CONFIRMATORY FACTOR ANALYSIS OF THE MARGIN FREE MARKET CUSTOMERS' RETENTION INVENTORY

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ABSTRACT :

In order to analyse the customer retention through marketing strategies, the present research has proposed a tool to analyse the data through confirmatory factor analysis. By using Average Variance Extracted (AVE) and Construct Reliability (CR) the tool has been validated. In order to study the consumer marketing practices of the Margin Free Market, the researcher has selected 507 samples for the study from Kanyakumari district, Tamil Nadu. The data was collected through random sampling method. The various constructs used in the present research are product assortments, pricing and billing, place and store atmosphere, promotion mix and store services, customer satisfaction, customer loyalty and customer retention. A total of 8 constructs and 33 items were used in the present research. The tool has been found completely reliable and can be used to analyse the customer retention.

Keywords: Customers, Marketing Practices, Satisfaction, Loyalty, Retention, etc.

Introduction :

Supermarkets are the craze of the present day world. People are so busy in the present world that they don't have enough time to spend on shopping for their daily needs. That is the reason why online shopping have grown exponentially in the present world. Even if they do find time to go for purchasing, they prefer to fulfil all their shopping needs in one place. If not, how can we explain a supermarket serving vegetable near a local vegetable market thrives with customer who wants buy vegetables? In a supermarket all their needs are available in one place and they can save a lot of time by visiting a supermarket. This is the mentality of the people and in order to cater to these customers, there are a lot of supermarkets sprouting in every corner of every street.

In this context, the present research is trying to focus on one of the pioneering super market chain that was started in the Indian context. Margin free market is one of the earliest supermarkets that was started in the Indian context. It was started in the year 1994. The first vision and mission statement given in the company's website states that it is their vision to radically change the way consumers purchase products. Being a pioneer in the market, they have achieved their vision very successfully. But are they able to sustain their customer base in the present time when a large number of corporate super markets are emerging? How are they doing it? Or how can they do it? That is the question the present research is trying to probe. Big corporate companies like Big Bazaar, Reliance, D-Mart, etc. are setting up supermarkets in every cities around the country and are attracting customer in huge numbers. In this scenario, a medium level super market like Margin Free Market might need to go an extra mile in order to sustain their customer base. With this background in mind the present research will try to analyse the various strategic marketing practices that are being followed by the Margin Free Market in order to retain their customers. In what way they can improve theses practices so that they can retain consumers more effectively. These are the few questions that the present research will try to find answers to.

Methods :

As far as the present study is concerned, the investigator has proposed to collect the data required from the sample population by adopting random sampling technique. The researcher has targeted 540 sample respondents from the nine blocks in Tenkasi district , Tamil Nadu, India.. Among the 540 respondents, only 531 respondents responded properly. From that 531, only 507 complete responses were selected for the present research.

Constructs with Items used in the research.
F1- product assortment
1. Availability of products and brands
2. Quality
3. Variety
4. Availability of green products

F2- pricing and Billing

1. Billing time is always less
2. Billing is always correct
3. Mode of payment is flexible(cash/card)
4. Price of products is reasonable

F3- place and Store Atmosphere

1. Store ambience is good
2. Cleanliness of the store is good
3. Shop floor is very spacious
4. Store location is convenient
5. Easy to locate products

F4- Promotion Mix

1. Promotion schemes and offers are good
2. Display of the products is proper and neat
3. Loyalty programs
4. Advertisements and Direct marketing (Telecalling, sms, e-mail)

F5– Staff services

1. Staff reception is good
2. Staff assistance during purchase is good
3. Staff response to enquiry is good
4. Treatment of the customers by the staff is good

F6 – satisfaction

1. I am satisfied with the quality of the product in the margin free market
2. I am satisfied with the pricing of the products
3. I am satisfied with the store ambience
4. I am satisfied with the promotion schemes provided by the margin free market
5. I am satisfied with the customer service

