

## Retail stores of the UK and determinants of their customers' satisfaction

Kinnari Pancholi

Middlesex University, London, UK

### Key words

Customer Satisfaction, Customer service, Retail stores, United Kingdom

### Abstract

*This paper is a theoretical discussion of determinants of customers' satisfaction for retail stores in the UK. The retail stores in the UK have evolved significantly over a period of time. This paper discusses fundamental concepts of Customer, Customer Satisfaction, Customer Service and practices of selected leading UK super stores. Work done by Parasuraman, Zeithaml and Berry has been discussed in this paper. The main aim of this paper is to explore determinants of customers' satisfaction for retail stores. The future scope of this paper is to undertake a primary research based on this discussion.*

### Introduction

In today's globalized economy, businesses are moving at a very rapid pace. The main characteristics of today's market are hyper competition, new modern technology and challenging business environment. Due to all these circumstances, businesses must adapt to empowered customers. If one looks towards traditional economic structure, it was based on the industrial revolution and on manufacturing industry. Manufacturers applied certain principles and practices for the successful operation of their manufacturing units. They always tried to emphasise on reducing costs and mainlining economics of scale. They tend to replicate their procedure and polices in all geographical markets. The main mission of the business was efficiency and to establish the business goodwill. Business firms were managed hierarchically with a top management who will control the middle level managers who in turns guided the workers.

The new economy in contrast is based on the digital revolution and the management of information. The information has a number of characteristics. In globalization, information has a very important place in today's economy. Information can be differentiated, customized and made personalised. The reach of the information has increased with effective digital technology, as more the spread of information, people will be in a good situation to make choices. In the present era of cut-throat competition, it is very important for business firms to know whether their customers are satisfied or not. Customer satisfaction is used as an indicator for success of the business firms. Business firms are using various methods to measure customer satisfaction. With spread of globalization, many firms have expanded businesses all over the world. It is important to do comparative analysis of business in cross cultural sectors.

Customer satisfaction is an important tool for customer retention and customer satisfaction is considered as a necessary pre-condition for customer loyalty and retention which helps in realizing economic goals like turnover and revenue (Reichheld, 1996; Scheuing, 1995). So in the philosophy of business, customer satisfaction is key and of pivotal importance to consider.

### Introduction to Customer Satisfaction

In the world of business, marketing management plays an important role for growth and survival of any organization. One of the main objectives of marketing management is to satisfy the customers.

#### Customer

Customer means any person or a group of persons who purchase goods and services. The word 'customer' historically derives from the word 'custom' meaning 'habit'.

A customer was someone who frequented a particular shop, who made it a habit to purchase goods

there, and with whom the shopkeeper had to maintain a relationship to keep his or her 'custom' meaning expected purchases in the future. Customer needs may be defined as the goods or services a customer requires to achieve specific goals. Different needs are of varying importance to customer. Customer expectations are influenced by cultural values, advertising, marketing and other communications, both with the supplier and with other sources.

Both customer needs and expectations may be determined through interviews, surveys, conversations, data analysis or other methods of collecting information. Sometimes, customers do not have a clear understanding of their needs. Assisting in determining needs can be a valuable service to the customer. In the process, expectations may be set or adjusted to correspond to known product capabilities or service.

### **Customer Satisfaction**

Customer satisfaction in simple meaning is a qualitative measure of performance as defined by customers, which meet their basic requirements and standards. Customer satisfaction is an ambiguous and abstract and a relative concept as actual manifestation of the state of satisfaction will vary from person to person and produce/service to product/service. The state of satisfaction is subjective and depends on a number of both psychological and physical variables which correlate with satisfaction behaviours such as return and recommended rate. The level of satisfaction can also vary depending on other options the customer may have and other products again which the customer can compare the organization's products.

Information on which factors are the determinants of customer satisfaction is important since the like consequences of customer satisfaction are customer loyalty and repeat purchases. That is the reason of why customer satisfaction is associated with growth and survival of firm. Because satisfaction is basically a psychological state, care should be taken in the effort of quantitative measurement, although a large quantity of research in this area has recently been developed. Work done by Berry and Parasuraman, defined ten 'Quality Values' which influence satisfaction behaviour, further expanded by Berry in 2002 and known as the ten domains of satisfaction.

