

# Customer Satisfaction and Customer Loyalty: Leading Super Markets in Jaffna District, Sri Lanka

Kumaradeepan, V.

Dept of Marketing, University of Jaffna, Sri Lanka.

E-mail: kumaradeepan@jfn.ac.lk

Pathmini, M G S.

Dept. of Business Management, Rajarata University of Sri Lanka.

E-mail: thikavi76@gmail.com

Received: October 18, 2017 Accepted: October 28, 2017 Published: November 19, 2017

doi:10.5296/bms.v8i2.12159 URL: <https://doi.org/10.5296/bms.v8i2.12159>

## **Abstract**

The topic of the research is Customer Satisfaction (CS) and Customer Loyalty (CL); special reference to the leading supermarkets in Jaffna. The objective of the research is to identify the impact of Customer Satisfaction on Customer Loyalty of leading Supermarkets in Jaffna, Sri Lanka. The research is simply deductive approach to find out the impact between Customer satisfaction and Customer loyalty. Quantitative method is available based on primary data. At present there are 08 numbers of supermarkets functioning in Jaffna district and popular three were selected. Random sampling technique is used to collect the data from customers of supermarkets in selected area. The analysis is carried out using a sample of 240 customers in Jaffna and only 218 were taken to analyze. 'Statistical Package for Social Sciences' (SPSS) 22.0 version was used in order to analyze the data. Correlation was used to find the connection between Customer Satisfaction and Customer Loyalty. Also Regression analysis is used to predict the value of a variable based on the value of two or more other variables. Also found that about 40 percent connection between Customer Satisfaction and Customer Loyalty and also found around 16% affect by Customer satisfaction to Customer loyalty.

**Keywords:** Customer Loyalty, Customer Satisfaction and Super Markets

## **1. Introduction**

### *1.1 Background of the Study*

In this modern business world, mostly every organization is concentrating a lot more than before. Organizations need to satisfy their requirements which are changed by the customers every now and then. For any organization, good understanding of their customers' needs and expectations on price and quality of their products increases the potential to succeed.

As a result of this, every organization is ready to pay, to identify and understand its customers and their needs. Customer centered marketing and customer relationship marketing have occupied the top place in modern marketing concept.

Moreover, marketing mix designed by marketing executives should facilitate satisfying almost each customer individually.

As customers now demand better customer services from retail supermarkets, Tesco and Sainsbury have been better to upgrade their service oriented propositions than say Summerfield or Iceland (Dibb, 2006). This situation tells us clearly that even this micro environmental factor plays a big role in the strategies of retailers. At this juncture, customer satisfaction and customer loyalty have taken predominant place in present marketing environment. More management teams and business executives are now paying more interest in customer satisfaction and loyalty metrics. Customer loyalty is viewed as important a tool for attaining competitive advantage and is the basis for sustained profitability and growth. Customer satisfaction, on the other hand, is a prerequisite to run a business. In the context of a retail supermarket, satisfaction could be interpreted as “just meeting the expectations of the customers, not any sort of exceeding or falling short of the expectations”.

Customer satisfaction is a main factor determining success and profits in an organization. When any organization earns high customer loyalty leads to high customer retention and business results tend to follow. Thus, understanding and satisfying customers, and earning customer loyalty and high customer.

Retention are paramount important for every organization. Customer satisfaction is "perception of customers towards products or services". Customer satisfaction along with customer loyalty is becoming a paramount factor not only in modern retail supermarkets but also in other businesses for their long-term and short-term survival. Customer expectation is the base for customer satisfaction. The customers form their expectation for the value to be derived from the consumption of the product or service.

### *1.2 Research Problem*

There are more suppliers they expected demand ratios. Now a big challenge to all sellers including modern super markets that has to get others customers who are currently a customer of existing sellers. Also cannot create new customers as demand is cant not increased over the time. They people have to realize that it's only possible by different

attractive marketing strategies. Only satisfied customers would retain. And dissatisfied customers will not retain and try to switch off. What would happen to future? In future there will be more outlet would come. Cargills has opened their third massive outlet in heart of Jaffna last year with some more outlets in one roof. That was big in size and include KFC, Signature brand shirts, Two digital high class cinema theaters etc. also other modern super market like Laugh , Keells and other may arrival in future. So what would happen? What would be the situation of older retailers? And what would happen to Cargills when other massive arrived? The study problem to identify the factors for customer satisfaction regarding customer loyalty of super markets. Customer satisfaction has been commonly accepted as an indicator of customer loyalty. The basic problem of the study is to identify important factors determining customer loyalty of super markets that lead to customer satisfaction.

