

CUSTOMER SATISFACTION AS A DETERMINANT OF CUSTOMER LOYALTY IN MODERN RETAIL - THE SLIP BETWEEN THE CUP AND THE LIP

Ms Gayatri Chopra, Ms Swati Sudan

ABSTRACT

Starting 1991, India has experienced major structural and economic reforms leading to a marked shift from protectionist policies to liberal ones. In the light of a lot of changes, there is the growing tendency among retailers to recognise the need to satisfy consumers and delight them to promote repurchase in this highly competitive scenario. It is, thus, imperative for the retailers to understand the drivers of customer satisfaction and customer loyalty as also to ascertain whether customer satisfaction really impacts customer loyalty. The present study, conducted on customers of Big Bazaar, an Indian Retail Chain, has attempted to study this very critical link between Customer Satisfaction and Customer Loyalty. It was hypothesized that Customer Satisfaction has no impact on Customer Loyalty. Primary data was collected through a structured questionnaire from participants from North West Delhi region. An analysis of the data revealed that contrary to hypothesis, customer satisfaction does impact customer loyalty ($R^2 = 0.37$). The results, however, reinforce the belief that all satisfied customers are not loyal and 'there is many a slip between the cup and the lip'.

Keywords: Customer Satisfaction, Customer Loyalty, Impact, Retail Chain, Big Bazaar.

I. INTRODUCTION

The Retail Industry has emerged as one of the most fast growing sectors in India. In today's competitive business marketplace, it is vital for all the organizations to meet and exceed the customers' expectations and to identify whether they are satisfied customers. Customer satisfaction is the measure of how the business meets the needs of the customer as compared to customer expectation. In today's competitive scenario, superior customer service and customer satisfaction are important differentiation strategies used by many businesses. On the other hand, customer loyalty is the measure of how successful the business is in retaining a long term relationship with the customer. In a retail setting, customer satisfaction and loyalty is not only dependant on how well the product performs but also on the complete retail experience of the customers.

Measuring customer satisfaction and loyalty is important because satisfied and loyal customers return to buy more, recommend the organisation to others, cost less to sell to, and cost less to service. The problem in measuring customer satisfaction lies not only in the difficulty to measure it but also in the lack of a systematic approach to measuring customer satisfaction to enable businesses to effectively increase profitability.

Ironically, the observation of many market research companies is that even satisfied customers will defect. Thus, it becomes essential to understand what drives customer satisfaction and loyalty and the critical link that helps transform satisfied customers into loyal customers. This is important to effectively translate customer satisfaction into business results. To this end, the following research has been undertaken to understand what drives customer satisfaction and customer loyalty in a retail setting. This study undertaken at Big Bazaar, an Indian hypermarket chain store, attempts to understand this very vital link between customer satisfaction and loyalty.

II. LITERATURE REVIEW

A. Customer Satisfaction

The Oxford Dictionaries Online states that the word 'satisfaction' is derived from Latin word 'satisfacere' and means fulfilment of one's wishes, expectations, or needs, or the pleasure derived from this. Different authors view customer satisfaction in different perspectives. Some view it as an outcome, others view it as a process, and yet others believe it to be a perception.

Oliver (1999) defined satisfaction as the consumer's sense that consumption provides outcomes against a standard of pleasure versus displeasure. He investigated what aspect of the consumer satisfaction response had implications for loyalty and what portion of the loyalty response was due to the satisfaction component. The analysis concluded that satisfaction was a necessary step in loyalty formation but became less significant as loyalty began to set through other mechanisms. He explained that for satisfaction to affect loyalty, frequent or cumulative satisfaction is required so that individual satisfaction episodes become aggregated or blended.

Hill & Alexander (2006) discussed that customer satisfaction is a measure of how the organisation's total product performs in relation to a set of customer requirements.

Güngör (2007) has identified four dimensions as part of the customer satisfaction and loyalty process: Emotional, Cognitive, Transactional and General satisfaction. According to him, while cognitive satisfaction represented the rational and thinking side of the satisfaction; emotional satisfaction represented the experiential and feeling side. General satisfaction represented the overall satisfaction of customers, whereas transactional satisfaction represented the last transactions, namely the satisfaction with last contact with firms.

