CUSTOMER LOYALTY – SPECIFIC FEATURES OF RETAIL ACTIVITY IN BUCHAREST

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ABSTRACT: Altough the consumer behavior in the field of consumer goods industry represents a relatively common area of interest in nowadays scientific literature, their loyalty is part of a research area insufficiently studied at the level of Romanian market. Authors aim to investigate throughout a quantitative marketing research issues regarding customer's loyalty for a well-known supermarket chain in Bucharest.
The findings may have a wide range of applicability, the identified variables and highlighted features could form the basis for substantiation of marketing strategies aimed for customer loyalty.Current customers in the specific urban environment of Bucharest show great sensitivity to offer, location, daily shopping basket, etc, while there are at the same time prerequisites for a loyal type behavior.

Key words: customer loyalty, retail chain, marketing strategies

JEL codes: M31, D12

Introduction

The present paper is aimed to investigate a range of particular correlations between different type of variables concerning loyalty for a supermarket chain in the metropolitan area of Bucharest.

As we all are witness to all kind of different tendencies regarding modern consumer, the research domain concernig loyalty is a complex and dynamic one.

In the era of web 3.0 and fast developing of mobile media and electronic commerce tehnologies, the consumers behaviour is also changing fast and the patterns of consumption are not so predictible any more.

Right now, these kind of trends are manifesting also at the level of the Romanian market, especially in metropolitan areas. Romanian consumers tend to broaden up their horizon, to enhance their capacity of finding informations and use mobile media technology and to take into account the social networks phenomenom.

In this context we consider that a research designed to measure the complex relationships between different variables and the state of loyalty is a interesting and desirable project.

Literature review

For the beggining we will try to encompass in a brief a series of issues regarding the concept of loyalty and his evolution in scientific literature.

At the level of 1950's literature, different specialists define customer loyalty only in terms of behavior over a period of time. Loyalty was only measured by the quantity and the frecquency of the buying process regarding the same brands (Tucker W. T., 1964; Jacoby J., Chestnut R.W., 1978).

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The loyalty conceptualisation evolution further involved the idea that different type of situational factors can induce the consumers behaviour, and therefore defintion of loyalty should take account of attitudes. Among situational factors has been enumerated lack of alternatives in purchasing a product, high switching costs and even inertia (Dick A., Basu K., 1994).

Attitude and emotional response influenced almost 75% of customers' purchasing decision in case of services, because the difficulty to evaluate them (Gremler D.D., Brown S.W., 1996).

These type of findings determined that other authors include customers' attitudes in the loyalty measurement rather than only the repeat purchase behavioral pattern (Andreassen T.W., Lindestad B., 1998). However, measuring loyalty only in terms of attitudinal response is still insufficient for example in case of services loyalty. In this case disatisfied customers will not switch to other alternatives only because they feel disatisfied and satisfied customers will not remain loyal just because they are satisfied (O'Malley L., 1998).

In the second phase of conceptual evolution, scientific literature regarding loyalty was dominated by the idea that loyalty can be measured simultaneously from the point of view of the behavioural and attitudinal elements alltoghether (Czepiel J.A., Gilmore R., 1992; East R., et all., 1998).

Authors like Dick and Basu have proposed such a model that take into account both related attitude of the customers and the repeat purchase possibility (Dick A., Basu K., 1994).

According to this model, true loyalty implies a high degree of repeat purchase possibility and a strong positive attitude towards the product or service. In other cases, customers have only a kind of "spurious loyalty" or "latent loyalty". "Spurious loyalty" describes the situation in which the customers have a high degree of repeat purchase possibility but a rather negative attitude, while "latent loyalty" means that customers have a strong positive attitude but they dont manifest a repeat purchase behaviour.

After these type of conceptualization, scientific literature pass to the third phase, that implies a kind of composite measure for loyalty consisting of three types of measurement attributes: behavioral, attitudinal and cognitive ones. Earlier attempts to conceptualise loyalty determined simultaneously by repeat purchasing behaviour, positive attitude and rational motives to select a particular brand for consumption (Gremler D.D., Brown S.W., 1996), were completed by one of the most important specialists who made important contributions in the field of loyalty conceptualization.

According to his framework, Oliver (Oliver, R. L., 1999), determined that loyalty can be better conceptualized using a pattern of "cognition-affect-conation".

