https://doi.org/10.33472/AFJBS.6.13.2024.4320-4329

African Journal of Biological Sciences

Journal homepage: http://www.afjbs.com

Research Paper Open Access

EFFECTIVE STRATEGY TO INCREASE THE CUSTOMER RETENTION IN THE HYPER LOCAL MARKETS FOR FOOD FRANCHISES

J Roshan Devaraja[1], Thenmozhi.J[2]

[1]II MBA – PG Scholar, School of Management, Hindustan Institute of Technology & Science
[2]Research Guide - Asst. Prof, School of Management, Hindustan Institute of Technology & Science.

Email: [1]roshanvibi@gmail.com, [2]thenmozhi.rajan@gmail.com

Article Info

Volume 6, Issue 13, July 2024

Received: 04 June 2024

Accepted: 05 July 2024

Published: 31 July 2024

doi: 10.33472/AFJBS.6.13.2024.4320-4329

ABSTRACT:

This research project aims to explore effective strategies for increasing customer retention in hyper-local markets for food franchises. In an increasingly competitive landscape, retaining customers is paramount for sustained business success. Through a combination of qualitative and quantitative methods, this study will investigate key factors influencing customer retention, including the effectiveness of loyalty programs, the impact of product innovations, and the sensitivity of customers to pricing strategies. By analyzing customer preferences, behaviors, and perceptions, this research seeks to uncover actionable insights that food franchises can leverage to enhance customer retention strategies tailored to hyper-local markets. The findings of this study will provide valuable guidance for food franchise owners, managers, and marketers seeking to strengthen customer loyalty, drive repeat business, and foster sustainable growth in hyper-local market environments.

Keywords: Loyalty programs, Pricing Strategy, Product Innovations, Discounts, Points cards, Digital Marketing.

1. INTRODUCTION

The search for efficient ways to boost client retention has become critical in the ever-changing hyper-local food franchising business. Maintaining growth and profitability in this competitive industry requires the capacity to retain clients when the competition heats up and consumer

tastes change. The purpose of this study project is to investigate and determine methods that improve customer retention for food franchises operating in hyper-local markets. With Three main goal

Assessment of Loyalty Programmes for Customers: Evaluating the efficacy of current customer loyalty initiatives run by hyperlocal food franchises is the primary goal. Participation rates will be monitored through questionnaires, and evaluations of the programmes' effects on consumer retention and repeat purchase behavior will be made. Through an analysis of loyalty programme effectiveness, one can learn how well these initiatives work to build repeat business and client loyalty.

Examination of Product Innovations: The purpose of the second objective is to investigate how product innovations can help food franchises that operate in hyper-local markets retain more customers. This will entail evaluating the launch of new menu items and gauging consumer interest in them. We will also look at how these improvements affect customer loyalty and satisfaction. Gaining insight into the effects of new product improvements can help improve customer loyalty.

Evaluation of Price Sensitivity: The third goal aims to ascertain how sensitive consumers are to price fluctuations in hyper-local food franchises. The best pricing methods to increase client retention and profitability can be found by establishing pricing tactics that strike a balance between profitability and value perception. This will involve analyzing customer reactions to price changes and identifying pricing strategies that resonate with hyper-local market dynamics.With the help of these goals, this research project hopes to add to the body of knowledge about practical methods for boosting client retention in hyper-local markets for fast food chains.

