Key Determinants of Customer Satisfaction: A Study of Supermarket Outlets in Bangalore

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Abstract

The research study is targeted to determine customer satisfaction towards supermarkets in Bangalore. Retail industry is one of the most growing industries in India. Food and grocery is the most promising area for setting up retail business in India. Supermarkets are playing an important role in food distribution as well as a lot of advantages in providing convenience products. A sample size of 224 was drawn from the population of the supermarket customers in Bangalore using quota sampling. The study concludes that the stores should focus more on merchandise stocking and CRM practices especially in the urban metro areas. Location and atmosphere has very low and moderate impact probably because of increased transportation availability.

Keywords: supermarkets, customer satisfaction, convenience of location, store atmosphere, promotion, Customer relationship management, merchandise.

1. Introduction

Recent Ernst &Young study was referring to Mumbai and Bangalore to be the next leading destinations along with Shanghai for retailing. In 2004, The High Court of Delhi defined the term ‘retail’ as a sale for final consumption in contrast to a sale for further sale or processing (i.e. wholesale), a sale to the ultimate consumer. The present share of the organized retail in India is just 7% of the total. The innovations in technology also gave them vigor for co-coordinating their activities. A report by KPMG says, food retail sector in India is geared up to reach more than double to by 2025 to US$ 150 Billion. India ranks first, ahead of Russia, in terms of emerging market potential in retail and is deemed as the most prospective market for international retail. The transformation of supermarkets has taken place and still continues to take place in three waves of which India is belonging to the third wave. Customer satisfaction - “The customer’s feeling regarding the gap between his or her expectations towards a company, product or service and the perceived performance of the company, product or service.” Looy et al. (2003) The retail marketing literature has over the years identified several factors that influence store satisfaction, i.e. atmosphere (Kotler, 1973; Levy and Weitz 2001), location (Woodside and Trappey, 1992), merchandise (Ciavolino & Dahlgaard, 2007), promotion (Grewal et al, 2002) and CRM (Söderlund, 2001; Gummesson, 2001). A supermarket is a large, departmentalized retail store that primarily sells food items (Marshall et al.2001). Nilgiri's was the first supermarket in India whereas Foodworld was the first chain of supermarkets in India. Research studies in retail have commenced in India in 2008 and there is scope for study in related areas. Traditionally, companies have focused only on differentiation of products and services to retain their customers and thereby satisfy the consumers. The need for the study is to unravel the factors responsible for customer satisfaction specifically in Bangalore supermarkets. The research gap identified was that there were very few numbers of empirical studies connecting customer satisfaction and retailing. And there were again few studies relating these aspects in the Bangalore retail market and supermarkets.
2. Review of literature survey

2.1 Convenience of Location

It was observed that stores easily reached are more selected (Rhee and Bell, 2002). Huff (Huff, 1964) was the first to administer the revealed preference theory to study retail store choice. The Huff probability formulation considers distance from consumer’s zones to retail outlets and the size of retail outlets as inputs to find the probability of consumers shopping at a given retail outlet. Martínez Ruiz et al (2010:280), suggests that once a retailer is near to the home then transaction costs attached with purchase such as travel costs and time spent are likely to be reduced. According to Reilly (1931) who propounded Reilly law of retail gravitation which states that people are drawn to larger shopping thus larger cities tend to pull more customers to shop their than smaller ones and hence supermarkets consider location when putting up premises. Travel distance from the consumer’s residence to the store was the primary fixed expense of shopping in their panel data study and was found to be an important determinant of store choice. Drezner, T., (2009) is of the view that models for optimal location of retail facilities are typically based on current market conditions. Arnold et al. (1983) found store location was the primary store characteristic for supermarket shoppers. The central place theory holds that location is an important factor in attracting prospects to a shopping area (Kim and Jin, 2001; Nevin and Houston, 1980). According to Martínez-Ruiz et al (2011) location is one of the reasons that contribute satisfaction towards food stores. Therefore, it is hypothesized that:

H$_1$: Convenience of Location has a positive and significant effect on customer satisfaction.

