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Determinants of Customer Satisfaction of Retail Chain Stores: An Empirical Study on Bangladeshi Retailers.

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Key words: Retail chain stores, customer satisfaction, product quality, price, responsiveness, etc.

Abstract: The present study aims at determining the factors constituting customer satisfaction of retail chain stores in Bangladesh. Customer satisfaction of this sector can be a pivotal indicator of how well the stores are meeting the expectations of the customers. Customers of three big retail chain stores have been interviewed for the study. From the results, it was determined that the model satisfactorily explains customer satisfaction and that retail chain store owners and managers should focus on three major elements – responsiveness, product quality and pricing policies if customer satisfaction is to be treated as a strategic variable. The present study found that responsiveness and product quality were most important to customers followed by price.

Introduction: Clarence Saunders developed the concept of self-service grocery chain stores with his “Piggly Wiggly” stores in Memphis Tennessee in the USA in 1961. It was a huge success and later on he started to offer franchises of his store. Pretty soon some other companies such as the Great Atlantic and Pacific Tea company of Canada and US followed the business in the year 1920[1]. At present, there are many world renowned superstores spread around the world serving billions of customers and making huge profit of this business. To name a few of them, there are Wal-Mart, Safeway, SPAR, ALDI, Netto, Lidl etc. Also in Bangladesh supermarkets have successfully made a breakthrough in the urban lifestyle with the idea of “all essential commodities under one roof.” From the concept of global retailers such as Wal-Mart, Safeway, and Sears, some private organizations have established the retail chain store services in Bangladesh. Rahimafrooz Superstores Ltd. (RSL) was the first one to launch the first ever retail chain in Bangladesh in the year 2001. In the meantime superstore market in Bangladesh has proven itself as a highly competitive and unmerciful business place to get into but also highly profitable business to do if you can play it right so did many such as “Shopno” with their 70 stores around the country with 30 stores outside Dhaka while sharing the dominance of Dhaka city with giant retail stores as Meena Bazar, Agora and Almas. With the passage of time retail chain stores including small and big ones have been expanded remarkably in Bangladesh as people are becoming time conscious and they do not have enough time to spend for shopping. In the large cities of Bangladesh like Dhaka, it is very difficult to move from one place to another place for shopping purposes due to traffic jam. So, majority people want to shop all kinds of goods from a particular departmental store at a time so that they can save their time, money and energy. In retail chain stores, there is a variety of assortments in the shelves. All assortments are inventoried in a convenient way so that customers can take, check and verify the goods very easily. All these things caused the rapid growth of retail chain store business in Bangladesh. The main objective of this study is to find out

the factors that explain customer satisfaction of retail chain stores in Bangladesh. In order to explore the major objective, researchers also have some specific objectives: i. to identify the relative importance of each factor that contributes to customer satisfaction, (ii). to identify underlying dimensions or factors that explain the correlations among variables and (iii) to make recommendation on service strategy, products as well as customer satisfaction strategy of retail chain stores.

Literature Review: Few papers have been found regarding retail chain store business in Bangladesh. In our country, not much work has been carried out in this field. A study was done focusing on customer satisfaction of super stores in Bangladesh [1]. But it was on a very small scale. A professor at the Department of Agricultural, Food and Resource Economics at Michigan State University, stated business in Bangladesh is part of a fourth wave that just barely has emerged in the last few years[13]. Other countries at a similar stage are Cambodia, Bolivia and certain countries in West Africa. The American researcher feels it is likely that the diffusion of retail chain store will be quite slow for the fourth wave, compared to the first three waves. The reason is that the key socioeconomic changes necessary for a change in the retail environment are happening in Bangladesh at a pace much slower than, for example, in India [4]. These changes acting as a driving force behind retail chain store diffusion includes increasing urbanization, increasing number of women working outside their home (which leaves them with less time for shopping of essentials), and increasing incomes per capita. It will probably take another decade or two, until retail chain store diffusion in a country like Bangladesh is appreciable, meaning that roughly around 20 to 25 percent of retail sales are made through this channel [3]. “But the time for South Asia seems to have come,” he adds. “Just look at the expansion of Cargill Ceylon in Sri Lanka.” That retailer has more than 120 food-supermarkets all over the country [4, 16]. In fact, Sri Lanka with a population of over 20 million has 240 supermarkets, while Dhaka with its 25 million inhabitants does not even have 70 such stores. A study was conducted on the factors that influence the consumer in choosing departmental store in Bangladesh where the authors identified some factors influencing consumers to shop at Superstore in Bangladesh in specific six probable extrinsic cues [15]. The six extrinsic cues are- Brand Image, Perceived Price, Perceived Quality, Product Availability and Location of the store. In another research, the author argued that customer retention has received considerable attention and has become a prime issue for food retail organizations desiring to stay in business, maximize profits and/or build and sustain competitive advantage in the food sector [11]. Gaining high levels of customer satisfaction is very important to a business because satisfied customers are most likely to be loyal and to make repeat orders and to use a wide range of services offered by a business[8]. Customer satisfaction is an asset that should be monitored and managed just like any physical asset [2]. The same way, another researcher [12] has attempted to measure the links between attribute perceptions and consumer satisfaction, and between consumer satisfaction and sales performance, in the food retail sector of India. The study relies upon an extensive data set of consumer satisfaction and sales information from approximately 180 consumers. Product quality is the capacity of a product to satisfy some specific wants of the customers [6]. Quality of products is normally measured by product features, benefits and ability to satisfy required needs and so on. It is considered to be one of the important determinants of satisfaction [14]. The pricing policy of retail chain stores can also greatly influence customers because price has the capability of attracting or repelling them [10], especially since price functions as an indicator of quality [8]. If the price is high, customers are likely to expect high quality, or it can induce a sense of being “ripped off [5]. When establishing prices for products and services, an internal reference price is defined as a price

(or price scale) in buyers' memory that serves as a basis for judging or comparing actual prices [10]. Responsiveness is also an important determinant of customer satisfaction [9]. When staff members are more responsive, attending to clients' needs quickly and with care and courtesy, it should result in improved customer satisfaction. On the basis of the above literature review, it can be stated that very few research works have been done on customer satisfaction of retail chain stores in Bangladesh. The field is new and promising and there is a research gap which motivates the researchers to conduct the present study.