F7 – Loyalty

1. I will buy my regular from the same market
2. I believe the store for its product quality and pricing
3. I don't hesitate to use my credit/debit cards in the store
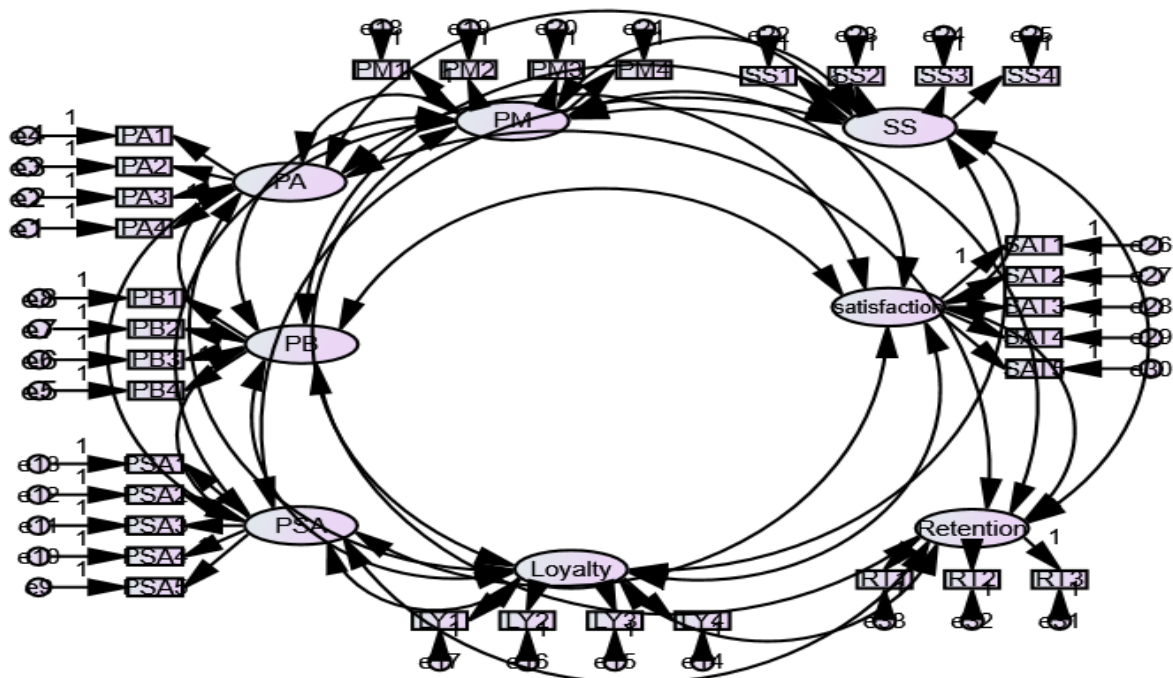4. I would suggest the market to my friends and family

F8 - Retention

1. I don't waste my time in other stores even if they are closer to my home
2. I don't believe in other customer's opinion regarding the store
3. Though there may be many competitors, i prefer the margin free market

Results :

Confirmatory Factor Analysis

Fig.1 Standardized Estimates

Model Fit Indices

CMIN

Model	NPAR	CMIN	DF	P	CMIN/DF
Default model	94	1293.272	467	.000	2.769
Saturated model	561	.000	0		
Independence model	33	10977.952	528	.000	20.792

RMR, GFI

Model	RMR	GFI	AGFI	PGFI
Default model	.053	.868	.842	.723
Saturated model	.000	1.000		
Independence model	.341	.223	.175	.210

RMSEA

Model	RMSEA	LO 90	HI 90	PCLOSE
Default model	.059	.055	.063	.000
Independence model	.198	.195	.201	.000

The tables given above provides the values that are model fit indices. All the above value indicates that the model is a good fit. The Chi-square/df value here is 2.769 which is less than 3 and that indicates this is a good model. Similarly, the p-value is 0.000 which is less than 0.05. Since the other fit indices are well and good, the current model is considered to be a good fit. The GFI value here is 0.868 which is greater than 0.85 and AGFI value is 0.842 which again is greater than 0.80 which indicates that the model is fit. The error value RMR is 0.053 and RMSEA value is 0.059 and both are less than 0.06 which again indicates that the model is good without much error.

