EFFECTS OF CUSTOMER SERVICE ON CUSTOMER LOYALTY: A CASE OF SUPERMARKETS IN MACHAKOS TOWN, KENYA

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Abstract

The study sought to evaluate the effects of customer service on customers' loyalty in supermarkets in Machakos Town, Kenya. The research used a descriptive survey research design with both quantitative and qualitative research methods adopted. Cluster sampling was used to choose a sample of 385 respondents for the study. The research used a structured questionnaire for data collection which was self-administered. The study used a five-point Likert Scale to measure the variables and contained both closed and open-ended questions. Validity and reliability tests were done to establish the gaps in the research instrument using the Cronbach Alpha method. The data was first analyzed using descriptive statistics, followed by correlation and regression analysis to evaluate the relationship between the independent and the dependent variables. The data was coded and analyzed through the Statistical Package for Social Sciences (SPSS).The findings of the study established that customer service perceived by customers served to influence their satisfaction and trust which in turn influenced their loyalty. The respondents also indicated that they remained loyal to the supermarkets of their choice because they considered the staff in the respective supermarkets to have a positive attitude and were friendly thereby enhancing the client shopping experience. The study recommends that the providers of capital (supermarkets owners) must focus on those attributes of trust which consumers use to judge loyalty to the goods and services offered and the enterprise at large. The study recommends that, the supermarket owners who wish to build customer loyalty should endeavor to satisfy their customers through the provision of quality customer service.

Keywords: *Customer service, Customer loyalty, Supermarkets*

1.0 BACKGROUND OF THE STUDY

During this modern period when the markets enjoy Privatization, Liberalization and Globalization (PLG), marketing all over the industries has witnessed a fierce competition than before. According to Reza and Rehman (2012) Relationship Marketing has become fundamental to the industries and especially the supermarket retail business across the world. The organizations are be willing to sustain better relationships with their customers to understand their needs and expectations. The businesses further plans to deliver a better value in a more competitive and profitable manner than their

competitors to develop loyalty (Sachro & Pudjiastuti, 2013). Through this the industries will retain more loyal customers and improve their profitability.

Relationship marketing is vital in today's world economy since all consumers of the world especially in European countries are becoming more knowledgeable about products thus demanding better offers. According to the Global Powers of Retailing Report (2014) from Deloitte and Touché, among the 250 World's Largest Retail chains, 25% are set to be supermarkets and grocery store food retailers. The Europe market dominates the world with 26 of the largest 63 supermarket companies; the U.S. has 16 of the largest based supermarkets and grocery store chains among others.

A supermarket is a large traditional grocery store which is a self-service retail, offering a wide array of household products, foodstuffs and other products arranged into aisles. It has a larger and wider assortment than a local grocery store. Supermarkets are smaller and restricted in the collection of commodities than a hypermarket. They handle fast moving consumer goods (FMCG) with at least $150m^2$ (1,625 sq.ft) of floor space (Nielsen, 2002; Gajanayake &Surangi, 2011).The hunt for a greater market share with the current global competition has empowered the industries and customers to engage into long term relationships. This has resulted in to a greater dependence to each other. Relationship marketing is paramount especially for supermarkets retail industry in Kenya.

The blooming of supermarkets in African is being felt from Lagos to Luanda, Maputo to Kampala, South Africa and other countries significantly changing the consuming habits of the increasing middle class population (Hamlett & Jane, 2008). Moreover, supermarkets according to Munyoki (2010) have been spreading rapidly in the East African market since the early 2000s. Supermarkets in Kenya were started in the 1960s by the Indians as small shops shortly after the country gained independence from Britain. According to the World Business News, the rate of consumption from the supermarkets in Kenya has increased leading to the growth of supermarkets at an average of 55 new outlets per annum for the last five years which is twice the rate of growth in Asian   Kenya's countries.

Today Kenya has a greater number of supermarkets according to Business News up to 20 thousand in the year 2010.Nakumatt leads grocery retail in 2016 with a value share of 9%, followed by Tusker Mattresses with 8%. Naivas and Uchumi Supermarkets follow in third and fourth place respectively with 5% and 1% in value shares. The modern retailers are using franchise models in an effort to attain fast growth between 2016 and 2021(Eurometer, 2016). The largest Supermarkets in Kenya are situated in the cities like Nairobi due to the ready market from the growing urban population. Other cities and towns follow depending on their population size, location and the income generating activities (Kimani & Mwaura, 2012).