Oliver (2010) brought out that satisfaction was the consumer's fulfilment response. He amplified that it was a judgement that a product/service feature, or the product or service itself, provide (or is providing) a pleasurable level of consumption-related fulfilment, including levels of over or under fulfilment. The plethora of views brought out above is all valid in today's context and this is the reason for the complexity that the measurement of customer satisfaction presents.

B. Customer Satisfaction In Retail And Its Dimensions

Chen, Wang, Wang, & Tsai (2010) emphasized that the trust on the retailer in terms of product integrity, services, localism relationship, transaction reliability, and how store takes care of failure recovery are all factors that win customers' satisfaction.

Malik (2011) explored the components of retail customer satisfaction and defined retail satisfaction as the comprehensive affective response on the cumulative experience from patronizing the retailers. The study emphasised that retail customer satisfaction consisted of five dimensions viz. Product Characteristics, Price Factor, Physical Aspects, Promotional Schemes and Personal interaction.

Lu & Lukoma (2011) tried to investigate the satisfaction levels of customers in three supermarkets in Visby, Gotland. The study examined the importance of overall dimensions and specific elements of customer satisfaction towards the measurement of satisfaction levels. The researchers identified nine dimensions along with 21 relevant elements as attributes to measure customer satisfaction. The dimensions were Location, Additional Services, Product quality, Service Quality, Facilities, Reliability, process, Value for money, Staff and Personnel service. Furthermore, these nine dimensions also consisted of 21 elements which were used in the collection of data and analysis of results. All these dimensions were measured on a 5 point Likert Scale. These dimensions have been made use of in designing the questionnaire for this research.

Songsom & Trichun (2012) measured customer satisfaction in five dimensions; satisfaction by variety of products, price satisfaction, location or physical aspects of the store, service providers and marketing promotion.

Sathyapriya, Nagabhusana, & Nanda (2012) concluded that quality, freshness, reach, service, acceptance of cards and clarity of bill were the major factors that affected customer satisfaction at the retail store. They studied satisfaction with the retail service using a five point Likert scale using several factors (40 items) on five dimensions that included store image, product expectations, perceived quality, perceived value, and retail services.

C. Customer Loyalty

Oxford Dictionaries Online states that the word 'loyalty' means the quality of giving or showing firm and constant support or allegiance to a person or institution.

Oliver (1999) described loyalty as a deeply held commitment to rebuy or re-patronize a preferred product/service consistently in the future, thereby causing repetitive same-brand or same brand-set purchasing, despite situational influences and marketing efforts having the potential to cause switching behaviour.

Hill & Alexander (2006) have discussed that loyalty represents a positive level of commitment by the customer to the supplier and it is the degree of positive commitment which distinguishes truly loyal customers. They have further amplified that the customer commitment is often reflected in the customers' behaviour in that they buy more often, buy more (range), spend more (are less price sensitive), recommend more, consider competitors less and feel committed. Thus it can be said that loyalty represents the customer's emotional bond with a product or service leading to continued relationship between the retailer and the customer, positive word of mouth and unwillingness to switch to the competitors' offering.

D. Customer Loyalty In Retail And Its Dimensions

Kim et. al. (2008) incorporated "customer love", a construct that helps explain variation in satisfied customers' emotional responses to retailers and proposed a mechanism by which love is formed and manifested in the sequence of emotional loyalty. The researchers demonstrated that customer love is predicted by perceived relationship investment, hedonic store experience, and symbolic store experience. Customer love and symbolic store experience, in turn, were

linked to a higher level of competitive insulation, ultimately leading to action loyalty.

Omar et.al.(2010) tried to determine whether benefits that members derived from a loyalty program could influence their satisfaction, trust, commitment, loyalty with the program and ultimately store loyalty. In the context of this study, store loyalty was conceptualised as a high commitment to rebuy or repurchase a preferred product or service consistently in the future despite situational influences and marketing efforts having the potential to cause switching behaviour. The construct used in the present research for measuring store loyalty was adapted from this study.

