CUSTOMER SATISFACTION OF RETAIL CHAIN STORES: EVIDENCE FROM BANGLADESH

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ABSTRACT

As retail chain store business is gaining popularity very quickly, people engaged in this sector should pay special attention to the growth of this sector. The present study aims at determining the factors constituting customer satisfaction of retail chain stores in Bangladesh. Customer satisfaction of this sector can be a pivotal indicator of how well the stores are meeting the expectations of the customers. Customers of three big retail chain stores have been interviewed for the study. From the results, it was determined that the model satisfactorily explains customer satisfaction and that retail chain store owners and managers should focus on four major elements – responsiveness, product quality, physical design and pricing policies if customer satisfaction is to be treated as a strategic variable. The present study found that responsiveness and product quality were most important to customers followed by price and physical design. Location didn't have a significant effect on customer satisfaction although the exploratory analysis and the secondary research supported it.

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Keywords: Retail chain stores, Customer satisfaction, Product quality, Price, Responsiveness.

Contribution/ Originality

The paper's primary contribution is finding out the factors that customers consider while shopping at retail chain stores in Bangladesh. By this research, the people involved in retail super shops can realize where importance needs to be given and thus will make a valuable contribution to the growth of this sector.

1. INTRODUCTION

Clarence Saunders developed the concept of self-service grocery chain store with his "Piggly Wiggly" stores in Memphis Tennessee in the USA in 1961. It was a huge success and later on he started to offer franchises of his store. Pretty soon some other companies such as the Great Atlantic and Pacific Tea company of Canada and US followed the business in the year 1920 [1]. At present, there are many world renowned superstores spread around the world serving billions of customers and making huge profit of this business. To name a few of them, there are Wal-Mart, Safeway, SPAR, ALDI, Netto, Lidl etc. Also in Bangladesh supermarkets have successfully made a breakthrough in the urban lifestyle with the idea of "all essential commodities under one roof." From the concept of global retailers such as Wal-Mart, Safeway, and Sears, some private organizations have established the retail chain store services in Bangladesh. Rahimafrooz Superstores ltd. (RSL) was the first one to launch the first ever retail chain in Bangladesh in the year 2001. In the meantime superstore market in Bangladesh has proven itself as a highly competitive and unmerciful business place to get into but also highly profitable business to do if you can play it right so did many such as "Shopno" with their 70 stores around the country with 30 stores outside Dhaka while sharing the dominance of Dhaka city with giant retail stores as Meena Bazar, Agora and Almas.

With the passage of time retail chain stores including small and big ones have been expanded remarkably in Bangladesh as people are becoming time conscious and they do not have enough time to spend for shopping. In the large cities of Bangladesh like Dhaka, it is very difficult to move from one place to another place for shopping purposes due to traffic jam. So, majority people want to shop all kinds of goods from a particular departmental store at a time so that they can save their time, money and energy. Due to high level of awareness, most of the educated customers are quality conscious and service conscious. So they want to purchase the goods where they get the quality products, better personnel services and hassle free environment.

In retail chain stores, there is a variety of assortments in the shelves. All assortments are inventoried in a convenient way so that customers can take, check and verify the goods very easily. All these things caused the rapid growth of retail chain store business in Bangladesh. But no significant research work has been done to see to what extent the sector is meeting the expectations of the customers in Dhaka city. Moreover Swapno, the largest retail chain shops in Bangladesh, faced a critical problem and bound to close some of their outlets. But no rigorous research is found regarding this issue. On the basis of the above literature review, it can be stated that very few research works have been done on customer satisfaction of retail chain stores in Bangladesh especially in Dhaka city. The field is new and promising and there is a research gap which motivates the researchers to conduct the present study.