### *1.3 Problem Statement*

“Is there a significant connection between customer satisfaction and customer loyalty in Jaffna District?”

### *1.4 Objectives of the Study*

To explain the level of customer satisfaction in supermarkets in Jaffna District

To explain the connection of customer satisfaction and Loyalty in supermarkets in Jaffna District

### *1.5 Hypotheses*

H: there is a significant Connection between Customer Satisfaction (CS) and Customer Loyalty (CL) in supermarkets in Jaffna District

## **2. Review of Literature**

### *2.1 Customer Satisfaction and Customer Loyalty*

Bloemer and Kasper cited in Ruyter and Bloemer, 1999) “the relationship between satisfaction and loyalty is not simple task and straightforward fact as the level of elaboration on the part of the customer may act as a moderator between satisfaction and loyalty”. Oliva., Oliver and Macmillan. 1992) argue that the relationship between satisfaction and loyalty is nonlinear; meaning that satisfaction increases above a certain level, customer loyalty will increase rapidly.

It is also shown that loyalty remains unaffected over a relatively large level of satisfaction that fall below that certain level.

Heskett, Loveman, Sasser, and Schlesinger (1994) proposed that satisfaction and customer satisfaction are closely related. There is some evidence that store loyalty may be (positively) related to store image (Mazursky and Jacoby, 1986).

Bloemer (1998) also found that the positive relationship among Customer satisfaction and

store image, store satisfaction and store loyalty and store image and store loyalty. Also expresses that satisfaction has a moderator effect on the relationship between satisfaction and loyalty. Satisfaction is considered as an antecedent of store loyalty (Bitner, 1990; Bloemer and Ruyter, 1998; Tse and Wilton, 1988, p. 204). Na, Marshall and Keller (1999) view satisfaction as a resulting variable of strong associations or images, along with preference and loyalty. Bloemer and Ruyter (1998) reported in their study on the department store consumers that store image affects satisfaction, which subsequently has impact on store loyalty.

## 2.2 Customer Loyalty

**Loyalty as customers continuing to believe that one organization's product/service offer remains their best option, which meets their value proposition whatever that may be and take that offer whenever faced with that purchasing decision.**

*Loyalty means "hanging in there even when there may be a problem because the organization has been good to them in the past and addresses issues when they arise". It means that they do not consider competitors and, when approached by competitors, are not interested and being willing to spend the time and effort to communicate with the organization so as to build on past successes and overcome any weaknesses.*

*Nutshell, loyalty "a customer wants to do business with you and does". The challenge for organizations is taking this understanding and translating it into actual practice, where specific actions are defined and ideal customer relationships are envisioned. It also means identifying a means for taking this loyalty construct and putting it into measurable terms so that success and failure can be assessed and progress or decline tracked.*

**Customer Loyalty measure and Monitor** customers are those who are getting the products and services they desire. Customers who believe these products and services are superior to those of the competition. Ideally, **Customers who view their interactions as more than simply transactional**. Also believe that the relationship that is bigger than just the products or services they buy. Measuring loyalty is measuring the strength of this relationship between buyer and seller, between the organization and its customer.

## 2.3 Customer Satisfaction

Customer satisfaction explained as "personal feeling of either pleasure or disappointment resulting from the evaluation of services provided by an organization to an individual in relation to expectations". Service providers frequently place a higher priority on customer satisfaction, because it has been seen as a prerequisite to customer retention. As a positive outcome of marketing activities, high customer satisfaction. Leads to repeat visitation to stores, repeat product purchases, and word-of-mouth promotion to friends, while low customer satisfaction has been associated with complaining behavior.

Mostly in practice a satisfied customer often stays loyal longer, and is likely to patronize the firm in future. Customer satisfaction can also conceptualize as either transaction or cumulative satisfaction. Transaction-specific satisfaction is a customer's evaluation of her or

his experience and reactions to a specific company encounter. Cumulative satisfaction refers to customers overall evaluation of patronage experience from inception to date.