Songsom & Trichun (2012) measured customer loyalty using concepts of both attitudinal loyalty considered by three dimensions which included cognitive, affective and conation and by behavioural results or action on dimensions which included word of mouth, strength of preference and identification.

E. Relationship Between Customer Satisfaction and Customer Loyalty

The research that exists on date does not provide conclusive evidence on the nature of the relationship between satisfaction and loyalty. Evidence of a positive relationship between satisfaction and loyalty was found by some researchers (e.g. Cronin and Taylor, 1992; Woodside et al., 1989, Dabholkar et al., 2000; Yang and Peterson, 2004). Thakur & Singh (2012) also indicated that there was a positive relationship between customer satisfaction and loyalty intention.

On the other hand, other researchers (e.g. Sivadas and Baker-Prewitt, 2000) found no relationship between satisfaction and loyalty. Additionally, some researchers (e.g. Henning-Thurau and Klee, 1997) indicated that a large proportion of satisfied consumers not engaging in repeat purchase.

Shpëtim(2012) investigated the relationships among service quality, satisfaction, trust, and store loyalty in a retailing context using confirmatory factor analysis (CFA) and structural equation modelling (SEM) and positively confirmed the relationships between customer satisfaction, customer trust, and customer loyalty. Chen, Wang, Wang, & Tsai (2010) concluded that only customer satisfaction resting on trust can develop customers' loyalty toward the store.

Evidence of weak correlations between satisfaction and loyalty was given by some researchers (e.g. Van Looy et al., 1998), whereas there were others

(Bloemer and Kasper, 1995) who have argued that satisfaction is a necessary, but not sufficient, condition leading to loyalty or repeat purchase. Thus, the present study aims to study and assess the impact of this inter-relationship between customer satisfaction and customer loyalty in the context of Indian Hypermarket chain Big Bazaar.

III. OBJECTIVES OF THE STUDY

The objectives of the research work are:

- (a) To examine the relationship between the dimensions of customer satisfaction and customer loyalty of Big Bazaar customers.
- (b) To make recommendations for improvement of the retail service offered by Big Bazaar based on the survey results.

IV. METHODOLOGY

The study is descriptive in nature. The study design used is cross-sectional study design. Both primary and secondary data collection methods were employed to conduct the research work. Secondary Data was collected from various research journals, conference proceedings, books and reports available in the library and online. Primary data was collected using sample survey which was carried out by means of a self-administered, structured questionnaire. The questionnaire consisted of closed ended questions divided into three sections. The first section was designed to measure demographic variables. The second section was designed to measure customer satisfaction on various factors measured on 5 point Likert Scale. The third section dealt with the measurement of customer loyalty which was also measured on 5 point Likert Scale. A pilot test was carried out to establish the reliability of the research instrument. The questionnaire was filled by 21 respondents and reliability was checked using SPSS to calculate the value of Cronbach Alpha. In the pilot test, the values of Cronbach's Alpha are 0.872 and .805 in each part of the survey. Since, any instrument having Cronbach Alpha value greater than 0.7 is acceptable, the questionnaire was found to be reliable to be used for the study.

The sampling technique chosen for the research work is non-probability convenience sampling. This is because respondents were selected based on their availability for the study. The data was collected from the customers of two Big Bazaar outlets of North-West Delhi. A sample of 100 respondents was studied for this research.

V. HYPOTHESIS

H1: Customer satisfaction has a positive relationship with customer loyalty of Big Bazaar customers in North West Delhi region.

H2: Customer satisfaction has a significant impact on customer loyalty of Big Bazaar customers in North West Delhi Region.

