

CHAPTER FOUR
CUSTOMER SATISFACTION,
CONCEPTUAL FRAMEWORK
WITH REFERENCE TO FOOD
RETAILING

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4.1 Introduction

Customer satisfaction, a term frequently used in marketing, is a measure of how products and services supplied by a company meet or surpass customer expectation. Customer satisfaction is defined as "the number of customers, or percentage of total customers, whose reported experience with a firm, its products, or its services (ratings) exceeds specified satisfaction goals." In a survey of nearly 200 senior marketing managers, 71 percent responded that they found a customer satisfaction metric very useful in managing and monitoring their businesses.

A suggested definition of Customer Satisfaction are presented below:

Customer Satisfaction is the result of a process.

Customer Satisfaction is a measurement or indicator of the degree to which customers or users of an organization's products or services are pleased with those products or services.

Customer Satisfaction is a comparison of expectations versus perception of experience.

The degree to which customer expectations of a product or service are met or exceeded. Corporate and individual customers may have widely differing reasons for purchasing a product or service and therefore any measurement of satisfaction will need to be able to take into account such differences. The quality of after-sales service can also be a crucial factor in influencing any purchasing decision. More and more companies are striving, not just for customer satisfaction, but for customer delight, that extra bit of added value that may lead to increased customer loyalty. Any extra added value, however, will need to be carefully costed.

4.2 Importance of Customer Satisfaction

Sometimes companies are misguided by the notion that customers depend on them. The truth of the matter is that we very much so depend on them. Many

researchers and academia have highlighted the importance of customers in today's market.

The level of satisfaction a customer has with a company has profound effects. Studies have found that the level of customer's satisfaction has a positive effect on profitability:

- A totally satisfied customer contributes 2.6 times as much revenue to a company as a somewhat satisfied customer.
- A totally satisfied customer contributes 17 times as much revenue as a somewhat dissatisfied customer.
- A totally dissatisfied customer decreases revenue at a rate equal to 18 times what a totally satisfied customer contributes to a company.

Research has shown that when a person is satisfied with a company or service they are likely to share their experience with other people to the order of perhaps five or six people. However, dissatisfied customers are likely to tell another ten people of their unfortunate experience. With social media readily available for consumers to tell their story to all of those online, you can easily go to Twitter or Facebook and read about someone's experience with a company or service.

However, merely focusing solely on customer satisfaction has its drawbacks in the marketplace as well. For those companies that focus only on customer satisfaction run a real risk a failing to differentiate their brand from others. In order to achieve long-term sustainability companies must seek to establish ties of loyalty with consumers that are strong enough to ward off the advances of competitors. Creating loyalty among customers can help the company to increase purchases of existing products, charge premium prices for appreciation of your added-value services, and create positive word-of-mouth promotion for your company, which is the core marketing objective for companies.

Customer loyalty is much harder to obtain than satisfaction. Even though customers are satisfied with the company there are several factors that could cause the customer to defect to the competition, such as finding a better value or the competitor is more convenient. With that said, having high levels of customer satisfaction does not

always lead to customer loyalty. However, a company cannot achieve customer loyalty without having customer satisfaction.

Thus, though customer satisfaction does not guarantee the repurchase from a company but it does play a very important role in achieving customer loyalty. Conducting customer satisfaction research will provide your company with the necessary insight it needs to make informed decisions in order to retain and increase your customer base and improve customer relationships.

4.3 Top 5 Ways to Measure Customer Satisfaction

Customer satisfaction is notoriously difficult to measure for several reasons.

To begin with, you have to count on customers not only to give feedback, but also to be honest in their assessment. Many people, when satisfied, feel no need to contact the company, while others will quietly grumble about flaws in service or products and swear off a company without ever seeking redress or voicing their complaints so that the situation can be remedied.

Requirements for satisfaction are not only unique to each individual customer, they can be extremely difficult to quantify, even on a personal level. However, if you are able to set standards for employee conduct where interactions with customers are concerned (both from a point-of-sale and a customer service perspective) then you can certainly implement procedures and guidelines to ensure customer satisfaction and measure their success. You can start by going to the source.

1. Survey Customers

This is probably the only way to get customer feedback unless they contact you, which most people are too busy to bother with unless they are extremely upset for some reason.

You can provide surveys in several ways (through mail, email, or over the phone) and in order to get the best information, you should allow customers to answer questions on a weighted scale (as in “Rate your experience on a scale of 1 to 5 with 1 indicating

complete dissatisfaction and 5 indicating complete satisfaction”). You may also want to survey repeat customers to see how their experience changes over time.

2. Understand Expectations

If you know what your customers expect from you, it logically follows that you will be better able to offer them an enjoyable experience. So make an effort to discover the expectations of your customers in terms of both service and products in order to ensure that you’re meeting their needs.

3. Find Out Where You’re Failing

If you’re not meeting customer requirements, you need to find out where the failure is occurring. Are the products less than what is advertised? Are employees making promises that cannot be met? Are customer service representatives dropping the ball on dispelling customer concerns and managing their complaints? Whatever the case, it would behoove you to know where the lines of communication are breaking down so that relationships with customers can be mended.

4. Pinpoint Specifics

Whether a customer is satisfied or not, the data you collect will need to accurately assess what is working and what isn’t. So inquiries into level of satisfaction should include more than just the overall experience. You need to determine the products or services they purchased, what they liked or disliked about their sales interaction, how the actual purchase compared to their expectations, and any suggestions they have for improvement.

5. Assess the Competition

If you don’t know why customers prefer another brand over yours, you cannot hope to keep them from flocking to the competition. So as part of your survey process, you may want to consider inviting customers to compare and contrast similar products or companies to find out what they are offering that you are not.

4.4 Customer Satisfaction Index

The Customer Satisfaction (CSAT) Index is a fast and effective survey solution that can help you understand and act on customer feedback. Your expertise and commitment to providing high levels of customer service can help ensure ongoing business success for you and your customers.

Understanding what drives customer satisfaction and loyalty is crucial to your organization's continued success. Customer insight can help you retain and deepen your relationships with your customers. It can also help you drive profitability through reduced sales costs and recurring revenue.

4.5 CSAT Index benefits

By participating in the CSAT Index, you can easily and effectively create a dialogue with your customers. These ongoing conversations can help you address your customers' business needs and exceed their expectations.

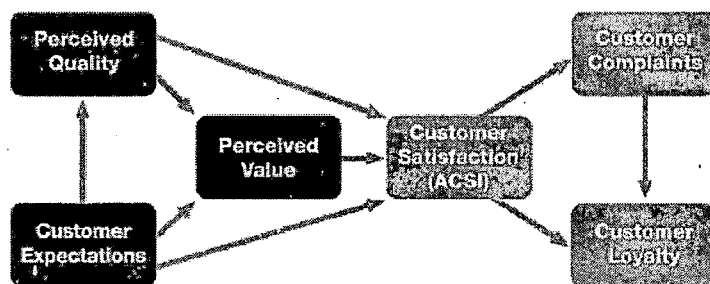
Use the CSAT Index to:

- Identify areas of strength that could lead to opportunities to improve your business.
- Measure your performance against other partners.
- Maximize the value of the time your organization spends on customer insight and minimize administrative costs.
- Maintain the privacy of customer contact information.

4.6 ACSI Methodology

The American Customer Satisfaction Index uses customer interviews as input to a multi-equation econometric model developed at the University of Michigan's Ross School of Business. The ACSI model is a cause-and-effect model with indices for drivers of satisfaction on the left side (customer expectations, perceived quality, and perceived value), satisfaction (ACSI) in the center, and outcomes of satisfaction on the right side (customer complaints and customer loyalty, including customer retention and price tolerance).

The indexes (shown in the diagram below) are multivariable components measured by several questions that are weighted within the model. The questions assess customer evaluations of the determinants of each index. Indexes are reported on a 0 to 100 scale. The survey and modeling methodology quantifies the strength of the effect of the index on the left to the one to which the arrow points on the right. These arrows represent "impacts." The ACSI model is self-weighting to maximize the explanation of customer satisfaction (ACSI) on customer loyalty. Looking at the indexes and impacts, users can determine which drivers of satisfaction, if improved, would have the most effect on customer loyalty.