### 3. Methodology

#### 3.1 Research Design

In a deduction process, this report tried to find out the casual relationship between Customer Satisfaction and customer loyalty. Also the variables regarding the research questions are latent components, this study uses appropriate quantitative methods available based on primary data. The main research question of this study was “is there any impact of adopted strategies on customer satisfaction and customer loyalty to improve supermarket in Jaffna district?” and the sub questions “is there any relationship on between service strategies Customer satisfaction and customer loyalty in super market sector in Jaffna district

#### 3.2 Conceptual Model

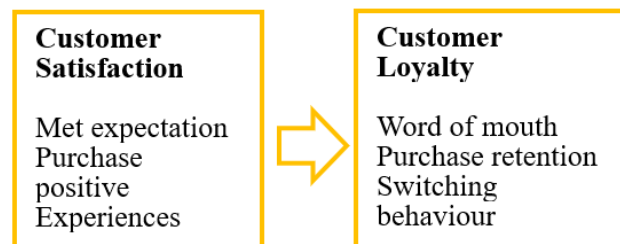


Figure 1. Conceptual Model

#### 3.3 Construction of Questionnaire

Being a quantitative survey, the questionnaire has included some open ended questions to get personalized answers and to explore the data related to attitudes, behaviour and expectation. So, the study has reviewed lots of pretested questionnaires. Questionnaire for customers basically was divided into three sub parts: 1) Background information, 2) Customer Satisfaction and 3) Customer Loyalty. The questionnaire has been administrated to three leading supermarkets in the city of Jaffna. In the questionnaire, a five point scale from Strongly Disagree (01), Disagree (02), Somehow agree (03), Agree (04) and Strongly Agree (5) has adopt to identify the variables of service strategy and loyalty. The study has also considered a pre-test of the questionnaire in order to receive optimal outcomes from the study.

#### 3.4 Data Collection

Primary data were considered for this study. The study would compile with the help of primary data. Primary data would collect from questionnaires, direct personal and semi structured interviews, and review of customer complaint books of each super markets due to the presence of quantitative nature. Moreover, the desk study was covering various published and unpublished materials on the subject.

### 3.5 Pilot Study

Based on the pilot study among the 20 respondents reliability test was taken to confirm the problem and test the questionnaire. The reliability of the pilot questionnaire was tested using Cronbach's Alpha ( $\alpha$ ) measurements. The reliability coefficients ( $\alpha$ ) of construct or latent variable are given in the table 1.

Table 1. Reliability of pilot study

Reliability Statistics	
Cronbach's Alpha	N of Items
.841	45

Found that the scales used by us are highly reliable for the analysis. The overall value was estimated to be 0.841. when compare our reliability value with the standard value alpha of 0.6 advocated by Cronbach (1951), or with the standard value of 0.6 as recommended by Bagozzi and Yi's (1988), find that the scales used are reliable for the analysis

### 3.6 Data Analysis

Co-efficient of simple correlation has been calculated in this study to measure the relationship between dependent variables and independent variables. Descriptive statistics were used to describe the distribution of the data. The technique of multiple regressions is used to know the extent of connection between independent variables upon dependent variables. A well-known statistical package 'Statistical Package for Social Sciences' (SPSS) 22.0 Version was used in order to analyze the data.

In this research, Cronbach's alpha is used to determine the reliability of scales and results. Reliability is defined as an accuracy or precision of a measuring instrument (Kerlinger, and Lee, 2000). Thus reliability refers to the degree to which a measure is free of variable error. The most common way to assess reliability measurement instrument is to evaluate the internal consistency of items in a scale. Internal consistency is the degree of homogeneity among the items that constitute a measure that is the degree to which the items are interrelated and measure a single trait or entity (Brown, 1970).

Internal consistency is usually determined by the statistical examination of the results obtained, typically equated with Cronbach's coefficient alpha. Cronbach's alpha measures the variance. According to Nunnally (1978) Alpha scale should be greater than 0.70 for the items. It mentioned that its value varies from 0 to 1, but satisfactory value is required to be more than 0.6 for the scale to be reliable (Malhotra, 2002 Cronbach, 1951). The reliability of the questionnaire is tested using Cronbach's Alpha measurements in this study. The reliability coefficients of each construct or latent variable are given in the table 2 below.