Customer satisfaction gives an indication of how much successfully the organization is meeting the demands of customers. All activities of the retail chain stores are directed towards customer satisfaction which leads to customer retention--a pivotal factor for business growth. But very insignificant papers have been found regarding the chain store business in Bangladesh. As it is going to be a prospective sector day by day to meet the demand of the consumers of Bangladesh, research is required to see the existing customer satisfaction level of this sector by exploring the

market perfectly. Through the present research initiative, retail chain stores will know the factors that mostly constitute customer satisfaction. Then it will be possible for them to pay considerable attention to those factors and make necessary adjustments in policy making and strategy development for satisfying the customers in a better way. On the basis of the research findings some recommendations will be made that will add value to better understanding of the sector. So the researchers think that the present study will be a valuable contribution to the growth of this sector. The above discussion depicts the significance of the present study.

The main objective of this study is to find out the factors that explain customer satisfaction of retail chain stores in Bangladesh. In order to explore the major objective, researchers also have some specific objectives: i. to explore how well the company meets the customers' demand, ii. To identify the relative importance of each factor that contributes to customer satisfaction, (iii). to identify underlying dimensions or factors that explains the correlations among variables and (iv) to make recommendation on service strategy, products as well as customer satisfaction strategy of retail chain stores.

2. LITERATURE REVIEW

2.1. Retail Chain Stores and Customer Satisfaction

Few papers have been found regarding retail chain store business in Bangladesh. In our country, not much work has been carried out in this field. A study in 2012, focused on customer satisfaction of super stores in Bangladesh [2]. But it was on a very small scale as the geographical limit was confined to only Chittagong.

A professor at the Department of Agricultural, Food and Resource Economics at Michigan State University, stated business in Bangladesh is part of a fourth wave that just barely has emerged in the last few years [3]. Other countries at a similar stage are Cambodia, Bolivia and certain countries in West Africa. The American researcher feels it is likely that the diffusion of retail chain store will be quite slow for the fourth wave, compared to the first three waves. The reason is that the key socioeconomic changes necessary for a change in the retail environment are happening in Bangladesh at a pace much slower than, for example, in India [4].

These changes acting as a driving force behind retail chain store diffusion include increasing urbanization, increasing number of women working outside their home (which leaves them with less time for shopping of essentials) and increasing incomes per capita.

By the estimates [4], it will probably take another decade or two, until retail chain store diffusion in a country like Bangladesh is appreciable, meaning that roughly around 20 to 25 percent of retail sales are made through this channel. "But the time for South Asia seems to have come," he adds. "Just look at the expansion of Cargill Ceylon in Sri Lanka." That retailer has more than 120 food-supermarkets all over the country [5]. In fact, Sri Lanka with a population of over 20 million has 240 supermarkets, while Dhaka with its 25 million inhabitants does not even have 70 such stores.

A study conducted on the factors that influence the consumer in choosing departmental stores in Bangladesh where the author identified the factors influencing consumers to shop at Superstores in Bangladesh in specific six probable extrinsic cues [6]. The six extrinsic cues- Brand Image,

Perceived Price, Perceived Quality, Product Availability and Location of the store. In another research, customer retention has received considerable attention and has become a prime issue for food retail organizations desiring to stay in business, maximize profits and/or build and sustain competitive advantage in the food sector in his research study [7].

Gaining high levels of customer satisfaction is very important to a business because satisfied customers are most likely to be loyal and to make repeat orders and to use a wide range of services offered by a business [8]. Customer satisfaction is an asset that should be monitored and managed just like any physical asset [1]. The same way, [9] has attempted to measure the links between attribute perceptions and consumer satisfaction, and between consumer satisfaction and sales performance, in the food retail sector of India. The study relies upon an extensive data set of consumer satisfaction and sales information from approximately 180 consumers.

Retail customer satisfaction is determined by customer service, brand variety, store environment, convenient location and shopping convenience [10]. Retail customer satisfaction depends on location, product quality, reliability, and process and personnel services [11]. On the other hand in a study on factors influencing customer satisfaction of organized retail outlets in Delhi, the following cues were identified as the determinants of customer satisfaction in retail outlets [12]. The cues are personnel interactions, physical aspects, promotional campaign, price, location and product quality. Sarwer and Ferdousi [13] Bangladesh's retail sector is dominated by traditional shops; nonetheless, it has shown growth and modernization, keeping pace with overall economic growth, the increase in middle-class consumers, and changes in consumption patterns. The organized retail sector, including supermarkets, remains relatively small but consumes increasing volumes of imported food products and exhibits the fastest growth.

