Chapter 2

Review of Literature

The chapter deals with the review and consolidates literature work conducted by experts related to customer’s satisfaction, loyalty and retention in the supermarkets. The literature initiates an exhaustive discussion of various constructs leading to customer retention. The discussion and comparison of existing literature leads to identification of constructs and contributed conceptual clarity to the proposed research study. From the literature available, hypotheses were derived and the proposed conceptual model is developed.

2.1 MAJOR CONCEPTS

Coyles and Gokey (2005) were of the opinion that “It costs far less to hold on to a customer than to acquire a new one. That is why customer retention has become the Holy Grail in industries.” A lot of inconsistency surrounds the theories and practices which have gone in explaining customer retention. For conceptual clarity it is imperative that the proposed study follow the theoretical backing of Homburg and Bruhn. Bruhn and Homburg (2013) defined customer retention as measurement of an organization which plans to positively figure out a customer’s behavioral intentions and this evident behavior directed to the organization or its products are to sustain and increase the association with the customer for a long term.
Customer retention was defined as “the practice of working to satisfy customers with the intention of developing long-term relationships with them” (Hoyer & MacInnis, 2001). The construct customer retention is positioned at the end of the causal link as suggested by Homburg and Bruhn. They are credited for the task of connecting factors of customer retention, customer loyalty, and customer satisfaction which according to them is supplemented by a two-stage causal chain (Homburg & Bruhn, 2013). Jackson (1985) recognized the relation available connecting switching cost and customer retention.

Oliver (1999) defines consumer loyalty “as a deeply held commitment to re-buy or re-patronize a preferred product/service consistently in the future.” To take the concept further, the proposed study is relying on the conceptual understanding from Shoemaker and Lewis, (1999). A loyal Customer will help the supermarket to bring new customers to the shop through word of mouth with out any extra cost. Customer loyalty stands out to constitute as a deciding factor in creating organizational success and then make it sustainable for longer periods (Keating, Rugimbana, & Quazi, 2003).

In the words of Hansemark and Albinsson, (2004) “satisfaction was an overall attitude towards a product provider or an emotional reaction to the difference between what customers expect and what they actually receive regarding the fulfillment of a need”. The retail literature over the years recognized several factors that influence customer satisfaction, i.e. store atmosphere (Kotler, 1973; Levy & Weitz, 2009), convenience of location (Yoo & Chang, 2005; Hsu, Huang, & Swanson, 2010), merchandise (Young, 1998; Hsu et al., 2010), promotion (Martínez-Ruiz, Jiménez-Zarco, & Cascio, 2011) and CRM practices (Srinivasan & Moorman, 2005).
Customer retention, loyalty and satisfaction were significant in-between goals to reach economic prosperity (Gerpott, Rams, & Schindler, 2001). A noteworthy affiliation was present which was connected to loyalties consequence on customer retention (Trasorras, Weinstein, & Abratt, 2009). The customer retention rate is having a good influence from customer satisfaction. Zairi (2000) explains that various studies had explicitly shown the effect of customer satisfaction on repeat purchase, loyalty and retention.

2.2 RELATED LITERATURE

According to the old school of thought, a variety of products and excellent services were more than enough to retain a customer. Supermarkets are looking for inputs and suggestions to devise new methods to retain the customer. As Valdani (2009) said organizations were relevant only because there is a customer for them to be served. Organizations as a result need to scrutinize customer desires, create associations with both existing and potential customers, and will have to satisfy their customer’s requirements (Rootman, 2006). The scope of customer retention in business has increased recently as lot of firms began to lose a lot of customers. Added to this the increased cost of finding and acquiring new customers is becoming a worry (Voss and Voss, 2008).

2.2.1 Customer Retention

Customer retention is defined as the future propensity of a customer to stay with the service provider (Ranaweera & Prabhu, 2003). Forward looking organizations consider the retention of the customer as a very vital factor in their management and marketing decision making (Lariviere & Vandenpoel, 2005). There was a general notion that customer retention is a
tool to reap a lot of financial advantages (Aspinall, Nancarrow, & Stone, 2001; Ang & Buttle, 2006). Lot of studies related to customer retention were of the opinion that retaining customers is a major contributor of profitability mainly by decreasing the expenses involved in getting new customers (Schmittlein, 1995; Reichheld & Teal, 1996).

Clarke (2004) observed that “Customer retention was potentially one of the most powerful weapons that companies can employ in their fight to gain a strategic advantage and survive in today’s ever increasing competitive environment. It is vitally important to understand the factors that impact on customer retention and the role that it can play in formulating strategies and plans”. Customer retention was identified as the extent to which a customer demonstrates repeat purchasing and price compromise behavior excluding positive behavioral and cognitive nature (Ahmad & Buttle, 2002; Hennig-Thurau, 2004).

Customer retention plays a major role for the success of the business. Customer retention is accountable for the decrease of customer defection and a 5% decline in the defection will increase the earnings by 25% and more (Murphy & Murphy, 2002). The more the customers are retained by way of planned retention activities and the more they continue the revenue of the organisation increases (Terry, 2005). A two percent increase in customer retention was reaping the same returns as if reducing costs by ten percent and the situation changes from industry to industry (Murphy & Murphy, 2002).

2.2.2 Customer Loyalty

“Customer loyalty can be a double edged sword. In general, it was believed that it is five to 10 times more expensive to acquire a new
customer than obtain repeat business from an existing customer” (Kumar & Shah, 2004). To establish the fact that customer loyalty was an important decider of corporate success, Rajan (2009, p.1) observes that “loyal customers cost less to serve, pay more than other customers and attract more customers through word of mouth”. “It is commonly known that there is a positive relationship between customer loyalty and profitability” (Bowen & Chen, 2001). For any customer, loyalty was about showing positive attitude and thereby suitable behavior which was connected to the extent of re-purchasing (Chu, 2009).

Customer loyalty was explained as the fundamental point around which the entire business transaction functions (Vesel & Zabkar, 2009). Loyal customers are less prone to competitors owing to price and very interestingly they engage in extra consumption than the less loyal ones (Bowen & Shoemaker, 2003). Wong, Chan, Ngai, and Oswaldw (2009) confirmed that only good link with the customer can cultivate customer loyalty. Wulf, Odekerken-Schröder, and Iacobucci (2001) defined the variable of behavioral loyalty as a joint appraisal related to a consumer’s buying regularity and money used up at a retailer in comparison with the spending at other retailers.

2.2.3 Customer Commitment

Moorman, Deshpande, and Zaltman (1993) explained the importance of commitment as a party’s long term aspiration to sustain a valuable ongoing relation with others. Commitment was an after effect of behavioral, attitudinal and emotional impact on consumers (Davis-Sramek, Mentzer, & Stank, 2008; Du Plessis, 2010; Evanschitzky, Iyer, Plassmann, Niessing, & Meffert, 2006). Commitment was one of the most vibrant and key concepts that happen in relationship marketing which had a long way to go (Hennig-
Thurau, Gwinner & Gremler, 2002; Dwyer, Schurr, & Oh, 1987). Research studies explained that there could be a positive affiliation between commitment and duration of the relationship.

The employees of the firm who are ready to take care of the customers and focus on their issues help to build commitment. Whenever commitment is more, the customer is ready to overcome barriers on the way and these results in continued patronage (Dick & Basu, 1994). Here, commitment is not just a key determinant in maintaining sustainable long term relationships (Hennig-Thurau & Klee, 1997). It is also a promise from the side of the customers that they are staying back with the retailers for a longer period (Wulf et al., 2001; Odekerken-Schroder, Wulf, & Schumacher, 2003).

2.2.4 Customer Trust

Stability between product offerings and customer perceived value decreases the ambiguity and forms trust in the form of dependable expectations of the provider (Carver & Scheier, 1990). If a marketer continued to contribute a factor to build a relationship with the customers he can successfully contribute trust among them (Morgan & Hunt, 1994). Trust was considered as a logical as well as time-tested critical variable in forming relationships (Orth & Green, 2009; Moorman et al., 1993).

The construct was grounded on the historical aspects but it was crucial for constructing the future (Walter & Ritter, 2003). Trust is an essential prescription for remarkable performance and gaining competitive edge to be successful in a tough business situation. Seen from a customer viewpoint trust was very significant in many relational exchange situations and thereby decreases the risk involved in the service outcome (Kantsperger
Researchers had emphasized the role of trust in creating and supporting long-term associations (Singh & Sirdeshmukh, 2000).