Table 2. Reliability Statistics

Items	No of variables	Cronbach's alpha
Customer satisfaction	02	.68
Customer loyalty	02	.73
Overall alpha	02	.74

Its value is estimated to be 0.74 for total alpha. If compare the reliability value is 0.74 with the standard value alpha of 0.6 advocated by Cronbach (1951), Bagozzi and Yi's (1988), and Bagozzi and Yi's (1988), we find that the scales used by us are highly reliable for our analysis.

### 3.8 KMO and Bartlett's Test

Kaiser–Meyer–Olkin (KMO) measurement of sampling adequacy is useful method to show the appropriateness of data for factor analysis. The KMO statistics varies between 0 and 1. Kaiser (1974) recommends that values greater than 0.5 are acceptable. Between 0.5 and 0.7 are mediocre, between 0.7 and 0.8 are good, between 0.8 and 0.9 are superb (Field, 2000).

The research value of KMO for overall matrix is 0.600 there by indicating that the sample taken to process the factor analysis is statistically significant. Bartlett's test of sphericity (Bartlett, 1950) is the final statistical test applied in the study for verifying its appropriateness. The result should be significant i.e., having a significance value less than 0.05. In the present study, test value of chi-square 38.611 (P=0.000) is highly significant.

Table 3. KMO and Bartlett's Test

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.600
Bartlett's Test of Sphericity	Approx. Chi-Square	38.611
	df	1
	Sig.	.000

## 4. Data Analysis and Results

### 4.1 Descriptive Statistics

Table 4. Descriptive statistics

Items	Customer loyalty	Customer satisfaction
Mean	3.5791	4.0241
Median	3.5000	4.0000
Mode	3.50	3.75
Std. Deviation	.34412	.46569
Variance	.118	.217
Minimum	2.75	3.00
Maximum	4.25	5.00

This research is undertaken to find out the Connection between customer loyalty and customer satisfaction. Correlation analysis was carried out to find out the nature of relationship between the variable based on the value of correlation. The table indicates that customer satisfaction and customer loyalty are significantly correlated at 0.01 significant levels. The correlation value between Customer Loyalty and customer satisfaction is 0.405 which is significant at 0.01 levels. H<sub>1</sub> is accepted at 0.01 significant levels.

#### 4.2 Correlation analysis

Table 5. Correlations

		customer satisfaction	customer loyalty
customer satisfaction	Pearson Correlation	1	.405**
	Sig. (2-tailed)		.000
	N	218	218
customer loyalty	Pearson Correlation	.405**	1
	Sig. (2-tailed)	.000	
	N	218	218

This research is undertaken to find out the Connection between customer loyalty and customer satisfaction. Correlation analysis was carried out to find out the nature of relationship between the variable based on the value of correlation. The table indicates that customer satisfaction and customer loyalty are significantly correlated at 0.01 significance level. The correlation value between Customer Loyalty and customer satisfaction is 0.405 which is significant at 0.01 level. H<sub>1</sub> is accepted at 0.01 significant level

#### 4.2 Regression Analysis

Table 6. Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.405 <sup>a</sup>	.164	.160	.31536
Predictors: (Constant), customer satisfaction				

Table. 7 Anova

Model	Sum of Squares	df	Mean Square	F	Sig.
1 Regression	4.215	1	4.215	42.384	.000 <sup>b</sup>
1 Residual	21.482	216	.099		
Total	25.698	217			
Dependent Variable: customer loyalty					
Predictors: (Constant), customer satisfaction					

Regression analysis was carried out to the test the impact of customer satisfaction on customer loyalty in supermarkets (Especially in Jaffna district). Here customer satisfaction is the independent variable and customer loyalty is dependent variable. Model summary table



indicate, we can observe that customer loyalty is influenced by customer satisfaction by 16% remaining 84% are determined by other factors.

## 5. Findings and Recommendation

### 5.1 Conclusion

This study concluded that there is a positive connection between independent variables customer satisfaction and customer Loyalty. Customer Satisfaction has impact on Customer Loyalty as far as supermarkets customers are concerned. They appear to be quite satisfied with their service. Research is carried out to find out truth. Based on the presented data and data analyzed findings will be identified.