2.2. Why Customer Satisfaction Is Important

In an increasingly competitive business environment, companies must be customer oriented and periodic customer satisfaction survey indicates to what extent the firm is meeting the needs of the customers. Oliver [14] Modern management science's philosophy considers customer satisfaction as a baseline standard of performance and a possible standard of excellence for any business organization.

To reinforce customer orientation on a day to day basis, a growing number of companies choose customer satisfaction as their main performance indicator. By using this indicator companies can modify their goods and services as per the preferences of the customers. In this way customer satisfaction can be ensured. And customer satisfaction leads to customer retention that ensures business growth and profitability. The importance of customer satisfaction can be explained in this way that a highly satisfied customer: stays loyal longer, buys more as the retailer introduces new products and upgrades existing brands, talks favorably about the retailer and its merchandise, pays less attention to competing brands and advertising and is less sensitive to price, offers products/service ideas to the retailer and costs less to serve than new customers [15]. Based on these criteria, it is important that the retailers pay considerable attention to customer satisfaction and measure it regularly

2.3. Customer Satisfaction and Its Determinants

Customer Satisfaction (CS) has become an important measure of firm performance and consequently an important area of interest in business research. It can be defined as the feeling or attitude of a consumer toward a product/service after it has been used. Customer satisfaction entails the full meeting of customer expectations of certain products and services [16]. If the perceived performance matches customers' expectations of service, then they will be satisfied. If perceived performance falls short of customer expectation, then they are dissatisfied. And if the performance of the products exceeds the expectation of the customers, they will be highly satisfied or delighted. Previous studies identified some indicators regarding customer satisfaction of products and services. Table 2.1 presents summary of determinants of customer satisfaction.

Table-2.1. Summary of Determinants of Customer Satisfaction

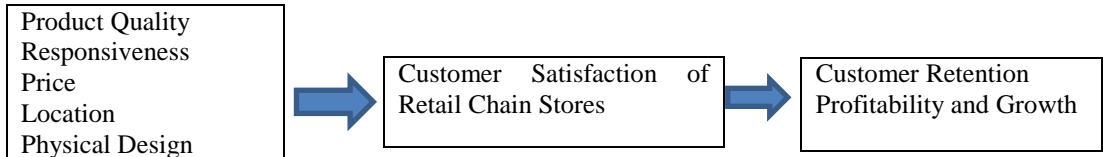| Author/s	Factors
[10]	Customer service, brand variety, store environment, convenient location and shopping convenience.
[11]	Location, product quality, Reliability, process, personnel services.
[12]	Personnel interactions, physical aspects, promotional campaign, price, location and product quality.
[17]	Responsiveness, product quality and price

3. RESEARCH METHODOLOGY

The study is a combination of qualitative and quantitative research. For the purpose of the study, data were collected from both secondary and primary sources. But, maximum concentration was given on primary sources of data. All the primary data were collected from personal interview with existing customers of retail chain stores through administration of a questionnaire. It included perceptual measures that were rated on five-point Likert scales. This design is consistent with prior studies on customer satisfaction and service quality. Each scale item was rated at the numeral 1 with the verbal statement "strongly disagree" and at the numeral 5 with the verbal statement "strongly agree." Multiple items were used to measure each construct so that their measurement properties could be evaluated on reliability and validity. The scale items measuring the dependent variable were chosen to reflect people's overall satisfaction with the services provided by the retail chain stores. The respondents were personally questioned and the questionnaire was filled in by the interviewer based on the response of the respondents. Three leading retail chain stores have been selected for the study named Agora, Shopna, and Meena Bazar. Mall intercept interview technique was used for collecting the data from the respondents. The total number of respondents for the study was 150, which was drawn from different areas of Dhaka City, especially Dhanmondhi, Banani, Mohakhali, Gulshan and Uttara since most of the retail chain stores are located in these areas. The secondary data were collected from the store records, annual publication manuals, academic journals, annual report, BSOA (Bangladesh Supermarket Owners Association) reports, books and finally the current and available information from the newspapers were tapped depending upon the nature of the problem. Collected data were computed and analyzed by the

researchers. To make the data effective and meaningful, SPSS software have been used for the study. Descriptive analysis was performed to understand the profile of the respondents. Multiple regression model was used to find out which factors significantly contributed to customer satisfaction.