### 2.2.5 Switching Cost

Kim, Park, and Jeong (2004) said that a majority of consumers present, surrounding the market, were definite to face the problem of switching costs. There are at least three types of switching costs which will act efficiently are transaction Costs, learning Costs and artificial or Contractual Costs (Kim et al., 2004). Patterson and Smith, (2003) recognized switching costs as customer’s additional cost incurred, while concluding an old relationship and trying to build up a new one.

Lam, Shankar, Erramilli, and Murthy (2003) explained that switching costs assessment related to three magnitudes. These are the extra expense incurred due to wastage of time, the difficulty involved in information collection and the associated technical difficulties. It is significant to understand that the institution of a new association takes in to consideration some amount of expenditure in effort, money, and time (Lam et al., 2004). The research carried out in the past concludes that for the buying of goods and services, bearing in mind all aspects of switching costs, customers had little chances of considering a new service provider (Lam et al., 2004; Tsai, Tsai, & Chang, 2010; Zeng & Zhang, 2008).

### 2.2.6 Customer Satisfaction

The latest generation retailers were very strongly convinced that customer satisfaction was a prime factor in carrying out productive business (Gomez, McLaughlin, & Wittink, 2004). Customer oriented retail organizations will certainly benefit from more revenues due to high satisfaction levels and as result, repeat purchases (Gomez et al., 2004). This
leads to higher market shares due to the repeat sales proceeds and thereby revenues (Anderson, Fornell, & Mazvancheryl, 2004). Satisfaction can influence a buyer’s judgment to continue favoring a relationship with the retail store (Ndubisi, Malhotra, & Chan 2009).

Customer satisfaction has taken in to account the customers concerns of satisfaction or dissatisfaction. This results in the measurement of a product’s or service’s performance in comparison with the available alternatives (Kotler & Keller, 2006). Hansemann and Albinsson, (2004) argue that “satisfaction is an overall customer attitude towards a service provider, or an emotional reaction to the difference between what customers expect and what they receive, regarding the fulfillment of some need, goal or desire”.

2.2.7 Convenience of location

Reilly (1931) propounded the ‘Reilly law of retail gravitation’. The law states that customers were attracted to larger shopping in cities and therefore the supermarkets needed to consider about their position while establishing the facility. The decision of store choice was influenced by the amount of fixed and variable costs involved in shopping (Bell et al., 1998). Huff (1964) was among the first to appreciate the revealed preference method to ascertain the retail store choice. The essence of Huff’s probability was to consider distance from consumer’s zones to the prominent retail centers and also consider the size of retail centers to ascertain the probability of consumers shopping at a particular retail outlet.

Reilly law of retail gravitation was taken to the next level and supplemented by Craig, Ghosh, and McLafferty (1984) who applies the central place theory to understand the related aspects. It explains the dynamics of customers who in spite of being placed at a long distance, were
still attracted to large retail formats attached to shopping malls. Store location had too much of importance in retail selection (Bell, Ho, & Tang, 1988). Solgaard and Hansen, (2003) tried to find out how far the location was an important determinant of store selection and comparison was done considering multiple formats of retail. A distant retail store had less chances of being selected by the customer and has less frequency of visitors (Solgaard & Hansen, 2003).

Borgers and Timmermans, (1986) explained that the entry points of supermarkets were very crucial in the customers’ decision of store choice as a comfortable entry enhances the location advantages. Borgers and Timmermans, (1986) found an empirical evidence to supplement that store selection and foot falls in shopping establishments was decided by the convenience of entry as well as that of parking. Brown (1991) elaborated about ease of the points of entrance and the comfort provided by these, including the design of entry facilities.

2.2.8 Store Atmosphere

According to Berman and Evans, (2007) the image of a retailer was ascertained by its store ‘atmosphere,’ which was more of a psychological feeling and mental content when the retail was being visited. There was an attitudinal drive and positive perception in the mind of a customer as a result of the atmosphere. Milliman (1986) explained atmosphere as a terminology used to explain unique feeling towards the unparalleled shopping experience which was little tough to sustain. Store atmosphere can certainly create a fantastic and unforgettable customer experience which had direct binding on the consumer’s behavior (Kozinets et al., 2002).
Managers as well as retailers understand the positive influence of retail atmospherics on the consumers shopping behavior (Chebat & Michon, 2003). Retailers should put a conscious attempt to build up an interesting, attractive and entertaining shopping experience to catch the attention of customers and to have an edge over the competitors (Baker, Grewal, & Levy, 1993). Atmospheric impulse will certainly influence on the success rate of the retail counter and it will induce customers to be retained in the store (Wakefield & Baker, 1998).

The peaceful ambience was responsible for determining the motivation which creates a favorable attitude with the shopper. In addition to this, atmospherics is influential to stimulate consumer delight in a shopping establishment (Wakefield & Baker, 1998). The effects of factors creating ambience was of great importance to consumer researchers, especially because these can be experimentally created to measure the impact created (Ezeh & Harris, 2007).

2.2.9 Merchandise

A retail store’s image was created by the store name and the goodness of merchandise offered (Grewal, Gotlieb, & Marmorstein, 2000). The grocery customers consider the merchandise excellence and distinct product features which were the most important decision criteria (Baltas & Papastathopoulou, 2003). There is a huge support for the idea of launching new and unique merchandise in a supermarket. This has a phenomenal impact on share of the customer’s wallet and was a very valid reason for store sales growth (Morgan & Rego, 2009).

In the words of Levy and Weitz, (2009) maintaining a deep assortment of products happens to be one of the prime functions of a
retailer. The essential display and thereby visibility of the merchandise was expected to influence a consumer’s store selection (Levy & Weitz, 2009). In short an ample variety and essential assortment were key indicators for choosing a retail store. A wide assortment was advantageous to customers so that consumers will yield an option for their preferences (Kahneman, Wakker, & Sarin 1997). Department store customers were graded for much higher prices in the order and subsequently for discounter and mass merchandiser customers (King & Ring, 1980).

Changes according to retail format and indication of pricing with respect to a store, influences store choice (Cox & Cox, 1990). Shoppers who were big purchasers with a large number of items single time prefer retail stores offering Every Day Low Prices (EDLP) (Bell & Lattin, 1998). Here the feeling of the frequency of price advantage was much effective than the magnitude of price advantage. A high quality brand or at least a high quality store was adequate to pull customer towards the retail store (Koelemeijer & Oppewal, 1999).

### 2.2.10 Promotion

From the 1970s, promotion had a lion’s share of the marketing budget allocation particularly for the large number of consumer goods (Srinivasan, Pauwels, Hanssens, & Dekimpe, 2004). A lot of methods were available for providing promotions to consumers, which consists of trade offers, display arrangements related to promotion, featured advertising, and a lot of point-of-purchase promotions (Blattberg, Briesch, & Fox, 1995). Sales promotions can be classified in to monetary and non-monetary types (Luk & Yip, 2008).

The promotions could be directly linked to money or some other motivating and stimulating offers. These classifications provide both
functional and hedonic advantages to the consumers. As per Luk and Yip, (2008) promotions involving money was transactional in nature and it provided instant rewards and functional benefits to the customers. There was an attraction for monetary promotion as there cannot be any better motivator for purchase than money. In contrast, non-monetary promotions give hedonic payback but weaker serviceable benefits (Kwok & Uncles, 2005).

However, a less devoted consumer was highly inclined towards sales promotional efforts (Mariole & Elina, 2005). While a committed customer was less worried about price fluctuations and promotional campaigns, a less loyal one will be waiting for a lot of these. Chavadi and Kokatnur, (2010) gave an explanation on the promotional activities which ends in deriving a price cut and offers were having a positive manipulation of the consumer’s purchasing behavior. Retailers got in to a lot of price-promotional methods well beyond the routine practices of Hi-Lo pricing and other more common everyday low pricing (EDLP) strategies (Bolton & Shankar, 2003).

2.2.11 Customer Relationship Management practices

Jain and Bagdare, (2010) explained that Customer Relationship Management practices had been popularly known and applied as the most innovative marketing technique available including human and technical interventions. The CRM systems took in to consideration a continuous procedure having three stages which included customer acquisition, the arena of relationship development, and even retention strategies (Kamakura et al., 2005). Getting in to terms with a customer was a great advantage to an organization, particularly from missing customers who had some issues in the past regarding service levels and defects of the product (Bolton, Kannan, & Bramlett, 2000).
These days, the ideas of CRM practices were usually linked to software applications, which even help companies to collect and apply significant customer data. With the advent of database expertise it is now an easy task to assess large numbers of customers and differentiate and focus more on the active customers (Hellman, Peuhkurinen, & Raulas, 2005). CRM practices dealt with handling the customers and had emerged as one of the major ways to make the companies activities more efficient and lucrative (Hellman et al., 2005).