VI. DATA ANALYSIS AND INTERPRETATION

A. Demographic Profile Of The Respondents

Data was collected from 100 respondents. The composition of the sample included 62% female respondents as against 38% males. 67% of the respondents were below 40 years of age as against 33% respondents who were older. 52% of respondents belong to the higher income bracket (monthly household income greater than Rupees 50,000) and only 9% respondents belong to the lower income group (monthly household income less than Rupees 25,000). 66% of the total respondents for the study were married and 34% were unmarried. Maximum Respondents belonged to nuclear families (67%). An analysis of the occupations of the respondents revealed that 18% were students, 25% were housewives, 14% were Government servants and 23% were private sector employees and 20% constituted self-employed persons / retired persons and others. 29% of the respondents were members of the Big Bazaar loyalty program.

B. Descriptive Statistics

A comparison of descriptive statistics for various factors constituting Customer Satisfaction was done. From the above table, it can be seen that Mean is highest for Factor 1 (Convenience) and second highest for Factor 5 (Reliability). However, on comparison of these two factors' Standard Deviation it can be observed that the value of Standard deviation for the factor 1 (convenience) is lower than Factor 5 (reliability). Thus, it may be concluded that the consumers are most satisfied with factor 1 viz. Convenience. (Kindly refer Table I)

On comparison of descriptive statistics for Customer Satisfaction and Customer Loyalty, it can be inferred that customer satisfaction has higher mean than Customer Loyalty. This goes to show that though a higher percentage of customers are satisfied with Big Bazaar products and services, the customer loyalty among these customers is much lower.(Kindly refer Table II)

C. Correlation And Regression

A significant high positive correlation exists between Customer Satisfaction and Customer Loyalty. (Kindly refer Table III) Thus, regression can be used to analyse the degree of impact of Customer Satisfaction (Independent Variable) on

Customer loyalty (Dependent Variable). The technique of Simple Linear Regression was applied to the data collected from the Respondents. (Kindly refer Table IV, V and VI)

The Regression Equation is $Y=1.067X-0.3587$

R square value of 0.370032296 indicates that 37% variation in Customer Loyalty is explained by Customer Satisfaction. P-value of 0.000 indicates that the result is statistically significant. (Kindly refer Figure I)

VII. DISCUSSION

The review of previous research work on the subject helped to determine the dimensions of customer satisfaction and customer loyalty in a retail setting. After data was analysed, the dimension convenience had the highest mean and lowest Standard Deviation, while additional services had lowest mean. Thus, the most important factors which help build customer satisfaction at a retail store such as Big Bazaar are the convenience offered by the store, the reliability of the store and the value for money proposition of the store. This showed general trend that since people like to buy from the most convenient supermarket; location is the most important factor for retailers business. In contrast, customers felt least satisfied with additional services. Big Bazaar does not provide proper additional services like parking facilities, play areas for kids etc. to the customers. The retailer should provide additional services to their customers in order to increase the customer satisfaction level.

Across the first sub-dimension namely, location, the result showed that people felt relatively highly satisfied with location of the stores. This is because since its inception Big Bazaar has grown at a tremendous pace adding new stores every year. The managerial implication of these statistics is that in order to start a new retail business, a suitable place near the target market served should be selected. Also, the staff employed by the store can make or break a relationship through their interactions with customers. Thirdly, the management must attempt to understand the factors that contribute to their strengths. They must also focus on improving their weaknesses. Thus, the retailers should focus on both high score and low score dimensions.

The research has also attempted to understand the relationship between Customer Satisfaction and Customer Loyalty using Correlation and Regression Analysis. Generally, the results from the hypothesis testing showed that significant high positive correlation exists between Customer Satisfaction and Customer Loyalty. This means respondents with high level Customer satisfaction

were likely to have high Customer Loyalty. Regression was then applied to analyse the degree of impact of Customer Satisfaction on Customer Loyalty. R square value indicated that 37% variation in Customer Loyalty is explained by Customer Satisfaction. Thus, it is clearly evident that even though customers may be highly satisfied with the products of the retailer, they may still not exhibit store loyalty as manifested in behaviours such as positive word of mouth, resistance to competitive pressures, and emotional attachment to the store's products. Thus, it may be concluded that though Customer Satisfaction is a precursor to Customer loyalty, it is not the only determining factor. Further Research needs to focus on the other variables that impact Customer Loyalty to gain a holistic insight into what the retailers need to do in order to build long term relationships with their customers.