These ten domains of satisfaction include:

1. Quality
2. Value
3. Timeliness
4. Efficiency
5. Ease of Access
6. Environment
7. Inter-departmental Teamwork
8. Front line Service Behaviours
9. Commitment to the Customer
10. Innovation.

These factors are emphasized for continuous improvement and organizational change measurement and are most often utilized to develop the architecture for satisfaction measurement as an integrated model. Work done by Parasuraman, Zeithaml and Berry between 1985 and 1988 provides the basis for the measurement of customer satisfaction with a service by using the gap between the customer's expectation of performance and their perceived experience of performance. This provides the measurer with a satisfaction 'gap' which is objective and quantitative in nature. Research done by Cronin and Taylor propose the 'confirmation/disconfirmation' theory of combining the 'gap' described by Parasuraman, Zeithaml and Berry as two different measures (perception and expectation of performance) into a single measurement of performance according to expectation.

### **Customer Loyalty**

As per analysis based on data from the American Customer Satisfaction Index (ACSI), 1994, Kritensen *et al* (1998) concluded that there is strong relationship between customer satisfaction and customer loyalty. Timm (1990) states that an average company loses 20% of its customer annually due to dissatisfaction. In addition to being loyal satisfied customers are often said to be less price sensitive and

more willing to pay a higher price than other customers (Anderson *et al*, 1994).

Therefore, company should give customer satisfaction high priority and continuously monitor its level of customer satisfaction. Customer satisfaction is defined in a different way by introducing six types of quality attributes, where first three are actually influencing customer satisfaction. They are called basic factors, excitement factors and performance factors.

Basic factors are those which are minimum requirement for customer, they will cause dissatisfaction if not fulfilled, but will not increase satisfaction level if there is any increase in fulfilment level. Excitement factors are those which can increase satisfaction if delivered but do not cause any dissatisfaction if they are not delivered. Business firms can generate delight from customers using excitement factors. Performance factors are those which directly influence the satisfaction level, can increase satisfaction level with high performance and decrease satisfaction level with low performance.

Other three additional attributes are: indifferent attributes, questionable attribute and reverse attribute. Indifferent attribute means customer does not care about this feature of the product. Questionable attribute means it is unclear by the customer whether this attribute is needed by customer or not. Reverse attribute means reverse of this product was expected by customer.

### Marketing in the new economy

The digital revolution has created total new possibilities in today's new economy. If one observes special features of new economy than it would be as below:

1) Buying capacity has increased:

This means buyers are not limited up to market place but there is a magic of click on internet World Wide Web has increased the market span. Day by day buyers' capacity has increased with the passage of time.

2) A large number of varieties of goods and services:

With increase use of the internet and World Wide Web customer can have access to the world market. Customers have a choice of buying the things from a less costly option from any overseas market.

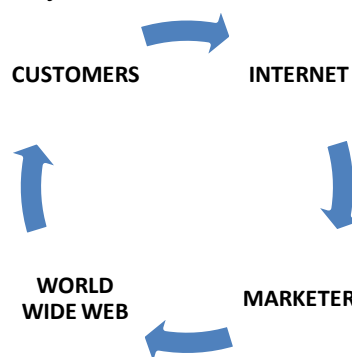
3) High level of information spread:

People from all over the world can access all details about product and services, their guarantee and in some cases their warrantee with the expanded use of the internet. All details will be used to make any decision about buying or selling.

4) An easy way to place order:

Internet has provided an easy way of placing sales orders, receiving order, and after sales services. There is more support system via mobile, internet telephone, home or office based internet system.

**Figure 1: Marketing in the New Economy**



5) Facility of comparing data:

There are different websites available from where people from same interest group can exchange their information. There are different classes of people including house wives, students, elderly people, teachers; they all can share their views.

Similar concept is in the UK with a name 'PriceRunner'. This is a website [www.pricerunner.co.uk](http://www.pricerunner.co.uk) which is a price comparison website that helps customers to compare products and prices from hundreds

of retailers, helping customers to choose the best deal whenever they are shopping. PriceRunner lists product retailers but does not sell any products.