Data mining activities as a part of CRM practices gave valid insights and vital information about the most valuable customers to the retail stores which could be converted to maximum sales (Chevalier & Mayzlin, 2006). Blomqvist, Dahl, and Haeger (2000) confirmed that it was of great importance for a retailer to select the suitable kind of customers to build a long term relationship with. CRM strategy should be adjusted and concentrated according to the customer’s preferences, activity and effectiveness (Blomqvist et al., 2000).

CRM practices empower companies to make note of the customer needs, handle the interactions seriously and ultimately forecast the future (Dominici & Guzzo, 2010). Here CRM practices need to get in to hints and perceptions from the customer and find a suitable methodology to encounter it. CRM practice had an outlook that focuses on the role of the associations developed, which is crucial for client relationship (Pickton & Broderick, 2005).

The best method to increase the effectiveness of employee service quality is to have personal interaction (Dabholkar, Thorpe, & Rentz, 1996). In the words of Hong, Grace, and Lukoma (2011) quality offered at the retailer’s premises will be evaluated considering the personnel assistance
offered, friendly and courteous staff and approachable and informative staff. Due to forceful competition within the grocery stores, it was very important for retailers to have a better understanding about the grocery consumer not just to attract them, but even to maintain the relationship with them (Carpenter & Moore, 2006).

2.3 RESEARCH GAP

Most of the currently available studies are based on conceptual understanding and don’t have an empirical backup. Studies depicting customer experience has been lacking and what is available is just a depiction of the experienced. This gives practical insights to the management of retail formats, but has a serious research gap of not building upon the underlying theories.

Most of the studies in the Indian retail context concludes in customer satisfaction, majorly using SERVQUAL (Sivadas & Baker-Prewitt, 2000; Lee, Lee, & Yoo, 2000; Gil et al., 2006), Retail service quality (RSQS) in (Yuen & Chan, 2010; Kaul, 2005) and Retail Customer Satisfaction Model (RCSM) as in the case of Madan and Kumari, (2012). In these models lot of constructs which were valid in Indian scenario are missing. This led to the development of a new conceptual model with a variety of antecedents leading to customer satisfaction.

Empirical studies connecting loyalty and retention in supermarkets are very rare in the Indian context. The earlier studies were just bothered about getting more subscribers than understanding factors which helps in customer retention (Ahn, Han, & Lee, 2006). Antecedents leading to customer retention were different in numerous research works. Customer satisfaction is the antecedent of loyalty (Gerpott et al., 2001; Rust &
Zahorik, 1993; Kim et al., 2004). Research articles talking about customer satisfaction gives essential criteria for customer retention (Guo et al., 2009; Trasorras et al., 2009). In some research works loyalty leads to customer Retention (Gerpott et al., 2001; Trasorras et al., 2009). Others vouched for the importance of satisfaction and loyalty on customer retention (Trasorras et al., 2009).

According to Floh and Treiblmaier, (2006) trust along with commitment is a strong antecedent of loyalty. According to Songsom & Trichun, (2012) switching cost, customer satisfaction and customer trust were leading to customer loyalty. Danesh et al. (2012) found that customer satisfaction is having a direct relationship with customer trust in supermarkets. Satisfaction, trust and switching barriers are antecedents leading to customer retention (Ranaweera & Prabhu, 2003). After reviewing the cotemporary researches, the following research gaps are identified:

- An integrated model connecting all important constructs supermarket customer satisfaction, loyalty and retention and validated in the Indian context is absent.

- Most of the studies in this domain are conceptual and lacks empirical backup

- Supporting studies from the Indian subcontinent are negligible

On account of these, the proposed study may contribute literature by filling the gaps.
2.4 DEDUCTION OF THE HYPOTHESES

Ramakrishnan (2006) defines customer retention as a very significant marketing goal which blocks customers from going towards the competitor. As explained by Tsai, Huang, Jaw, and Chen (2006) customer retention was occurring because of limitation based motivator switching costs or stimulation based on aspiration such as satisfaction or quality. The sole policy to customer retention was to achieve customer satisfaction and value addition which transcends to strong customer loyalty and this continues to lucrative business associations (Kotler & Armstrong, 2004). Buttle (2004) proved that customer retention was an indicator of growth, prosperity and profitability.

2.4.1 The Impact of Customer Loyalty on Customer Retention

Customer loyalty is defined as “a deeply held commitment to re-buy or re-patronize a preferred product or service consistently in the future” (Oliver, 1997). Customer loyalty had become a state of art marketing tool in the 21st century (Duffy, 2005). Customers were the basis of any organization’s sustainable growth and particularly customer loyalty can be a good inspiration directing to profitability (Hayes, 2008). True customer loyalty occurs when the customer ultimately becomes a brand ambassador for the organization, without any other extra benefits. Customer loyalty was a critical necessity of all formats of retail stores (Wallace, Giese, & Johnson, 2004).

Loyal customers get in to the habit of sharing the positive word of mouth with their social connections and networks, and tend to associate longer time with the company (Kumar, Andrew, & Robert, 2007). Word-of-mouth is supposed to be a noteworthy contributor of attitudinal loyalty,
according to (Rauyruen & Miller, 2007). Anderson and Jacobsen, (2000) explained that customer loyalty is a result of the organization providing assistance to the customer so that they will continue or increase their acquisitions from the organization.

Loyalty was a contributor to customer retention which either increased commitment for a longer period or contributed in the form of high resistance to competition (Delgado-Ballester & Munuera-Alemán, 2001). It could be thus concluded that suppliers need to retain loyal customers who can contribute to continued profits (Tseng, 2007). Organizational success is an easy task when customer loyalty gives the advantages of retention in the form of continuous affiliation of the customer with the organization (Kandampully & Suhartanto, 2000). Other than having a favorable attitude and getting in to making repeat purchases, loyal customers were believed to be adjustable with any prices charged by the company.

Lin and Wu, (2011) were of the belief that there was a strong relationship between customer retention and the brilliance offered by the services or products. There was a direct connecting link between customer retention and customer loyalty (Gerpott et al., 2001). The views of Rust and Zahorik, (1993) explained that there was a considerable relation between retention and loyalty. The loyal customers had a force towards customer retention, but loyalty was not the same as customer retention. Customer loyalty was a big contributor of customer retention. Bolton et al. (2000) said that customer loyalty had a strong effect on customer retention. This directs to compile the following hypothesis:

\[ H_1: \text{Customer loyalty has a positive relationship with customer retention.} \]
2.4.2 The Impact of Customer Commitment on Customer Loyalty

Morgan and Hunt (1994) defined commitment as “an ongoing relationship with another that is as important as to warrant maximum efforts at maintaining it”. Multiple studies were able to prove and relate an optimistic relationship between commitment and customer loyalty. For long years, commitment had been identified as a crucial constituent for any successful long term association and sustainability (Medlin, Aurifeille, & Quester, 2005; Dwyer et al., 1987; Morgan & Hunt, 1994). By the increase of commitment, the relationship becomes more meaningful (Liang & Wang, 2008).

Hunt, Arnett, and Madhavaram (2006) concluded that the relationship marketing theory affirms that consumers got into relational interactions with firms. They came to the conclusion that the advantages derived from such exchanges were usually valued more than the costs. Traditionally, a retained customer had every chance to be loyal on account of the attachment and commitment towards the organization. The customers took it further and recommended others to involve in purchase and repurchase the organizations products and services (Gremler & Brown, 1998; Oliver, 1999).

Frequent firm customer interactions are common in supermarket loyalty programs. This led to the advancement in customer knowledge, which sequentially increased the commitment of the customers dealing with the retailer (Gomez, Arranz, & Cillan, 2006). This fosters an ability to influence a good relationship along with customers and concentrates on the quality offered and convenience of services provided to the customer. Customers who were dedicated to a relationship could get in to more business and will remain committed (Liang & Wang, 2005).
Committed customers take into account a positive aspect to this lifetime of the relationships. Considering different dealings positive and negative, committed customer groups show strong willpower to continue in the relationship for a longer period (Du Plessis, 2010). Relationship commitment was supposed to motivate buyers to act, and as a result innovative methods were selected to utilize the relation between commitment and loyalty (Gruen, 1995; Hennig-Thurau & Klee, 1997).