- **Customer Expectations**

Customer expectations is a measure of the customer's anticipation of the quality of a company's products or services. Expectations represent both prior consumption experience, which includes some non experiential information like advertising and word-of-mouth, and a forecast of the company's ability to deliver quality in the future.

- **Perceived Quality**

Perceived quality is a measure of the customer's evaluation via recent consumption experience of the quality of a company's products or services. Quality is measured in terms of both customization, which is the degree to which a product or service meets the customer's individual needs, and reliability, which is the frequency with which things go wrong with the product or service.

- **Perceived Value**

Perceived value is a measure of quality relative to price paid. Although price (value for money) is often very important to the customer's first purchase, it usually has a somewhat smaller impact on satisfaction for repeat purchases.

- **Customer Complaints**

Customer complaints are measured as a percentage of respondents who indicate they have complained to a company directly about a product or service within a specified time frame. Satisfaction has a negative relationship with customer complaints, as the more satisfied the customers, the less likely they are to complain.

- **Customer Loyalty**

Customer loyalty is a combination of the customer's professed likelihood to repurchase from the same supplier in the future, and the likelihood to purchase a company's products or services at various price points (price tolerance).

Customer loyalty is the critical component of the model as it stands as a proxy for profitability.

4.7 INTRODUCTION OF RETAILING

MEANING OF RETAIL:-

The word retail is derived from the French word retailer, meaning to cut a piece off or to break bulk. In simple terms, it implies a first-hand transaction with the customer. Retailing can be defined as the buying and selling of goods and services. It can also be defined as the timely delivery of goods and services demanded by consumers at prices that are competitive and affordable. Retailing involves a direct interface with the customer and the coordination of business activities from end to end- right from the concept or design stage of a product or offering, to its delivery and post-delivery service to the customer. The industry has contributed to the economic growth of many countries and is undoubtedly one of the fastest changing and dynamic industries in the world today.

WHAT IS RETAILING?

RETAILING is a set of business activities that adds value to the products and services sold to consumers for their personal or family use.

A RETAILER is a business that sells products and/or services to consumer's personal or family use.

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4.7.1 Definition and scope of Retailing

The word 'retail' is derived from the French word 'retailer', meaning cut a piece off or 'to break bulk'. In simple terms, it implies a first-hand transition with the customer. Retailing involves a direct interface with the customer and the coordination of business activities from end to end, right from the concept or design stage of a product or offering, to its delivery and post delivery service to the customer. The industry has contributed to the economic growth of many countries and is undoubtedly one of the fastest changing and dynamic industries in the world today.

Retailer: A retailer is any business organization that derives more than half of its sales from retailing. For example, retailing occurs when you purchase gasoline at a service station, movie tickets at a theater, or clothing at a department store. Your local hairstyling salon, your favorite restaurant, and The Gap and Banana Republic stores at the regional shopping center are retailers. Their success or failure is ultimately determined by how well they serve you and other consumers like you.

4.7.2 Retailers can be various types:-

1. Store retailer
2. Non store retailers

1) Store retailer:- Store retailers include:-

a) **Specialty store**:- A specialty store carries a narrow product line with a deep assortment within that line. Examples of specialty retailers are apparel stores, sporting goods stores.

b) **Department store**:- A department store carries several product lines, typically clothing, home furniture and household goods.

c) **Super market**:- A supermarket is a relatively large, low cost, low margin high volume self service operation designed to serve the consumer's total need for food and household-maintenance products.

d) **Convenience store**:- Convenience stores are relatively small stores that are located near residential areas; are open long hours and seven days a week with a limited line of high turnover convenience products.

2) Non store retailing includes:-

a) **Direct Selling:-** It involves oral presentation in a conversation with one or more prospective purchases for the purpose of making sales.

b) **Automatic vending:-**Automatic vending through coined operated machines has been a major port would war-II growth area. Automatic vending has been applied to a considerable variety of merchandise including impulse goods with high convenience value (soft drinks, candy). Vending machines offer customers the advantages of twenty four hour selling, self service and unhanding merchandise

4.7.3 Store Design and Layout - Different Floor Plans and Layouts

Opening a retail store is no joke and requires meticulous planning and detailed knowledge.