4. CONCEPTUAL FRAMEWORK AND HYPOTHESES DEVELOPMENT

Fig-1. Research Framework

| Product Quality Responsiveness Price Location Physical Design | → | Customer Satisfaction of Retail Chain Stores | → | Customer Retention Profitability and Growth |

4.1. Product Quality

An important factor constituting customer satisfaction is the quality of goods and services sold at retail chain stores. Quality is the capacity of a product to satisfy some specific wants of the customers [18]. Quality of products is normally measured by product features, benefits and ability to satisfy required needs and so on. It is considered to be one of the important determinants of satisfaction. So it can be hypothesized like that;

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

4.2. Responsiveness

It is identified as the willingness of the staff to be helpful, to provide prompt services to the customers and availability of all required items. Customers expect the stores to understand their needs and address them in a timely manner with the availability of necessary items all the time. When staff members are more responsive, attending to clients' needs quickly and with care and courtesy, it should result in improved customer satisfaction. Therefore, it is proposed that

H4: The higher the level of responsiveness, the higher the level of customer satisfaction.

4.3. Price

The pricing policy of retail chain stores can also greatly influence customers because price has the capability of attracting or repelling them [19], especially since price functions as an indicator of quality [20]. If the price is high, customers are likely to expect high quality, or it can induce a sense of being "ripped off, [17] " Likewise, if the price is low, customers may question the ability of the stores to deliver product and service quality. Moreover, due to the competitiveness of retail industry in Bangladesh, customers are able to establish internal reference prices. When establishing prices for products and services, an internal reference price is defined as a price (or price scale) in buyers' memory that serves as a basis for judging or comparing actual prices [19]. This indicates that the price offering for the item needs to be in accord with what the market expects to pay by

avoiding negative deviation (i.e. when actual price is higher than the expected price). We propose that:

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

4.4. Store Location

Customers think deliberately when they want to purchase something from a particular store. They prefer shopping from convenient places where sufficient car parking facilities and other amnesties are available. In the context of Dhaka city in Bangladesh location is a very vital factor because there exists a large number of people in Dhaka city. Huge traffic jam is a common scenario of this city. So people want to buy goods and services from those stores where they can easily go and have their desired items with limited efforts. Hypothesis of store location can be stated like this way.

H3: The better the store location, the higher the level of customer satisfaction.

4.5. Physical Design and Appearance

The general appearance of the stores and the staff provides to some extent tangible cues about the quality of services that customers can expect. Such physical evidence reflecting the overall condition of a retail chain store and its facilities is deemed important by customers during the qualitative interviews. Eye catchy appearance of the stores can easily grab the attention of people. On the other hand stores can easily be identified by distinctive physical appearance. It takes little time for the customers to find out the stores if its design is unique. Therefore, it is proposed, that:

H5: Better physical design and appearance of chain stores increase customer satisfaction.

5. FINDINGS

5.1. Respondents' Profile

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

5.2. Reliability Analysis

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

Table-5.1. Cronbach's Alpha value of Variables

Variables	No. of items	Cronbach's Alpha	Items deleted
Product quality	4	.656	None
Responsiveness	4	.695	None
Price	4	.633	None
Location	4	.684	None
Physical appearance	4	.643	None
Customer satisfaction	4	.729	None

5.3. Correlation Analysis

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

Table-5.2. Correlation Analysis Output

No	Variables	Mean	SD	1	2	3	4	5	6
1	Product quality	3.8776	.55734	1					
2	Responsiveness	4.0787	.55856	.570**	1				
3	Price	3.2832	.55999	.414**	.304**	1			
4	Location	3.9091	.54429	.429**	.373**	.131	1		
5	Physical appearance	4.2692	.40145	.168	.372**	-.009	.187*	1	
6	Customer satisfaction	3.9213	.51254	.516**	.560**	.357**	.301**	.318**	1

*. Correlation is significant at the 0.05 level.

