

# Customer Retention Strategies Adopted by Standalone Restaurants in Pune and Its Benefit to the Restaurant

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## Abstract

This paper describes about the Customer Retention Strategies adopted by standalone restaurant in Pune city. The Discounts a006Ed Happy hours are some widely used Strategies in the Standalone restaurants which benefit them by increase in volume of sales with repeat customers and also contribute towards increased boost of brand with mouth publicity. The standalone restaurants make use of both the Monetary as well as Non-Monetary benefits. The customers are now-a-days attracting to the restaurants that provide some or the other benefits that will provide different advantages. This study focuses whether the Customer Retention strategies should be adopted by the standalone restaurants in Pune and what will be their benefits to the firm.

**Keywords:** Customer Retention Strategies, Monetary & Non-Monetary Benefits, contribution to Business, Repeat Customers

its traditional as well as contemporary cuisine. It offers from local Maharashtrian Cuisine to different popular International Cuisine. The city is loaded with numerous restaurants that also include the standalone properties.

## Standalone Restaurant-What do they Mean?

A restaurant is a place where people sit and enjoy the food that is cooked and enjoy beverages in the premises at a certain amount that is charged and paid mostly after the meal. People avail this particular facility for many different reasons like family/friends get together, enjoying different cuisines, break from the regular routine, relaxation, business meets etc. Now-a-days restaurant also offer the service known as take away service where the customer can order the food and take away from the premises and eat.

The restaurants are of majorly two types, either a Standalone business that offers food & beverage or a part of a larger business such as Hotels. Standalone restaurants differ from a basic local cuisine to classical international cuisine, inexpensive to highly expensive, casual dining to fine dining etc.

There are many standalone restaurants that have come up over a period of 5 years in Pune city. These standalone restaurants ranges from an expensive establishment that serve a fine range of food items and quality beverages in a very fine dining atmosphere to an inexpensive one which offers the basic place of eatery with a moderately priced dishes for the common crowd of the city at an informal atmosphere.

## INTRODUCTION

### Food Culture in Pune City

Pune being the Culture Capital of Maharashtra is also known as the Educational hub of Maharashtra with some well known Universities around the city and manufacturing of automobiles too. The city is also developing in the IT sector. All these constituents are contributing towards attracting different migrants from other districts, states and even countries around the world. Pune has loads of eating houses and food joints that can satisfy the hunger of the migrants. The city is famous for

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## Customer Retention: A Modern Aspect for Increased Business

Customer retention is on the minds of small and medium-sized businesses across the world. With rising customer acquisition costs, businesses need to innovate and assume a proactive role in retaining clients.

Studies from some of the well known academies and chambers have found that acquiring new customers can cost as much as five to seven times more than simply retaining existing customers. The fact that customer profitability tends to increase over the life of a retained customer is added incentive for businesses to allocate more resources to sharpening their customer retention strategies.

The different reasons why a customer leave a particular restaurant and move to the other are listed below:

- They are unhappy with the product or service they receive.
- Decide to use a competitor.
- Some bad experience faced.

The following nine customer retention strategies will give you some inspiration and practical examples to help you improve your customer retention rates. They address the above mentioned problems and provide you with actionable tips you can implement today to maximize your customer retention.

1. Set customer expectations
2. Be the expert
3. Build trust through relationships
4. Implement anticipatory service
5. Make use of automation
6. Build KPI's around customer service
7. Build relationships online
8. Go above and beyond
9. Implement customer feedback surveys

According to the Harvard Business School, the increase in customer retention rates by 5 percent will increase the profits by 25 percent to 95 percent.

The easiest way to grow your customers is not to lose them

The average business loses around 20 percent of its customers annually simply by failing to attend to customer relationships. In some industries this leakage is as high as 80 percent. The cost, in either case, is staggering, but few businesses truly understand the implications.

Imagine two businesses, one that retains 90 percent of its customers, the other retaining 80 percent. If both add new customers at the rate of 20 percent per year, the first will have a 10 percent net growth in customers per year, while the other will have none. Over seven years, the first firm will virtually double, while the second will have no real growth. Everything else being equal, that 10-percent advantage in customer retention will result in a doubling of customers every seven years without doing anything else.

The consequences of customer retention also compound over time, and in sometimes unexpected ways. Even a tiny change in customer retention can cascade through a business system and multiply over time. The resulting effect on long-term profit and growth shouldn't be underestimated.

Marketing Wisdom can introduce you to a number of simple customer retention strategies that will cost you little or nothing to implement. Behind each technique listed here there is an in-depth step-by-step process that will increase your customer retention significantly once implemented, and will have a massive impact on your business.