VIII. CONCLUSION

The study analysed past literature and data that helped to understand the factors that increased or impeded the satisfaction level and loyalty of the customers. This helped to identify variables like convenience, additional services, reliability, and competence of staff, service recovery procedures etc. that have a bearing on customer satisfaction. It also provided a closer look at the variables that needed to be concentrated on to further enhance the satisfaction level of the customers. The research also attempted to understand the relationship between Customer Satisfaction and Customer loyalty and noted that though Customer satisfaction is a precursor to Customer loyalty it is not the only determining factor.

IX. LIMITATIONS OF THE STUDY

The methodology that has been employed might have a few limitations.

- Convenience sampling was used. It would have been better if a simple/stratified random sample would have been selected.
- The sample of research was selected based upon the criterion of being customers of two of the outlets of Big Bazaar in the North West region of city of Delhi.
- Though quantitative approach has been followed in this research, it is still questionable whether the results are generalizable among all types of consumers each of who have different intrinsic and extrinsic characteristics that affect buying behaviour.
- This study tries to establish the relationship between Customer Satisfaction and customer loyalty. It ignores the effect other variables which may have an impact on Customer loyalty.

- Significant percentage of variance in customer loyalty remains unexplained, inducing the need for further research in the area.
- This research collects cross-sectional data, but in order to study behavioural loyalty it would be more appropriate and meaningful to adopt a longitudinal study design so that the dynamics of customer relationships and loyalty can be ascertained over time.
- Another major limitation of this study is that it has not been able to cover consumers belonging to the rural/ semi urban outlets of Big Bazaar and hence may not be a true reflection of all customers of Big Bazaar.

X. FUTURE RESEARCH DIRECTIONS

In view of the above mentioned limitations, some future avenues for investigations are:

- The further studies need to refine the sampling method. It would be better if a stratified random sample would be selected through telephone catalogues and a larger number of consumers would participate. Of course, such an approach would be time consuming and involve cost.
- The further studies can be carried out using longitudinal study design so that the dynamics of customer relationships and loyalty can be ascertained over time.
- Customer satisfaction represents only one of the variables that impact Customer Loyalty. Future research need to explore and analyse the other variables that impact customer loyalty, so as to gain better insight into the factors that drive customer loyalty in a retail setting. Such research should be aimed at arriving at predictive models to analyse the loyalty behaviour and attitude exhibited by the customer.
- Finally, it would be of great scientific value if the participants came from all over India, including both urban and rural areas. Thus, it could be also examined how people other than citizens of Delhi perceive the Products and Services of Big Bazaar and how their satisfaction is related to their loyalty.

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TABLES AND FIGURES

Table I: Mean And Standard Deviation Of Various Factors Constituting Customer Satisfaction

	Mean	Standard Deviation
Convenience	3.985	0.597
Additional Services	3.17	0.563
Product Quality	3.88	0.624
Facilities	3.823	0.629
Reliability	3.895	0.868
Process	3.607	0.731
Value For Money	3.89	0.713
Staff	3.893	0.656
Service	3.685	0.8
Service Recovery Procedures	3.54	1.169

Source: Primary Data

Table II: Mean And Standard Deviation Of Customer Satisfaction Vs. Customer Loyalty

	Customer Satisfaction	Customer Loyalty
Mean	3.697	3.588
Standard Deviation	0.458	0.804

Source: Primary Data

Table III: Correlation Between The Dimensions Of Customer Satisfaction And Customer Loyalty

	Pearson Coefficient of Correlation with Customer Loyalty	p- Value	Degree of Correlation
Convenience	0.48166004	0.00	Moderate Correlation
Additional Services	0.3615112	0.00	Moderate Correlation
Product Quality	0.50143373	0.00	Moderate Correlation

