Factors Affecting Customer Satisfaction In Organized Retail Stores: a Study of Surat City

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ABSTRACT *This study has tried to find out the factors which affecting to the customer satisfaction of organized retail stores. Total 315 respondents have been taken by applying non-probable convenience sampling method. Result of factor analysis shown that five factors namely 'Product Convenience', 'Employee Service', 'Shopping Convenience', 'Physical Features' and 'Pricing' have been lead to the customer satisfaction of organized retail stores. Finding also suggests that 'Shopping Convenience' has the strongest impact on satisfaction, while 'Physical Features' has no influence on satisfaction. From the result, it has been concluded that customers' of Surat city are satisfied with the organized retail stores.*

1. Introduction

Over the last decade, organizations of all types and sizes have increasingly come to understand the importance of customer satisfaction. It is widely understood that it is far less costly to keep existing customers than it is to win new ones. Tse and Wilton (1988) state that customer satisfaction is, "the consumer's response to the evaluation of the perceived discrepancy between prior expectations and the actual performance of the product as perceived after its consumption." Westbrook and Reilly (1983) have noted that "an emotional response to the experiences provided by, associated with particular products or services purchased, retail outlets, or even molar patterns of behavior such as shopping and buyer behavior, as well as the overall marketplace." Bajaj Chetan et al. (2008) have defined that when customers' expectations are greater than their perceptions of the delivered product or service, customers are dissatisfied and feel that the quality of the retailer's service is poor.

In today's highly competitive world, offering high quality services can be critical to a retail store's success. It is becoming accepted that there is a strong link between customer satisfaction, customer retention and profitability. Retailers must differentiate themselves by meeting the needs of their customer better than the competitor.

2. Retailing and Organized Retailing

Koshy et al. (2007) define retailing as "Retailing involves a direct interface with the customer and co-ordination of business activities from end to end". While, organized retailing refers to trading activities undertaken by licensed retailers, that is, those who are registered for sales tax, income tax, etc. These include the corporate-backed hypermarkets and retail chains, and also the privately owned large retail businesses. The organized retailers provide various standardized services to their customers.

3. Literature Review

- Baker Prewitt (2000) has found that service quality influences relative attitude and satisfaction, while satisfaction influences relative attitude, repurchase and recommendation but has no effect on store loyalty. He has also found that loyalty is influenced by recommendation and repurchases intention.
- Binta Abubakar et al. (2001) have found that the retailer seems to meet the needs of the customers consider important. There were differences across the postal districts but these were not many. Postal code area B seems to have the most satisfied customers.

- Wong et al. (2003) have concluded that service quality is positively associated with customer loyalty. While regression analysis was used on individual district basis to conclude that empathy influenced customer loyalty most in city district and tangibles did so in country district.
- Marx Njmm et al. (2006) have found that customers mostly appeared to be dissatisfied with staff personnel. Customers generally appeared to be satisfied with product-related and place-related attributes.
- M Luth et al. (2006) have found five dimensions of customer satisfaction namely quality of goods, consulting and service, atmosphere, price-performance ratio, and trust. They have also found that discount-oriented customers, organic food shop customers and organic supermarkets customers are differ in terms of choice decision.
- Qibin Lu et al. (2007) have found that satisfaction and loyalty are most influenced by pricing features followed by store ambience. The third and fourth important drivers of customer satisfaction were product-related convenience and manpower quality respectively. Their study noted that parking facility is not affected to customer satisfaction and loyalty.
- Basarir Aydin et al. (2009) have derived that ten most valued services of the consumers are the freshness, price, quality, healthiness of food, cleanness of store, easiness to find item, variety of food products, appearance of food, safe shopping atmosphere, and fast checkout.
- Bernadette D'silva et al. (2010) concludes that Indian shoppers are quite influenced by the visibility, advertising and attractive bumper offers on the product. They have found some important factors which can increase the customer's loyalty as well as the demand for the products in the supermarkets.

4. Scope and Objectives

Significance of customer satisfaction in organized retail stores are differ from other countries or states because of demographic, social, economic, political, and technological environment factors. This research study covers only Surat city because peoples of this city are well habitual with shopping from organized retail stores. This study focuses only in-store retailers who operate in fixed point-of-sale locations.

This study has following main objectives

1. To know the customer's satisfaction level of organized retail stores.
2. To identify the influencing factors affected to the customer satisfaction.