Apart from above customer retention strategies there are few general strategies that are followed in small and medium-sized restaurants:

1. Monetary Benefits
  - a. Discount
  - b. Gift Coupons
  - c. Complimentary
  - d. Happy Hour
2. Non-Monetary Benefits
  - a. Loyalty Cards
  - b. Birthday Cards
  - c. Customer Recognition

## LITERATURE REVIEW

Christine T. Ennew (2014) examines customer satisfaction and retention in banking, where a key strategy is the

building and maintenance of a loyal customer base. This is particularly true in the service sector, where it is often argued that customer attraction costs are significantly higher than customer retention costs.

Jay Kandampully (2000) has found that hotel image and customer satisfaction with the performance of housekeeping, reception, food and beverage, and price are positively correlated to customer loyalty. The study also helps us extend our understanding of the relationship between customer loyalty, customer satisfaction, and image.

Roland T. Rust (1993), provided a mathematical framework for assessing the value of customer satisfaction, which enables managers to determine which customer satisfaction elements have the greatest impact, and how much money should be spent to improve particular customer satisfaction elements.

Ruth N. Bolton, P.K. Kannan, Matthew D. Bramlett (2000) investigated the positive effects on customer behaviour, evaluation and intent to return of the loyalty programs under different circumstances. The study showed that the customers perceive that they are getting a good quality service for their price paid.

Varsha Manikandan, G. Swaminathan, Varsha Khattri, (2012) have studied a case of a catering establishment and recognized that an optimum use of the available resources should be done so as to gain the Customer satisfaction and indirectly contribute towards the increased business.

Karin A. Venetis, Pervez N. Ghauri (2004), studied about the effects of the quality of the Services provided to the customer for retaining them. The finding of the study indicates that the quality of the service given to the customers help them to retain them for a longer period of time.

Benjamin Schneider (1994), focused in the study about the customer-centric approach that enhances the image and the competition in the market segment. It also discussed about the different strategies that a firm can adopt to make sure that the services provided would be helpful.

KajStorbacka, Tore Strandvik, Christian Grönroos (1994) addressed different customer relationship issues, majorly the contact between the quality of service e provided and the profitability. This study also discussed about different aspects that can improve the profitability of the firm

with help of the relationship marketing and the market perception.

Chatura Ranaweera, Jaideep Prabhu (2003), examined a holistic approach on customer retention with a combined effects of the satisfaction and trust. The results showed that there is a positive effect on the customer satisfaction and retention due to overcoming the various barriers.

Jagdish N. Sheth, Atul Parvatiyar (1995), described the evolution of the relationship marketing as an emerging new phenomenon. It was indentified that there is a need to develop a new paradigm of marketing which will majorly focus on the process and rather on the output oriented.

Phillip K. Hellier, Gus M. Geursen, Rodney A. Carr, John A. Rickard (2003) stated the following seven factors service quality, equity and value, customer satisfaction, past loyalty, expected switching cost and brand preference that importantly influence the consumers repurchase intention.

Andrea McIlroy, Shirley Barnett (2000), founded through a case study of a hotel in New Zealand that the customer those who were offered with different discount coupon where absolutely satisfied with the firm, but their loyalty towards it was very low.

Rizal Ahmad, Francis Buttle (2002) reports an investigation, through case studies, that is concerned with testing whether or not a theoretical position relating to strategies for retaining customers reflects practices in four firms.

## **OBJECTIVE**

1. To identify he different customer retention strategies adopted in standalone restaurants.
2. To study the benefits of retention strategies to the business.
3. To analyze the most common customer retention strategy/strategies adopted by the establishment.

## **RESEARCH METHODOLOGY**

In order to collect data, the sample was identified from the different existing standalone restaurants in Pune city. For this study the data was collected from 65 different standalone restaurants in Pune city. The ‘Descriptive research methodology’ was used to carry out research successfully.

The data collected for this study was both the Primary data and Secondary data.

**Primary Data**

The data collected from the managers and owners of the Standalone properties in Pune city in form of a Questionnaire.

Secondary data:

- Journals

- Books
- Magazines
- Past Data
- Websites etc.