2.0 STUDY OBJECTIVE

The objective of this study is to evaluate the effects of customer service on customers' loyalty in supermarkets in Machakos Town, Kenya.

3.0 LITERATURE REVIEW

3.1 Customer Loyalty

All the marketing activities in any industry are geared towards customer loyalty. According to Oliver *et al.,* (2009), loyalty is the promise of a customer to do a repeat purchase of the same product or service and continuously exhibit this behaviour. Loyalty is also a profound assurance to repurchase

and stick to a favorite product brand in future regardless of any influences and efforts made in marketing which have the potential to cause switching behavior. Kiyani, Niazi, Rizvi and Khan (2012) elaborates that, customer loyalty as the major focus of implementing relationship marketing strategies. The customer has the tendency to choose one firm or a product over another despite the presence of others in the market place which the supermarkets owners must develop tactics to attract and build lasting relationships with their customers.

Licka (2013) and Hayes (2008) categorize customer loyalty into two broad aspects that further highlights the concept of measuring loyalty which includes the behavior and attitude. Concerning behavior, customer loyalty is taken as the long-term choice for a product together with repeat purchase probability. The attitudinal perception pays attention on particular suppliers, specific products; repurchase intention and readiness to offer a premium price, preference and commitment towards these have greater impact on creating loyalty in the retail industry. Conclusively, these variables are vital in measuring and influencing loyalty in any business and if well managed they determine loyalty in supermarkets.

3.2 Relationship Marketing

Relationship theories have been widely studied by scholars for a long period of time. The strategy emphasizes the development of a relationship for both buyers and vendors. It does not concentrate on sales volumes but embraces on the customer retention and satisfaction rather than attracting new customers. The industries that apply relationship marketing admit the long-term value of their relationship as highlighted by many authors (Nwankwo, 2013; Ndubisi, 2005; Morgan & Hunt, 1994). It is supposed that any achievement of a firm is attached on its ability to sustain long-term relationships with customers which are profitable in the sense that they yield repeat purchases and additional sales since the buyers communicate their positive experiences of the product provider to others (Jumaev, Kuma & Hanaysha, 2012).

3.3 Customer service

Supermarkets today experience cut-throat competition accelerating the focus on improved customer service and better marketing strategies to improve the market share of consumers purchase volume. Supermarket services can directly increase demand for the products and services sold through increasing the customer base (Shilpa, 2009). According to Aydin and Özer (2005), customer service is considered as an input that helps retail businesses and mostly supermarkets to thrive in competitive market environment. The kind of customer service quality perceived by the customers will honestly influence their satisfaction, as well as their trust in their firms through providing better products than their pre-purchase expectations (Rootman *et al.*, 2011).

Quality service is the processes of delivering to satisfy the customer which is about how consistently firm's product or a service delivered meets or exceeds the external and internal customer's expectations and needs. Effective customer service gives satisfaction to customers and thus increases loyalty (Zafar, 2012). Many supermarkets adopt customer service tactics in their businesses by placing attracting display to make customers slow down as they move inside the supermarkets. Others have layout displays at their entrances, which allow shoppers to stop, touch, smell and even slow them to do the shopping (Donald, 2011).
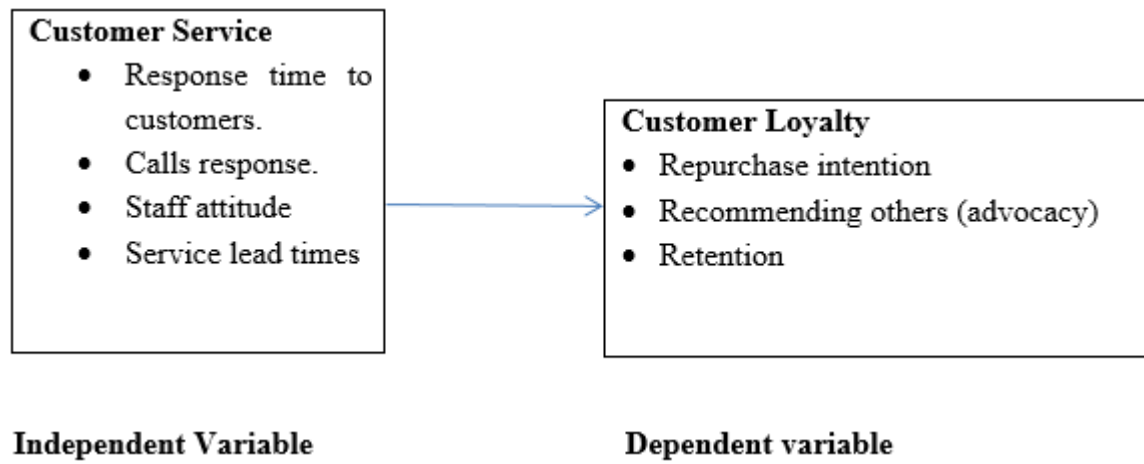
4.0 CONCEPTUAL FRAMEWORK

Customer Service
- Response time to customers.
- Calls response.
- Staff attitude
- Service lead times

Customer Loyalty
- Repurchase intention
- Recommending others (advocacy)
- Retention

Independent Variable   **Dependent variable**

Figure 1: Conceptual Framework

5.0 RESEARCH METHODOLOGY

The chapter essentially maps out the methods and approach that was used to carry out the research. The chapter discusses the research design, the target population, the sample design and procedures, the sample frame and sampling methods, the data collection instruments, the validity and reliability of the research instrument, data analysis and presentation and research ethics. The study employed a descriptive survey to describe variables rather than to test a predicted relationship between variables. The design was preferred because large samples can be used to make the results statistically significant. The target population was distributed as follows: Naivas has 57,355 (42%), Mulley`s has 53,258 (39%), Seven-up has 10,925(8%) whilst Enu Supermarket has 15,022 (11 %) adding up to 136,560 customers. These are the customers with loyal cards and only those who have purchased for approximately a year and are consistent in buying from the four supermarkets identified. A sample size of 385 respondents was obtained by calculating the target population of 136,560 with a 95% confidence level and an error of 0.05 using the following formula from Ariola, (2006). Structured questionnaire made of both open and closed ended questions intended to obtain specific responses for quantitative and qualitative analysis respectively were used. This tool was used because it is a strong method to gather information concerning the attitudes and opinions of the respondents in a more cost-effective way with current data. To improve quality and the response rate the researcher and the assistants personally visited the supermarkets to request authorization from the managers in each supermarket to allow them to gather data from their customers. The questionnaire was structured in such a way that it facilitated collection of data significant to both independent and dependent variables for the study. Before processing the collected data, the questionnaires were sorted, verified and edited for completeness and consistency. Data was captured and coded in the Statistical Package for Social Sciences (SPSS).It was analyzed and descriptive statistics used to output interpret the findings through frequencies, percentages, means and standard deviations. The inferential statistics such as linear regression analysis was also used to show the significance of customer service on customer loyalty.

6.0 FINDINGS OF THE STUDY

Customer Loyalty

Table 1 Customer Loyalty

Customer Loyalty Aspects	Mode	Mean	Std. Dev.
I Intend to continue purchasing products and services from this supermarket.	1	1.28	0.58
I am willing to continue selecting this supermarket for additional products and services. .	1	1.31	0.57
Even if another supermarket's price is lower; I will go on using this supermarket as my provider of goods and services.	3	2.70	1.39
Have been encouraging friends and relatives to use the products and services offered by this supermarket.	1	1.50	0.74

(Source: Author, 2018)

This was the dependent variable and the study sought to establish how it was being influenced by customer relationship marketing tactics. 294 (76.76%) respondents indicated that they intended to continue procuring products and services from their preferred supermarket. This was supported by the associated descriptive statistics – a mode of 1, a mean of 1.28 and a standard deviation of 0.58. 278 (72.58%) respondents further indicated that if they desired additional products, they would seek them from their favorite supermarket. The same fact was supported by a mode of 1, a mean of 1.31 and a standard deviation of 0.57. In addition to this, most of the respondents (226 or 59%) also reported that they had been encouraging friends and relatives to buy from their favourite supermarket. However, 170 or 44.38% of the respondents disagreed with the fact that they would continue buying from their supermarket of choice if the prices in other supermarkets were lower.

The feedback given by the respondents as shown in the statistics above was an indication that the respondents were sensitive to loyalty and the same is supported by the attendant descriptive statistics – a mode of 3, a mean of 2.70 and a standard deviation of 1.39. The feedback showed that the respondents were ready to remain loyal to their favourite supermarket, continue purchasing additional products and services and that they would also encourage friends and relatives to buy from their favourite supermarket .

The Effects of Customer Service on Customer's Loyalty

Table 2 Customer Service

Customer Service Aspect	Mean	Std. Dev.
The supermarket has all product required by the customers	4.39	1.025
The supermarket responds to customers' complaints quickly	3.90	0.805
The supermarket has short wait time in serving the customers	3.84	0.996
The supermarket provides timely and accurate information to customers	4.26	0.867

(Source: Author, 2018).

From the information displayed in Table 2 above, the respondents strongly agreed that the supermarkets have almost what is required by the customers. This response had a mean of 4.39 and a standard deviation of 1.025. The respondents further agreed that the supermarket where they shop responds to customer complaints fast. The response had a mean of 3.90 and a standard deviation of 0.805. Thirdly, it was noted that the respondents indicated that they strongly agreed that clients spend little time at the supermarket as shoppers are attended to fast. This represented a mean of 3.84 and a standard deviation of 0.996. The final question in this section was on the supermarkets' provision of useful information to the clients. The respondents strongly agreed that the supermarket where they shop provides timely and accurate information to customers. This represented a mean of 4.26 and a standard deviation of 0.867. This was a clear indication that the following customer service aspects had a direct positive influence on customer loyalty: adequate stock and variety of products, fast response to customer complaints, efficient customer service and the provision of adequate and timely information to the clientele.

Correlation Analysis

Table 3 Customer Relationship Marketing Tactics and Customer Loyalty

		Customer service	Customer Loyalty
Customer service	Pearson Correlation	1	.624[**]
	Sig. (2-tailed)		.000
	N	383	383

Correlation is significant at the 0.01 level (2-tailed)**
Correlation is significant at the 0.05 level (2-tailed)**

(Source: Author, 2018)

The researcher performed Pearson's product correlation as illustrated in the summary Table 3 to determine the strength of relationships between the dependent and independent variables. The coefficient (r) is a measure of the strength of the association between the two variables. The research findings indicate that the relationship between customer services with customer loyalty was significant at a significance level of 5% and 95% confidence interval. Customer service is significantly and positively correlated with customer loyalty ($r = 0.624$, $p<0.001$). From these study findings, then it's concluded that customer service has a strong impact on influencing customers' loyalty hence all the supermarkets management must give their attention on building, developing and sustaining long-term relationships with their customers.

Regression of Customer Loyalty

Dependent Variable: Customer Loyalty

R Square=0.93 F Statistics =9.703

Adjusted R Square=0.83 sig F 9.703 Square=0.000

Predictor in the Model: (Constant), Customer service, pricing, Value Offering, Customer Communication

Table 4 Regression of Customer Loyalty Against Exploratory Variable

Model		Unstandardized Coefficients		Standardized Coefficients			95.0%Confidence Interval for B	
		B	Std. Error	Beta	t	Sig.	Lower Bound	Upper Bound
1	(Constant)	3.049	.226		13.513	.000	2.605	3.492
	Customer service	.323	.054	.303	5.785	.000	.098	.309

(Source: Author, 2018)

In this multiple regression analysis customer service was found to be statistically significant in explaining customer loyalty as indicated in Table 4 above. The beta coefficient is measured in standard deviation units and is a measure of how robustly the independent variables influence the dependent variable. The higher the value of better coefficient, the more is the contribution of independent variable in explaining and predicting the dependent variable. On the basis of the results of the regression analysis, multiple regression models can be written as follows and significant at 95% confidence interval.

Customer loyalty = 3.049 + 0.323 (Customer Service).

The effects of the study variables on customer loyalty are shown as follows. As shown in Table 4 above, the R-square 93% is adjusted for potential errors in row data to 83%. The predictor of the variation in relation to the magnitude of the Beta Coefficient is (Beta =0.323, t = 5.785, sig = 0.00).

The F-Statistics (9.703, sig = 0.00) also reveal that customer service is a statistically significant predictor. This implies that it is important in determining customer loyalty. In the regression output shown above the independent variable had very high tolerance. Customer Service is therefore relatively important in creating customer loyalty in the supermarkets.

Qualitative Data Analysis

Qualitative data collected was analyzed from which the following themes were drawn.

Table 5 Themes Drawn from the Qualitative Data

Ser. No.	Theme	Supporting Statement
1.	Efficiency and staff attitude	I am attracted to the supermarket by the friendly staff.
2.	Flexibility of operating hours	The supermarket operates to late hours allowing me time to shop after work.

Staff Attitude and Efficiency

The qualitative data also indicated that shoppers in Machakos Town were attracted to their supermarkets of choice by a positive staff attitude and efficiency exhibited during shopping. The respondents indicated that the supermarkets staff were friendly and were customer-focused – a manifestation of respect and value for the customer. Other respondents indicated that the staff went out of their way to ensure that the shoppers got what they wanted within the shortest time possible, thereby reducing shopping lead time.

Flexibility of Operating Hours

Other respondents indicated that their loyalty to their favourite supermarkets was pegged on the flexibility of operating hours. They reported that they remained loyal to their supermarkets of choice because they remained open up to the early evening hours which enabled them to have ample shopping time after work. Other respondents noted that they were ready and willing to shift from their favourite supermarket if a new one with more operating hours opened its doors in Machakos Town.

7.0 SUMMARY OF THE MAJOR FINDINGS

The study's findings indicated that majority of the respondents had remained loyal to their supermarket of choice for a period of 1 – 5 years whilst a very small group had been with their favourite supermarket for a period stretching between 6 – 10 years. These findings were a clear indication of shifting customer loyalty since only a small group had remained with their favourite supermarket for more than six years.

Most of the respondents indicated that they had remained with their supermarket of choice for a variety of reasons. These reasons included were the fact that the supermarkets had all the products they required and that the supermarket responded fast to customer complaints. Other supporting evidence was that the respondents felt that there was efficiency in the supermarket and that the supermarket provides timely and accurate information to clients. The respondents also indicated that they remained loyal to the supermarkets of their choice because they considered the staff in the respective supermarkets to have a positive attitude and were friendly thereby enhancing the client shopping experience. The findings of the study therefore supported the arguments of Rootman *et al.,* (2011) who indicated that the customer service quality perceived by customers will influence their satisfaction and trust. This is likely to influence their loyalty towards the service provider.

8.0 CONCLUSIONS

The study sought to investigate the relationship between customer service and customer loyalty among supermarkets in Machakos, Kenya. The study findings established customer service is positively and significantly (statistically) correlated to customer loyalty. The positive correlation between customer service and customer loyalty is evidence indicating that when customer service quality increases the customer loyalty increases and vice versa. The study findings are consistent with the findings of Ruyter*et al.*, (2008) and Boulding, Brady and Cronin (2001) who found that a high degree of customer service quality translates into loyalty. The findings also support Ruyter *et al.,* (2008) in the argument that loyalty of customers is expected to increase when customers' service quality expectations are met. Further the findings also support Mondy and Noe's (2005) findings that

the provision of high standards of customer service by an organization enables its customers to increase their purchasing power hence loyalty.

9.0 RECOMMENDATIONS

The study recommends that the providers of capital (supermarkets owners) must focus on those attributes of trust which consumers use to judge loyalty to the goods and services offered and the enterprise at large. The study recommends that, the supermarket owners who wish to build customer loyalty should endeavor to satisfy their customers through the provision of quality customer service.

The findings of this study are also recommended for application in other service industries though they are based on the retail industry. Managers in all service industries can borrow from these findings and make more informed decisions in proposing, developing and designing products and services. As the competitive environment increasingly becomes fierce, the voice and preferences of the customers are also becoming the priority thus the study provides significant information to the supermarkets owners to use it as an input for future plans to improve customers' satisfaction and attain customer loyalty.

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