3. To assess the relative importance of identified factors on the overall customer satisfaction.

5. Significance of the Study

This study contributes to the effective managerial decisions to be made by the retail companies, when they have to decide on the factors that actually affect the satisfaction of customers and on what major areas they have to put in their efforts in order to get hold of more number of satisfied customers that can become loyal customers in future.

6. Hypothesis

For the purpose of the study, following hypothesis has been framed:
Ho: Customers are not satisfied with the organized retail stores.
H1: Customers are satisfied with the organized retail stores.

7. Research Methodology

Primary data has been collected by framing a structured questionnaire. 315 respondents have been taken by considering non-probable convenience sampling method. To analyze the data, exploratory factor analysis, one sample t-test and multiple regression analysis have been applied. SPSS 19.0 have been used for data input and analysis.

8. Limitations

1. The survey is limited to Surat city only.
2. Answers of the questionnaire depend upon the belief of customers, which may differ from the reality.
3. A chance of wrong answers cannot be ruled out.

9. RESULT AND DISSCUSSION

9.1 Respondents' Profile

Gender: Among the 315 customers, around 54.9 % respondents are male and 45.1 % are female.

Age: 26.7 % respondents are between 15-25 years of age, 40 % respondents are between 26-40 years, 26.3 % respondents are between 41-55 years, and 7% respondents are above 56 years of age group.

Occupation: With regard to employment status, the respondents are a mix of professional (14 %), service (28.3 %), business (25 %), unemployed/ housewife (22.9 %) and students (9.8 %).

9.2 Overall Customer Satisfaction

H0: "Customers are not satisfied with the organized retail stores"
H1: "Customers are satisfied with the organized retail stores"

Table 1 One-Sample Test

						95% Confidence Interval of the Difference	
	t	df	Sig. (2-tailed)	N	Mean	Mean Difference	
						Lower	Upper
Overall Customer Satisfaction	4.64	314	.000	315	3.31	.314	.18	.45

One sample t-test has been run to assess the overall customers' satisfaction. Result of Table 1 suggests that a null hypothesis has been rejected at the 5 percent significance level (P≤0.05). Therefore it can be said that customers are satisfied with the organized retail stores.

9.3 Factor Analysis

The adequacy of the data is evaluated on the basis of the results of Kaiser-Meyer-Olkin (KMO) measures of sampling adequacy and Bartlett's test of sphericity.

Table 2 KMO and Bartlett's Test

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		0.802
Bartlett's Test of Sphericity	Approx. Chi-Square	4.150E3
	Df	210
	Sig.	0.000

The KMO measure of sampling adequacy is 0.802 which indicates that the present data are suitable for factor Analysis. Similarly, Bartlett's test of sphericity is significant (p<0.001) which indicates sufficient correlation exists between the attributes to proceed with the analysis.

Table 3 Eigen Values After Rotation

Component	Rotation Sums of Squared Loadings		
	Eigen Values	% of Variance	Cumulative %
1	3.447	16.413	16.413
2	3.316	15.789	32.202
3	2.982	14.202	46.404
4	2.864	13.638	60.042
5	2.412	11.485	71.528

The total variance explained by principal components is displayed in Table 3. Hence, the first five components (factors) in the initial solution have an Eigen values over 1 and they account for about 71.528 percent of the observed variation. According to Kaiser Criterion, only the first five factors should be used because subsequent Eigen values are all less than 1.

Factor loadings are used to measure correlation between attributes and the factors. A loading close to 1 indicates a strong correlation between attributes and the factor, while a loading closer to zero indicates weak correlation.

Table 4 Loading of Attributes into Factors

Attributes	Factor				
	1	2	3	4	5
Quality of products		.848			
Variety of products		.775			
Availability of products		.794			
Stacking of products		.650			
Visually attractive Store				.639	
Soft Ambience				.770	
Spacious shop floor				.810	
Parking				.802	
Location			.789		
Flexibility in payment mode			.863		
Convenient billing counters			.839		
Operating time			.806		
Cleanliness of store			.698		
Sincere to solve customer problem	.904				
Individual attention	.742				
Willingly handle exchanges	.904				
Staff presentable	.818				
Price of products					.892
Promotion offers					.844
Offer awareness					.874
Easy to locate products					.720

Table 4 present the highest loadings (after rotation) of attributes into factors. The factors are rotated with the used of varimax with Kaiser Normalization rotation method. Principal Component Analysis (PCA) method has been used for factor extraction. Only those factors have been taken into consideration for interpretation which are having loading value greater than 0.6. According to the loading of attributes on the five factors, they have been labeled as in Table 5.