“In a business context loyalty had come to describe a customer’s commitment to do business with a particular organization, purchasing their goods and services repeatedly, and recommending the services and products to friends and associates” (McIlroy & Barnett, 2000). Customer displayed his attitudinal loyalty to the firm through commitment, talking about a variety of attitudes towards the company in comparison to others (Evanschitzky et al., 2006). Articles authenticate that trust by the side of commitment was a strong antecedent of loyalty (Floh & Treiblmaier, 2006; Ball, Coelho, & Macha’s, 2004; Wong & Sohal, 2003). Having these inputs the following hypotheses had been constructed:

\[
H_2: \text{Customer commitment has a positive relationship with customer loyalty.}
\]

2.4.3 The Impact of Customer Trust on Customer Commitment

Morgan and Hunt (1994) conceptualize trust as “willingness to rely on an exchange partner in whom one has confidence”. Trust becomes a coordinator to enhance relationships that are responsible to build loyalty (Guenzi, Johnson, & Castaldo, 2009). The reputation of trust and its effect in clearing up loyalty was complemented by the empirical studies (Eriksson & Vaghult, 2000; Sirdeshmukh, Singh, & Sabol, 2002). Morgan and Hunt, (1994) recommended that brand-trust precede to brand-loyalty and
commitment and as result of this, trust creates exchange relationships which were highly rated in the industry. The inclusion of relationship commitment and trust was pivotal to flourishing relationship marketing (Morgan & Hunt, 1994).

According to the trust-commitment theory, we understand that trust was considered to be an antecedent of commitment (Morgan & Hunt, 1994; Salciuviene, Reardon, & Auruskeviciene, 2011). According to their “commitment-trust” philosophy of relationship marketing Morgan and Hunt, (1994) identified relationship benefits as an important antecedent for the variety of relationship commitment. Morgan and Hunt, (1994) consider the variables trust and commitment as crucial mediating variables of relationship marketing.

Majority of the studies every time classify trust as well as commitment as the pivotal variables contributing to relationship marketing (Ulaga & Eggert, 2006). The loyalty or commitment underplays the continued process of extending and upkeep of a valued and important alliance which had been formed by trust (Chaudhuri & Holbrook, 2001). Some of the previous literatures understand trust as a precedent factor for commitment development. These researchers fraternity believes that the process of building up trust with customers had a remarkable impact on customer commitment (Čater & Čater, 2010; Keh & Xie, 2009).

Trust was optimistically connected to customer commitment (Eakuru & Mat, 2008). Several studies explained customer trust which significantly was related to customer commitment statistically (Lancastre & Lages, 2006; Walter & Ritter, 2003; Ruyte, Moorman, & Lemmink, 2001). Trust was explained as an important indicator of commitment (Geyskens, Steenkamp, Scheer, & Kumar, 1996; Coote, Forrest, & Tam, 2003). Numerous studies
report remarkable relationships connecting trust and commitment (Palmatier, Dant, & Grewal, 2007; Lohtia, Bello, Yamada, & Gilliland, 2005). Therefore, it is hypothesized that:

\[ \text{H}_3: \text{Customer trust has a positive relationship with customer commitment.} \]

### 2.4.4 The Impact of Customer Trust on Customer Loyalty

Dalton (2003) explained three factors which were answerable for customer loyalty were value, trust and going the extra mile. It is explained that customers stay loyal to people who provide solutions to problems and offers ahead of what was anticipated. In relation to trust, Dalton (2003, p. 4) explains, “We are loyal to people whom we trust, whom we know will come through for us and will put our interests first.” The conclusion is that customer loyalty could be expected from anyone, particularly if the offering provided by the service or product exceeds the customers’ needs.

There are researchers who argue that trust was a more meaningful emotion compared to satisfaction and therefore it could have a strong influence on loyalty (Hart & Johnson, 1999). The maximum straight influence on customer loyalty was by customer trust (Songsom & Trichun, 2012). A large number of researchers had supported that trust was basic in attracting customer loyalty (Moorman et al., 1993; Morgan & Hunt, 1994).

The reputation of trust and its effect in clearing up loyalty was complemented by authors (Lim & Razzaque, 1997; Chaudhuri & Holbrook, 2001; Singh & Sirdeshmukh, 2000; Sirdeshmukh et al., 2002). The relationship from customer trust to customer loyalty is a direct and effective one. Trust is a predecessor which increases customer’s loyalty to a firm and as result of it creates commitment to that firm (Bowen & Shoemaker, 2003). Researchers explained the role of customers trust in building long
term association and thereby accomplishing customer loyalty (Berry, 1995; Bowen & Shoemaker, 2003; Chu, 2009). Corbitt, Thanasankit, and Yi (2003) had strongly emphasized a strong positive influence of trust on customer loyalty. The inferences will aid in generating the hypothesis:

**H4: Customer trust has a positive relationship with customer loyalty.**

### 2.4.5 The Impact of Customer Satisfaction on Customer Trust

Customer satisfaction is defined as “The customer’s feeling regarding the gap between his or her expectations towards a company, product or service and the perceived performance of the company, product or service” (Looy, Gemmel, & Dierdonck, 2003). Jones, Taylor, Becherer, and Halstead (2003) emphasized that, “when expectations are met or exceeded, customers report higher levels of satisfaction. Therefore, an important step in managing customer expectations was creating realistic expectations”. Customer satisfaction along with trust was an essential precondition to get subscription from the customer (Pavlou, 2003) and even to encourage long term relationship (Papadopoulou, Andreou, Kanellis, & Martakos, 2001).

Satisfied customers had more chances to be influenced in the short term and even in the long term by virtue of the trust upon which organizations were strongly built (Yieh, Chiao, & Chiu, 2007; Kantsperger & Kunz, 2010). Previous research studies had shown that constructs of trust and satisfaction had a strong influence and were positively correlated (Yoon, 2002). Satisfaction and trust were strongly related but their theoretical frameworks were different causing it to have multiple impacts on customer loyalty (Szymanski & Henard, 2001).
The earlier studies too had concluded that the very closely associated variables of trust and satisfaction were positively correlated (Crosby, Evans, & Cowles, 1990; Yoon, 2002). Customer satisfaction was a key antecedent of trust acquired by the organization with an intention of providing service (Kennedy, Ferrell, & LeClair, 2001). A higher degree of satisfaction encourages shoppers to select the retail counters of their choice all times (Lee, Lee, & Yoo, 2000; Kang & James, 2004). According to Danesh, Nasab, and Ling (2012) customer satisfaction had a straight and valid involvement with customer trust in supermarkets. On account of the facts given the following hypothesis is formed:

*Hs: Customer satisfaction has a positive relationship with customer trust.*

**2.4.6 The Impact of Customer Satisfaction on Customer Loyalty**

Customer satisfaction along with customer loyalty had a strong binding on the significant events in modern retailing, a market known for its steady growth and excessive competition (Eskildsen, Kristensen, Juhl, & Østergaard, 2004). Satisfaction and loyalty were interconnected but there was a clear difference between them (Ball et al., 2004). Various researches had explained satisfaction as one of the important antecedents of customer loyalty (Ranaweera& Prabhu, 2003; Gummerus, Liljander, Pura, & Riel, 2004; Ulaga & Eggert, 2006). Satisfaction continued for the future period was a pointer of customer loyalty (Oliver, 1997).

Yuen and Chan, (2010) had a strong view that a firm relies on its existing customers who could ultimately proceed to satisfaction. As a result of this progress, the firm is contributed positively in alliance with the creation of customer loyalty. According to Rust and Zahorik, (1993) there was a direct and noteworthy influence of customer satisfaction on loyalty. Auh and Johnson, (2005) held discussions strong on the correlation
between customer satisfaction and loyalty. Similarly, Bodet (2008) found out a strong relation between customer satisfaction and customer loyalty.

Shankar, Smith and Rangaswamy, (2003) were able to provide facts and were clearly able to prove that there was a constructive relationship between satisfaction and loyalty. Customer satisfaction essentially had a strong control on customer loyalty (Kim, Jeong, Park, Park, Kim, & Kim, 2007). Vesel and Zabkar, (2009) were able to produce evidence elaborating that customer satisfaction was one among the key influencers of customer loyalty. Satisfaction and loyalty were dependent to each other and related (Hallowell, 1996).

“High customer satisfaction will result in increased loyalty for the firm and that customers will be less prone to overtures from competition” (Fornell, 1992). Anton (1996) was of the same viewpoint that “satisfaction is positively associated with repurchase intentions, likelihood of recommending a product or service, loyalty and profitability”. Satisfied consumers were more prone to repeat the purchases and had a strong chance of being loyal customers (Guiltinan, Paul, & Madden, 1997). In a study carried out by Kamath (2009), it was found out that there was a close connection between consumer satisfaction and loyalty.

