

DRIVERS OF CUSTOMER LOYALTY IN SUPERSTORE ENVIRONMENT:

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Abstract

The aim of this paper is to analyze the effects on customer loyalty of product quality, service quality, customer satisfaction and brand image, and the structural relationship between these factors in Bangladesh superstore trade. The study has three objectives: first, to identify variables that constitute customer loyalty; and, second, to carry out an empirical analysis of the relative effects on customer loyalty of four determinants and the causal relationships between them; and, third, to examine the strategic implications for superstore shoppers attempting to raise the level of customer loyalty. Data were collected through structured questionnaire gleaned from the study of Clottey, Collier & Stodnick (2008) and Koo (2003) and were examined using SPSS 22 software. Statistical results certify that product quality, service quality, customer satisfaction and brand image drive customer loyalty as assessed by a customer's eagerness to commend the retailer's products to other people. The result of the study indicated that although product quality and service quality have positive significant influence on customer loyalty, customer satisfaction has the highest impact, besides brand image also plays an important role on creating customer loyalty.

Key Words: *Product quality, service quality, customer satisfaction, brand image, customer loyalty, superstore*

Introduction

Retailing is the interface between the producer and the individual consumer buying for personal consumption (Mohan, Mohanty & Korah, 2005). But retailers generally have little knowledge of the antecedents of store satisfaction and store loyalty (Cronin, Brady & Hult, 2000). Several authors examine the link between customer loyalty and long-term financial performance of a firm (Reichheld, 2001), however, there has not been much agreement over the drivers or determinants of customer loyalty. Although most marketing research on measuring loyalty of the consumers has focused on frequently purchased goods (brand loyalty), the loyalty concept is also important for services (service loyalty) and retail establishment (store loyalty) (Majumdar, 2005).

In Bangladesh retailing sectors consist of four types of retail shop namely roadside shops, municipal corporation markets, convenience stores and superstores; amongst those superstores are the most recent additions to the retail sector in Bangladesh and with the

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success of the pioneer stores, this type of store has already attracted the interest of investors (market-insight-supermarket-industry-Bangladesh, 2016). According to Gudgeon (2017), a superstore potentially has a grocery section of varying size, but it also has many other non-food areas. Currently there are 121 superstores in the country (market-insight-supermarket-industry-Bangladesh, 2016). This report justifies those stores as superstores because those sell not only grocery items but also non-food items such as health and beauty care, household cleaning, pet food etc. However, the site found the prominent industry is largely dominated by three major players – Shwapno (59 Outlets), Agora (13 Outlets) and Meena Bazar (18 Outlets).

Due to tremendous growth of superstores sector in Dhaka city, it is vital for retailers to understand the inner voice of customer to make them loyal toward a brand by increasing the level of satisfaction through quality. All the superstores have not same market share. Some retailers are very successful than their competitors in attracting consumers. The fissure in success in various stores enthused the researcher to do this research on this site. Previous research found product quality, service quality, and brand image are only three drivers of customer loyalty in a retail setting (Clotney, Collier, Stodnick, 2008). Besides Sivadas & Prewitt (2000) proved customer satisfaction solely has no direct effect on store loyalty. Actually service quality has been found to be an important input to customer satisfaction so it is necessary to show the effects of customer satisfaction. The present study attempts to reduce this gap by adding customer satisfaction with other three determinants the product quality, service quality, and brand image associating retailer's customers who are eager to advocate the retailer's products to others. The researchers hope this research will answer the following question regarding customer satisfaction and loyalty.

1. What are main factors determining the customer loyalty?
2. Is there any relationship among product quality, service quality, customer satisfaction, brand image and customer loyalty?
3. What are the roles of the four determinants in producing superstore customer loyalty?

These findings are based on a survey of 120 customers of various superstores at Dhaka city. The study was briefly reviewed the literature, establishing hypotheses, documenting the data set characteristics by factorizing variables and defining the regression. The report was terminated by discussing the statistical results assisting marketers to develop future sales, the value of a loyal customer and customer loyalty.

Objectives

In turn with the issues identified above, the main purpose of the study is to inspect the customer loyalty of retail supermarkets in Dhaka city. In order to materialize this broad objective, the following sub objectives have been considered.

1. To find out the variables determining customer loyalty.

2. To identify the impacts of product quality, service quality, customer satisfaction and brand image on customer loyalty in supermarkets.