Oliver stated that the first construct of loyalty has a „cognitive" basis.The consumer learn through a cognitive process that a particular brand is the most suited for his needs. Having multiple consumption occasions, he develop a favorable attitude toward the brand, and gain a state of satisfaction that Oliver related with the concept of "affective loyalty".The last phase implies the conative level when, the consumer has a strong commitment and make repetitive purchase decisions, avoiding any other presure from alternative buying opportunities.

The conceptualization of loyalty proposed by Oliver implies ultimately taking into consideration all the aspects reffering to customer beliefs – the process of cognition, the process of developing a positive attitude - customer affection and the customer repurchase action – a conative behavior, simultaneously.

In the field of loyalty studied in relation with retail area, we may emphasize a series of findings that in our opinion show the complexity of specific processes regarding in store customer behaviour.

In their study, Cole and Clow (Cole H.S., Clow K.E., 2011), sugest that local shopping loyalty could have an indirect driver consisting in a particular attitude towards advertising in the case of customers with a materialistic view.Also in the context attitude towards advertising doesn't have a positive relationship with buying impulsiveness, but only with the above elements:

materialistic attitude and loyalty. The materialistic orientation of the consumers did not have a direct relationship with loyalty in case of local shopping activity, but have a direct one with buying impulsiveness.The authors suggested that it could be an indirect influence of the materialistic orientation through buying impulsiveness. So advertising may use messages build by practical advantages in the shopping procces to entice loyalty in case of such consumers.

Despite the interesting findings authors admit that the study was limitated by the very specific sample: students between 20 and 25 years of age, mid south of the USA, and they recommend that more variables should be taken into consideration – such as income.

Another dimension in studying the complexity of loyalty related facts in retail activity is the corellation between loyalty for a particular brand and the store attributes. Wong Foong Yee and Yahyah Sidek (2008), stated that store environment was positively related to brand loyalty.

In their study about influence of brand loyalty on consumer sportswear, the store environment is considered one of the factors that can influence consumer brand loyalty. Moreover, it is observed that consumers paid much attention to store attributes such as merchandise display, variety of selection, parking space, easily accessible by car and the reputation of the store in purchasing products.

This findings make us believe that a possible direction for future research is to investigate if exists correlations between the loyalty related to a particular store and loyalty related to a particular brand, or set of brands, excepting situations in which the brand and store are property of the same producer. A particular environment associated with a specific store may emphasize the image of a brand and therefore may contribute in bulding loyalty around it.

Concerning this particular aspect – if and how loyalty towards stores is related with the type of products, we have to mention another interesting research.

In 2005 a series of authors, have made an interesting research that shows relationship between loyalty of customers of a supermarket chain and variables that measure the expenditure and the frecquency of visits. (West C. et all, 2005). In this research, authors show two different levels of analyse: a product based one and a transaction pattern one.

Authors used a clustering scheme that was proposed earlier by Lingras and Adams, scheme that implies five groups of loyal customers: (Lingras P.J., Adams C., 2001) - loyal big spenders, infrequent customers, semi-loyal potentially big spenders, loyal moderate spenders, potentailly moderate to big spenders with limited loyalty. In the clustering process, authors used Kohonen neural netwotk and K-means methods to make clusters based on number of visits and total weekly expenditures.

The instruments used were proper for the purpose of the analysis because the Kohonen neural networks method can produce easily comprehensible low-dimensional maps, being the closest to the model of biological neural networks, and in the same time it requires no a priori information on studied classes and therefore classifies examples only by intrisic characteristics. In the same time the k-means method has been shown in many cases to be effective in producing good clustering results.

At the end of our brief insight in scientific literature regarding conceptualization of loyalty and correlations with the retail field, we may recall the Lessig Parker study, (Lessig P.V.,1973), that examines the relationships which exist between measures of store image and store loyalty.

Encouraged by the relationships found, store loyalty is predicted from store image information.The consumer loyalties may be characterized as being more of an avoidance of certain stores rather then an attraction to particular stores. We consider the approach interesting because a retail marketing strategy should focus on some very important issues regarding reasons of migration to other stores instead beeing constructed only taking into account clasical visible advantages of the store.

Research design and methodology

The research that formed the basis of the present article was a field type survey conducted at the level of ten different locations of a well known supermarkets chain from Bucharest.