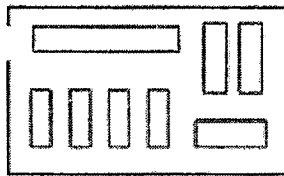
Location

Make sure your store is in a prime location and is easily accessible to the end-users. Do not open a store at a secluded place.

Floor Plan

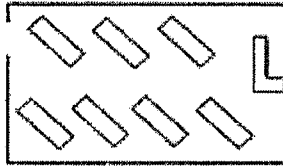
The retailer must plan out each and everything well, the location of the shelves or racks to display the merchandise, the position of the mannequins or the cash counter and so on.

1. Straight Floor Plan



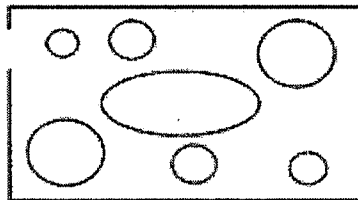
The straight floor plan makes optimum use of the walls, and utilizes the space in the most judicious manner. The straight floor plan creates spaces within the retail store for the customers to move and shop freely. It is one of the commonly implemented store designs.

2. Diagonal Floor Plan



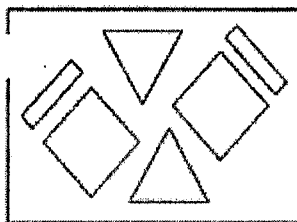
According to the diagonal floor plan, the shelves or racks are kept diagonal to each other for the owner or the store manager to have a watch on the customers. Diagonal floor plan works well in stores where customers have the liberty to walk in and pick up merchandise on their own.

3. Angular Floor Plan



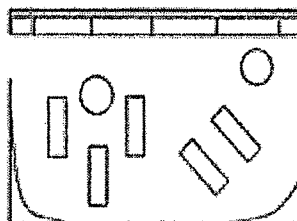
The fixtures and walls are given a curved look to add to the style of the store. Angular floor plan gives a more sophisticated look to the store. Such layouts are often seen in high end stores.

4. Geometric Floor Plan



The racks and fixtures are given a geometric shape in such a floor plan. The geometric floor plan gives a trendy and unique look to the store.

5. Mixed Floor Plan



The mixed floor plan takes into consideration angular, diagonal and straight layout to give rise to the most functional store lay out.

4.7.4 Tips for Store Design and Layout

- The signage displaying the name and logo of the store must be installed at a place where it is visible to all, even from a distance. Don't add too much information.
- The store must offer a positive ambience to the customers. The customers must leave the store with a smile.
- Make sure the mannequins are according to the target market and display the latest trends. The clothes should look fitted on the dummies without using unnecessary pins. The position of the dummies must be changed from time to time to avoid monotony.
- The trial rooms should have mirrors and must be kept clean. Do not dump unnecessary boxes or hangers in the dressing room.
- The retailer must choose the right colour for the walls to set the mood of the customers. Prefer light and subtle shades.
- The fixtures or furniture should not act as an object of obstacle. Don't unnecessary add too many types of furniture at your store.
- The merchandise should be well arranged and organized on the racks assigned for them. The shelves must carry necessary labels for the customers to easily locate the products they need. Make sure the products do not fall off the shelves.
- Never play loud music at the store.
- The store should be adequately lit so that the products are easily visible to the customers. Replace burned out lights immediately.
- The floor tiles, ceilings, carpet and the racks should be kept clean and stain free.
- There should be no bad odour at the store as it irritates the customers.
- Do not stock anything at the entrance or exit of the store to block the way of the customers. The customers should be able to move freely in the store.
- The retailer must plan his store in a way which minimizes theft or shop lifting.
 - i. Merchandise should never be displayed at the entrance or exit of the store.
 - ii. Expensive products like watches, jewellery, precious stones, mobile handsets and so on must be kept in locked cabinets.
 - iii. Install cameras, CCTVs to have a closed look on the customers.

- iv. Instruct the store manager or the sales representatives to try and assist all the customers who come for shopping.
- v. Ask the customers to deposit their carry bags at the entrance itself.
- vi. Do not allow the customers to carry more than three dresses at one time to the trial room.

4.7.5 Retail Store Operations:

✓ Store Atmosphere

The store must offer a positive ambience to the customers for them to enjoy their shopping and leave with a smile.