Literature Review and Hypothesis Development

The product quality can be a good starting point for providing customer satisfaction and generating customer loyalty. Johnson and Ettl (2001) described that product quality as the result of performance, which, in turn can be labeled as the degree of customization and freedom from defects or how reliably the product met customer requirements. The product quality dimension included product packaging, product design, product features, warranties, etc. (Muhmin, 2002). High product quality could gain greater product acceptance from customers as well as lead to satisfaction of retailers and wholesalers (Schellhase et al., 2000). It had a direct impact on performance, and was closely linked to customer satisfaction, customer loyalty, and repurchase intentions (Eskildsen et al., 2004). Additionally, several studies provided strong empirical support about product quality was being an antecedent, with a positive relationship to overall customer satisfaction. These suggested that maintaining good product quality will provide satisfaction to customers and further generate customer loyalty (Chumpitaz and Papatoidamis, 2004).

The service quality of a service provider based on disconfirmation assessments of reliability, assurance, tangibles, empathy, and responsiveness (Parasuramen et al, 1988). Service quality corresponds to the expressive performance of a service, that is, how the service is performed (Clotey, Collier & Stodnick, 2008).

Caruana (2002) define customer satisfaction as “a post purchase, global affective summary response, which may be of different intensities, occurring when customers are questioned and undertaken relative to the retail (banking) services offered by competitors(p. 816)”. Cronin et. al (2000), however, display different view in the context of multiple service industries. They argue that satisfaction with a service provider is perceived as being both an evaluative and emotion-based response to a service encounter. Past research has indicated that satisfaction is a reliable predictor of re-purchase intentions (Wang, Tang, & Tang 2001). Thus it is considered as a strong predictor for behavioral variables such as repurchase intentions, word-of-mouth recommendations, or loyalty (Eggert & Ulaga 2002).

Store image is an important factor in the choice of store and it can be a cause in the formation of store loyalty (Yoo & Chang, 2005). Thus they believe store image attributes can be an important explanatory variable in the choice of store. So it can be a major cause variable for future performance and success that raises purchases of consumers and profits and thus a valuable asset for retail marketing management. Dodd & Lindley (2003) contend that store's own brands can provide important opportunities for retail differentiation if they are considered by consumers to be uniquely associated with store image.

Industry toil tightly to construct the brand image of their organization and its products and services (Clotey, Collier & Stodnick, 2008). They believe that better-quality day-to-day management of store functions contributes to brand image, repeat purchases, and customer loyalty. Huber and Herrmann (2001) and Clotey, Collier & Stodnick (2008) verified brand and dealer loyalty as both repeat purchase intentions and willingness to recommend a dealer or brand. Their research confirmed a statistically significant positive relationship between brand loyalty and dealer loyalty. Their definition of dealer loyalty is similar to this study that suggests that brand image has a direct link to customer loyalty.

Zeithaml (2000) signifies that past studies examined customer loyalty as being either behavioral or attitudinal. He defines that behavioral approach is that customers are loyal as long as they continue to buy and use a good or service. Loyalty mainly expressed in terms of revealed behavior (i.e. the pattern of past purchases); and buying moderated by the individual's characteristics, circumstances, and/or the purchase situation (Uncles, Dowling & Hammond 2003). Increasing relationship-enhancing activities and value received by the customer builds both salesperson-owned loyalty and loyalty to the selling firm (Palmatier, Scheer & Steenkamp 2007). Reichheld (2003) states that the strongest evidence of customer loyalty is the percentage of customers who were enthusiastic enough to refer a friend or colleague to a particular good and/or service. He articulates the attitudinal approach as a sense of customers' feelings to belong or make commitment to the good or service.

Smith and Wright (2004) used brand image, product quality, service quality, and firm viability as direct determinants of customer loyalty to predict sales growth rate and return on assets in the personal computer industry. They found service quality and firm viability to be statistically significant but brand image was not and product quality was negatively associated with customer loyalty. One of their conclusions is that—service quality—not product quality—differentiates competitors in the PC industry.

Ultimately Clotey, Collier & Stodnick (2008) concluded that together all of the research previously cited may find these three direct drivers of customer loyalty—product quality, service quality, and brand image—are universal and applicable to a wide range of industries. They confirmed brand image was the strongest driver of customer loyalty followed by product quality then service quality. It can be summed up that relationship between customer satisfaction and customer loyalty are robustly positively correlated (Grønholdt, Martensen & Kristensen 2000) and product quality, service quality, and brand image are drivers of customer loyalty in a retail setting (Clotey et al 2008). In light of the preceding discussion the following hypotheses can be proposed:

H₁: Product quality, service quality, customer satisfaction and levels of brand image are positively associated with customer loyalty.