Table 5 Labeling of Factors

Employee Service	Product Convenience	Shopping Convenience	Physical Features	Pricing
Sincere to solve customer problem	Quality of products	Location	Visually attractive Store	Price of products

Individual attention	Variety of products	Flexibility in payment mode	Soft Ambience	Promotion offers
Willingly handle exchanges	Availability of products	Convenient billing counters	Spacious shop floor	Offer awareness
Staff presentable	Stacking of products	Operating time	Parking	Easy to locate products
		Cleanliness of store		

Table 6 Reliability

Sr. No.	Factors	Number of attributes loading into each factor	Cronbach's Alpha
1	Employee Service	4	0.878
2	Product Convenience	4	0.883
3	Shopping Convenience	5	0.872
4	Physical Features	4	0.832
5	Pricing	4	0.861

Table 6 shows the value of Cronbach's alpha to test the reliability of the items loading into each factor. Cronbach's alpha for each factor is greater than the value of 0.8, which exceeds the recommended level of 0.7 (Nunnally, 1978), indicates that the factors are consistent and reliable.

9.4 MULTIPLE REGRESSION ANALYSIS:
Regression Model
To assess the relative importance of these five factors on the overall customer satisfaction of organized retail stores. The proposed regression model is as follows:

$$Y = a + b_1 \times x_1 + b_2 \times x_2 + b_3 \times x_3 + b_4 \times x_4 + b_5 \times x_5$$

Where, the dependent variable is Y= Overall satisfaction of the customers and the independent attributes are: x_1 = Product Convenience, x_2 = Employee Service, x_3 = Shopping Convenience, x_4 = Physical Features, x_5 = Pricing

Result

Table 7 Regression Results for Overall Customer Satisfaction

X's	Standardized Coefficients Beta	t	Sig.	Rank
Employee Service	.137	2.107	.036	4
Product Convenience	.145	2.289	.023	3
Shopping Convenience	.270	4.849	.000	1
Physical Features	.093	1.791	.074	No impact on Cust. Sat.
Pricing	.156	2.668	.008	2
R²	0.236			
F	19.052			

R² for regression is 0.236, and ANOVA (F =19.052) is also significant (0.000), indicating regression results are valid and the five factors are explaining 23.6 percent variation in dependent variable (Overall Customer Satisfaction).

From the results of Table 7, it is clear that the standardized coefficient for 'Shopping Convenience' is the highest (β=.270, t=4.849 and p=.000) hence it can be interpreted that it has the strongest impact on the overall customer satisfaction. The second strongest influence on satisfaction is 'Pricing' (β=.156, t=2.668 and p=.008). Product convenience (β=.145, t=2.289 and p=.023) that provided by retail stores having also significant impact on customer satisfaction. 'Employee Service' or attributes related to individual attention on customers' problems has the fourth strongest influence on satisfaction (β=.137, t=2.107 and p=.036). Table 7 also shown that 'Physical Features' is not significant (β=.093, t=1.791 and p=.074) at 5 percent level of significance. It means that it has no impact on customer satisfaction.

10. FINDINGS
1. Result shows that customers of Surat city are satisfied with the organized retail stores.
2. Factor analysis has identified five factors i.e. 'Product Convenience', 'Physical Features', 'Shopping Convenience', 'Employee Service' and 'Pricing' that affect the satisfaction of customers.
3. 'Shopping Convenience' showing higher impact on overall customer satisfaction followed by 'Pricing', 'Product Convenience' and 'Employee Service'. 'Physical Features' has no impact on customer satisfaction.

11. CONCLUSIONS AND SUGGESTION
From the analysis of selected sample, it has been concluded that customers of this city are satisfied with the organized retail stores. Yet there remains a lot to done by the managements of the stores to maximize the customers' satisfaction and improve the customer retention rates. In order to improve customer satisfaction, retail manager have to improve the weakest factors. It has been noticed that 'Shopping Convenience' and 'Pricing' plays a vital role in customer satisfaction. So, the management of organized retail stores should focus more on attributes like Location of the store, Flexibility in payment mode, convenient billing counters, Operating time, Cleanliness of store, Price of products, Promotion offers, Offer awareness and Easy locate the products to retain loyal customers. 'Physical Features' is not significant in explaining the variation in customer satisfaction. It means that it has no impact on customer satisfaction.

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