valued when dealing with you. People undoubtedly appreciate friendly, courteous service when making a transaction. A good shopping experience might go a long way. But the most important thing is frequently how you respond to criticism.

Customers who feel acknowledged and cared for when anything goes wrong or they need assistance after a purchase are more likely to think favourably of you in the future and to give positive feedback than negative feedback, whether in person or on social media. Customer communication should lead to greater customer satisfaction.

II.   **A thorough knowledge of the consumer journey**

Sales have been used by companies as a performance measure for years. Nevertheless, as we learn more about the consumer experience, we can see that each transaction is a component of a wider picture. Marketing and customer-focused advertising, in-person or online retail interactions, favourable and unfavourable product reviews, and what happens after a customer makes a purchase are all included in

this.

When considered collectively, each of these touchpoints has an effect on customer loyalty. By considering the journey as a whole, you can concentrate your efforts where they will be most productive. There are several ways to accomplish this, including reducing response times, fixing website or booking engine faults, or simply managing client expectations by outlining your response strategy in straightforward language.

III.   Long-term strategy, not short-term reaction

Why do customers stop buying from companies they used to trust? Most people say this because they don't think the company is concerned with them. In the short term, it's rather simple to please most types of clients with introductory discounts and loyalty prizes. They'll definitely be appreciative of their luck and come back for more. What about customers who have remained devoted over an extended length of time? Businesses sometimes take these customers for granted, assuming that they will always be loyal to the brand.

In truth, every customer needs to feel appreciated in order to stay devoted. Additionally, long-term clients would anticipate that their position will increase, not decrease, their worth. With a long-term customer retention plan, you can proactively enhance the experience for every segment of your clientele and instill a sense of fair value among them all.

IV.   Employee experience

What connection exists between customer satisfaction and staff experience? Contrary to popular assumption, it can actually be a potent loyalty-boosting factor. Consider Starbucks as an example, where employee treatment accounts for 87 percent of customer loyalty. By itself, that number implies that enhancing the employee experience may be quite profitable in addition to making your workplace a more enjoyable place to work.

Customers unquestionably warm up to businesses who value their staff. However, more importantly, motivated employees who feel valued by their employer are much more likely to serve customers with respect.Client loyalty will increase if you provide your staff liberty, respect, a good work-life balance, and compensation they feel is just for the work they accomplish.

Customer loyalty and staff engagement are interrelated
Getting more money from an existing customer is easier and less expensive than finding a new one. However, you can only make money off of your current clientele if you foster the constant requirement for client loyalty. This approach significantly depends on your staff.
When one of your employees interacts with a customer, they are a brand ambassador for your business. Even employees who don't deal with clients directly help to develop business relationships.
The greatest driver of repeat business for customer-focused businesses is the impression that employees leave before, during, and after-sales. The connection between happy customers and employees who work hard every day is clear.
Customer retention is determined by your staff's behavior, language, familiarity with your goods or services, and level of commitment to going above and beyond expectations.

Poor customer service, on the other hand, can be quite expensive for your business. Disengaged staff drive away customers. How? They couldn't give less of a damn about your business or your customers. Excellent staff engagement is crucial to retaining customers for your business for this reason.

Nobody can dispute the relationship between employee satisfaction and customer satisfaction. Few businesses are able to achieve high levels of customer loyalty without a pool of dedicated, motivated personnel. One study found that companies with more engaged workers outperformed their rivals in terms of financial success and customer satisfaction.

OBJECTIVES OF THE STUDY

The goals of Effect of Employee Engagement on Customer Loyalty are as follows: An Empirical Analysis of the Retail Sector -

1. To determine the elements influencing worker engagement.
2. To examine the relationship between employee engagement and customer loyalty in light of intermediary variables including perceived service quality, customer happiness, and customer affective commitment.

REVIEW OF LITERATURE

Employees "harness their self to their work responsibilities; with engagement, employees employ and express themselves physically, cognitively, and emotionally throughout role performances," as defined by Kahn in 1990, when the phrase "employee engagement" was first used. Employee engagement, in the words of Harter (2002), "is the individual's involvement and contentment as well as excitement for work."