### 5.2 Recommendation

Based on the findings there are some recommendation made improve the customer loyalty in supermarkets in selected area. Supermarkets must consider the following factors to increase the satisfaction of the customer by redesigning the customer loyalty. .Supermarket environment - Society of this supermarket must try to create supportive, pleasant full delivering environment internally, in order to satisfy the customer and customer loyalty. Facilitate car parking center near to the supermarket place. Facilitate child – playground near to the supermarket place. Employees should be trained according to the present content of the environment. Various facilities to be provide to customer in order to enhance their customer satisfaction and customer loyalty. The customer loyalty cards to be provided to the customer in order to enhance their customer loyalty. Supermarkets can build up the commitment among customers by satisfaction and loyalty both individual and Organizational objectives.

### 5.3 Suggestions for Further Research

This study was only focus on the one particular district, and involved in particular one sector as super market. In this study, researcher has focused on the customer satisfaction to influence the customer loyalty. Future research direction should find out the other factors to influence the customer loyalty in the super market. Furthermore future research direction should be in the form of factor analyses to find out the factors influence on customer loyalty in other sector like hotel industries, banking sector and medical clinic sector. Qualitative methodology can be taken as a future consideration for doing the same research in the same sector, and in the other sector as well.

## References

- Dillon, & Goldstein (1984). *The essential of factor analysis*. New York: Holt, Rinchard and Winston. 1984.
- Eskildsen, J., Kristensen, K., Juhl, H. J., & Ostergaard, P. (2004). The drivers of customer satisfaction and loyalty: the case of Denmark. *Total Quality Management*, 15(5-6), 859-868.
- Grenholdt, L., Martensen, A., & Kristensen, K. (2000). The relationship between customer

satisfaction and loyalty: cross industry differences. *Total Quality Management, 1*(4, 5 and 6), 509-514.

Hill, N., & Alexander, J. (2006). *The Handbook of Customer Satisfaction and Loyalty Measurement*. 3rd ed. Aldershot: Gower.

Jason, M., & Carpenter, F. (2005). Consumer shopping value, satisfaction, and ail apparel brands. *Journal of Fashion Marketing and Management, 9*(3), 256-269.

Kandampully, J., & Suhartanto, D. (2000). Customer loyalty in the hotel industry: the role of customer satisfaction and image. *International Journal of Contemporary Hospitality Management, 12*(6), 346-351.

Kim, M. K., Park, M. C., & Jeong, D. H. ( 2004). The effects of customer satisfaction and switching barrier on customer loyalty in Korean mobile telecommunication services, 28, 145-159.

Kotler, P. (2003). *Marketing Management*. 11th ed. New Jersey: Prentice Hall

Kotler, P., Armstrong, G., Wong, V., & Saunders, J. (2008). *Principles of marketing*. 5th ed. London: Prentice Hall.

Mario, J., & Miranda, La'szlo' Ko'nya (2005). Shoppers' satisfaction levels are not the only key to store loyalty. *Marketing Intelligence & Planning, 23*(2), 220-232.

Roger, H. (2005). The relationships of customer satisfaction, customer loyalty, and profitability: an empirical study. *International Journal of Service Industry Management, 7*(4).

Shajahan, S. (2006). *Relationship Marketing: Text and cases*. Tata McGraw-Hill. New Delhi

Sivadas, E., & Baker-Prewitt, J. L. (2000). An examination of the relationship between service quality, customer satisfaction, and store loyalty. *International Journal of Retail and Distribution Management, 28*(2), 73-82.

Stone, M., Woodcock, N., & Machtynger, L. (2000). *Customer relationship marketing: get to know your customers and win their loyalty*. 2nd ed. London

Story, J., & Hess, 1. (2006). Segmenting customer-brand relations: beyond the personal relationship metaphor. *Journal of Consumer Marketing, 23*(7), 406-413.

### **Copyright Disclaimer**

Copyright for this article is retained by the author(s), with first publication rights granted to the journal.

This is an open-access article distributed under the terms and conditions of the Creative Commons Attribution license (<http://creativecommons.org/licenses/by/3.0/>).