Table No. 2

Average Variance Extracted and Construct Reliability

Items	Constructs	Factor loading	Item reliability	AVE	C.R
PA4	PA	0.833	0.693889		
PA3	PA	0.841	0.707281		
PA2	PA	0.861	0.741321		
PA1	PA	0.832	0.692224	0.708679	0.906792
PB4	PB	0.726	0.527076		
PB3	PB	0.865	0.748225		
PB2	PB	0.802	0.643204		
PB1	PB	0.783	0.613089	0.632899	0.872924
PSA5	PSA	0.793	0.628849		
PSA4	PSA	0.822	0.675684		
PSA3	PSA	0.828	0.685584		
PSA2	PSA	0.832	0.692224		
PSA1	PSA	0.751	0.564001	0.8052	0.90237
LY4	Loyalty	0.729	0.531441		
LY3	Loyalty	0.826	0.682276		
LY2	Loyalty	0.795	0.632025		
LY1	Loyalty	0.646	0.417316	0.565765	0.837865
PM1	PM	0.785	0.616225		
PM2	PM	0.871	0.758641		
PM3	PM	0.723	0.522729		
PM4	PM	0.701	0.491401	0.597249	0.854831
SS1	SS	0.713	0.508369		
SS2	SS	0.813	0.660969		
SS3	SS	0.738	0.544644		
SS4	SS	0.731	0.534361	0.562086	0.836625
SAT1	satisfaction	0.75	0.5625		
SAT2	satisfaction	0.876	0.767376		
SAT3	satisfaction	0.834	0.695556		

SAT4	satisfaction	0.843	0.710649		
SAT5	satisfaction	0.728	0.529984	0.8062	0.903579
RT3	Retention	0.754	0.568516		
RT2	Retention	0.817	0.667489		
RT1	Retention	0.638	0.407044	0.547683	0.782422

Convergent validity:

All the eight constructs used here analysed with confirmatory factor analysis and their convergent validity value should be greater than 0.5 in order to be a valid tool. Here, all the value of the eight constructs are above 0.5 which indicates that the tool is valid.

Composite reliability:

Similarly, the composite reliability for the constructs used here needs to be greater than 0.7 in order to be a reliable tool. So, in order to prove the interconnectedness of the constructs and the other related items, the reliability value need to be greater than 0.7 and here the values of intra-items are above 0.7, indicating that the current constructs are reliable.

Table No. 1

Discriminant Validity

Items	Items	IC (Inter correlation)	SIC (Squared inter correlation)
PA	PB	0.645	0.416
PA	PSA	0.527	0.278
PA	Loyalty	0.247	0.061
PA	PM	0.255	0.065
PA	SS	0.379	0.144
PA	satisfaction	0.067	0.004
PA	Retention	0.469	0.220
PB	PSA	0.698	0.487
PB	Loyalty	0.098	0.010
PB	PM	0.271	0.073
PB	SS	0.374	0.140
PB	satisfaction	0.039	0.002
PB	Retention	0.255	0.065
PSA	Loyalty	0.073	0.005
PSA	PM	0.263	0.069
PSA	SS	0.348	0.121
PSA	satisfaction	0.128	0.016
PSA	Retention	0.203	0.041
Loyalty	PM	0.666	0.444
Loyalty	SS	0.602	0.362
Loyalty	satisfaction	0.572	0.327
Loyalty	Retention	0.592	0.350
PM	SS	0.62	0.384
PM	satisfaction	0.512	0.262
PM	Retention	0.491	0.241
SS	satisfaction	0.587	0.345
SS	Retention	0.603	0.364
satisfaction	Retention	0.551	0.304

Discriminant Validity

	PA	PB	PSA	PM	SS	Satisfaction	Loyalty	Retention
PA	0.708							
PB	0.416	0.632						
PSA	0.278	0.487	0.805					
PM	0.065	0.073	0.069	0.565				
SS	0.144	0.140	0.121	0.444	0.597			
Satisfaction	0.004	0.002	0.016	0.362	0.384	0.562		
Loyalty	0.061	0.010	0.005	0.327	0.262	0.345	0.806	
Retention	0.220	0.065	0.041	0.350	0.241	0.364	0.304	0.547

Discriminant Validity:

The above table talks about the Inter construct correlation between the constructs. The correlation value need to be less than the AVE value in order to proved that there is discriminant validity between the construct. Since the inter construct correlation value is lower than the AVE value, it is clear that each construct is unique and there is no overlapping of constructs.

Conclusion :

In order to prove that the tool used in the present study is valid, the Average Variance Extracted (AVE) and Construct Reliability (CR) score need to more than 0.6 and 0.8 respectively and it indicates that the instrument is valid and reliable. Using the instrument, it can further be utilised to study the customer retention in retailing sectors. Further studies can be done by using the first 5 constructs as a marketing practice and doing a two stage CFA and access the instrument validity and reliability.

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