2.2 Store atmosphere

In an early theoretical article, Kotler, (1973) develops a systematic explanation of “atmosphere” as a buying influence. Berman and Evans (2009) condensed store atmosphere factors into four categories including the outside of the store, the general inside portions, the arrangement and design variables, and the point-of-purchase and adornment variables. Further to this, an appropriate collection, display and assortment of products are vital for any retail business (Newman and Cullen, 2001). Solgaard and Hansen (2003) recognized several store attributes that were important for the consumer's assessment of stores are store layout, proximity, cleanliness and atmosphere. Grewal and Baker (1994) found a momentous relationship between store environment and consumer's acceptance of quoted prices. Five universal atmospheric items considered are ambience, color, décor, music and layout (Bell, 1999; Frasquet et al, 2001). Atmospherics are crucial because they serve as environmental cues that consumers use to entail the quality of a shopping centre (Smith and Burns, 1996). Further, atmospherics have been responsible to stimulate consumer interest at a shopping mall (Wakefield and Baker, 1998).

Sebastian (2008) asserts that routinely visual merchandising was always attached with store windows and sales floor display with companies hiring experts for well-organized arrangement for the floor space for utilization of retail space. A study conducted by Dawes (2008) instilled the importance of Visual Merchandising and elementary principles that need to be functional thus leaving an impact on customer’s mind and finding. Storms (2006) explore the role of interior decoration to add meaning to visual merchandising. The effect of visual merchandising is discussed in colorful terms by Garvey (2010), in specifying that visual merchandising is all about making the customer I impressed, exactly how the marketer wants them to feel. According to Merriees and Miller (2001) store layout design is one of the key determinants of store loyalty. Simonson (1999) says that store layout design can play a vital role not only in fulfilling buyers’ requirements but also in accounting their wants and preferences. Supermarket design, layout and external appearance are all key elements of the physical environment of shopping stores (Moye, 2000). Thang and Tan (2003) indicated that the shopping environment effectively showcases the desirability of the merchandises to consumers. Therefore, it is hypothesized that:

H$_2$: Store atmosphere has a positive and significant effect on customer satisfaction.

2.3 Merchandise

Product variety influences a customer’s insight of a store (van Herpen and Pieters, 2002). Conversely perceptions regarding product selection influence both satisfaction and store choice (Hoch et al.,
The presence of a wide variety of products is highly appreciated as a store patronage feature with department and discount store shoppers than specialty store shoppers (Lumpkin and McConkey, 1984), hinting opportunity surrounding product assortment change by store type. Supermarket shoppers graded product variety third next to location and price as determinants of store selection (Arnold et al., 1983). Arnold et al. (1983) emphasized that low prices to be the second important store attribute for supermarket shoppers; store location was first. Price is considered much higher in relevance for department store customers and discounter/mass merchandiser customers (King and Ring, 1980). Customers are contented when they get excellent quality products and services at reasonable prices, while the business would be successful if it is profitable (Helgesen, 2006). Cronin & Taylor (1992) explains that customer satisfaction is not just affected by customer services but also by price and convenience. It is considered that price set is likely to explain both post-purchase satisfaction and intention to return (Jarvenpaa and Todd, 1997; Liu and Arnett, 2000).

Product quality and product features were listed the most significant product choice criteria in a study of Greek grocery customers (Baltas and Papastathopoulou, 2003). Oppewal (1999) had conducted research on the roles of store and brand names in consumers’ choice of a retail outlet and concluded that a high-quality brand or high-quality store is sufficient to attract the customer to a retail store. According to Grewal et al, (1998) Consumers rate quality of a store and its image on the lines of the number and nature of reduced price items in the store. Dhruv Grewal, Krishnan R., Julie Baker and Norm Borin (2000) say that a store’s apparent image is influenced by the store name and the superiority of merchandise it carries. In the grocery store choice study, (Montgomery and Lodish (2004) found that store selection reacts more on reliable level of assortment (in particular at grocery stores) and promotion than price. It has also been proved that larger assortments facilitate consumers to fulfill their variety-seeking needs more effectively (Inman 2001; Van Herpen and Pieters 2002). Gelsomino (n.d.), points out the several attributes of a store that can be further taken forward. It is necessary for retailers to supply high quality merchandise and not merely focus on offering inexpensive low-quality products. In other words, not able to provide the right mix of high quality and low prices may result in a merchandise assortment that is not successful in creating satisfaction with customers (Stambaugh, 1993). As such, it is hypothesized that:

\[ H_3: \text{Merchandise has a positive and significant effect on customer satisfaction.} \]