Sivadas and Baker-Prewitt, (2000) were firm on the reflection that “there is an increasing recognition that the ultimate objective of customer satisfaction measurement should be customer loyalty”. Customer satisfaction, in line with other factors was positioned as a significant antecedent of loyalty (Fornell, 1992; Sivadas & Baker-Prewitt, 2000; Yu & Dean, 2001). In line with the previous studies Zins (2001) projected that displaying an advanced level of customer satisfaction will certainly lead the path to better loyalty.
According to Cyr (2008) website satisfaction was positively related to loyalty in countries like Canada, Germany, and China. Satisfaction was certain to show its influence on customer loyalty as referred in the earlier studies (Cassel & Eklöf, 2001). The research studies had dealt with a wide range of factors which leads to customer loyalty, namely customer trust, customer satisfaction and shared values (Liu, Guo, & Lee, 2011). Higher the probability of customer satisfaction more the number of times and quantity involved in shopping and the expression of loyalty will be higher. Harkiranpal (2006) explained that customer satisfaction initiated the gaining of loyal customers and encouraged them to retain with the firm. Because of these, organizations should concentrate on customer’s satisfaction to create success stories.

Satisfaction had a positive and considerable influence on the loyalty (Ahmad, 2012). One of the important determinants for company success and prosperity was to achieve customer satisfaction and loyalty (Aaker, 1995). Customer satisfaction once achieved, carries on to loyalty and retention of customers. There is the presence of a constructive relationship connecting customer satisfaction and loyalty (Akbar & Pavez, 2009; Guenzi et al., 2009). The customer satisfaction had direct and indirect relationship with loyalty (Zeng & Zhang, 2008). This directs to compile the following hypothesis:

\[ H_6: \text{Customer satisfaction has a positive relationship with customer loyalty.} \]

2.4.7 The Impact of Customer Satisfaction on Customer Retention

Day (1994) discovered that customer satisfaction was that virtue leading to greater customer retention. Ranaweera and Prabhu, (2003) add to the research that “it is a held belief that the more satisfied the customers are, the greater is their retention”. Satisfaction was a vital happening for
loyalty and thereby customer retention (Bennett & Rundle-Thiele, 2004). The retention of satisfied internal and external customers and stake holders are the building blocks to continued existence and growth for the organization. It had been argued that the more satisfied customers had a chance of greater retention (Dean, 2004). Satisfaction was a noteworthy antecedent in securing customer retention (Gil, Hudson, & Quintana, 2006). Customer satisfaction had every chance to influence the purchasing behavior and a result of this customer retention is being instilled in the consumers (Anderson & Srinivasan, 2003).

Customer satisfaction becomes an essential virtue for the company to take care of the current customer and ultimately retain them (Guo, Xiao, & Tang, 2009). Satisfaction ultimately leads to improved retention and thereby increased acquisition which happens through word-of-mouth recommendations in the positive format (Wiles, 2007). Customer satisfaction is an important antecedent of customer retention (Lee, Lee, & Feick, 2001; Ranaweera & Prabhu, 2003). Customer satisfactions influence on customer retention had strong literature back up from (Parasuraman, Zeithaml, & Berry, 1988; Cronin, Brady, & Hult, 2000; Gil et al., 2006). Because of the reasons stated the following hypothesis is being recommended:

\[ H_7: \text{Customer satisfaction has a positive relationship with customer retention.} \]

2.4.8 The Impact of Switching Cost on Customer Retention

According to business dictionary switching cost is defined as “fixed cost incurred by a buyer when changing suppliers, because the buyer's product specifications, production equipment, and purchasing cycle is closely tied to the current supplier's products and operations”. The presence
of a positive switching barrier and a negative barrier (switching cost) both of them were leading to customer retention (Rosario & Foxall, 2006). The major function of switching costs, in relation to firms was to persuade the consumers for repeat purchase (Burnham, Frels, & Mahajan, 2003).

Shin and Kim, (2007) were of the opinion that “perceived switching cost rather than actual switching cost explains customer switching intention and affects the market outcome”. As an effect of this, apparent switching costs could be of great advantage to retain customers. Researchers had a novel idea to prevent displeasure by creating switching barriers which was a value addition to the service offered (Ranaweera & Prabhu, 2003). Switching barriers were influenced positively on customer retention and even the impact of costs is an attempt to retain customers (Ranaweera & Prabhu, 2003). Switching costs has a relation with customer retention both directly and indirectly (Lee, Lee, & Feick, 2001).

Scholars had identified the important consequences of switching cost particularly from the propagated corporate customer retention programs (Morgan & Hunt, 1994; Garbarino & Johnson, 1999). Switching costs was a pointer as well as a supplementary factor for customer retention (Chen & Hitt, 2002; Kim et al., 2004). Switching costs consists of every cost which directly or indirectly was involved in switching from one supermarket establishment to another. This helps us to formulate the following hypothesis:

\[ H_8: \text{Switching cost has a positive relationship with customer retention.} \]

2.4.9 Factors affecting Customer Satisfaction

Organizations which identified and satisfied customer’s requirements had all chances to create superior profits (Barsky & Nash, 2003). According
to Oliver, “Satisfaction is the consumer’s fulfillment response. It is a judgment that a product or service feature or the product or service itself, provides a pleasurable level of consumption-related fulfillment.” According to Bhardwaj (2009) retailers need to concentrate more on customer service, quality and value in order to achieve customer satisfaction and thereby increased sales.

Customer satisfaction in a retail establishment is a result of aesthetics, product variety, convenience, accessibility, entertainment and service quality (Ahmad, 2012). Madan and Kumari, (2012) tried to illustrate the preferences of customers in a retail outlet. These include variety of produce, prices which were genuine and an easily accessible location. Attributes including additional services, customer attention and store atmosphere were highly valued for satisfaction of both, Spanish and U.S customers (Martínez-Ruiz et al., 2011).

2.4.9.1 The impact of convenience of location on customer satisfaction

According to Kotler and Armstrong, (2004), locations provided by retailers should have accessibility to the prospective target group or market segment of customers. Supermarkets near to the customer’s office and residence are preferred in comparison to the distant ones. The availability of parking space, the amount of pedestrian flow, availability of public transportation, access, visibility, signage, ambiance, and accessibility are the factors leading the customer to the business area (Davidson, Sweeney, & Stampfl, 1984).

The customer’s attraction towards a supermarket was predominantly determined by its location. A walk able distance was a crucial decider for
store choice (Euromonitor, 1986) while Engel, Blackwell and Miniard (1995) coined the term ‘location’ to evaluate the same variable. Location strategies formulated by retailers were one among the crucial considerations of consumer decision making and thereby their behavior (Engel et al., 1995). There was a remarkable effect of the format of the retailer and long term role of the location on the operational efficiency of the retail store (Choudhary & Sharma, 2009).

Bates and Gabor, (1987) considered ‘Nearest to home and workplace’ to measure the relevance of the location. Hawkins, Best, and Coney (2004) were in fact confirming “If all other things were approximately equal, a customer will generally select the closest store”. This was based on the simple logic that the distance from the supermarket will increase the time spent on travel and the expenses and difficulties involved in it. The selection of a retail establishment was planned and decided in connection with the location (Fotheringham, 1988).

The transaction costs related to purchase and incidental expenses incurred through transportation and time invested gets reduced when the location had proximity to the residence (Martinez-Ruiz, Jiménez- Zarco, & Yusta, 2010). A location close to a customer’s residence decreases the transaction costs which includes the transportation expenses, time involved and even energies involved in locating the supermarket. Consumers are troubled with the travel costs involved in shopping when the location is distant and thereby conclude that store location had a pivotal role in choosing the retail counter (Huff, 1964; Craig et al., 1984; Brown, 1989).

Public transport was an important factor for store location because it helps the customer to reach the supermarket location with minimum expense. Sales in retail stores were not just proportionate to the numbers of
families and people next to the trade area, but even the customers coming from far away places (Hand, Dunkelberg, & Sineath, 1979). Traffic congestions and complications increases the scope of public transportation and free parking now has become the need for the day especially in the urban scenario. Public transportation increases the ease of access and free parking leads to increased convenience, which are the factors responsible for providing a good location (McGoldrick, 2002).

The easy access to the parking space leads to a lot of advantages in connection to the location, especially in urban centers where the complex traffic itself creates issues. The supermarkets and departmental stores give paramount importance to the parking facilities and its one among the store choice variables (Marjanen, 1997). Considering the food and grocery consumption, parking sometimes becomes inevitable and location seems to be the biggest attraction drawing the prospective customers. Providing additional facilities including the availability of parking provides great convenience to people owning vehicles, which contributes to a positive influence on customer satisfaction (Baker, Parasuraman, Grewal, & Voss, 2002). Customer satisfaction is increased due to location convenience.