The Figure 1: Marketing in the New Economy, is showing the cycle of new market economy. It is showing that how customers, marketer, internet and World Wide Web are interconnected with each other

One can observe that the cycle starting with customers then customer will directly connect or associate with internet. Through the medium of the internet, they will get all information about market and marketer or seller. From all these information about market customers, will select their preferences and choices with the help of World Wide Web, from all these information the customer has gathered, they finally come to make a buying decision This is an inevitable cycle of new internet era which should be taken into consideration while doing any study of customer satisfaction.

### **The Role of Marketer**

The role of marketer has to be analyzed in the light of the new economy. The following are the characteristics of marketer:

- (1) Marketer can operate powerful new information and sales channel with augmented geographical reach to inform and promote their businesses and product. By putting all information on website or World Wide Web namely history, philosophy and all companies, internal information of the interest to the world. In today's era of internet companies websites has changed into the sales and marketing tools.
- (2) Companies and all connected marketers can collect all information about markets, customers, competitors. They can have information bank from they can have all necessary data. This information bank is known as internet and World Wide Web.
- (3) Companies and related marketer can have advantage of strong information network between their employees. So that they all can query one another, easily exchange their views from and to the main source of computer
- (4) The companies have two way communications with customers and prospects, and more efficient system of doing economic transactions with all related stakeholders of the firm. This stake holders include customers, employees, debtors, banks, creditors, government other economic parties related with structure 'of the business environment.
- (5) Marketer and companies are now easily sending their sales and promotion tools for getting all feedback. Marketer is now customizing offerings and services to individual customers.
- (6) Companies can grow customer reach with enhanced network system. By putting this information into a database and enhancing it with other information, they are in a better way to do productive offering and rewarding customer services.
- (7) Companies can improve management functions like purchasing, recruiting, training and internal and external communications. All companies are at any ways either buyers or sellers. They can save money by participation in any online auction or posting their own terms and conditions. They all can share their views. Companies can recruit new employees by internet. There are various internet training programmes which may guide to employees, dealers and agents so that they can easily be kept up to date.
- (8) Companies can substantially make advancement in logistics and operations for fair level of cost savings while improving accuracy and service quality. The internet provides a more perfect way to send and receive information, orders, transactions and payments between companies, their business partners and their customers.

The new strength of internet and information era will finally lead to new form of marketing and business levels. The industrial era was more focused on mass production and mass consumption; stores over stock inventory, applied advertisements everywhere, and with increased level of discount. The information age provides a lead to more accurate levels of production, more targeted communications and more relevant pricing. If one looks for an ideal definition of marketing, it will be changed a bit with reference to new forces. Marketing deals with identifying and meeting human needs and social needs. One of the shortest definitions of marketing is 'meeting needs profitably'.

With reference to the UK, people are more aware and vigilant about their weight. By knowing this need, companies have introduced a variety of products and services for controlling and reducing weight.

And since consumers today are overwhelmed by choice and inundated with marketing messages, it is imperative for brands to also understand the channels their customers prefer to use and ensure they communicate with them in the most effective way to meet their marketing aims, whether it be to win new customers, drive sales from existing ones or grow loyalty and brand image. According to Prof. Philip Kotler, the basic function of marketing is identifying and meeting human and social needs. Marketing is mainly related with meeting customer needs profitably. Marketer should know the needs of customers properly and try to satisfy them as the way customers want. Companies have to change their product and services according to customer expectations. Companies like Sears, Levi's, General Motors, Kodak, and Xerox have to redesign their business models. Even customer savvy companies have to change their policies rules and regulations to survive in today's sharp competition. Companies are at higher risks which are not changing the rules and regulations to offer in to globalized market.

Companies should conduct market research to fit into the new changing needs of customers. Value offering should be changed with passage of time. The companies which are short term goal oriented are at higher risk of losing their customer. The companies in today's globalized economy should satisfy their stakeholders including the employees, shareholders, distribution network members, etc. In recent times, companies are not focused on just selling concept but more oriented on marketing concept and may be in coming time it may change its focus from marketing to societal marketing concept. It means companies should have detailed information data base related with customers. It should contain all details about what customers' liking, disliking preferences and choices.