The final sample, after careffully excluded errors, included a number of 723 respondents, selected among the chain clients, on a filter type question regarding their amount of shopping in the last six months. Only customers with a minimum number of six buying occasions in the last half of year have been taken into consideration.

The research took place during a week, all weekdays at various times during the opening hours of shops.

Field type survey was preceded by a series of focus group sessions with clients selected from on the field from active store clients. During the focus groups sessions was sought identification of the particularities of attributes that characterize supermarket chain customers loyalty. The main role of the field survey was to provide an appropiate testing for the assumptions regarding variables that influence loyalty for chain clients.

The survey sought to test several hypotheses that ultimately shape a possible model for the analysis of loyalty chain supermarket taken into cosideration.

Among them we can consider a first set of hypothesis regarding variables that show factors who can lead to the state of loyal „client":

H1: Adequacy of products supply from store to customer lifestyle offer a basis for developing loyalty

H2: Commercial store services led to the developing of store loyalty

H3:Recommendations of other clients have contributed to the manifestation of loyalty status

H4: Products Quality has lead to the start of loyalty

H5:Constant adaptation of products available tocustomers' needs have contributed to the manifestation of loyalty status

H6: Facilities regarding ways of transportation to the store, contributed to the manifestaton of the loyal status

H7: Store location in proximity to the customer's home led to the appearance of loyalty

H8: Staff training in relation to their current product offering contributed to the emergence loyalty

H9: Lighting and interior design of the stores contributed to the manifestation of loyalty

H10: Location and commercial furniture ergonomics have contributed to the loyalty

H11: Category management contributed to the manifestation ofloyalty

H12: Methods of promotion in store, inside signage , contributed to the emergence loyalty

The second type of hypothesis reffers to the relationship between the achieved state of loyal customer and variables that characterize the behaviour of the loyal customer. These are:

H13: Manifesting of the first option for buying from the store instead from the competition represents a feature of the loyal type client

H14: High purchase frequency characterizes loyal customer

H15:Reasons for return to the store are factors that characterize the regular customer (price level, diversification of product, assortment, store program, diversity information provided by staff)

H16: High mean buying characterize the loyal client

H17: Powerful manifestation for the intention to return in store characterize the loyal customer

H18: Recommendations made by customers to other customers, characterize the loyal customer

H19: High availability to try new products characterize loyal customer

H20: Accepting a relatively high margin price growth characterized the loyal customer

H21: High frequency communication of positive information about the store represents a characteristic for the loyal customer

Results and discussion

Aplying a different type of analyses (Chi Square, Pearson correlation, Spearman – chosen according to the type of scale which was measured the factor) we have demonstrated the relationship and the semnification of every variable taken into consideration.

Our construct refer to two different stages. The stage for building loyalty, when customers after being subjected to different factors, achieve a degree of loyalty for the store, and the stage after the state of being loyal is cristalized. In this stage customers manifest themselves in a particular manner, they have a behaviour and a decisional buying process which is characteristic for a loyal subject.