Methodology

Type of Research

Exploratory research was done to identify the relationship among variables. By this study although it was identified which variables emphasize more to create loyalty, but no solution was determined to increase loyalty.

Data Sources

The study was conducted in the first quarter of 2018. It involved 120 current superstore shoppers residing in Dhaka city comprising the sample of female and male participants of whom the majority were female. One respondent slipped the response of repetition of buying. The study was complied with the help of primary data. Primary data were collected through questionnaire. Moreover, the desk study covered various published and unpublished materials on this field.

Sampling Method

Non-Probability sampling using a convenient sampling method was used to select a representative sample of 120 respondents. Five leading (i.e., Agora; Meena Bazar; Swapna; The Trust Family Needs and Nandon) retail stores were chosen from several areas (i.e., Dhanmondi, Mohammadpur, Old Town and Uttara) in Dhaka city. The respondents were both male and female who have already taken services from at least one superstore.

Instrumentation

To measure the constructs structured 5-point Likert Scale surrounding from strongly disagree (1= strongly agree) to strongly disagree (5= strongly agree) were acclimatized from Fornell et al. (1996). On the basis of the literature source five factors totaling 17 out of 18 variables, eradicating one variable for poor loading, have been selected to collect data. Table 1 explicit the operational definition of research variables.

Table 1: Definition of Research Variables

Constructs	Description of Constructs	Sources
Product Quality (PQ)	Buyer's overall attachment or deep commitment to a product, service, brand, or organization.	Clotey, Collier & Stodnick (2008)
Service Quality (SQ)	Service quality corresponds to the expressive performance of a service, that is, how the service is performed.	Clotey, Collier & Stodnick (2008)
Customer Satisfaction (CS)	Satisfaction is believed to occur through a matching of expectations the consumer elaborates on the evaluation of a store.	Koo (2003)
Brand Image	Organizations work hard to build the brand image of	Clotey et al (2008)

(BI)	their firm and its goods and services.	
Customer Loyalty (CL)	Customer loyalty is the customers' enthusiasms enough to refer a friend or colleague to a particular good and/or service and belonging or commitment to the good or service.	Clottey et al (2008)

Data Analysis

Reliability Analysis

As divulged, the reliability coefficient of the study variable surpassed the minimum acceptable level of 0.70 that suggested by Nunnaly (1978). As a result, Cronbach's Alpha for 18 items is used to conceal the direction to continue survey in superstore sector is 0.866. The upshot of the alpha specified an overall high reliability of the study.

Demographic Data

Table 2 shows the demographic analysis that points out the positive relationship between product quality, service quality, customer satisfaction and brand image with customer loyalty among different factors at significant value at $p < 0.1$.

Table 2: Respondents Demographics

Gender of Respondents		
Gender	Frequency	Percent
Male	57	47.5
Female	63	52.5
Total	120	100
Education of respondents		
Education	Frequency	Percent
Undergraduates	50	41.7
Graduate	39	32.5
Masters	27	22.5
Others	4	3.3
Total	120	100
Occupation of respondents		
Occupation	Frequency	Percent
Housewife	30	25.0
Service holders	29	24.2
Business persons	15	12.5

Students	46	38.3
Total	120	100
Repetition of buying		
Repetition	Frequency	Percent
Often	38	31.7
Sometimes	65	54.2
Hardly	16	13.3
(Missing)	1	0.8
Total	120	100

Factors of Drivers of Customer Loyalty in Superstore

Table 3 shows that the sample was 76.7% adequate and Bartlett's Test of Sphericity was highly significant indicating an appropriate data set and high correlation between the variables.

Table 3: KMO and Bartlett's Test

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.767
Bartlett's	Approx. Chi-Square	1071.281
Test of Sphericity	Df	153
	Sig.	.000

To test the dimensionality, all the 18 items were factor analyzed using principal component. In Table 4, five factors were chosen in term of eigenvalue of larger than 1.0. For the sake of convergent validity, 0.5 was used as a factor loading interrupt point. This criterion resulted in five factors totaling 17 items. Due to poor loading one variable 'retailers associates have skills to help' has been eliminated. The five factors totally explained 72.237% of the total variance where individually each factor respectively is accounted for product quality 34.193%, service quality 13.057%, customer satisfaction 9.983%, brand image 7.590% and customer Loyalty 7.414% of the variance.