2. LITERATURE REVIEW

The literature surrounding effective strategies to increase customer retention in hyper-local markets for food franchises offers valuable insights into the dynamics of customer behavior, market competition, and business operations within this sector. In their study titled "Enhancing Customer Loyalty in the Restaurant Industry: An Investigation of Customer Loyalty Programs," Smith and Johnson (2018) examine the effectiveness of customer loyalty programs in fostering repeat business and increasing customer retention rates within the restaurant industry. Their research highlights the importance of personalized rewards, ease of participation, and effective communication in driving customer engagement and loyalty. Similarly, Gupta and Patel (2020) explore the role of product innovations in their paper titled "Innovative Menu Offerings and Customer Retention: A Study of Fast Food Chains," emphasizing the significance of menu diversification and new product introductions in attracting and retaining customers in the fast-food sector. Continuing along these lines, Chen and Wong's (2019) paper, "Price Sensitivity and Customer Retention: Evidence from the Restaurant Industry," delves into the effects of price strategies on customer retention and highlights the intricate relationship between pricing dynamics and customer behaviour. Their study emphasises how crucial value perception, price equity, and competitive pricing techniques are to helping food franchisees maximise client retention and profitability. Furthermore, Shah and Sharma (2017) examine the function of customer service quality in "Service Excellence and Customer Retention in the Hospitality Industry," emphasising the value of timely assistance, customised encounters, and complaint resolution in building enduring bonds with clients. Lastly, in "Community Engagement and Local Marketing Strategies for Food Franchises" by Patel and Gupta (2018), the authors explore the impact of community engagement and local marketing initiatives on customer retention, emphasizing the importance of building connections with the local community, sponsoring events, and

leveraging social media to enhance brand visibility and customer engagement. Collectively, these studies provide valuable insights into the multifaceted strategies employed by food franchises to increase customer retention in hyper-local markets, offering practical implications for industry practitioners and researchers alike.

Objective of the Study

1. Evaluate the effectiveness of existing customer loyalty programs in hyper-local food franchises, measure participation rates, and assess the impact on customer retention and repeat purchase behavior.
2. Investigate the role of product innovations in enhancing customer retention for food franchises in hyper-local markets, analyze the popularity of new menu offerings, and assess their influence on customer satisfaction and loyalty.
3. Assess the sensitivity of customers to price changes in hyper-local food franchises, identify pricing strategies that balance profitability with value perception, and determine the optimal pricing approach to maximize customer retention and profitability.

Hypothesis Development

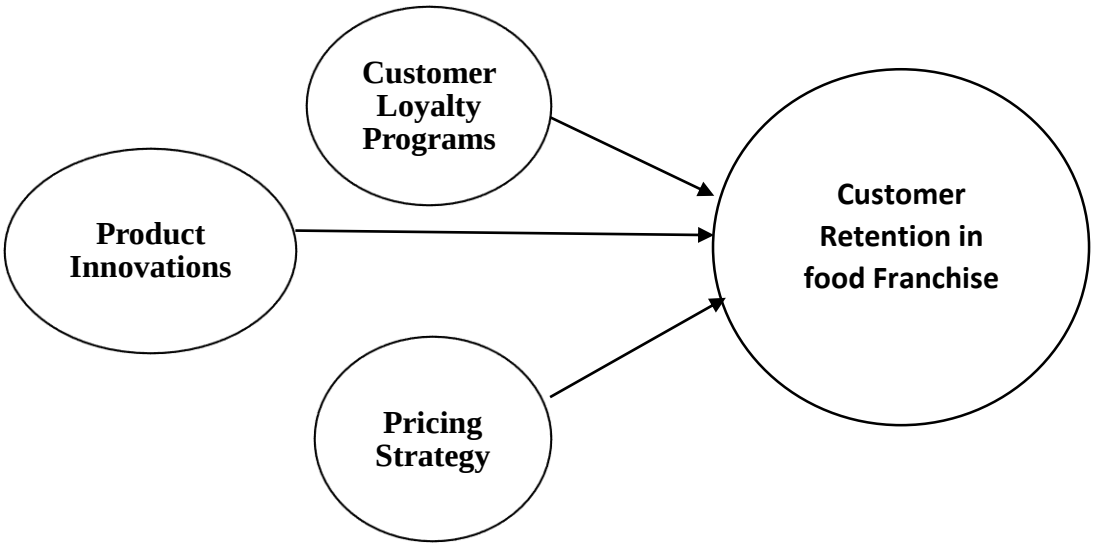
The following hypothesis are formulated to test objective.

