



(RESEARCH ARTICLE)



Impact of personalization on customer loyalty: A study on onlineretail businesses of Bangladesh

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International Journal of Science and Research Archive, 2024, 13(01), 150–158

Publication history: Received on 11 July 2024; revised on 30 August 2024; accepted on 02 September 2024

Article DOI: <https://doi.org/10.30574/ijrsra.2024.13.1.1545>

Abstract

Nowadays, online retailers are taking various tactics in terms of marketing and providing greater customer services where personalization is one of them where the retailers intend to fulfill customers' needs according to their preferences. This study proposes to find out the impact of personalization on customer loyalty in online retail businesses in Bangladesh. And, to conduct the research, primary data has been collected through a questionnaire survey which is distributed to 150 customers who have purchased from online retailers. After that, the collected data were analyzed through MS Excel using multiple regression analysis, correlation analysis, and descriptive statistics. According to the results, there is a significant and positive relationship between 3 personalization factors including one-to-one personalization, co-creation, and personalized webpages with customer loyalty. Hence, a higher level of personalized services can ensure a higher level of customer loyalty.

Keywords: Personalization; Customer loyalty; Online business; Retail industry; Bangladesh

1. Introduction

The retail industry is the core business platform to interact with customers directly and businesses get incredible benefits from their loyal customers. Also, many successful retail businesses aim to target, serve, and retain customers as these businesses mainly focus on creating brand loyalty among the customers (Adisak, 2022). Retail businesses are evolving in the online platform and even, here, their business focuses are mainly on creating customer loyalty as loyal customers are the major concern for profitability and sustainability. Online retailers are used to purchasing and selling goods and services, and transferring funds and credits through digital communication mediums where the internet and personal computers and smartphones play an important role (Arora et al., 2018). In the online platform, the markets are not able to make face-to-face interactions with the customers and customers are on the way to putting their trust in online businesses and making footsteps into online shopping rather than devoting time to traditional shopping options (Carvajal, 2018). All these concerns need more personal information regarding customers' needs, tastes, and preferences. By following these concerns, online retail businesses are taking various tactics to create customer loyalty among the target market where personalization is one of the major tactics for creating customer loyalty (Khairawati, 2019). Personalization is the combination of some activities including gathering related data and information about the customer so that the marketer can use them to produce goods and services according to customers' preferences and needs. So, companies focus on their targeted customers and gather the necessary personal information of individual customers to get involved in the process of personalization (Purnama, 2017). Online customers want to be treated and facilitated differently from others and they trust brands that are not faceless corporations and treat individual customers with personalized services rather than pushing the brands passively to the customers (Adisak, 2022).

Online customers are a lot savvy in nature and they want some personalized services in two-way communication and engagement. Behind their preferences to get personalized services, there are some problems faced by them before

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the awareness of personalized services. They felt fatigued choosing from a different range of product varieties and services because there are large choices online where there are a lot of retailers and products and services (Arora et al., 2018). Also, the customer realized the problem of getting personal responses from the brands or brand executives as they don't know which product would best suit them and they also wanted product recommendations (Khairawati, 2019).

E-commerce retailers always and continuously find ways to keep themselves more competitive than competitors and try to stand out from the competition by keeping their customers happy and retaining them through creating satisfaction and loyalty. So, they find the best way to do that is through personalization (Adisak, 2022). Many giant online retailers, for example, Amazon, Asda, Tesco, etc. are highly involved in providing personalized services to customers and they are putting the highest focus on this aspect. Such an e-commerce personalization approach allows the vendors to enhance their capabilities to serve individual customers and increase sales volumes. Personalization helps the vendors to keep relevant with the offers made to the customers and the preferences and needs of the customers (Arora et al., 2018). Customers are also indicating that personalization is important for them because it is found that the majority of customers purchase a brand when they experience personalized services from that brand's vendors.

This research paper aims to critically evaluate and find out the impact of personalization on customer loyalty in online businesses in Bangladesh so that a clear view can be generated of how the personalization approaches help and are related to creating customer loyalty. To meet the research purpose, some specific objectives were formulated which are given as follows-

- To critically find out how personalization in terms of customer service impacts customer loyalty in the online retail business of Bangladesh;
- To ensure that the personalization strategies will be more effective for online retailers to create customer loyalty.

To meet the research objectives, some research questions were formulated which are given as follows-

- How does personalization in customer service impact customer loyalty in online retail businesses?
- What are the personalization strategies that will be more effective for online retailers to improve customer loyalty?