### **Customer Satisfaction in Retail Sector**

Customer focus is the key business development driver in retailing. Different product sectors present different challenges to retailers, but some key strategies that can be observed among the leading players in the overall retail sector can be applied to most markets.

Marketing strategy is driven predominantly by the unique demands of each retailer's product mix. In bookselling, for example, the theory those retailers could not apply certain modern marketing strategies to their particular sector has surely been comprehensively quashed. While the particular initiatives adopted by leading retailers in this sector might vary significantly from those seen in, for example, multiple grocers, the underlying drivers of these strategies do not greatly differ.

One area in which customer focus is becoming a particularly important driver of expansion is home shopping and other diversification from the standard formats of major retailers. The establishment of retailing on the Internet, while not yet bringing about fundamental changes to the retailing landscape, is certainly showing major players another way of tailoring their offering to suit ever smaller, more specific groups of customers.

Internet retailing, however, could ultimately become a standard channel in the home shopping sector. If this does come about, then mainstream retailers could have found a way of competing with the mail order specialists on their own ground, and mail order retailers will be more likely to follow the lead of Great Universal Stores which, through its 1998 acquisition of the catalogue retailer Argos, is establishing itself as a major player in high street retailing. Whether as a broad aim of strategy or as a specific initiative, one of the major tools being adapted by retailers to their specific growth objectives is that of building customer loyalty. Given that all the major retail format types are now highly competitive sectors in their own right, retailers are looking far more often to gain share of established customers of a particular sector at the expense of their competitors, rather than seeking genuinely new customers.

Developments such as retailing through the Internet, and other initiatives by 'mainstream' retailers in the area of home shopping thus need to be seen as much in the light of building loyalty in established areas as of seeking to develop new areas of business. The same interpretation could be applied to moves by specialist retailers to diversify their product offering, their major retail formats, or their range of customer services. There are few 'new' customers to be gained in a retail sector as there are simply areas of business new to particular companies which they will seek to exploit as a competitive strategy.

Crucial to customer focus is differentiation from competitors. There is no clear, single path to be taken to the establishment of successful customer focus in retailing. Strategies as diverse as Safeway's broad service offering and Asda's broad product offering can be equally valid in giving retailers in one sector a clear customer focus. Asda might argue that its determined focus on consistently low prices is a



strong factor in building loyalty among its customers, and that it is unlikely to see a need to roll out the loyalty card scheme it has had on long-term trial in a few of its stores, and that it has built up a strong share of its customers' grocery and clothing expenditure.

Morrisons (who has now taken over Safeway) of the UK, by contrast, might counter that its loyalty card, combined with a range of chargeable and free services, has helped it to increase its overall income per customer, and that its broader spread of services gives it a level of security in maintaining customer loyalty that Asda lacks.

This diversity between similarly sized retailers in one sector is in fact strength for each of them, in that they are maintaining an element of distinctiveness in their appeal to consumers. While a sector such as multiple groceries may be approaching saturation, and while there may be a number of major retailers vying for relatively small incremental increases in customer share in that sector, there is still the potential to win more share from companies in the wider retail environment, such as the independent grocery sector or from convenience stores.

Viewed from the opposite perspective, such increases in service levels are an essential strategy for multiple grocers and other leading categories of retailer in defending their competitive position against increasingly sophisticated and well-connected groups such as convenience stores or niche specialists. Some of these smaller format retailers are developing powerful relationships with partners in non-traditional retail sectors, such as transport and petrol station operators, and there is the long-term prospect of the evolution of a full-scale retail sector in public service environments, where small format retailers might have a head start in building a position.

### **Customer Satisfaction through Customer service**

The key driver of developments in retail formats, in retailers' product and service mix, and in the channels used by those retailers for reaching customers will be that of customer service. Customer service, including both the value-added features used by retailers to draw customers in to their stores, or to persuade them to use their home shopping services, and also the non-core services sold as part of their offering, such as financial services packages, will be the key to competitiveness and to profitability in the next decade of UK retailing. As well as driving competitiveness and profitability in financial terms, this focus on customer service will be the key determinant of differentiation between retailers in the same channel.