2.4 Promotion

Some latest studies, however, bring to attention the topic of retail promotion planning and sales forecasting (e.g., Cooper, Baron, Levy, Swisher, & Gogos, 1999; Divakar, Ratchford, & Shankar, 2005). Price or value discount promotion tools include coupons for packaged-goods products (Solomon et al., 2010). “A rebate refunds part of the purchase price” (Solomon et al., 2010). Promotion tools for increasing the purchase volume of customers could include sampling, which is “a popular (though expensive) promotional tool” (Solomon et al., 2010). Shopping trolleys planned to accommodate kids need strategic trolley height displays that will demand the children’s attention because children play a vital role in shopping trends (Terrazas, 2006). However, some researchers to an extent have recognized that in-store personal ad can do the magic, “It is evident that in-store advertising plays a pivotal role in empowering a brand message. In addition to price, another influence on the value intention is discounts, such as specials or sales promotions. The effects from sales promotion are measured by 4 items, including attractiveness, purchase willingness, perceived acquisition value developed by Grewal et al. (1998) and purchase behavior item adopted from Chandon et al. (2000). Many formal concerted efforts have been directed toward explaining sales promotion as an effort to increase sales in short-term (Bawa and Shoemaker, 1987; Gupta and Cooper, 1992; Diamond, 1992; Kopalle and Mela, 1999; Banks and Moorthy, 1999; Smith and Sinha, 2000). There is also a majority strand of the literature that verifies consumers’ response tools of sales promotion, such as coupons (Bawa and Shoemaker, 1987; Huff and Alden, 1998; Krishna and Zhang, 1999; Gilbert and Jackaria, 2002), price discount, and samples (Mela et al., 1997; Gilbert and Jackaria, 2002). The impacts of sales promotion were constructed by the variables of perceived acquisition value and purchase intention.
(Thaler, 1985; Monroe, 1990; Dodds et al., 1991; Grewal et al., 1998; Zeithaml, 1988). Coming to an understanding of consumers’ perceived value and purchasing willingness help in further understanding the effects from sales promotion. In the past literature, sales promotion inspired the customers’ craving for shopping (Aaker, 1973; Gilbert and Jackaria, 2002) and increased short-term sales (Banks and Moorthy, 1999; Smith and Sinha, 2000). Manning and Sprott (2007) also showed a positive promotion effects on the quantity of purchase intention. As such, it is hypothesized that:

H4: Promotion has a positive and significant effect on customer satisfaction.

2.5 Customer relationship management

Blomqvist et al. (2000) argues that it is necessary to select the right type of customers to build the relationship with. The relationship should create a win-win for both the company and the customers, so that a mutually advantageous relationship is generated (Raulas, 2005). Gitomer (1998) opines that the single most important brick in the institution of customer service is “friendly”. Malthouse and Calder (2006))

Personalization of offers such as recommendation systems can have a strong impact on customer retention and sales. Rajnish Jain and Shilpa Bagdare (2010) In order to make shopping a pleasurable experience for customers, personal attention need to be provided to them so as to make them feel important. “Reliability refers to the promises given by the store. If the store cannot keep or breaks the promises, it dissatisfies customers and results in negative word-of-mouth. In contrast, when the company is able to keep its promises, it increases customer confidence in the store and creates customer satisfaction and lead to loyalty”, (Yuen & Chan 2010:236).

“Loyalty Programme” can be defined as a programme that permits consumers to accumulate free reward points when they make repeated purchases with a firm (Yuping Liu, 2007). Consumers find it attractive to join such events to earn rewards for staying loyal  Preeta H. Vyas and Piyush K. Sinha (2008). Fox and Stead (2001) have explained customer relationship management as the establishment, development, maintenance and optimization of enduring mutually valuable relationships between customer and organizations. The first supermarket network to use loyalty card is G’market (in 2001). CRM literature provides us with a number of narrower, more tactical outcome measures. The most elementary of these measures is customer satisfaction (Symanski and Hise 2000; Bolton, Kannan, and Bramlett 2000; Srinivasan and Moorman 2005; and Mithas, Krishnan, and Fornell 2005). The intent of CRM strategy has from its inception been to nurture existing customers as well as keeping them satisfied, thereby to create loyalty (Raulas, 2005). Mithas et al. (2005) empirically tested the impact of CRM applications on customer knowledge and customer satisfaction, they found that CRM applications are likely to affect customer knowledge.