According to May (2004), Employee engagement required flexible emotional and behavioral use in addition to cognitive. Saks (2006) defined employee engagement as a "separate and unique idea" comprised of knowledge, emotion, and behaviour. Work engagement, organisational recognition, and perceived worth of work are the three elements that make up employee engagement, according to Cha (2007).It is described as a worker's full physiology, cognitive, and emotional state as a result of their active involvement in their work.

Initiative, loyalty, effectiveness, identification, and commitment are the five elements of employee engagement, according Xiao and Duan (2014).According to Liu (2016), there are five dimensions of employee engagement for knowledge workers: organisational identification, dedication, absorption, vitality, and pleasant harmony. Marie and co. (2008). Customer commitment and confidence, which stems from a sense of fulfilment following the acquisition or consumption of a good, fuel consumer loyalty (attitudes and behaviour).

According to Inamullah (2012), the definition of customer loyalty is the willingness of a client to continue making profitable purchases from a firm while using the same product. Every company's customer strategy must include building client loyalty.

Customer ties can be strengthened primarily through employees' interaction with customers to give value. Employees are crucial to the success of a brand or supplier and the delivery of value since they frequently determine whether customers have positive or negative experiences and whether they decide

to stay or leave (Haid and Sims, 2009).

E-commerce services should prioritise service quality, according to Yang (2001). Santos (2003) made reference to two important theories on the conception of service quality: one is based on the disconfirmation theory, and the other is based solely on performance. Total service quality is "the customer's judgement of the difference between perceived service and expected service," according to Gronroos (1984). (Hossain and Hossain, 2011).However, Oliver's disconfirmation model was initially the basis for the notion of service quality (1999).

RESEARCH METHODOLOGY
Cross-sectional research design was used in this study's research methodology.

Instrument for research
Tools are actually procedures and tools that the researcher uses to get information, according to Saunders et al. Such details are typically gathered directly from sources and by the researcher approaching respondents. The researcher's primary instrument for gathering data for this study is an online survey questionnaire. The 5-point LIKERT scale and GOOGLEDOCS were used to create the semi-structured questionnaire, which was then distributed to respondents via various social networking sites.

Sampling Method
In order to choose and reach respondents, Hussey and Hussey (1997) explained that sampling approaches, probability, and non-probability are used. Furthermore, probability is based on equal odds in every occurrence inside the sample, whereas the non-probability sampling technique is based on uneven chances (Hussey and Hussey, 1997). Probability is an expensive method even if it is highly accurate, whereas non-probability is extremely cost-effective but has accuracy issues (Bryman and Bell, 2011). Due to the accessibility and high cost-effectiveness of accessing online customers just through social networking sites for the current study, the researchers chose the convenience sampling strategy. As a result, we used convenience sampling following non-probability sampling practice.

Sample Size
250 respondents make up the sample for the current study.

Analysis of Data
Researchers are currently using a quantitative method, and as a result, appropriate results are measured using statistical tools to obtain data to support the research findings. In order to investigate the relationship between staff engagement aspects and customer loyalty, Pearson's correlation approach is used.

PERSPECTIVE FRAMEWORK
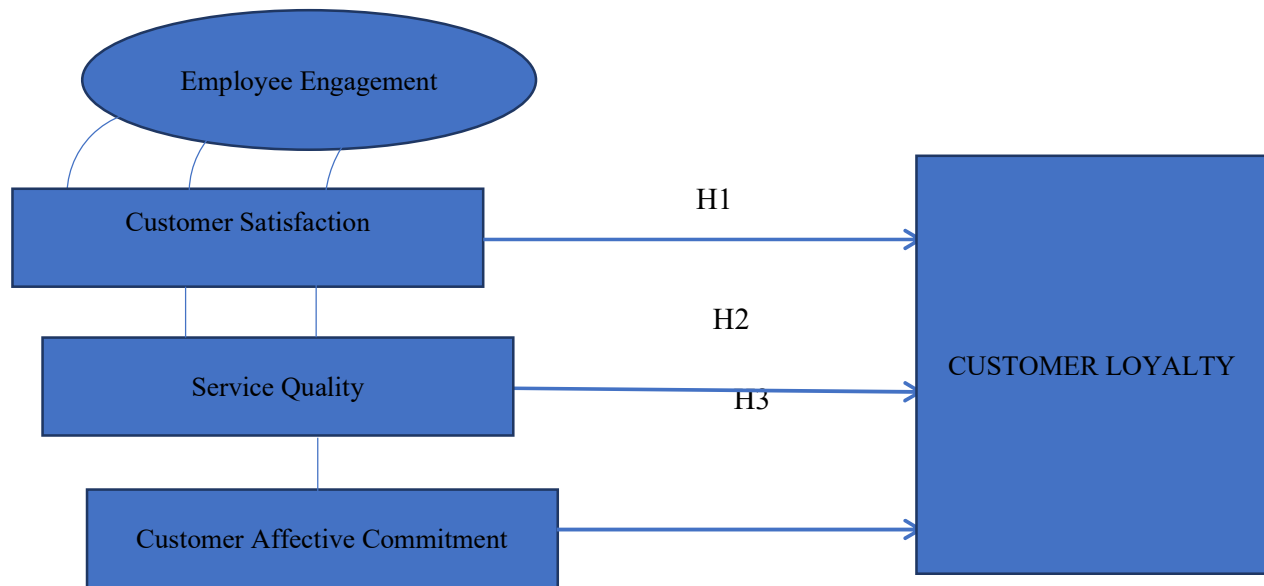
HYPOTHESIS:

H1: Customer loyalty and satisfaction are strongly correlated.
H2: Customer loyalty and service quality are significantly correlated.
H3: Customer Affective Commitment and Customer Loyalty Have a Significant Relationship.

RELIABILITY ANALYSIS

Reliability Statistics

Cronbach's Alpha	N of Items
.739	20

The reliability of the survey questionnaire is indicated by the current study's cronbach's alpha score of .739, which is more than 0.7 and indicates the validity of the results. The current analysis revealed a dependability of 73.9%.

CORRELATION

Correlation

		Customer Affective Commitment (CAC)	Service Quality (SQ)	Customer Satisfaction (CS)	Customer Loyalty (CL)
Customer Satisfaction (CS)	Pearson Correlation Sig. (2-tailed) N	1	.755**	.351**	.759**
			.000	.000	.000
		250	250	250	250

Service Quality (SQ)	Pearson Correlation	.755**	1	.691**	.705**
	Sig. (2-tailed) N	.000		.000	.000
		250	250	250	250
Customer Affective Commitment (CAC)	Pearson Correlation	.351**	.691**	1	.249**
	Sig. (2-tailed) N	.000	.000		.001
		250	250	250	250
Customer Loyalty (CL)	Pearson Correlation	.759**	.705**	.249**	1
	Sig. (2-tailed) N	.000	.000	.001	
		250	250	250	250

**Correlation is significant at the 0.01 level (2-tailed).

* Correlation is significant at the 0.05 level (2-tailed).

Customer satisfaction clearly scored 1 in the correlation test with a 2-tailed test, a 95% confidence level, and a 0.05 critical value, suggesting that (B = 1 > 0.05). The Service Quality of .755 is a reflection of (B = 0.755 > 0.05). The estimated value for customer affective commitment is 0.349, supporting (B = 0.351 > 0.05). The overall obtained value for customer loyalty is (B = 0.759 > 0.05), indicating a substantial relationship between employee engagement factors and customer loyalty.

REGRESSION

Model Summary

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.735*	.578	.536	.687

a. **Predictors: (Constant), Customer Satisfaction, Service Quality, Customer Affective Commitment**

The regression model makes it evident that the predictors, which comprisecustomer affective commitment, customer satisfaction, service quality, and customer loyalty, collectively have an overall score of 0.735. This shows that there is a substantial association between the research variables because 73.5% of the predictors in the current study are based on regression.

ANOVA

ANOVAᵃ

Model	Sum of squares	df	Mean Square	F	Sig.