- The store should not give a cluttered look.
- The products should be properly arranged on the shelves according to their sizes and patterns.

✓ Make sure products do not fall off the shelves.

- There should be no foul smell in the store as it irritates the customers.
- The floor, ceiling, carpet, walls and even the mannequins should not have unwanted spots.
- Never dump unnecessary packing boxes, hangers or clothes in the dressing room. Keep it clean.

- Make sure the customers are well attended.
- Don't allow customers to carry eatables inside the store.

✓ Cash Handling

- One of the most important aspects of retailing is cash handling.
- It is essential for the retailer to track the daily cash flow to calculate the profit and loss of the store.
- Cash Registers, electronic cash management system or an elaborate computerized point of sale (POS) system help the retailer to manage the daily sales and the revenue generated.

✓ Prevent Shoplifting/Safety and Security

- The merchandise should not be displayed at the entry or exit of the store.
- Do not allow customers to carry more than three dresses at one time to the trial room.
- Install CCTVs and cameras to keep a close watch on the customers.
- Each and every merchandise should have a security tag.

- Ask the individuals to submit carry bags at the security.
- Make sure the sales representative handle the products carefully.
- Clothes should not have unwanted stains or dust marks as they lose appeal and fail to impress the customers.
- Install a generator for power backup and to avoid unnecessary black outs.
- Keep expensive products in closed cabinets.
- Instruct the children not to touch fragile products.
- The customers should feel safe inside the store.

✓ **Customer Service**

- Customers are assets of the retail business and the retailer can't afford to lose even a single customer.
- Greet customers with a smile.
- Assist them in their shopping.
- The sales representatives should help the individuals buy merchandise as per their need and pocket.
- The retailer must not oversell his products to the customers. Let them decide on their own.
- Give the individual an honest and correct feedback. If any particular outfit is not looking good on anyone, tell him the truth and suggest him some better options.
- Never compromise on quality of products. Remember one satisfied customer brings five more individuals to the store. Word of mouth plays an important role in Brand Promotion.

✓ **Refunds and Returns**

- Formulate a concrete refund policy for your store.
- The store should have fixed timings for exchange of merchandise.
- Never exchange products in lieu of cash.
- Never be rude to the customer, instead help him to find something else.

✓ **Visual Merchandising**

- The position of dummies should be changed frequently.
- There should be adequate light in the store. Change the burned out lights immediately.
- Don't stock unnecessary furniture at the store.

- Choose light and subtle colours for the walls to set the mood of the walk-ins.
- Make sure the signage displays all the necessary information about the store and is installed at the right place visible to all.
- The customers should be able to move and shop freely in the store.
- The retail store should be well ventilated.

✓ **Training Program**

- The store manager must conduct frequent training programs for the sales representatives, cashier and other team members to motivate them from time to time.
- It is the store manager's responsibility to update his subordinates with the latest softwares in retail or any other developments in the industry.
- It is the store manager's responsibility to collate necessary reports (sales as well as inventory) and send to the head office on a daily basis.

✓ **Inventory and Stock Management**

- The retailer must ensure to manage inventory to avoid being "out of stock".
- Every retail chain should have its own warehouse to stock the merchandise.
- Take adequate steps to prevent loss of inventory and stock.

✓ **Retail Merchandising**

Promotional Merchandising

- The ways the products are displayed and stocked on the shelves play an important role in influencing the buying behavior of the individuals.

A merchandiser maximizes the sale of the products by:

✓ **Attractive packaging**

- ✓ The packaging of the merchandise goes a long way in improving the brand value of the product. A product kept in a nice box would definitely catch the attention of the customers.

Impressive presentation of the Product

The display of the products at the retail store must entice the customers. The merchandiser in coordination with the store manager must ensure that the products are according to the season as well as latest trends.

The merchandiser must:

- Source something which is unique and not available at any other retail store.

Never compromise on quality of the merchandise. Compromising on quality costs later.

Source merchandise as per the season and climate.

4.7.6 Conclusion: The theoretical framework forms the boundaries of the study within which the observations to be made and data to be collected. This chapter also has made an effort to give overview of the changing socio-cultural trends, demographic constitution as far as customers concerned while also drawing various trends in the Industry; such as business practices, technology, etc.