2. Literature review

According to Carvajal, (2018), customer loyalty is the most important factor in the competitive market in the present times now and the success of a business depends on loyalty. In this section, the views of personalization approaches to personalization, customer loyalty, and dependent and independent variables are pointed out accordingly.

2.1. Customer loyalty

According to Khairawati, (2019), customer loyalty refers to a customer's possibility to do repeat business with a company or brand. The result of customer satisfaction is customer loyalty, positive customer relationships, and the overall value of the goods or services a customer receives from an organization. Online customer loyalty means the probability that a customer who has previously purchased a product from an e-commerce site will purchase another product in the future. According to Adisak, (2022), customer loyalty can be defined clearly by the model of 'Mental Loyalty' where different forms of loyalty have been identified based on the attention towards a focus brand and repetition of purchasing that focal brand.

Positive	Sustainable loyalty	Latent loyalty
	Spurious loyalty	Unloyalty
Negative	High	Low

Repeat purchase of the focal brand

Source: Adisak, (2022)

Figure 1 Levels of Loyalty based on Mental and behavioral dimension

When the relative attitude towards the focal brand is positive and repeat purchases of the focal brand are high then there is sustainable loyalty. When relative attitude towards the focal brand is positive and repeat purchases of the focal brand are low then there is latent loyalty. When the relative attitude towards the focal brand is negative and repeat purchases of the focal brand are high then there is spurious loyalty. When the relative attitude towards the focal brand is negative and repeat purchases of the focal brand are low then there is unloyalty (Adisak, 2022).

2.2. Personalization

Adisak, (2022) stated that Personalization means a marketing strategy that involves keeping the browsing experience, messages, and offers on a website, based on visitor characteristics on purchase. Retail personalization means the process of giving every shopper a unique journey across every single identity and channel, based on historical data and real-time shopper motive, powered by customer and product information. A customer service approach is personalized essential means 'knowing' the customer individually and talking to the customer because of collected data (Purnama, 2017). Therefore personalization can take many forms and different processes are running in the business for each strategy. For example-

One-to-one personalization: Arora et al., (2018) stated that One-to-one personalization is a marketing strategy that uses data to deliver highly personalized messages and offers to current or future customers about their services. One-to-one personalized marketing helps marketers provide an important and effective customer experience to their users and enhance the overall impact on their customers. For customers, bridging the gap between their needs and brand offerings, improving product discovery, enhancing shopping experiences, and decreasing digital frustrations. The one-to-one personalization approach helps the marketers to get first-hand data and information that guide the buying journey of both existing and potential customers and customers find their preferences in the offerings and become satisfied as well as loyal to the brand (Adisak, 2022).

H1: *there is a significant relationship between one-to-one personalization and customer loyalty.*

Co-creation: Werner (2018) stated that co-creation means inviting customers to participate in a design or problem-solving process to produce a mutually valued result. The result can include things like new ideas about the product, the unique product delivered to the customer, and the ways to overcome delivery chain problems and also resolve some of the technical solutions to complex manufacturing questions of the customer. Co-creation helps the vendors to make customer participation in the manufacturing, service delivery, and other problem-solving aspects where customers can solve various problems on their own and get motivated as their opinions get valued and become loyal to the brand (Arora et al., 2018).

H2: *there is a significant relationship between co-creation and customer loyalty.*

Reverse marketing: According to Arora et al. (2018), reverse marketing is one of the marketing strategies that influence consumers to find out about a company or a product on their own, rather than a company trying to sell specific

products to consumers. Again, reverse marketing helps customers to realize the importance or need for an offering offered through traditional or digital promotional activities and customers search for the potential sellers themselves when they get one who can serve their needs well, they become loyal to that seller (Carvajal, 2018).

H3: *there is a significant relationship between reverse marketing and customer loyalty.*

Email Personalization: Sahni et al., (2018) stated that nowadays Email personalization is a modern way to connect with customers and helps the retailer connect with customers easily. However, this must extend beyond the subject line. If a business caters to many different clients a product, an organization must consider how to deliver the right message to the right user at the right time. Email personalization helps marketers to send personalized emails to customers by mentioning their first names about recent or upcoming offerings, offers, or any issues that make customers feel important and valuable to the firm and become loyal (Adisak, 2022).