1	Regression	91.236	4	25.316	49.483	0.000[b]
	Residual	62.093	246	0.541		
	Total	166.220	250			

a. Dependent Variable: Customer Loyalty
b. Predictors: (Constant), Customer satisfaction, Service Quality, Customer Affective Commitment

It is evident from the ANOVA test that the squared value of the model is 91.236 whereas the error is 62.093. The total amount is 166.220. Furthermore, the model's mean square is 25.316, while the error's mean square is 0.541. The research variables' values are computed by comparing them to the sig value shown in the table above because the sig value is 0.00.

Coefficients

Model		Standardized coefficients		Standardized coefficients	T	Sig.
		B	Std. error	Beta		
1	(constant)	-.109	.288		.401	.709
	Customer Satisfaction	.653	.112	.482	6.323	.000
	Service Quality	.329	.091	.349	3.692	.000
	Customer Affective Commitment	.078	.095	.051	.791	.407

a. Dependent Variable: Customer Loyalty

Aspects of staff involvement that are related to consumer loyalty have been researched. Results showed customer satisfaction and customer loyalty are positively correlated to ach other, with B = 0.653 > 0.005 as the coefficient, accounting for customer loyalty. A B-score of 0.329 over 0.05 for service quality shows a positive correlation with customer loyalty. Customer emotional commitment and customer loyalty are strongly associated (0.078 > 0.05). Because all of the determinants' values are larger than the sig value generated by the ANOVA regression model, which is 0.00, the link between the research variables is validated.However, the findings did show some variation in employee loyalty and consumer loyalty traits. Since affective commitment and loyalty are less associated, it can be claimed that customer satisfaction and loyalty are more strongly correlated.

TESTING HYPOTHESIS

H1: Customer loyalty and satisfaction are strongly correlated.
The statistical study's findings demonstrated that customer affective commitment significantly affects customer loyalty because both the critical value and the sig value are greater than the generated value,

with the coefficient value for security being B = 0.643 > 0.00 and the derived value for customer affective commitment being B = 1 > 0.05. Since it has been demonstrated that consumer emotional commitment and loyalty are positively correlated, we do not exclude out H1.

H2: Customer loyalty and service quality are significantly correlated.
According to the derived value for responsiveness, B = 0.735 > 0.05, there is a very significant correlation between the derived value and the critical value. The findings also provided evidence for a beneficial connection between customer loyalty and service excellence. Additionally, the regression model B = 0.319 > 0.00 demonstrates that staff engagement is more significantly connected with service quality than security as a single factor. As a result, we do not reject H2.

H3: Customer Affective Commitment and Customer Loyalty Have a Significant Relationship.
With dependability scoring B =.349 > 0.05, the results also demonstrated a strong positive link between dependability and customer loyalty. Additionally, the regression model's dependability value, B = 0.068 > 0.00, shows that customer satisfaction and loyalty are much more connected with employee engagement than security. As a result, we do not reject H3.

CONCLUSION
In this study, we discovered a substantial, positive association between customer loyalty and all three of the important elements of employee engagement. Customer satisfaction was found to be the most significant aspect of employee involvement in this study, scoring 1, which strongly suggests a strong positive relationship between customer happiness and customer loyalty. As a result, this study validates Yang's (2001) findings that customer satisfaction increases consumers' level of trust in service providers. Additionally, it is supported by the study of Cronin and Taylor (2002) that one important metric that enables businesses to gauge client loyalty is customer happiness.
The value obtained for service quality is 0.735, which strongly suggests a positive association between customer loyalty and service quality. The study validates the work of Zithaml et al. because the results indicated that quick responses from e-service providers increase customer loyalty (2000).

Customer emotional commitment, the final component of employee engagement, was evaluated in the current study. The findings indicated that this component had the weakest correlation with customer loyalty. The emotional commitment of the customer is measured at 0.68. In other words, consumer loyalty increases the least when a client feels emotionally committed. The findings also showed a significant link between excellent customer service and client loyalty. Customer loyalty and consumer affective commitment are related, say Santos (2003), Yang (2001), Srinivasan et al (2002), Roy et al (2001), and Zeithaml et al (2000). This association is supported by the study. In this study, there is a substantial correlation between consumer affective commitment and customer loyalty, in contradiction to Yang and Jun's prior and later studies.As a result, it can be said that consumer loyalty and employee engagement have a positive relationship.

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