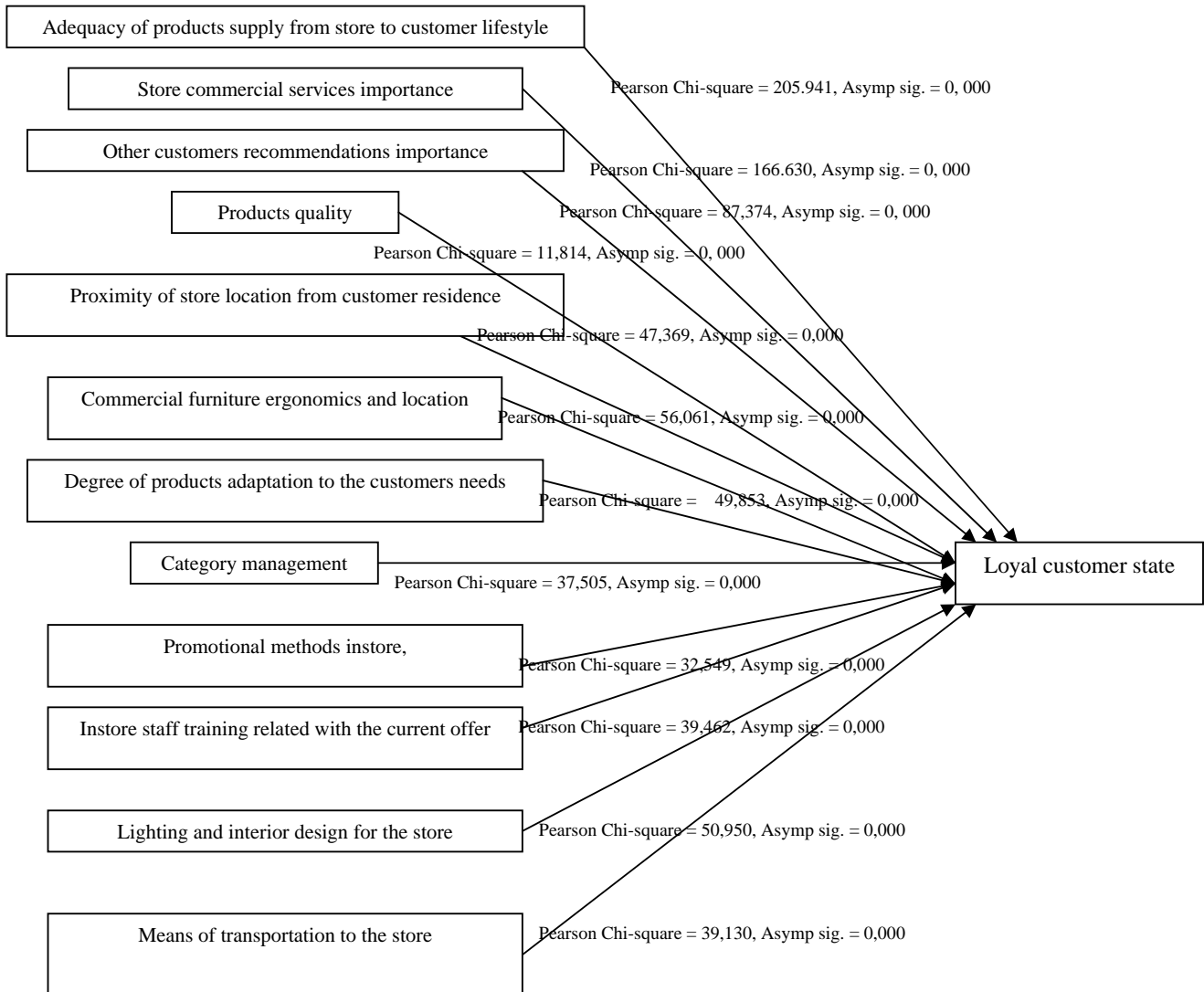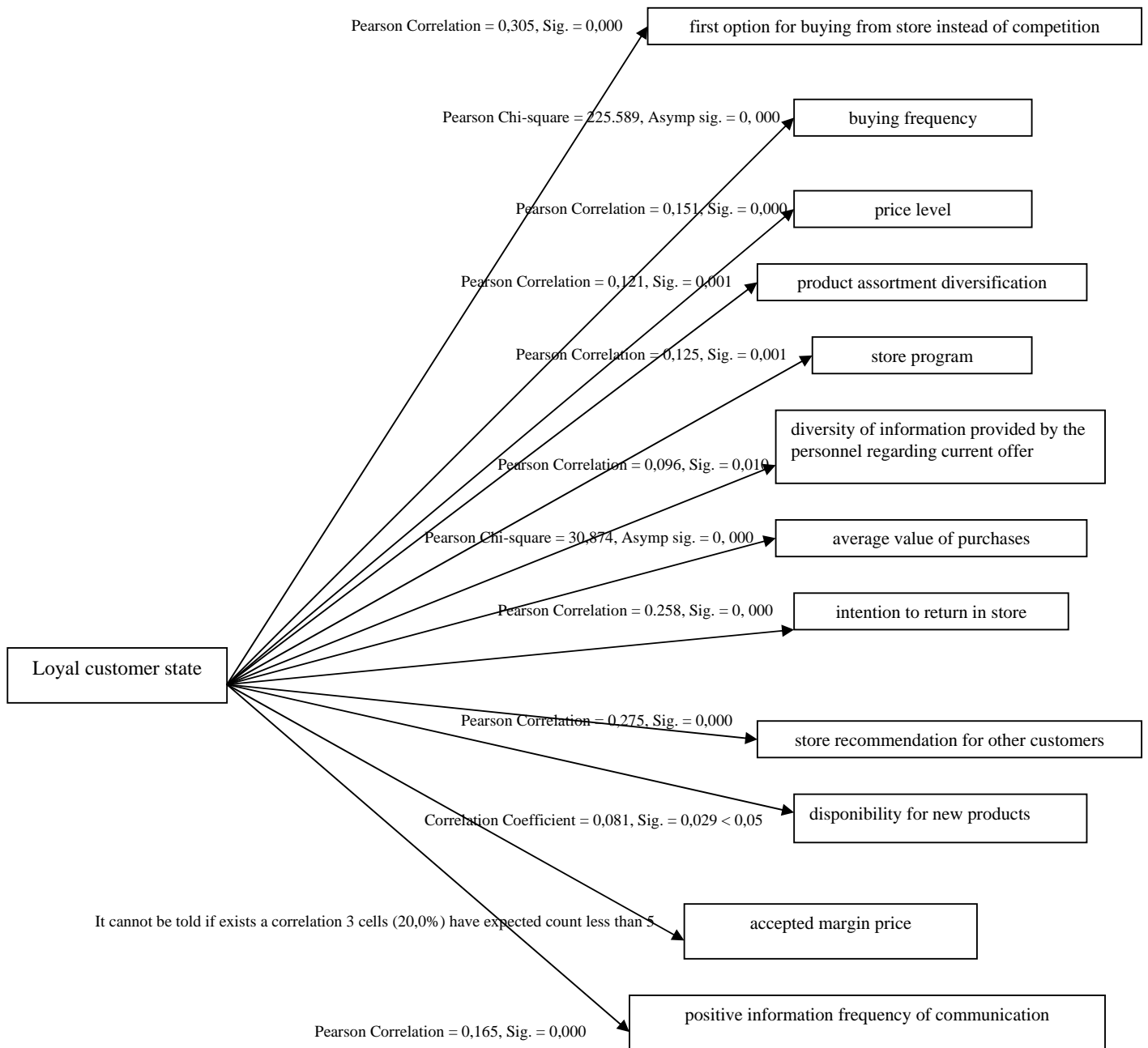After careful analysis, the following model of influence can be drawn:

Fig no1. Correlations between variables that determine loyal customer state – phase one

Fig no.2. Correlations between loyal customer state and variables that characterize the loyal customer behaviour – phase two

As we can see in the two figures above, almost all hypothesis can be verified. As regards variables that determine the loyalty for the supermarket chain, all have a strong dependency.

In the second stage, regarding the relation between the accepted margin price and the state of loyalty we dont have enough cases to demonstrate a correlation between the two.

It can be observed a strong relation between loyalty and buying frequency, also loyalty and first option for buying from store instead of competition, loyalty and price level, loyalty and increasing average value of purchases, loyalty and intention to return in store, loyalty and store

recommendation for other customers, and loyalty and positive information frequency of communication about the store.

As we can see the reseach shows different type of aspect regarding the measurement of loyalty from both the behavioural perspective and the atitudinal one.

The antecedents for loyalty and the determinants after the state of beign loyal was cristalized are well established and with a clear significance. It has been shown that romanian consumers, at least in the metropolitan area are strongly conducted by a series of determinants concerning their behaviour.

Conclusion

Loyalty remains one of the most intriguing topics for the research in markerting field.The complexity of so different aspects that can pop out with every different research make us believe in the legimity of a longitudinal research effort aimed to investigate the loyalty in his very own aspects.

The present research was a first one made in the field of retail marketing and has it's own limitations.One of them is reffering to the fact that during analysis not all the variables measured within the applied questionare were suitable for a direct correlation.We emphasize only variables that clearly have a relationship with the state of being loyal.

As regarding relationship between the categorical variables and the loyal state, the only categorical variables which can make a difference are the income of respondents and the Bucharest administrative sector of living.

So in the perspective of a marketing strategy aimed to build loyalty for the supermarket chain we have take into consideration, the segmentation of the consumers has to take into account the income and geographical position. Other segmentation variables like age, sex are inoperable.

These conclusions show us clearly the need for further research to investigate profoundly the lack of consitency in case of sunch common variables used for everyday segmentation in most cases. It will be very useful tu study for example what is happening with a young customer in a period of ten years time from now, how the changes at the level o personality, needs, etc will affect his present orientation towards loyalty.

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