H4: *there is a significant relationship between email personalization and customer loyalty.*

Personalized Web Pages: According to Xing-Hua et al., (2018), increasing engagement with customers is an important goal for marketers. Customers who are between their first and second purchases pose a higher risk of not making another one. Personalized web pages help the firms to move far away from a one-size-fil-all viewpoint to more personalized content for individual customers and when a customer finds the actual content at the right time and without any hassle, they feel important and revisit the website of the firm to purchase and be loyal (Arora et al., 2018).

H5: *there is a significant relationship between personalized web pages and customer loyalty.*

Product Recommendations: According to Ono (2020), Product recommendations are the most important part of an e-commerce personalization strategy wherein products are dynamically populated to a user on a webpage, app, or email based on data such as customer attributes, browsing behavior, or situational context—providing a personalized shopping experience. Product recommendations help the customers to get a view of how easily they can use a product or they find more relevant choices to purchase that attract them well and increases customer engagement with the business and they return to the brand repeatedly and become loyal (Carvajal, 2018).

H6: *there is a significant relationship between product recommendations and customer loyalty.*

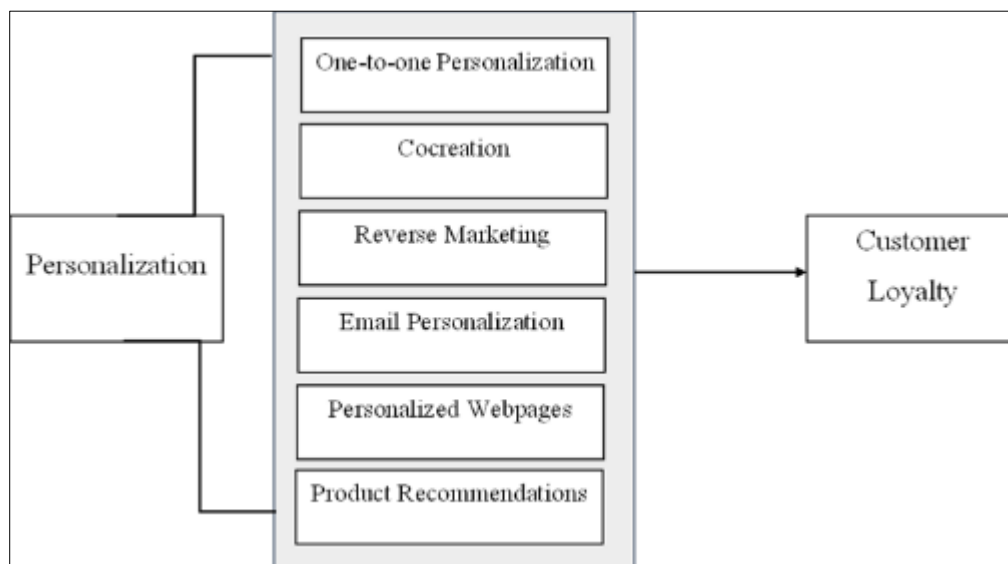


Figure 2 Theoretical Model

To examine the influence of personalization on customer loyalty and then evaluate how personalization is impacting customer loyalty, in online retail businesses in Bangladesh, the abovemodel has been presented and empirically tested. This model also illustrates the relationship between the variables. These relationships are being tested subsequently.

2.3. Research Variables

Table 1 Research Variables

Types of Variables	Variables	Determinants	References
Dependent Variable	Customer loyalty	Repurchase intention, no diversion to the competitors	Adisak (2022)
Independent Variables	One-to-one personalization	Personal responses and conversations	Arora et al. (2018)
	Cocreation	Customer participation in decisions	Werner (2018)
	Reverse marketing	Searching retailer themselves	Carvajal (2018)
	Email personalization	Emails addressing names	Sahni et al. (2018)
	Personalized web pages	Previous searches and purchases	Xing-Hua et al. (2018)
	Product recommendations	Required solutions and suggestions	Ono, 2020

3. Methodology

3.1. Research Philosophy

This research is based on positivist philosophy because it has used the deductive research approach and the quantitative research method has been used as well as it has been conducted with value-free assumptions under axiology and according to ontology assumptions, this research is based on objective judgments (Zikmund et al., 2013).

3.2. Research Strategy and Method

For this research purpose, data had been collected from both primary and secondary sources. Primary data had been collected from the respondents through a questionnaire survey and secondary data had been collected through reviewing various articles, journals, websites sources, and books that supported the literature review (Kumar, 2018). Again, this paper was based on a quantitative study to generalize the research aim and objectives. The quantitative analysis had been done through the analysis of collected primary data using statistical tools such as multiple regression analysis, correlation analysis, and descriptive analysis (Zikmund et al., 2013).