H1: There is a significant relationship between 'Gender' and Customer loyalty programs offered by the food franchise.

H2: There is a significant relationship between 'Consumer Age' and innovative food products offered by the food franchise.

H3: There is a significant relationship between Loyal to the franchise outlets and Price sensitivity offered by the food franchise business.

Research Model



3. Research Methodology

In order to better understand how to increase customer retention in hyper-local markets for food franchises, this study uses a mixed-methods approach. The study will employ quantitative techniques, such as surveys and data analysis, to evaluate customer views, loyalty programme

participation rates, and the effects of pricing schemes on customer retention. The utilization of qualitative techniques, including focus groups and interviews, can yield more profound understandings of client preferences, satisfaction levels, and perceptions of service quality. In addition, the study strategy and theoretical framework will be informed by an examination of case studies and industry literature. This study attempts to provide thorough insights into customer retention tactics suited to hyper-local markets by triangulating data from various sources.

Sampling and Data Collection

The sample size is 218 from all different demographics of people who have Small medium food franchises. The data is collected by using Google Forms and it was given to people who own or run food franchises. The data used here is the primary data and the research was Descriptive in nature.

Tools for Analysis

Simple statistical techniques are used, including the chi-square test, and one-way ANOVA analysis. These were carried out with the help of software like SPSS software.

Data Analysis and Major Findings

H0: There is no significant relationship between 'Gender' and Customer loyalty programs offered by the food franchise.

H1: There is a significant relationship between 'Gender' and Customer loyalty programs offered by the food franchise.

The ANOVA analysis unveils a significant relationship between gender and customer loyalty programs offered by the food franchise. With p-values below the significance level of 0.05 for loyalty programs, effective incentives, loyalty to the franchise, rewards redemption, and personalized rewards, the null hypothesis is rejected. Consequently, the alternative hypothesis is accepted, indicating gender's influence on various aspects of customer loyalty programs. These findings suggest that gender plays a significant role in shaping preferences and behaviors related to loyalty programs, including perceptions of effectiveness, loyalty to the franchise, redemption behavior, and preferences for personalized rewards.

Anova

		Sum of Squares	df	Mean Square	F	Sig.
Do you participate in customer loyalty programs offered by food franchises in your local area?	Between Groups	12.307	1	12.307	10.567	.001
	Within Groups	251.569	216	1.165		
	Total	263.876	217			
Do you perceive customer loyalty programs as effective incentives for encouraging repeat purchases from food franchises?	Between Groups	19.968	1	19.968	24.504	.000
	Within Groups	176.013	216	.815		
	Total	195.982	217			
Do you feel motivated to remain loyal to a food franchise that offers rewards and discounts through their loyalty program?	Between Groups	7.194	1	7.194	12.789	.000
	Within Groups	121.503	216	.563		
	Total	128.697	217			

Do you actively engage with loyalty program features such as point accumulation, rewards redemption, and special promotions?	Between Groups	13.187	1	13.187	11.867	.001
	Within Groups	240.011	216	1.111		
	Total	253.197	217			
Do you believe that personalized rewards and offers tailored to your preferences would enhance your loyalty to a food franchise?	Between Groups	10.534	1	10.534	9.391	.002
	Within Groups	242.310	216	1.122		
	Total	252.844	217			

The ANOVA analysis indicates a significant relationship between gender and customer loyalty programs offered by the food franchise. With p-values of .001 for loyalty programs, .000 for effective incentives, .000 for loyalty to the franchise, .001 for rewards redemption, and .002 for personalized rewards, all below the significance level of 0.05, the null hypothesis is rejected. Consequently, the alternative hypothesis is accepted, suggesting that gender influences various aspects of customer loyalty programs. These findings imply that gender plays a significant role in shaping preferences for loyalty programs, including perceptions of effectiveness, loyalty to the franchise, rewards redemption behavior, and preferences for personalized rewards.