Hs: Customer relationship management has a positive and significant effect on customer satisfaction.

2.6 Customer Satisfaction

Customer satisfaction could be explained as customers’ expression of satisfaction or dissatisfaction as a result of comparing a product’s or service’s performance or outcome along with their expectation (P. Kotler and K. L. Keller 2006). Sirohi et al (1998) and Yuen & Chan (2010) assert that once a firm servives existing customers, it could lead to satisfaction and through this action the firm stands to gain positively in terms of building up customer loyalty, increased customer patronage, positive word of mouth which contributes publicity and encourage references and referrals. Modern retailers realize that customer satisfaction is a key factor in conducting successful business (Go'mez, McLaughlin, and Wittink 2004).

The extend of high and low satisfaction relays upon the level of supply that meets the level of expectation or fall above/below to that level (Gerpott, Rams & Schindler, 2001). Satisfaction of customer is used as an indication of future probable revenue (Hauser, Simester & Wernerfelt, 1994).Customer satisfaction is the essential foundation for the company to retain the existing customers (Guo, Xiao & Tang, 2009). The role of satisfaction is perceived as a factor that affects buying intention of consumers (J. J. Joseph Cronin, M. K. Brandy, and G. T. M. Hult, 2000), and also customer satisfaction is accountable for store sales performance (Go'mez, McLaughlin, and Wittink 2004). Retailer customer service has been discovered to increase customer satisfaction, thus directing
to increased repurchase intentions, happy to recommend and share-of-wallet (Sirdeshmukh, Singh and Sabol, 2002). Customer service, by providing added value for customers, leads to increased customer satisfaction. Satisfaction, in turn, leads to increased retention and to increased purchases through word-of-mouth recommendations (Wiles, 2007).

3. METHODOLOGY
3.1 Sampling plan
Bangalore population is 9,588,910 as per the Indian 2011 Census. In it the urban population is 8,719,939 and from the population only people with the age of 18 and above years are only coming under the sample. Quota sampling is used for collecting data and according to Hair et al. (2010) and each category should have at least 50 observations per category. Population is the total customers of supermarkets in Bangalore. The researcher surveyed a sample size of 224 respondents who are the consumers shopping at supermarkets. The respondents were asked questions at the supermarket and in the neighborhood of stores.

3.2 Questionnaire Design
Questionnaire consisted of structured questions (close ended). The questionnaire contains two sections, where each section represents the measurement of individual variables. Several items on each construct are developed and adopted from relevant literatures of which details of which are given in table1. The questions were measured by using a five-point rating scale (Likert scale), anchored at 5 strongly agree and 1 strongly disagree.

4. ANALYSIS AND INTERPRETATIONS
For the study, the dependent variable is the customer satisfaction. The main explanatory variables are location, merchandise, atmosphere, promotion and customer relation management. After the data was collected, the scales were analysed with the following objectives-purifications of the scales, reliability analysis of the scales, unidimensionality and validity of the scales. The purification is done through CITC, reliability through cronbach alpha values and the validity is tested using PLS path modeling.

Data sufficiency test:
The data sufficiency test is the test to find out if the data collected is sufficient to carry out a exploratory and confirmatory factor analysis. The data sufficiency is done to SPSS version 20 using data reduction. A Kaiser Meyer Olkin measure above 0.50 indicates data sufficiency for further exploratory analysis. According to table 2 our data was subject to this test and the data sufficiency showed a KMO measure of 0.732 which shows that the data is sufficient for factor analysis.