Methodology: The study is a combination of qualitative and quantitative research. For the purpose of the study, data were collected from both secondary and primary sources. But, maximum concentration was given on primary sources of data. All the primary data were collected from personal interview with existing customers of retail chain stores through administration of a questionnaire with a five-point Likert scale. Three leading retail chain stores have been selected for the study named Agora, Shopna, and Meena Bazar. Mall intercept interview technique was used for collecting the data from the respondents. The total number of respondents for the study was 150, which was drawn from different areas of Dhaka City, especially Dhanmondhi, Banani, Mohakhali, Gulshan and Uttara since most of the retail chain stores are located in these areas. The secondary data were collected from the store records, annual publication manuals, academic journals, annual report, BSOA (Bangladesh Supermarket Owners Association) reports, books and finally the current and available information from the newspapers were tapped depending upon the nature of the problem. Collected data were computed and analyzed by the researchers. To make the data effective and meaningful, SPSS software have been used for the study. Descriptive analysis was performed to understand the profile of the respondents. Multiple regression model was used to find out which factors significantly contributed to customer satisfaction.

H1: The higher the level of product quality, the more the level of customer satisfaction.

H2: Pricing policy of the stores affects satisfaction level of customers.

H3: The higher the level of responsiveness, the higher the level of customer satisfaction.

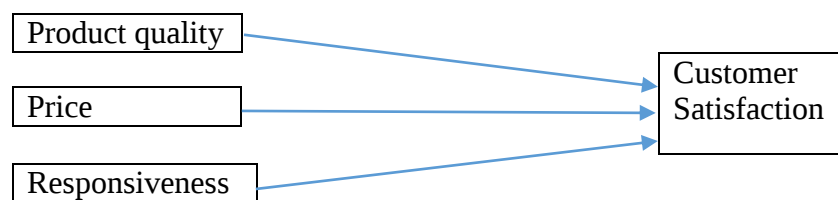


Fig: Research Framework.

Findings:

Respondents' profile: In the present study out of 143 respondents, 59.4% were male and remaining 40.6% were female. Total respondents' 44.8% are below 30 years, 45.5% from 31 to 40 years and the rest are above 40 years. 18.2% of the respondents have education up to higher secondary level, 37.1% are graduates and 44.8% have post graduate education. Total respondents' 44.8% are service holders, 7.7% are business men and 47.6% are housewives.

Reliability Analysis of Measurement:

Cronbach's Alpha was used to measure the reliability of variables. The table below shows a summary of Cronbach's Alpha value for all variables used in the analysis.

Table 1: Cronbach's Alpha value of Variables

Variables	No. of items	Cronbach's Alpha
Product quality	4	.656
Responsiveness	4	.695
Price	4	.633
Customer satisfaction	4	.729

Correlation Analysis:

Correlation analysis was conducted to determine the degree and direction of relatedness between constructs used in the present study. As shown in the table, the degree of relatedness between independent and dependent variables are all good. Product quality, responsiveness and price are positively related to customer satisfaction. In terms of relationship all the variables are significant.

Table 2: Correlation Analysis Output

No	Variables	Mean	SD	1	2	3	4
1	Product quality	3.8776	.55734	1			
2	Responsiveness	4.0787	.55856	.570**	1		
3	Price	3.2832	.55999	.414**	.304**	1	
4	Customer satisfaction	3.9213	.51254	.516**	.560**	.357**	1

*Correlation is significant at the 0.05 level. ** Correlation is significant at the 0.01 level.

Table 3: Regression Analysis Output:

Independent Variables	Beta	T Value	Significant
Product quality	.232	2.642	.009
Responsiveness	.304	3.519	.001
Price	.166	2.265	.025
R-square	.411		
Adj R-square	.389		
F	19.114		
significant	0.000		

Multiple-regression analysis was used with three factors as independent variables to test the model for customer satisfaction (see Table 3). The regression model explained 38 percent of the variation in the dependent variable, i.e. satisfaction, as indicated by the adjusted R^2 value. It means that there a number of other factors that may contribute to the explanation of the remaining 62%. All the factors had a significant effect on customer satisfaction. The results suggest that model explains customer satisfaction in the chain stores reasonably well. The standardized beta values suggest that responsiveness and product quality have the greatest impact on customer satisfaction followed by price.

Conclusion: This study tested a model of customer satisfaction for the retail chain stores of Bangladesh. The results suggest that the model satisfactorily explains customer satisfaction and that retail chain store owners and managers should focus on three major elements – responsiveness, product quality and pricing policies if customer satisfaction is to be treated as a strategic variable. From the results, it was determined that responsiveness and product quality were most important

to customers. As retail super stores are on the rise in Bangladesh now, the present study for assessing customer satisfaction in the retail chain stores is a useful one. The researchers believe that if the people engaged in this business truly want to gain a competitive edge, they must continually strive to increase the level of customer satisfaction by emphasizing the three significant factors discerned in this study.

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