Customer service is the provision of service to customers before, during and after a purchase. According to Turban et al, 2002, 'Customer service is a series of activities designed to enhance the level of customer satisfaction – that is, the feeling that a product or service has met the customer expectation'. Its importance varies by product, industry and customer. As an example, an expert customer might require less pre-purchase service (i.e., advice) than a novice. In many cases, customer service is more important if the purchase relates to a 'service' as opposed to a 'product'. Customer service may be provided by a person (e.g., sales and service representative), or by automated means called self-service. Examples of self service are Internet sites.

Customer service is normally an integral part of a company's customer value proposition. Some argue that the quality and level of customer service has decreased in recent years, which can be attributed to a lack of support or understanding at the executive and middle management levels of a corporation (Dall *et al*).

### **Importance of retail sector in new globalized economy**

The word 'Retail' comes from the French word *retailer* which refers to 'cutting off, clip and divide' in terms of tailoring (1365). It first was recorded as a noun with the meaning of a 'sale in small quantities' in 1433 (French). Its literal meaning for *retail* was to 'cut off, shred, paring'. Like the French, the word retail in both Dutch and German (*detailhandel* and *Einzelhandel* respectively) also refer to sale of small quantities of items. Retailing consists of the sale of goods or merchandise from a fixed location, such as a department store or kiosk, or by post, in small or individual lots for direct consumption by the purchaser. Retailing may include subordinated services, such as delivery. Purchasers may be individuals or businesses. In commerce, a retailer buys goods or products in large quantities from manufacturers or importers, either directly or through a wholesaler, and then sells smaller quantities to the end-user. Retail establishments

are often called shops or stores. Retailers are at the end of the supply chain. Manufacturing marketers see the process of retailing as a necessary part of their overall distribution strategy.

Shops may be on residential streets, shopping streets with few or no houses, or in a shopping center or mall, but are mostly found in the central business district. Shopping streets may be for pedestrians only. Sometimes a shopping street has a partial or full roof to protect customers from precipitation. In the USA, retailers often provided boardwalks in front of their stores to protect customers from the mud. Online retailing, also known as e-commerce is the latest form of non-shop retailing.

Shopping generally refers to the act of buying products. Sometimes this is done to obtain necessities such as food and clothing; sometimes it is done as a recreational activity. Recreational shopping often involves window shopping (just looking, not buying) and browsing and does not always result in a purchase.

## Conclusion

Behind the scenes at retail there is another factor at work. Corporations and independent store owners alike are always trying to get the edge on their competitors. One way to do this is to hire a merchandising solutions company to design custom store displays that will attract more customers in a certain demographic. The nation's largest retailers spend millions every year on in-store marketing programs that correspond to season and promotional changes. As products change, so will a retail landscape in times to come.

## References

- Anderson, E. W, C. Fornell & D.R. Lehmann (1994). Customer Satisfaction, Market Share and Profitability: Findings from Sweden, *Journal of Marketing*, 58: July, pp.53-66.
- Berry, Leonard and Parasuraman, A., *Marketing Services: Competing Through Quality*. Free Press.
- Dall, Michael, and Adam Bailine. *Service this: Winning the war against Customer Disservice*. 1st ed. Plymouth Meeting: Last Chapter First, 2004., "Lunch Lesson Four - Customer service".
- Kotler, Philip. *A Framework for Marketing Management*, Prentice-Hall, 2012.
- Parasuraman, A, Berry, L.L, Zeithaml, V.A (1991), "Refinement and reassessment of the SERVQUAL scale", *Journal of Retailing*, Vol. 67 No.4, pp.420-50.
- Reichheld FF, 1996, *The Loyalty Effect*, Harvard Business School Press, Boston, Massachusetts
- Scheuing, Eberhard E. *Creating Customers for Life*, 1995, Productivity Press.
- Timm, P., R. (1990) Use the Profit Power of Customer Service, *Executive Excellence*, 7, pp.19-20.
- Turban, E. King, D. Lee, J. and M. Chung. 2000. *Electronic Commerce: A Managerial Perspective*. 1st Ed. USA: Prentice Hall. ISBN 0139752854.