**. Correlation is significant at the 0.01 level.

5.4. Factors Affecting Customer Satisfaction in Retail Chain Stores

Multiple-regression analysis was used with the five factors as independent variables to test the model for customer satisfaction (see Table 3). Based on the SPSS output it is found that the product quality is statistically significant at 1% significance level (Sig t = .009) with a positive beta. It means that product quality has significant positive effect on customer satisfaction. This finding is consistent with other research findings such as [11, 12, 17].

Table-5.3. Regression Analysis Output

Independent Variables	Beta	T Value	Significant
Product quality	.232	2.642	.009
Responsiveness	.304	3.519	.001
Price	.166	2.265	.025
Location	.036	.489	.625
Physical appearance	.160	2.238	.027
R-*square* = .411 Adj R-*square* = .389 F = 19.114 Significant F = 0.000 Durbin-Watson = 2.042 Condition Index= 40.191			

SPSS output also shows that responsiveness is statistically significant at 1% significance level (Sig t = .001) with a positive beta. It means that responsiveness has significant positive effect on customer satisfaction. This finding is also consistent with previous research findings such as [17]. The third independent variable, price, also has significant positive effect on customer satisfaction of

retail chain stores. The SPSS output shows that price is statistically significant at 5% significance level (Sig t = .025) with a positive beta that supports previous studies such as [12, 17]. The location dimension is not statistically significant at 5% significance level (sig t =.625) though previous research supported it.Physical appearance of the retail stores is also statistically significant at 5% significance level (t = .027) with a positive beta. It means that physical appearance of retail stores has significant positive effect on customer satisfaction. This finding is consistent with other research findings such as [12].

The R^2 was 41.1 percent meaning that the regression model used for this study can explain 41.1 percent variations on customer satisfaction. This indicates that there are other factors that explain the remaining 58.9 percent variations of customer satisfaction. The F value was large and significant at 1 percent significance level. This signifies that there was an adequate model. The Durbin-Watson falls within the acceptable range which means that there was no auto correlation problem in the data. The VIF, tolerance and condition index all fall within the acceptable range and therefore there was no multicollinearity problem in the model. Normal P-P plot shows that data were linear. The histogram shows that data were normally distributed. The results suggest that model explains customer satisfaction in the chain stores reasonably well.

6. CONCLUSION

This study tested a model of customer satisfaction for the retail chain stores of Bangladesh. The results suggest that the model satisfactorily explains customer satisfaction and that retail chain store owners and managers should focus on four major elements – responsiveness, product quality physical design and pricing policies if customer satisfaction is to be treated as a strategic variable. From the results, it was determined that responsiveness and product quality were most important to customers followed by price and physical appearance. Location didn't have a significant effect on customer satisfaction although the exploratory analysis and the secondary research supported it. As retail super stores are on the rise in Bangladesh now, the present study for assessing customer satisfaction in the retail chain stores is a useful one. The researchers believe that if the people engaged in this business truly want to gain a competitive edge, they must continually strive to increase the level of customer satisfaction by emphasizing the four significant factors discerned in this study. It is likely that location of retail chain stores works through some other mediating variables to explain customer satisfaction; this should be explored in future research. The main limitation of this study is that the retailers are spread all over the country but only Dhaka city has been taken into consideration. For collecting data from all over the country, a large amount of financial resources and huge time are required. The findings of the current study may be applicable only to the retailers (Super markets). Another limitation is that responses could be biased because the research is conducted in open market place where respondents' answers can be influenced by numerous variables such as mood, feelings and so on. In our model the value of coefficient of determination (adjusted R-square) is .389. It suggests that we consider other factors to explain customer satisfaction of retail chain stores.

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