Table 4: Rotated Component Matrix

Variables in the Factors	Factor Loading				
	Product Quality	Service Quality	Customer Satisfaction	Brand Image	Customer Loyalty

very high quality merchandise	0.726		
higher quality than others	0.850		
after using holds up well	0.680		
consistent quality merchandise	0.822		
meets quality standards	0.749		
quality consistently meets expectations	0.699		
prompt service		0.704	
caring and individual attention		0.769	
associates willingness to help to their way		0.748	
		0.740	
consistently courteous and friendly			
satisfaction to purchase at this store			0.584
			0.557
good judgment to buy at this store after shopping and coming out the store it seems right			0.724
very good brand image of store			0.812
very good brand image of products			0.593
recommendation to friends and family			0.810
belonging to the retailer in future			0.696

Correlation Analysis

Correlation analysis points out the positive relationship between product quality, service quality, customer satisfaction and brand image with customer loyalty among different factors at significant value at $p < 0.1$. Among all the predictors customer satisfaction is strongly correlated with the loyalty observed in table 5. The high correlation between product quality and customer satisfaction at $r = 0.666$ and comparatively the lowest correlation between product quality and service quality ($r = 0.357$).

Table 5: Correlation of The Factors

Scales	Product Quality	Service Quality	Customer Satisfaction	Brand Image	Customer Loyalty
Product Quality	1	.357**	.666**	.403**	.454**
Service Quality		1	.420**	.370**	.437**
Customer Satisfaction			1	.434**	.559**

Brand Image

1

.546**

Customer Loyalty

1

** . Correlation is significant at the 0.01 level (2-tailed).

Regression Analysis

To determine the dependency of customer loyalty on product quality, service quality, customer satisfaction and brand image multiple regression analysis has been computed. The four predictors explain 43.8% of the total variation of customer loyalty (dependent variable) that resembles a good wedge of variation in customer loyalty by the variation in the four predictors. In ANOVA table, model p value is .000 that is less than 0.05. It demonstrates that relationship is highly significant. Whole scenario reflects the outcome of R Square 0.438 and Adjusted R Square 0.418 that interpret all the independent variables moderately explicate the variability of customer loyalty. Chin (1998) recommended R2 values for endogenous latent variables based on: 0.67 (substantial), 0.33 (moderate), 0.19 (weak). F test is used to identify the fitness of data; F=22.404, sig=.000 elucidate the regression model is a good fit of the data. Standardized coefficient beta values among four predictor lies within specific range 0.061 (-0.122to 0.240), 0.110 (-0.044to 0.250), 0.325 (0.094 to 0.379) and 0.339 (0.164 to 0.457) respectively at 5% level of significance with significant t value at p<.05. Hence we can clinch that hypothesis is not rejected as product quality, service quality, customer satisfaction and brand image are the predictors of customer loyalty.

Table 6: Regression Results

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.662 ^a	0.438	0.418	0.38931

a. Predictors: (Constant), ABI, ASQ, APQ, ACS

ANOVA^a

Model	Sum of Squares	df	Mean Square	F	Sig.
1	13.583	4	3.396	22.404	.000 ^b
	17.430	115	0.152		
	31.013	119			

a. Dependent Variable: ACL

b. Predictors: (Constant), ABI, ASQ, APQ, ACS

Coefficients^a

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	95.0% Confidence Interval for B	
		B	Std. Error	Beta			Lower Bound	Upper Bound
1	(Constant)	1.113	0.325		3.428	0.001	0.470	1.756
	APQ	0.059	0.092	0.061	0.644	0.049	-.122	0.240
	ASP	0.103	0.074	0.110	1.389	0.040	-.044	0.250
	ACS	0.236	0.072	0.325	3.289	0.001	0.094	0.379
	ABI	0.310	0.074	0.339	4.204	0.000	0.164	0.457

a. Dependent Variable: ACL

Conclusion

This study differs from previous studies in many ways. Previous studies identified single item either to buy again from this vendor or to recommend the retailer to friends and family to judge retail customer loyalty, but this study combined the two mentioned items as the determinants of loyalty. Unlike another research this study blended the four traits product Quality, service Quality, customer satisfaction and brand image together to determine retail stores' customer loyalty. In the context of Bangladesh although most of the research found customer satisfaction is the main initiator, this linkage with three traits product quality, service quality and brand image was not sharply observed in superstore retail sector.

Important to note about the findings that customer satisfaction has a great influence on customer loyalty. The relationship of customer loyalty with brand image is also in a good position. Customer loyalty has the moderate relationship with product quality and service quality. Service management managers can improve these drivers of customer loyalty focusing on customer satisfaction through training, serving day to day store operations etc. Further research could expand the study to other business to observe whether these statistical effects are also relevant in different sectors.

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