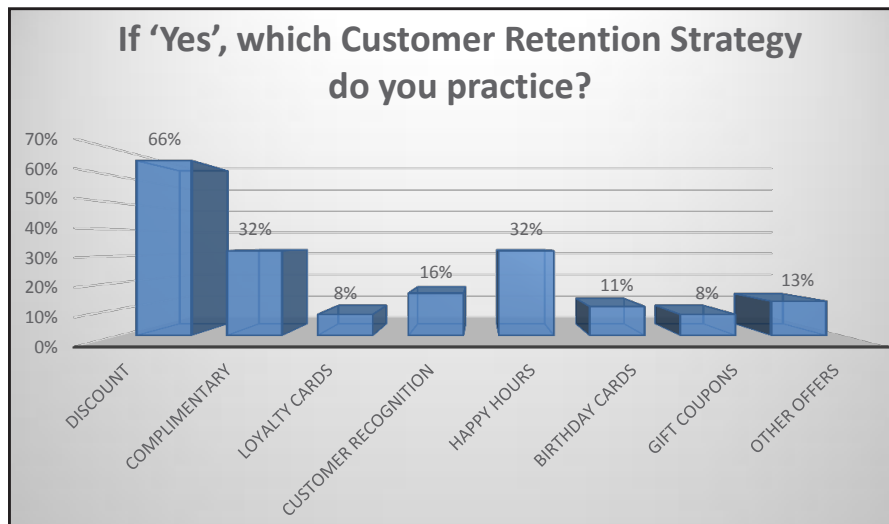
**DATA ANALYSIS AND FINDINGS**

Practise of any Customer Retention Strategy the restaurants.



Observation: It was observed that in Pune city almost 98% of Standalone Restaurants practise the Customer Retention Strategy.

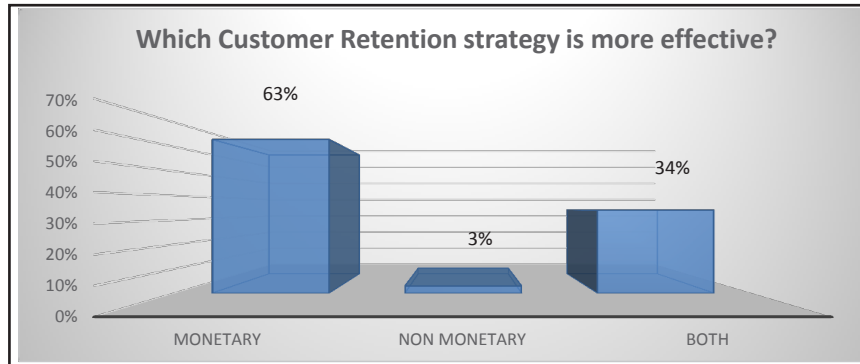
Customer Retention Strategies Practised by the Standalone Restaurant



Observation: Management of the standalone restaurants around the Pune city think that the market of city is price oriented and offering discount may attract maximum share, hence maximum standalone restaurants practice

the discounting strategy for customer retention. Whereas the Loyalty cards and Gift coupons are the least followed strategies.

### Effective Customer Retention Strategy

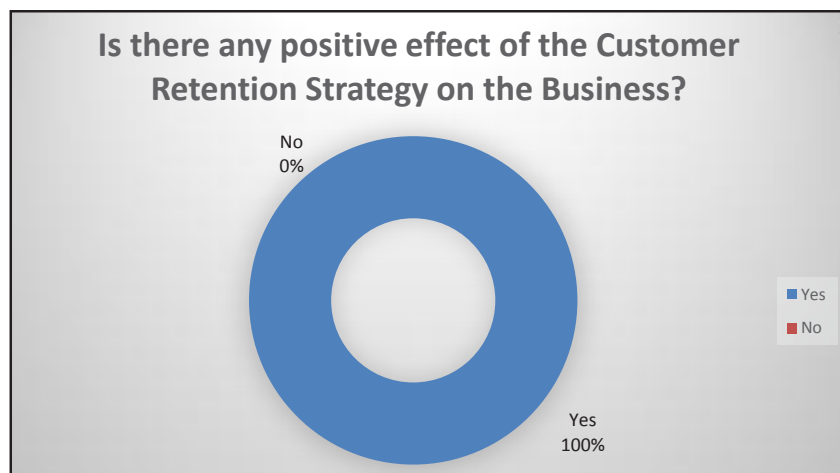
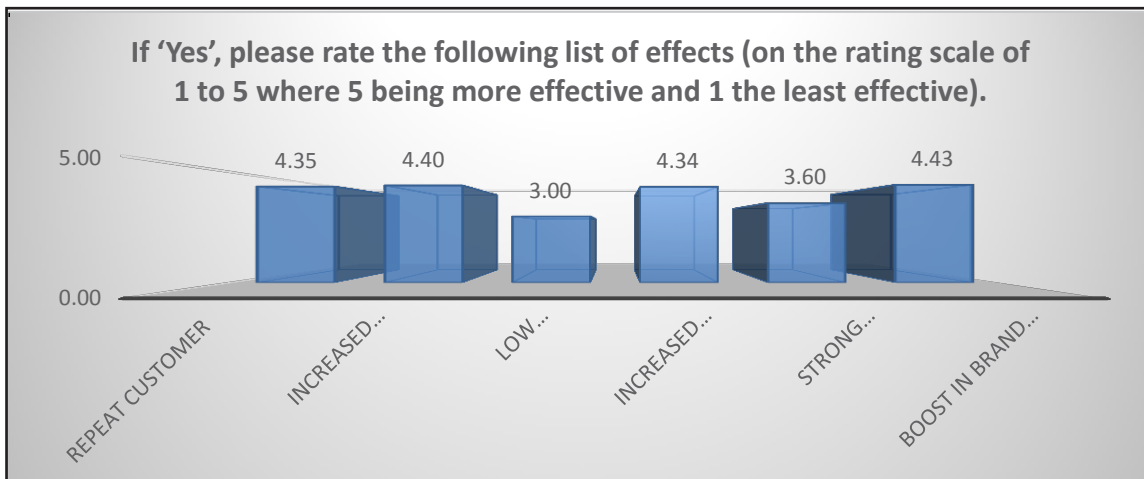