Purification, reliability and validity Test of scales.
Before factor analysis is done, it is necessary to purify the measuring instruments of variables that do not correlate to the constructs (Churchill 1979). On examination of the CITC values of each variable with respect to the construct to which it belongs, purification can be ensured. CITC values indicate whether the variable actually belongs to the construct or not. Scores having a value of less than 0.5 is deleted and each construct were purified (obtained by checking the “alpha if deleted” scores. Table 4 shows the overall reliability Cronbach’s alpha coefficient for all the variables is 0.873 (a value which is adequately above 0.7). Table 5 shows the item wise Cronbach Alpha for reliability for each construct. A Cronbach's alpha coefficient above 0.7 signifies high reliability and excellent internal consistency (Cronbach & Shavelson, 1951) (Nunnally & Bernstein, 1994). The design of the study was confirmed through a CFA in Visual PLS method. The convergent validity of each construct is checked by examining the average variance extracted (AVE) values. AVE values greater than 0.5 convergent validity or in other words unidimensionality. Value up to 0.4 are also considered if it is central to the model(Chin W W 1995, Chin et al 2003, Chin W W 1998, Chin etal. 1999). For our study, the following section presents the large scale validation results on each of the constructs. The constructs Locn has 4 indicators, Atmos has 4 indicators, the construct Merc has 5
Causal Model and Hypothesis Test
The design of the study shows a causal effect of 5 constructs, location, atmosphere, merchandise, promotion and customer relationship on the customer satisfaction. This causal effect is tested using Visual PLS path modeling software. Using bootstrapping function in Visual PLS the significance of various proposed relations is tested. Further by resampling methods (bootstrap and jackknife) the significance of the various paths in the model is obtained. For our study the random sample size of 224 were taken. The results were examined for significance. At 5% level of significance the t-statistics value being 1.96, if the t-statistic is more than 2, we can conclude that the path is significant. Figure 1 shows the results of the bootstrap of the structure model.

In our study, the hypotheses tested are in table 7 shows that the hypothesis H₁ was found to have very low significance (β=0.134, t=2.383). This proves that the location of the stores has very low impact on the customer satisfaction. The hypothesis H₂ was found to be less significant (β=0.168, t=2.3447). This proves that the atmosphere of the stores has very less impact on the customer satisfaction. The hypothesis H₃ was found to be significant (β=0.325, t=4.2344). This proves that the promotional activities of the stores have impact on the customer satisfaction. The hypothesis H₄ was found to have a good significance (β=0.345,t=4.7192). This proves that the merchandise of the stores has very good impact on the customer satisfaction of a customer. The hypothesis H₅ was found to have very significant (β=0.367, t=4.6291). This proves that the CRM of the stores has impact on the customer satisfaction. An R Sq value of 0.643 indicates that the independent variables have a positive impact on the customer satisfaction and customer satisfaction is overall impacted by these five constructs/variables together for only 64%.

5. SUMMARY AND CONCLUSION
5.1 Major Findings of the Study
The major findings in the order of importance of its influence in deriving customer satisfaction are merchandise, CRM, Promotion, location and atmosphere. The study vouches for merchandising as the most important variable responsible for customer satisfaction as it gives the maximum of variety and assortment which is the prime consideration of the modern customer. The next important is CRM as the customer is too bothered about the relation he fosters with his stake holders and better the relation better the satisfaction. Promotion is the next important as promotion only gives information about the best deals available to a customer. Location tends to loose importance especially in the urban areas because of good transportation facilities either own or hired or public transport. Atmosphere becomes less important in comparison with the other variables because of better priorities while deriving customer satisfaction.

5. 2 Limitations and Suggestions for Further Study
The study is taking in to consideration only the urban population Bangalore district and this is having a bearing on the conclusions received. The sample size of 224 also was a limiting number which was preventing to reach generalizations. And there are other attributes of loyalty, trust and commitment which also account for a key mindshare in customer satisfaction. The prime suggestion will be to include the constructs of loyalty, trust, commitment and retention to the study which will give a complete picture. The study also can be undertaken in a bigger geographical spread with a bigger sample size which will give conclusions worth generalizing.

5.3 Conclusion
This paper has indentified, tested, purified and validated constructs for measuring customer satisfaction. It has also validated the impact of the constructs on customer satisfaction. The overall positive impact of the constructs together account for 64% of the customer satisfaction. This implies
that the stores should focus more on merchandise stocking and CRM practices especially in the urban metro areas as location and atmosphere has very low and moderate impact probably because of increased transportation availability.

References:


