



Impact of customer satisfaction and trust on customer loyalty : A study on organized retail in Gujarat

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Abstract:

This paper examines the impact of customer satisfaction and customer trust on customer loyalty. Today, organized retail faces much competition where the marketers need to focus on various competitive points. Various divisions of the society must be attended. In the research, it is found out that gender and age groups do not have significant differences in customer satisfaction, customer trust and customer loyalty. As education reaches to post graduate or more, the customer satisfaction, customer trust and customer loyalty decreases. Similarly, as income reaches to more than 8 lacs, the customer satisfaction, customer trust and customer loyalty decreases. The study of model approves the relationship between customer loyalty and customer satisfaction as well as customer loyalty and customer trust. Customer satisfaction and customer trust leads to customer loyalty. The results may be useful to the decision makers and strategy formulations in organized retail as well as to the further research.

Key words : *customer loyalty, customer trust, customer satisfaction, demographic groups, organized retail.*

I. INTRODUCTION

In India, organized retail industry is in competitive environment. Competitive environment forced marketers to focus on customer satisfaction and eventually customer loyalty. Customer satisfaction is major factor for taking decisions for selection of service providers (Gilbert, Lumpkin and Dant, 1992). Customer satisfaction leads to greater customer loyalty (Bolton & Drew, 1991), decreases the costs of future transactions (Reichheld & Sasser, 1990) and positively impacts firm's income (Bolton 1998).

II. REVIEW OF LITERATURE.

Customer satisfaction, trust and loyalty.

Consumer Satisfaction is considered as a main goal of the strategies of their firms by service providers (Zeithaml and Bitner, 2008). Howard and Sheth explained consumer satisfaction as a related psychological state to evaluate the reasonableness between what a consumer actually gets and what he actually gives (Howard and Sheth, 1969). Positive support on the direct relationship between customer satisfaction and organizational performance is established (Nelson, Rust, Zahorik, Rose, Batalden and Siemanski, 1992). Abubakar et al. (2001), described satisfaction as a post-purchase appraisal by the consumers of their overall experience of the service. Oliver (1981) projected that satisfaction or dissatisfaction is decided by the impression that consumers have after purchase.

Trust includes one person's expectations that the other will behave in a specific way (Schurr & Ozanne, 1985). The main function of trust is to reduce uncertainty; trust makes risks manageable and thus simplifies choice (Morrison and Firmstone, 2000).

Loyalty was primarily described as a type of customer behaviour towards a specific brand over time (Jacoby & Chesnut, 1978; Pritcahrd, 1991). Customer loyalty is considered as an important element to organizational success and profit. Firms with large groups of loyal customers have been shown to have large market shares, and market share has been shown to be associated with higher rates of return (Reichheld & Sasser, 1990).

Relationship of customer satisfaction, trust and loyalty.

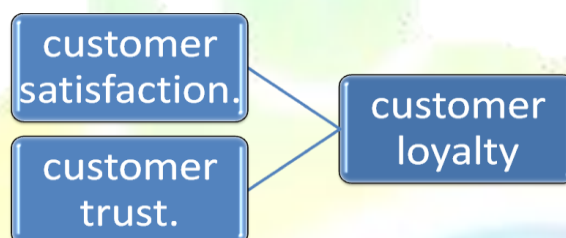
Customer satisfaction is considered to be one of the major elements in the development of customer loyalty and has therefore been taken into account in most previous studies. Literature pointed out that there is a positive correlation between customer satisfaction and customer loyalty (Anderson, Furnell & Lehmann, 1994; Rust & Zahorik, 1993; Selnes, 1993; Taylor & Baker, 1994; Yu et al., 2005; Yieh et al., 2007; Kuo & Ye, 2009; Chang et al., 2009).

Though customer satisfaction and customer loyalty are different constructs, they are highly related (Gelade & Young, 2005; Silvestro & Cross, 2000). Literature suggested that customer satisfaction is an important decider of customer loyalty (Flint, Blocker, & Boutin, 2011; Mittal & Kamakura, 2001). Customer satisfaction is proved to be an predecessor of loyalty in service dimensions (Belas & Gabcova, 2016; Coelho & Henseler, 2012; Lam, Shankar, Erramilli, & Murthy, 2004).

Dolors Seto´-Pamies (2012) suggested that loyalty depends on the customer’s degree of satisfaction and trust. Trust is beneficial for both customers and service providers : customers benefit through a reduced perception of risk toward service provider and through social benefits derived from a trusting service provider; service providers benefit through increased sales, positive word-of-mouth, decreased costs and even employees retention (Moorman et al., 1993). According to Cerri Shpetim (2012), in retail sector, store loyalty is dependent on service quality, customer satisfaction and trust customers have on brands and stores.

Thus, from the literature, below model can be derived.

Figure 1. a model for relationships among customer loyalty, customer satisfaction and customer trust.



III. OBJECTIVES AND HYPOTHESES.

The objectives of the study are

1. To identify the customer satisfaction in organized retail market.
2. To know the consumers’ trust in organized retail market.
3. To learn the customer loyalty in organized retail market.
4. To learn the relationship among customer satisfaction, customers' trust and customer loyalty in organized retail market.
5. To provide suggestive framework for organized retail marketers.

IV. RESEARCH METHODOLOGY.

4.1. Data collection, sample and tool.

The first concern here is to collect data for customer satisfaction, customer trust and customer loyalty in organized retail of Gujarat. For getting data on customer satisfaction, three factors are identified, for getting data on customer trust, four factors are identified and for getting data on customer loyalty, five factors are identified. Through a structured questionnaire data were collected for final analysis. Out of total 400 questionnaires sent, 357 questionnaires were found fully filled and valid for analysis. Thus, the response rate here is 89.25 %. Sampling technique used here is convenience sampling. The responses have been recorded on five point likert type scale (1 = not at all important and 5 = extremely important). The questions related to demographic profiles of the respondents were also included.

4.2. Data analysis.

Data collected were analysed through MS Excel and SPSS. Data analysis methods included are t test, ANOVA test and weighted least square technique of regression.

V. DATA ANALYSIS AND DISCUSSION.

5.1 Reliability analysis.

The reliability analysis is done for customer satisfaction, trust and customer loyalty factors and the cronbach alfa found are 0.796, 0.728 and 0.838 respectively.

5.2 Consumers’ profile.

The consumers’ demographic profiles are shown in table 1.

Table I.
Demographic profile of consumers.

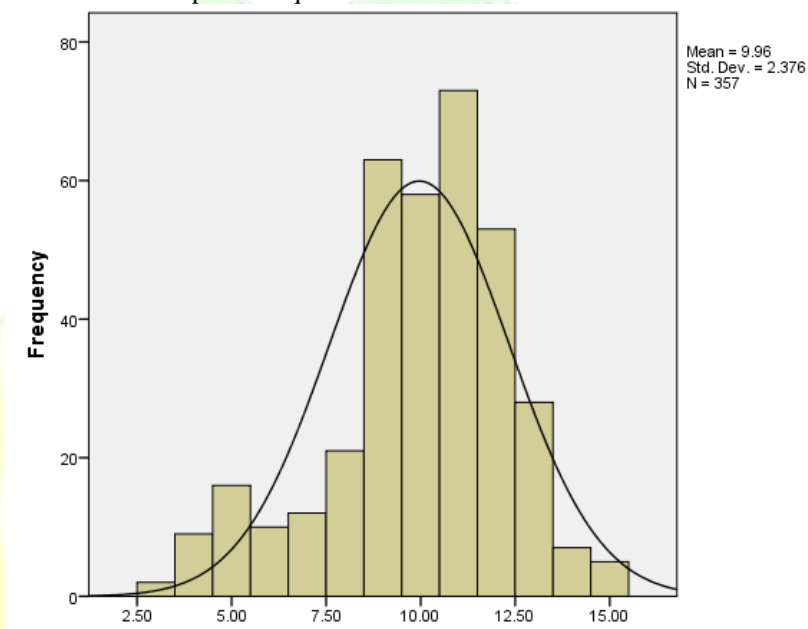
Gender groups		%	Education groups		%
Male	174	68.0	Upto schooling	63	24.6



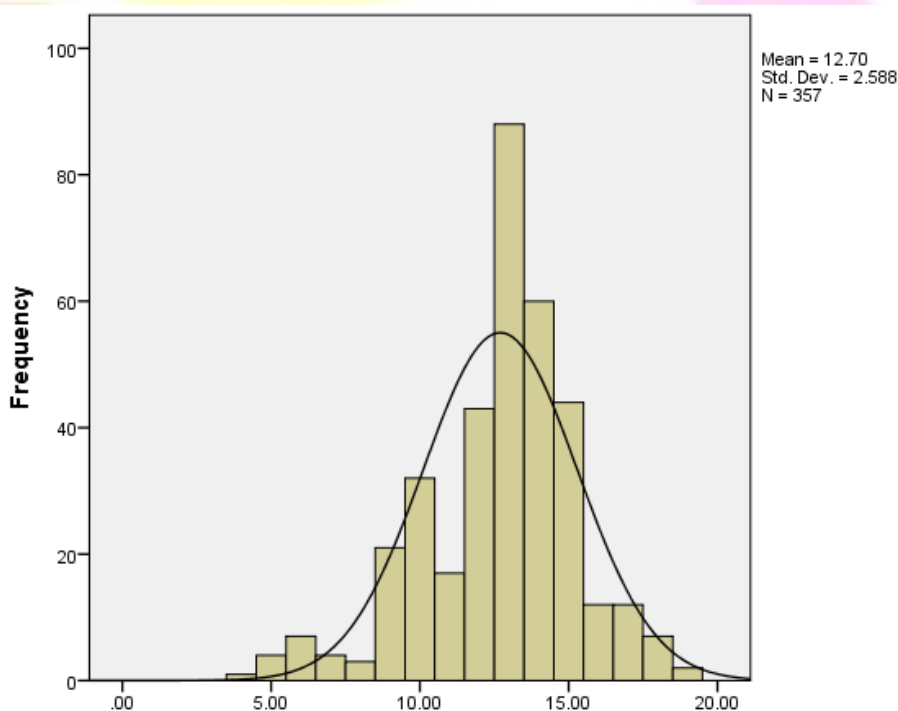
Female	82	32.0	College graduate	147	57.4
Age groups (years)	%		Post graduates or more	46	18.0
Less than 25	58	22.7	Income groups (p. a.)		%
25 – 55	122	47.6	Less than 1,00,000	50	19.6
Above 55	76	29.7	1,00,001 – 3,00,000	103	40.2
			Above 3,00,000	103	40.2

Frequencies for customer satisfaction, customer trust and customer loyalty show normal curves which are shown in Graph 1, 2 and 3.

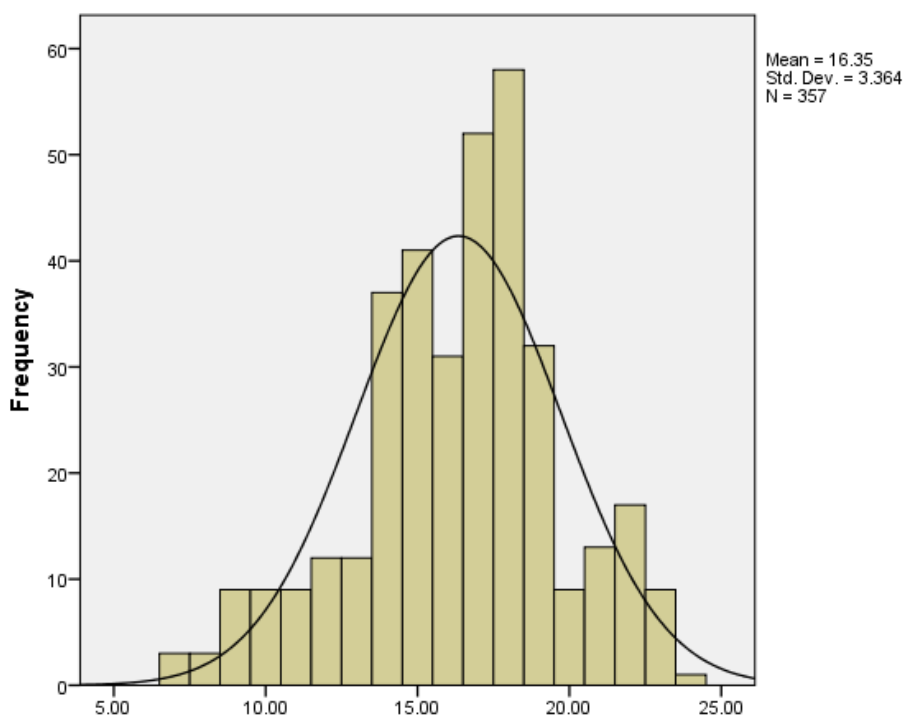
Graph 1. Frequencies for customer satisfaction.



Graph 2. Frequencies for customer trust.



Graph 3. Frequencies for customer loyalty.



5.3 t – test and ANOVA test for demographic comparison.

The t – test for gender wise comparison and one way ANOVA test for age, education and income wise comparison are shown in table 3.

Table II.
t test and ANOVA test results.

	Gender (t test)	Age (ANOVA)	Education (ANOVA)	Income (ANOVA)
Customer satisfaction.	-0.578	0.578	10.141 *	4.776*
Customer trust.	1.219	0.177	18.807*	3,881*
Customer loyalty.	0.152	0.547	49.149*	9.517*

* = significant at 0.05 significance level.

If we consider gender group differences in customer satisfaction, customer trust and customer loyalty, no significant differences between male and female are found for any of the three.

Age groups have no significant differences in customer satisfaction, customer trust and customer loyalty.

Among education groups, significant differences are found in customer satisfaction, customer trust and customer loyalty. For finding out the groups differences post hoc Tuckey test is done which is shown in table 3.

Table III.
Multiple comparison : tuckey HSD for education groups.

Dependent Variable	(I) education	(J) education	Mean Difference (I-J)	Std. Error	Sig.
cstotal	Less than graduation.	Graduation.	-.15953	.31433	.868
		Post graduation or more.	1.31944*	.39984	.003
	Graduation.	Less than graduation.	.15953	.31433	.868
		Post graduation or more.	1.47898*	.33085	.000
	Post graduation or more.	Less than graduation.	-1.31944*	.39984	.003
		Graduation.	-1.47898*	.33085	.000
ttotal	Less than graduation.	Graduation.	.60848	.33469	.165



	Graduation.	Post graduation or more.	2.46627*	.42573	.000
		Less than graduation.	-.60848	.33469	.165
	3.00	Post graduation or more.	1.85779*	.35228	.000
		Less than graduation.	-2.46627*	.42573	.000
		Graduation.	-1.85779*	.35228	.000
Itotal	Less than graduation.	Graduation.	.93506	.40470	.056
		Post graduation or more.	4.70040*	.51480	.000
	Graduation.	Less than graduation.	-.93506	.40470	.056
		Post graduation or more.	3.76534*	.42597	.000
	Post graduation or more.	Less than graduation.	-4.70040*	.51480	.000
		Graduation.	-3.76534*	.42597	.000

Above table shows the significant difference of customer satisfaction, customer trust and customer loyalty among education groups where “*” means significant difference at 0.05 significance level. Post graduation or more group has significant differences of customer satisfaction, customer trust and customer loyalty with less than graduation group and graduation group. Looking to the means, it can be said that the post graduate or more group is least satisfied, has least trust and are least loyal. Thus, in the above area decision makers need to pay attention to the shown education groups.