Literature in the past indicates that the convenience and accessibility were of paramount importance with regard to consumers fixing on a retail business enterprise (Bellenger, Robertson, & Greenberg, 1977). Mattila (2001) study clarified that the convenient location was an encouraging factor for customers in the less motivated group. It had been the simplest logic that the stores easily approachable were more preferred than the far away ones (Rhee & Bell, 2002). Location also has emerged as a major determinant deciding consumer’s choice of retail formats (Serra & Colomé, 2001). Store location was the first and most important consideration for supermarket shoppers (Arnold, Oum, & Tigert, 1983).
Location is of key importance in the selection of a store (Freymann, 2002). The factors such as the travel distance and physical distance are major considerations in store choice (Vandell & Carter, 1993). Location had emerged as a major determinant deciding consumers choice of retail formats, be it a hypermarket, supermarket or grocery store (Vandell & Carter, 1993; Thang & Tan, 2003). The central place theory reinstates that the location draws customers to the shopping area (Kim & Jin, 2001). Martínez-Ruiz, et al. (2011) went a step further stating that location contributes to customer satisfaction for the food and grocery stores. Therefore, it is hypothesized that:

*H₀: Convenience of Location has a positive relationship with customer satisfaction.*

### 2.4.9.2 The impact of store atmosphere on customer satisfaction

Philip Kotler compiled retail atmospherics to the marketing literature in 1973. A large number of research journals had spoken about the environmental aspects having an influence on consumers in a shopping environment. Kotler (1973-1974) explained the term atmospherics specifically as planning and designing of the store environment that can instigate buyer’s emotions and ultimately conclude in purchase behavior. “The atmosphere of the place was more influential than the product itself in the purchase decision. Atmospherics was the method manager’s use to makeup the physical retail or service environment aiming at creating a specific mood positively in shoppers” (Kotler, 1973).

Berman and Evans, (2009) categorized store atmosphere into four points which includes the store exterior, the general interiors, the variables dealing with design and layout, and the variables referring to point of purchase and decoration. Five very frequent atmospheric heads which had a
scope to be evaluated were ambience, color of the outlet, decoration, music and store layout (Frasquet, Gil, & Molla, 2001). An ideal arrangement, proper display and essential assortment were an inevitable constituent of any retail enterprise (Newman & Cullen, 2001).

Store atmosphere is intensified when the store environment combines other cues including lighting, color, music, and odor (Levy & Weitz, 2009). These studies were reinforcing the need of proper display and decoration facilities which draws a customer to a supermarket establishment. According to Levy and Weitz, (2009) atmospherics was capable of making customers less aware of their waiting time mainly because they were either distracted or entertained by virtue of the atmosphere. Customers could access the merchandise properly and were able to shop more number of merchandise in ‘bright’ lighting in comparison to ‘soft’ lighting background (Areni & Kim, 1993).

The impact of in-store illumination on shoppers’ realization, cognition and value is very high which influences the nature or pattern of buying (Areni & Kim, 1993). Colour ideas applied in various aspects related to the themes inside retailer’s premises had been proved to impact shopping behaviour (Morin, Dubé, & Chebat, 2007). Having an excellent appreciation of color is of importance to the supermarkets and will be of great value contribution in establishing its image. A store possessing state of art equipment, clean and tidy physical facilities and the maximum comfort in payment pattern would certainly able to derive satisfaction and future patronage from a customer (Kaul, 2005).

Store environment and the outlook created by store atmospherics were successful in creating a vibrant image of the retail salesperson and thereby the retail store (Hedrick, Beverland, & Oppewal, 2005). Consumers
were motivated to make purchases in relation to their perception of the ambience and the store decoration (Finn & Louviere, 1996; Bigne & Andreu, 2004). The ambience created by the establishment could result in increase in time spent and quantity of purchase by the customers in pleasant environments (Donovan, Rossister, Marcoolyn, & Nesdale, 1994). The orderly arrangement and display of products has a paramount impact on consumer behavior primarily because of the convenience aspect (Davies & Tilley, 2004).

Lewison (1994, p. 289) states: “selling floor layouts were extremely important because they strongly influence in-store traffic patterns, shopping atmosphere, shopping behavior, and operational efficiency”. Merrilees and Miller, (2001) observe that the attraction of having a very good architecture was one among the most crucial factors responsible for store loyalty. Superstores that were currently getting in to innovative practices preferably create more efficient self-service methods as a part of the reforms in store layout design (Merrilees & Miller, 2001).

“Store layout design was intended to make the shopping enjoyable” (Vasquez & Bruce, 2002). Supermarket design, its arrangement, layout and even its external appearance constitute the main attributes of the shopping environment in relation to shopping stores (Moye, 2000). Store layout design had a pivotal role not only in satisfying buyer’s requirements but even in creating a strong influence on their wants and preferences (Simonson, 1999). According to the well established orthodox retailing store layout theory the three major classifications of store layout were namely Grid, Freeform and Racetrack or Boutique layout (Levy & Weitz, 2009; Lewison, 1994).
The store layout not only attracts a shopper to the in-store shopping patterns but also is a creator of store loyalty. Solgaard and Hansen, (2003) elaborated on retail store attributes which were store architecture and design, approachability, cleanliness and atmosphere were considered critical for the positive impression of a customer. Store layout and the external look out were expected to be a vital contributor to the sales proceeds.

Store atmosphere was responsible to persuade customers purchase plans, entertainment, likelihood and chances of patronage (Donovan et al., 1994). Enjoyment resulted from experience of the store atmosphere impacted in-store behaviors such as more purchase and increase in time spent, and the satisfaction created leads to visit the shop again (Donovan & Rossiter, 1982). Interior decoration was highly complementary to visual merchandising (Storms, 2006). The prime role of interior decoration was to hold on the customer in the retail premises and thereby instigate him to buy more than planned, still come back to the same retail store as a satisfied customer (Storms, 2006).

Lot of researchers had understood the powerful influence of atmospherics on the depicted behavior of the customer (Bitner, 1992; Areni & Kim, 1993; Turley & Milliman, 2000; Mattila & Wirtz, 2001; Baker et al., 2002; Zeynep & Nilgun, 2011). Based on Bitner (1992) store atmosphere of the retail shop had its relevance as it was a major factor in influencing customers. Kotler (1973) affirms that the store attractiveness of a shopping centre, should be appealing to the customers senses (i.e. sight, sound and smell), and was a strong motivator of the decision to buy. This positive attitude created by factors related to store atmosphere was of paramount importance in arriving at purchase decision. There is empirical support explained of store atmosphere influencing satisfaction and
ultimately the intention to purchase (Lee, Lee, Lee, & Babin, 2008; Loureiro & Kastenholz, 2011; Menon & Dube, 2000). Therefore, it is hypothesized that:

\[ H_{10}: \text{Store atmosphere has a positive relationship with customer satisfaction.} \]

2.4.9.3 The impact of merchandise on customer satisfaction

Kotler and Armstrong (2001) explained merchandise as products or services and product lines which a retailer provides to the target market. Conversely, merchandise is considered as the product or service offered for sale thereby has the potential to provide customer satisfaction. According to Yoo and Chang, (2005) quality, price, assortment and variety were the factors determining merchandise. Retail stores are visualized as offering high variety of merchandise displayed in a systematic manner providing a bigger chance to be chosen by the consumers (Hoch, Bradlow, & Wansink, 1999). The consumer preferences were determined by variety within a selection of distinct products on the shelves (Boatwright & Nunes, 2001).

Contemporary research studies reinforce the view that providing unique merchandise was inevitable for a supermarket’s growth. The store characteristics, including price of the merchandise, distinguishing quality and unique variety, influences shopping conduct in grocery retail chains (Doyle & Fenwick, 1975). The selection of merchandise was one of the most crucial and demanding role in a supermarket. “Regardless of any strategic or operational challenges, consumers expect retailers to offer the right mix of products, at the right price, with the right promotions, at the right time and at the right place” (Gruen & Shah, 2000). When a store had a unique and appealing selection of merchandise, it was worthy enough to decide it as a desirable one (Paulins & Geistfeld, 2003). The ideal location
of merchandise in the store premises and the range of merchandise was the most critical dimension which was variety and assortment (Engel et al., 1995).