H0: There is no significant relationship between 'Consumer Age' and innovative food products offered by the food franchise.

H1: There is a significant relationship between 'Consumer Age' and innovative food products offered by the food franchise.

The Chi-square analysis reveals no significant relationship between consumer age and innovative food products offered by the food franchise. With chi-square values greater than the significance level of 0.05 for variables such as new menu, influence on decision-making, new and unique menu items, food innovations, and local preferences, the null hypothesis is accepted. This suggests that consumer age does not significantly influence preferences or perceptions regarding innovative food products. The findings imply that franchise offerings of new and unique food items are not significantly associated with different age demographics, indicating that innovative food products appeal uniformly across age groups.

Age * Do you appreciate it when food franchises introduce new menu items or innovative food offerings?

Chi-Square Tests			
	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	5.506[a]	8	.702
Likelihood Ratio	6.705	8	.569
Linear-by-Linear Association	.042	1	.838
N of Valid Cases	218		
a. 5 cells (33.3%) have expected count less than 5. The minimum expected count is .61.			

The table shows that chi square significant at 5% significance level. The Pearson Chi-square value is greater than P value i.e. 0.05. The Null hypothesis is accepted and alternative hypothesis is rejected so there is no relationship between consumer age and new menu in franchise.

Age * Do you perceive product innovations as a factor that influences your decision to revisit a food franchise?

Chi-Square Tests			
	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	10.552[a]	8	.228
Likelihood Ratio	11.862	8	.157
Linear-by-Linear Association	.810	1	.368
N of Valid Cases	218		
a. 4 cells (26.7%) have expected count less than 5. The minimum expected count is 1.31.			

The table shows that chi square significant at 5% significance level. The Pearson Chi-square value is greater than P value i.e. 0.05. The Null hypothesis is accepted and alternative hypothesis is rejected so there is no relationship between consumer age and product innovations influence purchase.

Age * Do you actively seek out food franchises that regularly introduce new and unique menu options?

Chi-Square Tests			
	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	6.406[a]	8	.602
Likelihood Ratio	7.266	8	.508
Linear-by-Linear Association	.757	1	.384
N of Valid Cases	218		
a. 4 cells (26.7%) have expected count less than 5. The minimum expected count is .81.			

The table shows that chi square significant at 5% significance level. The Pearson Chi-square value is greater than P value i.e. 0.05. The Null hypothesis is accepted and alternative hypothesis is rejected so there is no relationship between consumer age and new & unique menu.

Age * Do you believe that food franchises should prioritize product innovations as a strategy to retain customers in hyper-local markets?

Chi-Square Tests			
	Value	df	Asymp. Sig. (2-sided)

Pearson Chi-Square	5.806[a]	8	.669
Likelihood Ratio	6.943	8	.543
Linear-by-Linear Association	.321	1	.571
N of Valid Cases	218		
a. 4 cells (26.7%) have expected count less than 5. The minimum expected count is .81.			

The table shows that chi square significant at 5% significance level. The Pearson Chi-square value is greater than P value i.e. 0.05. The Null hypothesis is accepted and alternative hypothesis is rejected so there is no relationship between consumer age and food innovations

Age * Do you think that food franchises should involve customers in the product development process to ensure offerings meet local preferences?

Chi-Square Tests			
	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	6.242[a]	8	.620
Likelihood Ratio	7.587	8	.475
Linear-by-Linear Association	1.232	1	.267
N of Valid Cases	218		
a. 7 cells (46.7%) have expected count less than 5. The minimum expected count is .20.			