Among income groups, significant differences are found in customer satisfaction, customer trust and customer loyalty. For finding out the groups differences post hoc Tuckey test is done which is shown in table 4.

Table IV.
Multiple comparison : tuckey HSD for income groups.

Dependent Variable	(I) income	(J) income	Mean Difference (I-J)	Std. Error	Sig.
cstotal	Less than 4 lacs p. a..	4 - 8 lacs p. a..	.31553	.29221	.527
		More than 8 lacs p. a..	1.12635*	.37116	.007
	4 - 8 lacs p. a..	Less than 4 lacs p. a..	-.31553	.29221	.527
		More than 8 lacs p. a..	.81083*	.33209	.040
	More than 8 lacs p. a..	Less than 4 lacs p. a..	-1.12635*	.37116	.007
		4 - 8 lacs p. a..	-.81083*	.33209	.040
ttotal	Less than 4 lacs p. a..	4 - 8 lacs p. a..	.11625	.31904	.929
		More than 8 lacs p. a..	1.03271*	.40524	.030
	4 - 8 lacs p. a..	Less than 4 lacs p. a..	-.11625	.31904	.929
		More than 8 lacs p. a..	.91646*	.36258	.032
	More than 8 lacs p. a..	Less than 4 lacs p. a..	-1.03271*	.40524	.030
		4 - 8 lacs p. a..	-.91646*	.36258	.032
ltotal	Less than 4 lacs p. a..	4 - 8 lacs p. a..	.55834	.40829	.359
		More than 8 lacs p. a..	2.20378*	.51860	.000
	4 - 8 lacs p. a..	Less than 4 lacs p. a..	-.55834	.40829	.359
		More than 8 lacs p. a..	1.64544*	.46401	.001
	More than 8 lacs p. a..	Less than 4 lacs p. a..	-2.20378*	.51860	.000
		4 - 8 lacs p. a..	-1.64544*	.46401	.001

Above table shows the significant difference of customer satisfaction, customer trust and customer loyalty among income groups where “*” means significant difference at 0.05 significance level. More than 8 lacs p. a. group has significant differences of customer satisfaction, customer trust and customer loyalty with less than 4 lacs p. a. group and 4 - 8 lacs p. a. group. Looking to the means, it can be said that the more than 8 lacs p. a. group is least satisfied, has least trust and are least loyal. Thus, in the above area decision makers need to pay attention to the shown income groups.

5.4 Multiple regression.

The overall model is analysed using SPSS for multiple regression. The Weighted Least Square method is used for linear regression. The results are shown in table 5 and 6.

Table 5.
Model Summary.

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.617 ^a	.380	.377	1.43417

a. Predictors: (Constant), customer trust, customer satisfaction.

Table 6.
Coefficients^{a,b}.

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	4.552	.850		5.356	.000
	Customer satisfaction.	.516	.059	.382	8.684	.000
	Customer trust.	.530	.061	.380	8.644	.000

a. Dependent Variable: customer loyalty.

b. Weighted Least Squares Regression - Weighted by weight

From the above analysis, we can say that the organized retail should gain the customer trust, which is almost equally important to customer satisfaction. In other words, the organized retail should convey the customers that they provided products with quality, fair price and other trusted factors. Customer satisfaction is also important considering its weightage.

VI. CONCLUSION.

Organized retail today is in an era of transformation. Multinational companies are entering in India and customers have wider choice of selection of formats like traditional retail or organized retail or online purchasing etc.. Considering all factors, those formats and those organizations which gain the customer satisfaction as well as customer trust along with focus on various demographic factors, will definitely win the race !.

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