“Product variety influences a customer’s perception of a store” according to Van Herpen and Pieters, (2002). Customer perception regarding product variety influences satisfaction and store choice (Hoch et al., 1999). The most significant factor was product variety related to customer satisfaction (Ahmad, 2012). The presence of a wide variety of products was highly ranked as a store selection criterion for department as well as discount store purchasers (Lumpkin & McConkey, 1984).

The ever dynamic environmental factors create a lot of challenges in to the huge task of assortment planning (Mantrala, Levy, & Kahn, 2009). Larger range of assortments makes the consumers prepared to get variety needs more efficiently (Simonson, 1999; Van Herpen & Pieters, 2002). Assortment had a strategic implication not only for customer acquisition but also for customer retention (Grewal, Krishnan, Baker, & Borin, 1998). From the perspective of a consumer, assortment had a key role in deciding a retail store (Briesch, Chintagunta, & Fox, 2009).

In a study related to grocery stores Fox, Montgomery, and Lodish (2004) explained that decision of store selection depends on the level of assortment carried by the retailer. Even though large assortments offer consumers many choices, it forces consumers to think further while making purchase decisions. Therefore, when retailers provide broad product assortments it may reduce the assortment’s magnetism (Boyd & Bahn, 2009). Assortment can be explained as the capability of the retailer to provide the customer with wide variety, uniqueness, and distinguishing quality of goods (Verhoef et al., 2009). Product variety and assortment had
a positive stimulation on the total customer spending pattern at the store-level (Fox et al., 2004).

Empirical studies recommend that price, is as an indicator of satisfaction. Arnold et al. (1983) discovered that prices were the second most influential store feature for supermarket consumers. Studies related to retail patronage had discovered that perceptions of location and price were important in formation of customer attitudes and thereby narrow down to the store choice (Louviere & Gaeth, 1987). According to Ehrenberg, Hammond, and Goodhardt (1994) a sharp hike in sales was found when price was initially reduced, continued by a comeback to usual sales after some time or once the price reduction ends.

Price was a very strong indicator of store satisfaction for shoppers in retail shops as it gives them a mental relaxation in comparison to the routine (Miranda, Konya, & Havrill, 2005). Customer satisfaction was not just influenced by services offered but even by price and convenience (Cronin & Taylor, 1992). Singh and Tripathi, (2008) tried to explain the attitude of the Indian shoppers which had changed dramatically over years who expect more value and exemplary quality for the money spent. Customers were satisfied when they get reasonably good quality products at fair prices, whereas the business enterprise derives its satisfaction solely by making profits (Helgesen, 2006).

Little improvement in quality was having a positive impact on satisfaction while quality depletion comparatively had a greater chance of dissatisfaction (Gomez et al., 2004). Cronin et al. (2000) highlighted the relevance of merchandise quality in connection to the process involved in consumer decision making. Consumers appreciate store quality and image based on the low priced items in the store (Grewal et al., 1998).
Huddleston, Whipple, and Vanauken (2004) discovered that product related feature among grocery consumers were variety of products, constantly fresh products, good store brand and holding general merchandise in addition to food items. The customers had the freedom to select from the merchandise classifications which was more suitable for their needs leading to customer satisfaction (Curhan, 1972).

Merchandise quality has an impact on satisfaction and thereby store loyalty (Parasuraman, Zeithaml, & Berry, 1994). It’s very important for retailers to stock quality merchandise than just providing inferior and cheaper products. Store price, assortment of products, quality and service offered decided the satisfaction (Huddleston, Whipple, Mattick, & Lee, 2009). Conversely, it was important to provide merchandise at low prices and high quality which forms an assortment which creates satisfaction in the customers (Stambaugh, 1993). As such, it is hypothesized that:

\[ H_{11}: \text{Merchandise selection has a positive relationship with customer satisfaction.} \]

### 2.4.9.4 The impact of promotion on customer satisfaction

The promotions range from advertisements on end-aisle displays, displays on floor signage, merchandise kiosks, interactive flat panels, in-store audio and video transmissions (Kotler & Keller, 2006). Advertisers were always looking forward to attractive designs to create an impact on the customers’ minds (Margulies, 1970). Consumers reacted positively to free sample, price discount, in store display, and bonus packs than receiving coupon (Ndubisi, 2006). This was a psychological response to get the reward or offer at the spot than getting a promise for the future.
Taylor and Neslin, (2005) explained about the details which were required to produce a positive reaction for a special type of promotional campaign on store loyalty. Customers who understood the promotion phenomenon and benefitted on account of discounts, offers and promotional deals showed more loyalty to the store (Grace & O’Cass, 2005). Other than providing an attractive price, another attraction to the customer on the value proposal was discounts, either providing specials or sales promotional packages.

The prime intention of including sampling in to the promotional offers is volume-increasing promotion, which is “a popular (though expensive) promotional tool” (Solomon, Cornell, & Nizan, 2009). “Food and beverage companies often provide free samples to consumers to give them a chance to try a new product for free” (Solomon et al., 2009). Bonus packs often give more quantity of the same product without charging any extra price for a customer. The same idea can be applicable to customers, provided they were ready to buy bigger quantities. There were promotional tools which increase visibility e.g., a premium, typically “a free item you receive if you purchase another item” (Solomon et al., 2009).

Szczech (2011) illustrated the impact which an in-store advertisement played in reinforcing the brand image of the products. From the related contemporary studies it was concluded that in-store advertisements are always very magical. According to Szczech (2011), point of purchase (POP) advertising strives being a reminder and even an effective means of introducing new products. POP advertising highlights and signifies the sale items and was an effective tool in educating customers. A famous DuPont study showed surprising details that 65% of all supermarket consumers decide to buy merchandise while they were inside the store, with 50% of the purchase being totally unplanned.
Close to three of ten shoppers across the world stay for long inside the store until they conclude their brand choice which they may purchase (Cooke, 2008). “In the latest effort of retailers, many of the in-store target advertising efforts were still in the early stages of development” (Steel, 2008). The in-store displays denote an economic status including discounts and coupons which were far more influential than those motivated with an atmospheric component typically background music and scent (Tendai & Crispen, 2009). Shopping trolleys were developed to accommodate kid’s requirement and a well-planned strategic trolley height displays were the need for the hour that was attracting the children’s attention. This is because children had a crucial intervention in shopping decisions (Terrazas, 2006).

The main agenda behind having a lot of formal conceptual efforts in a planned format was conceptualizing sales promotion with a view to increase sales in the short-term (Smith & Sinha, 2000). Sales promotions were responsible for increased short-term sales (Smith & Sinha, 2000). There was a phenomenal amount of literature which looked into the feedback of coupons, (Gilbert & Jackaria, 2002) price cuts, and free samples (Mela, Gupta, & Lehmann, 1997; Gilbert & Jackaria, 2002). The promotional benefits to the consumer include discovery achieved, fun component attached, inherent inspiration through the purchase and self-esteem accomplished (Chandon, Wansink, & Laurent, 2000).

The sales promotion had a remarkable impact on the consumers’ perceived acquisition value and purchase intention (Grewal et al., 1998; Zeithaml, 1988). The role of sales promotion is building up a desire in the customers mind and thereby motivating him for purchase (Aaker, 1995; Gilbert & Jackaria, 2002). In a normal promotional perspective, the value generated is the perceived economic benefits received by consumers which
lead to customer satisfaction and future purchase decisions (McDougall & Levesque, 2000).

Promotion by providing vital information reduces the feeling of guilt which is associated while consuming different products or services which leads to customer satisfaction (Strahilevitz & Myers, 1998). Access to promotional information like discounts and special offers on products could enhance the amount of customer satisfaction (La & Kandampully, 2002). Manning and Sprott, (2007) shared their learning experience which indicated positive effects of sales promotion on the quantity of purchase intention. As such, it is hypothesized that:

\[ H_{12}: \text{Promotion has a positive relationship with customer satisfaction.} \]

2.4.9.5 The impact of CRM practice on customer satisfaction

Fox and Stead (2001) tried to explain CRM practices as the incorporation, up-gradation, continuation and maximization of long term mutually valuable relationships happening between customer and organizations for their sustainable growth. According to Berkowitz (2006) CRM is “the organization endeavor to build up a long-term, gainful link with the purchaser for the advantage of both the customer and the organization.” The intent of CRM practices from the beginning was to maintain the existing customer’s satisfaction and thereby develop loyalty (Hellman et al., 2005). This makes the supermarkets more effective and efficient in maintaining excellent customer relationships.