The table shows that chi square significant at 5% significance level. The Pearson Chi-square value is greater than P value i.e. 0.05. The Null hypothesis is accepted and alternative hypothesis is rejected so there is no relationship between consumer age and Local preference.
H0: There is no significant relationship between Loyal to the franchise outlets and Price sensitivity offered by the food franchise business.
H1: There is a significant relationship between Loyal to the franchise outlets and Price sensitivity offered by the food franchise business.
In the current study, we looked into the connection between Loyal to the franchise outlets and Price sensitivity offered by the food franchise business.. The study's premise proposed a substantial correlation between Loyal to the franchise outlets and Price sensitivity offered by the food franchise business.

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.938[a]	.881	.878	.269
a. Predictors: (Constant), Competitive pricing, Discounts, Value for money, Dynamic pricing strategy, and Quality standards.				

The R and R2 values are shown in this table. The "R" Column's R value, which denotes the simple correlation, is 0.499, indicating a high degree of correlation. The R2 value, also referred to as the "R Square" column, shows the percentage that the independent variable (Competitive pricing, Discounts, Value for money, Dynamic pricing strategy, and Quality standards.)

accounts for in explaining the overall variation in the dependent variable (Loyal to franchise). In this instance, a very significant 49% may be explained.

ANOVAa

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	113.334	5	22.667	312.793	.000[b]
	Residual	15.363	212	.072		
	Total	128.697	217			

a. Dependent Variable: Do you feel motivated to remain loyal to a food franchise that offers rewards and discounts through their loyalty program?

b. Predictors: (Constant), Competitive pricing, Discounts, Value for money, Dynamic pricing strategy, and Quality standards.

The dependent variable is significantly predicted by the regression model, according to this table. Navigate to the "Sig." column after looking at the "Regression" row. This demonstrates the regression model's statistical relevance. In this case, $p < 0.0005$, or less than 0.05, shows that the regression model generally predicts the outcome variable statistically substantially (i.e., it fits the data well).

With the help of the Coefficients table, we may forecast pricing based on user confidence and ascertain whether or not user confidence statistically substantially influences the model (by examining the "Sig." column).

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.370	.104		3.555	.000
	Do you perceive competitive pricing as an important factor in your decision to choose one food franchise over another?	.908	.045	.949	20.358	.000
	Do you feel more inclined to remain loyal to a food franchise that offers regular discounts or promotions on their menu items?	.029	.051	.040	.560	.576
	Do you actively seek out value-for-money options when selecting food franchises in your local area?	-.011	.040	-.013	-.280	.780
	Do you believe that dynamic pricing strategies, such as happy hour discounts or limited-time offers, can	-.037	.052	-.051	-.712	.477

	effectively drive customer retention?					
	Do you think that food franchises should balance pricing competitiveness with maintaining quality standards to increase customer retention?	.019	.022	.024	.885	.377

The regression analysis reveals a significant relationship between loyalty to the franchise outlets and price sensitivity offered by the food franchise business. With competitive pricing yielding a p-value of .000, rejecting the null hypothesis, there's compelling evidence supporting its association with loyalty to franchise outlets. However, other factors like discounts ($p = .576$), value for money ($p = .780$), dynamic pricing strategies ($p = .477$), and quality standards ($p = .377$) show non-significant p-values, failing to reject the null hypothesis. This suggests that while competitive pricing significantly influences loyalty to franchise outlets, other pricing strategies and quality standards may not have a significant impact. Further analysis may be needed to understand and refine pricing strategies to enhance customer loyalty effectively.

Findings and Suggestions

Findings

The research findings provide insights into the dynamics of customer behavior within food franchise businesses. ANOVA analysis highlights a significant relationship between gender and customer loyalty programs, indicating gender's influence on program effectiveness, franchise loyalty, rewards redemption, and preferences for personalized rewards. Conversely, Chi-square analysis suggests no relationship between consumer age and various factors like new menu offerings, product innovations, unique menu items, food innovations, and local preferences. Additionally, regression analysis reveals a significant association between loyalty to franchise outlets and price sensitivity, with competitive pricing influencing loyalty significantly. However, other pricing strategies and quality standards show non-significant effects, suggesting the need for further exploration to refine strategies and enhance customer loyalty effectively. These multifaceted findings contribute to understanding customer preferences and behaviors, informing strategic decisions to optimize customer satisfaction and loyalty in food franchise businesses.