Observation: According to the authority of different standalone restaurant around the city the monetary strategies are more effective than non-monetary. But in the present market conditions reducing cost involved in the production and distribution of the goods and services

is the biggest challenge.

Hence, few of the standalone restaurants follow both the monetary and non-monetary strategies for customer retention

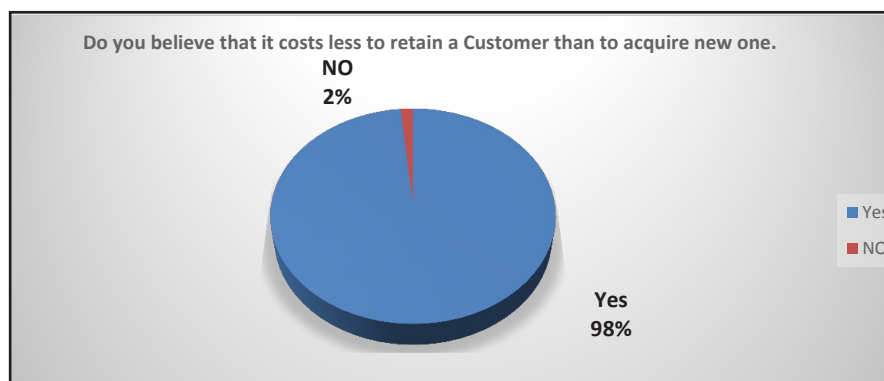
### Effect of the Customer Retention Strategy on the Business



Observation: With the response that was received from the different Standalone it was identified that the authorities believe that the Customer Retention strategies adopted by the different standalone restaurants have shown a positive effect on the retention of customers as well as indirectly it is contributing towards all the factors that help to develop any particular restaurants

The authorities feel that the strategies contribute towards boosting the brand value with increased publicity and also contributing towards increased volume of business with repeat customers.

It costs less to retain a Customer than to acquire new one.



Observation: On being asked to the restaurant management that whether it costs less to retain a customer than to acquire a new one almost 98% of them responded yes, which readily states that the Standalone restaurant in Pune city are developing their organisations by creating a customer centric approach and making them feel comfortable so as to satisfy them by different means and creating such an image that they are retained just not for a limited period of time but for a long term plan.

## LIMITATIONS OF THE STUDY

1. The study may suffer from the common limitations of a subjective research. The quantification problem, imperfections of data and the intricacy involved in the data analysis are in a way predicted in all such behavioural science research.
2. This research is carried out in Pune city only and may have its own effects and is limited to the city.
3. The primary data being the main source of data, manipulated at the respondent's end cannot be averted.

The published and unpublished secondary data available on Internet has its own limitations, as many of them are the author's own views and not a generalized perception. Further, the respondents often times do not portray a true picture and opinion.

The conclusions, therefore, are subject to aforesaid constraints and are only exploratory and suggestive in nature.

## RECOMMENDATIONS AND SUGGESTIONS

On the basis of study carried out on, 'Customer Retention Strategies adopted by Stand Alone Restaurants in Pune and its benefit to the Restaurant' following recommendations are made.

1. The standalone restaurants in Pune city may offer more of non-monetary benefits to the customer which will further benefit to increase the word of mouth publicity of the customers.
2. In Non-monetary benefits the restaurants may highly concentrate on strategies like customer recognition which will give the customers a special feel and develop the Personal Relationship with them.
3. Apart from the above Non-Monetary benefits the Organisations may also offer some more Monetary benefits to the customer especially in Pune city as the market of the city and customers now-a-days need everything that is value for money.

## CONCLUSION

To conclude this research study following observation where made.

All the standalone restaurants in Pune city follow various Customer Retention Strategies.

Monetary benefits Strategies were offered by most of the restaurants in which offering discount is the most common and widely followed customer retention strategy.

While, some of the restaurants followed both Monetary and Non-Monetary Benefits Strategies in which Customer recognition and different cards were offered.

The restaurants in Pune city believe that adopting of different Customer Retention Strategies help them to increase the volume of business with increased brand loyalty and publicity

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