The principle of CRM practices states that once a customer becomes an active part of the retailer it will be beneficial to both of them. Consumers were benefited by enrolling to promotional drives by gaining points for
staying loyal (Vyas & Sinha, 2008). Corporate always have multiple ways of getting in to CRM initiatives and ways to encourage loyalty programs. Companies plan for competitive loyalty programs to target their customers (Blomqvist et al., 2000). A novel CRM practices regime was not just dedicated for value addition to its profitable customers, but to also innovate new methods that will instigate other consumers elevate the ‘loyalty ladder’ (Raines, 2005).

In an increasingly more competitive global scenario, there was enough explanation on the spending on service quality (Crosby et al., 1990). Retail counters need to continuously improve their operational quality and the quantum of service orientation (Yu & Ramanathan, 2008). The step in achieving sustainable advantage in business includes the delivery of extremely good quality services that result in delighted customers (Shemwell, Yavas, & Bilgin, 1998).

Service quality was in all scenarios definitely linked to customer satisfaction (Eakuru & Mat, 2008). The customer intended gestures of employees of a retail establishment will create a great influence on the customers view points and thereby translate to service quality (Brady & Cronin, 2001). The observant and attentive nature of the retailer’s employees with listening skills motivates the customer to evaluate the service and come back to the retailer (Gremler & Gwinner, 2000).

Jain and Bagdare, (2010) held on to the argument that to make shopping a pleasurable experience for customers, personal attention was essential that makes the customer feel important. The ability and skill of the staff to provide personalized service, having a regular care on frequent customers and even being able to identify them by name has a remarkable effect on purchase decisions (Hong et al., 2011). A friendly approach is the
single and the most crucial attribute in the attainment of customer service (Gitomer, 1998). A friendly foundation was supplemented by a positive attitude which was responsible for every probability of leading to a positive customer perception. Reynolds and Arnold, (2000) discussed about developing a friendly sales person and the marked difference this created could provide a definite advantage from the consumer point of view.

The relation shared with the sales person adds the participation in buying by the customer (Hawkins et al., 2004). Whenever the supermarket employees were customer focused, they had an attitudinal affinity for the customers. Customer’s interaction with salespersons having a right attitude increases the chances to purchase (Sharma & Stafford, 2000). Personalization was an important constituent in any CRM practice making it an effective tool to save customers shopping time and to increase their expectations of service quality (Srinivasan, Anderson, & Ponnavolu, 2002).

McGoldrick (2002) explained the role of sales personnel as an extension of the store image possessed and to confirm that repeat purchase happens. Manjunath and Prabhu, (2011) were of the opinion that the service personnel had the strongest influence than the physical aspects in Bangalore supermarkets customers. Service oriented behavior and customer satisfaction were significant contributors for the successful operation of any business (Parasuraman et al., 1988).

Reichheld (1993) suggests that only excellent personal interaction between sales persons and dedicated customers had a say to the attribute of customer retention. He states, “Employees who deal directly with customers day after day had a powerful effect on customer loyalty.” Customized and personalized offers including reference systems can have a
phenomenal consequence on customer retention and thereby sales (Malthouse & Calder, 2006).

“Reliability refers to the promises given by the store. If the store cannot keep or breaks the promises, it dissatisfies customers and results in negative word-of-mouth. In contrast, when the company was able to keep its promises, it increases customer confidence in the store and creates customer satisfaction and lead to loyalty”, (Yuen & Chan, 2010). The reliability construct consists of “promises” and “doing it right” which constitutes the sub-dimensions (Dabholkar et al., 1996). Exceeding the expectation of the customers is the main agenda behind companies performing according to the expectations and satisfying goods and services in a profitable manner (Kotler & Armstrong, 2006).

Loyalty cards were CRM tools which were much different from the traditional sales motivational methods and this were mainly because of their protective disposition and because of its long term application (Sharp & Sharp, 1997). Consumers discover it was beneficial to join such initiatives mainly to earn rewards. Loyalty program’s facilitated firms to get repeated business which helps to cross-sell. An easy access to the exhaustive customer information is enabled which can be utilized for future CRM practices (Liu, 2007).

CRM practices was closely in touch with how memorable the retailer makes the cardholders experience, dissimilar to the common strategy which was dependent on discounts and promotions (Rosenbaum, Ostrom, & Kuntze, 2005). The first in the list of supermarkets having wide network in India and to facilitate loyalty card was ‘G’market’ (in 2001). Emotional commitment as well as loyalty programs were rewarding and
gave financial incentives and produced constructive influence on customer retention (Verhoef, 2003).

The customer service provided by the retailer increases customer satisfaction, improved repurchase intentions, a strong willingness to recommend and ultimately increase the share-of-wallet (Sirdeshmukh et al., 2002). Customer service intends to provide additional value for customers, which leads to improved customer satisfaction. CRM practices involve in a total approach to understand and strongly influence customer behavior. Through constant and effective communication, CRM practice ultimately improves customer acquisition, customer retention policies and end of it customer profitability (Meier, 2003).

The literature dealing with CRM practices gives a lot of narrower, yet relatively tactical outcome measures and the most elementary criteria under consideration was customer satisfaction (Bolton et al., 2000; Mithas, Krishnan, & Fornell, 2005). Mithas et al., (2005) had a real time picture of the influence of CRM practices on the understanding of the customer and thereby customer satisfaction. It was clarified that CRM initiatives was relying too much on customer knowledge. The conclusion of the study says that the information received from the customer instigates retail organizations to build upon their customer satisfaction. The characteristic benefits offered by customer relationship management were the significant factors for customer satisfaction and loyalty (Krasnikov, Jayachandran, & Kumar, 2009). For the reasons explained the following hypothesis has been formed:

H13: Customer relationship management practices have a positive relationship with customer satisfaction.
2.5 MODEL OF THE STUDY

The proposed model is developed using the inputs from the theoretical concepts. The detailed review of literature was giving insights on each constructs which are a part of this proposed conceptual model. There is a well knit relationship being established from the literature which connects all the constructs which are a part of this model. The proposed model (Figure 2.1) displays the factors which will lead to customer satisfaction, loyalty and ultimately customer retention.

2.6 DEMOGRAPHIC EFFECTS

Demographics had an influence on the choice of retail store format regarding grocery retailing (Fox et al., 2004; Carpenter and Moore, 2006). Studies evaluating the moderating results of personal characteristics suggest
a combination of results and point out both significant and insignificant effects (Homburg & Giering, 2001; Homburg, Giering, & Menon, 2003; Evanschitzky, 2006). Moderating factors which combines satisfaction and loyalty are gender, age, and income which are the demographic factors (Homburg & Giering, 2001).

Involvement and variety seeking are the psychographic factors which combine satisfaction and loyalty. An occupational and educational difference of the customer is having a different effect on satisfaction and commitment (Hazra, 2013). The retail format selection of the customer had significant relationship with the age of the customer, gender, occupation, education and monthly household income, family size, and travel distance (Prasad & Aryasri, 2011). Mortime and Clarke, (2010) explained that female grocery customer’s prioritized supermarket store features more important compared to male customers.

The higher retention is being appreciated by those who have a better educational background (Mirza, Wallström, & Hamidi Beheshti, 2009). Recent developments were that scholars had started off considering personal and relational features as moderators. The demographic attributes which are age, gender, whether married or not, income, working status of females, education, occupation and size of the family. Particularly, we distinguish the details of supermarket customers with respect to their gender, education, occupation, and annual family income. Therefore, it is hypothesized that:

\( H_{14}: \text{There is significant difference in customer retention across gender.} \)

\( H_{15}: \text{There is significant difference in customer loyalty across gender.} \)

\( H_{16}: \text{There is significant difference in customer satisfaction across gender.} \)
$H_{17}$: There is significant difference in customer retention across occupation.

$H_{18}$: There is significant difference in customer loyalty across occupation.

$H_{19}$: There is significant difference in customer satisfaction across occupation.

$H_{20}$: There is significant difference in customer retention across education qualification.

$H_{21}$: There is significant difference in customer loyalty across education qualification.

$H_{22}$: There is significant difference in customer satisfaction across education qualification.

$H_{23}$: There is significant difference in customer retention across annual family income.

$H_{24}$: There is significant difference in customer loyalty across annual family income.

$H_{25}$: There is significant difference in customer satisfaction across annual family income.

2.7 CONCLUSION

The chapter dealt with different literatures which are analyzed in detail to understand the relation of multiple constructs to customer satisfaction, loyalty and customer retention. Initially the section introduced certain concepts and later connected them to established theories. The
objective of the reviews was to find out the factors leading to customer retention in the retail perspective. The review not only took into consideration the constructs but also considered other demographic factors which were having an impact on the study. Towards the end taking valid inputs from the literature review, hypotheses were designed and a proposed conceptual model was developed.