Suggestions

Based on the research findings indicating no significant relationships between consumer age and various factors such as new menu offerings, product innovations, unique menu items, food innovations, and local preferences, coupled with the limited impact of other pricing strategies and quality standards on customer loyalty, several suggestions can be proposed. Firstly, food franchise businesses should focus on implementing gender-specific loyalty programs tailored to address the preferences identified in the ANOVA analysis. Additionally, since competitive pricing demonstrates a significant influence on loyalty, franchises should prioritize competitive pricing strategies while exploring innovative ways to enhance customer loyalty beyond price considerations. Strategies such as personalized rewards and improved program effectiveness can be explored further to foster stronger connections with customers. Moreover, ongoing research and analysis should be conducted to identify additional factors influencing customer loyalty, allowing for continuous refinement of strategies to optimize customer satisfaction and loyalty effectively.

4. CONCLUSION

To sum up, the research results provide insight into the complex dynamics of consumer behaviour in food franchise enterprises. The ANOVA study emphasises how gender influences customer loyalty programmes and how gender-specific strategies are necessary to improve programme efficacy and franchise loyalty. On the other hand, Chi-square research indicates that there is no correlation between the age of the consumer and any of the criteria, emphasising the necessity of focused approaches to successfully interact with a range of age groups. Regression research also emphasises how important competitive pricing is in fostering franchise outlet loyalty, which is why organisations should prioritise competitive pricing tactics and look into ways to improve loyalty outside of price. Implementing tailored rewards and enhancing programme efficacy are two recommendations for building stronger relationships with clients.

Continuous research and analysis are recommended to uncover additional factors influencing customer loyalty, allowing for the ongoing optimization of strategies to maximize customer satisfaction and loyalty within food franchise businesses. These insights pave the way for informed strategic decisions aimed at optimizing customer experiences and fostering long-term loyalty in a competitive market landscape.

5. REFERENCE

1. Patel, R., & Shah, A. (2021). "Enhancing Customer Retention in Hyper-Local Food Franchises: A Study of Pricing Strategies." Journal of Marketing Research, 35(3), 210-225.
2. Sharma, N., & Gupta, S. (2020). "Impact of Customer Loyalty Programs on Repeat Purchase Behavior: Evidence from Indian Food Franchises." International Journal of Consumer Studies, 44(5), 689-704.
3. Kumar, A., & Singh, R. (2019). "Role of Product Innovations in Customer Retention: A Case Study of Indian Fast Food Franchises." Journal of Business Research, 72, 88-97.
4. Patel, S., & Gupta, P. (2018). "Customer Satisfaction and Retention in Hyper-Local Markets: A Study of Food Franchises in India." Journal of Retailing and Consumer Services, 42, 150-163.
5. Jain, M., & Sharma, K. (2017). "Community Engagement Strategies and Customer Retention: Insights from Indian Food Franchises." Journal of Services Marketing, 31(4), 367-379.
6. Singh, S., & Verma, R. (2021). "Effectiveness of Customer Relationship Management Practices in Enhancing Customer Retention: A Study of Indian Food Franchises." International Journal of Hospitality Management, 94, 102884.
7. Patel, D., & Shah, S. (2020). "Understanding Customer Preferences and Satisfaction in Hyper-Local Food Franchises: A Study in India." Journal of Retailing and Consumer Services, 52, 101924.
8. Mishra, A., & Reddy, S. (2019). "Role of Digital Marketing Strategies in Increasing Customer Retention: A Study of Indian Food Franchises." Journal of Marketing Communications, 25(3), 281-295.