Facilities	0.31100489	0.00	Moderate Correlation
Reliability	0.31486047	0.00	Moderate Correlation
Process	0.4530802	0.00	Moderate Correlation
Value For Money	0.36588231	0.00	Moderate Correlation
Staff	0.49117772	0.00	Moderate Correlation
Service	0.46034663	0.00	Moderate Correlation
Service Recovery Procedures	0.24184056	0.02	Low Correlation
Overall Customer Satisfaction	0.6083028	0.00	High Positive Correlation

Source: Primary Data

Table IV: Regression Statistics Of Customer Satisfaction And Customer Loyalty

Regression Statistics	
Multiple R	0.6083028
R Square	0.370032296
Adjusted R Square	0.363604055
Standard Error	0.641739178
Observations	100

Source: Primary Data

Table V: ANOVA- Customer Satisfaction and Customer Loyalty

ANOVA					
	Df	SS	MS	F	Significance F
Regression	1	23.70634	23.70634	57.56353	0.00
Residual	98	40.35926	0.411829		
Total	99	64.0656			

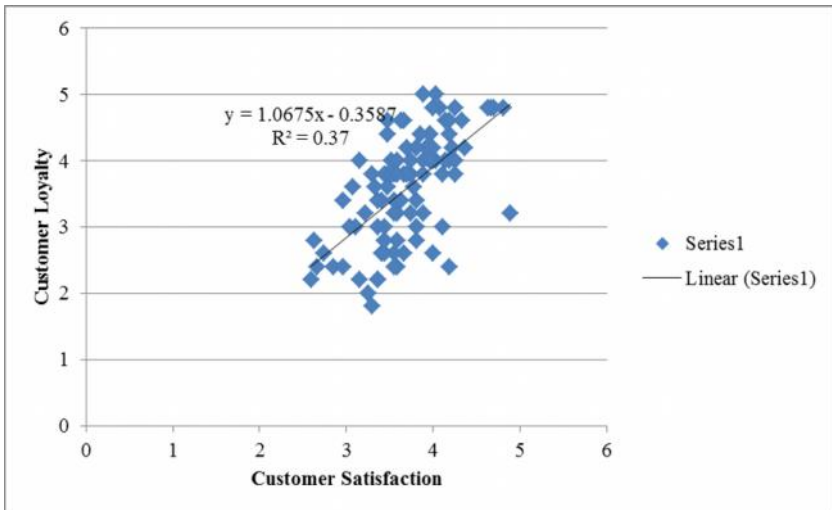
Source: Primary Data

Table VI: Table of Coefficients- Linear Regression between Customer Satisfaction (Independent Variable) and Customer Loyalty (Dependent Variable)

	Coeffi- Cients	Std. Error	t Stat	P- value	Lower 95%	Upper 95%	Lower 95.0%	Upper 95.0%
Intercept	-0.359	0.524	-0.684	0.495	-1.399	0.681	-1.399	0.681
X Variable	1.068	0.141	7.587	0.000	0.788	1.347	0.788	1.347

Source: Primary Data

Figure I: Regression Line Fit Plot



Source: Primary Data

ABOUT AUTHORS

Gayatri Chopra, Assistant Professor, Gitarattan International Business School, Delhi. With MBA in Marketing, UGC NET Qualification and over 8 years of corporate and academic experience with exposure to media, training and management education. Gayatri Chopra is Assistant Professor with Gitarattan International Business School, Delhi Affiliated to Guru Gobind Singh Inderprastha University, Delhi She has eight publications in journals and conference proceedings of National and International recognition. With specialisation in areas of marketing with specification to consumer behaviour and retailing these are her key areas of research interest.



Swati Sudan, Research Scholar, Jamia Millia Islamia, Delhi. A B.E.(Mechanical) from University of Pune and an MBA(Marketing) from Guru Gobind Singh Indraprastha University, Swati Sudan holds about seven years of varied managerial experience. She is currently pursuing her Doctoral Research as a Full Time Research Scholar at Centre for Management Studies, Jamia Millia Islamia, Delhi under the supervision of Dr. Syed Wajid Ali. Her research interests include Consumer Behaviour Studies, Customer Satisfaction Studies, Impulse Buying Behaviour and its interaction with Personality and Culture.