3.3. Research Design

The population is all of the customers who had purchased goods and services from online retailers in Bangladesh. The target population is the customers of Daraz BD, Shajgoj.com, and Chaldal.com. To make the data collection easier, the sample size has been selected as 150 inspired by the previous research (Halimi et al., 2017; Khairawati, 2019). There was no pre-set sampling frame for the respondents, the non-probability sampling technique had been used to select the sample respondents using the self-selection model of sampling where the questionnaire is provided to the various Facebook community groups and the eligible respondents have participated in the survey (Saunders et al., 2009). A close-ended questionnaire had been designed which consisted of 2 parts including the demographics of the respondents in the first part, and the 2nd part, which was about personalization in customer service aspects and how it creates customer loyalty. After collecting data from the respondents, these were analyzed through statistical tools such as multiple linear regression analysis, correlation analysis, and descriptive analysis using MS Excel, and the findings were presented in a tabular form.

4. Results of data analysis

4.1. Demographics

From the demographic characteristics of the 150 respondents, it had been found that the majority of them are the buyer of Daraz BD (about 52%) and rest of the respondents are buyers of Shajgoj and Chaldal, majority of them are females (around 60%) and the rest 40% of them are male, majority of them are students (about 54%) and rest of the proportion covers self-employed job holder, and homemaker, majority of them are of the age between 21 years to 30 years (around 66%), and the majority of them is from Dhaka division (around 57%).

4.2. Reliability Test

The primary data had been collected through a questionnaire survey and the questions were close-ended and were based on the 5-point Likert scale model to test the reliability of the Likert scale and the options within a scale, the Cronbach’s Alpha had been concluded. The alpha value is about 0.92 and near 1 which indicates that the Likert scale model is highly reliable.

Table 2 Reliability Test

Reliability Measure	Value	Result
Cronbach’s Alpha	0.92	Perfectly Reliable

4.3. Descriptive Statistics

To measure the average responses of the respondents, descriptive statistics had been calculated where the mean indicates which option was selected on average by the respondents and the standard deviation (SD) indicates the variation of responses from the average.

Table 3 Descriptive Statistics

Variables	Mean	SD	Results
Customer loyalty (Y)	1.46	0.79	Very Likely
PF1 (X1)	1.55	0.96	Always
PF2 (X2)	1.89	1.06	Sometimes
PF3 (X3)	1.82	1.04	Sometimes
PF4 (X4)	1.84	0.96	Sometimes
PF5 (X5)	1.57	0.90	Always
PF6 (X6)	1.79	0.96	Always

4.4. Correlation Analysis

The correlation matrix shows to what extent the variables are related to each other. From the matrix, it can be said that there is a high positive relationship between the dependent variable (Y) with all the independent variables.

Table 4 Correlation Matrix

	Customer Loyalty (Y)	X1	X2	X3	X4	X5	X6
Customer Loyalty (Y)	1						
PF1 (X1)	0.84	1					
PF2 (X2)	0.69	0.67	1				
PF3 (X3)	0.61	0.58	0.63	1			
PF4 (X4)	0.60	0.63	0.76	0.48	1		
PF5 (X5)	0.72	0.71	0.65	0.62	0.64	1	
PF6 (X6)	0.58	0.68	0.67	0.51	0.68	0.60	1

4.5. Regression Analysis

To analyze the strength of the relationship between the dependent variable and independent variables, the multiple regression model has been run. And the regression equation is-

$$\text{Customer loyalty } (Y) = B_0 + \{B_1 \cdot \text{one-to-one personalization } (X_1)\} + \{B_2 \cdot \text{cocreation } (X_2)\} + \{B_3 \cdot \text{reversemarketing } (X_3)\} + \{B_4 \cdot \text{email personalization } (X_4)\} + \{B_5 \cdot \text{email personalization } (X_5)\} + \{B_6 \cdot \text{product recommendations } (X_6)\} \dots\dots (1)$$

From the regression results, the multiple R-value is 0.87 and the R-square value is 0.76 which indicates there is a strong and significant relationship between customer loyalty and personalization factors. Again, the adjusted R-square value is 0.75 which is also near 1 and indicates the multiple independent variables (6 personalization factors) are well-adjusted with theregression model. Also, the F statistics from the Anova table is 75.63 which has a P-value of 0.000 which is less than the significance level of 0.05 (5%), and ensures the dataset is a significantfit for this model.

Table 5 Regression Summary

Multiple R	R Square	Adjusted R square	F statistics
0.87	0.76	0.75	75.63
			0.000* (P-value)

*P-value less than 0.01(1%).

And, the coefficient table shows the P-value of T-statistics for each of the independent variables. Based on the P-value, the hypotheses are either supported or rejected and the criteria are P-value must be less than the significance level of 0.05 (5%). And among the 6 hypotheses, 3 of them arerejected and another 3 of them are supported as they have a P-value of less than the significance level.

Table 6 Test of Hypotheses

Hypotheses	P-value	Sig. Level	Results
<i>H1: there is a significant relationship between one-to-one personalization and customer loyalty</i>	0.000*	0.05	Supported
<i>H2: there is a significant relationship between co-creation and customer loyalty</i>	0.016	0.05	Supported
<i>H3: there is a significant relationship between reverse marketing and customer loyalty</i>	0.179	0.05	Rejected
<i>H4: there is a significant relationship between email personalization and customer loyalty</i>	0.959	0.05	Rejected
<i>H5: there is a significant relationship between personalized web pages and customer loyalty</i>	0.010	0.05	Supported
<i>H6: there is a significant relationship between product recommendations and customer loyalty</i>	0.083	0.05	Rejected

*P-value less than 0.01(1%).

5. Discussion of findings

From the analysis part, it has been found that one-to-one personalization, cocreation, and personalized web pages can impact customer loyalty, as well as higher performance in these threefactors, can increase customer loyalty. Customers prefer the retail site online where they can get personal responses from the sales representatives and may have a personal conversation with themto share their specific problems and ask for suggestions. Sites that provide quick and prompt responses to customer queries can create customer loyalty (Adisak, 2022). Again, customers want they will be valued by the retailers as an important part of the business, and when the retailers ask them for suggestions about launching a new product whether the new product will be helpful for them or not, and according to the customer’s suggestions, they will decide to add it or not. Of this behavior of the retailers, customers get satisfied and loyal to the shopping site (Arora, et al., 2018).

Also, customers visit various online shops, again and again, tomake effective and accurate decisions and some sites record their visits and information as well astheir recent searches, and when the customers revisit the site, they find their required or searched products on the home page of the site on their phone screen and gets satisfied and think to

buy from that site (Xing-Hua et al., 2018). It has been also found that reverse marketing, email personalization, and product recommendations do not significantly impact customer loyalty. Reverse marketing sometimes fails to connect the customers with the businesses that lose customer loyalty because customers find it very boring and inconvenient to find the products and retailers on their own as many retailers are ready to catch their attention (Sahni et al., 2018).

Online retailers send personalized emails to the first or last of the customers to catch their attention but very frequent emails are annoying and make them disturbed and they start to ignore the emails or even log out of the shopping site (Arora, et al., 2018). At last, customers share their problems with the sales representatives to get recommendations of products and services that best suit their specific problems. However the retailers sometimes fail to meet their needs and criteria and they suggest the products that they have and customers do not get their desired result and stop to purchase again from that site (Carvajal, 2018).

6. Conclusion

Creating customer satisfaction and making them loyal are the primary motives of the retailers and they are doing this job through direct interactions with the customers. The findings of this study show that online retailers are creating customer loyalty through personalized services where they ensure the services through one-to-one personalization, cocreation, and personalized web pages. Also, the retailers need to focus on some personalization factors including reverse marketing, email personalization, and product recommendations to improve them so that these may not create customer dissatisfaction at least and to make them successful gradually to create customer loyalty at large.

Limitations

As the time and cost were limited for this research, it was conducted on a small target population and sample size, as well as the correlation matrix, did not highlight the multicollinearity problem among all the dependent and independent variables, and this research did not conduct the exploratory factor analysis to measure the multicollinearity problem and to highlight whether the variables were overlapping or not.

Future research

Further research area ensures that the target population and sample size will be increased, the number of variables both dependent and independent will be increased, the multicollinearity problem will be detected by the exploratory factor analysis, and the variables will be extracted or suppressed accordingly, if any, to reach a better-generalized conclusion that will be acceptable, reliable, and validated.

Compliance with ethical standards

Disclosure of conflict of interest

No conflict of interest to be disclosed.

Statement of Informed Consent

Informed consent was obtained from all individual participants included in the study.

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