J Economics, 4(2): 83-88 (2013)

Customer Satisfaction and Loyalty to Small Township Retail Stores in Mankweng, Limpopo Province, South Africa

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KEYWORDS Customer Satisfaction. Customer Loyalty. Small Retail Stores. Mankweng. South Africa

ABSTRACT The study investigates customer satisfaction and customer loyalty to small retail stores that are located close to big retail stores. Data collecting was done through convenience sampling using self-administered questionnaires. Data was analysed through univariate analysis. The results indicated that perceptions of customer satisfaction are lower than the expectations. The respondents indicated their intention to make repeat purchases and also recommend the stores to friends and family indicating customer loyalty. The presence of big retail stores impacts negatively on the loyalty to small retail stores. Recommendations to improve customer satisfaction and loyalty are suggested.

INTRODUCTION

According to Abor and Quartey (2010), small and medium enterprises (SMEs) are of great socio-economic significance. In South Africa, SMEs have been identified by the government as a priority in increasing jobs in order to reduce the high unemployment rate which is currently estimated at 24.7% (Statistics South Africa 2013). In addition, SMEs have an important role to play in reducing wealth inequalities and improving the economic growth of South Africa (Pahad 2008). The retail industry has grown over the past years, supported by an increase in both the supply of retail space and the number of shopping centres in the country. South Africa has seen a boom in shopping centre development and townships have also benefited from this. Growth of the industry is largely influenced by economic conditions that consumers find themselves in. (Gauteng Province 2012). Adeniran and Johnston (2011) note that despite the highlighted importance of the SME sector, it is estimated that the failure rate of SMEs in South Africa is between 70% and 80%. Most of these SMEs fail within the first two years of operation. The high failure rate casts doubt on this sector's ability to create sustainable employment and reduce poverty. Bowen et al. (2009) state that given this high failure rate, it becomes vital to research into the factors that are required to enable SMEs to survive and improve their performance.

According to Brink et al. (2003), in the new global environment with intense competition, business enterprises can no longer focus on profit maximisation only but also on customer satisfaction. Customer satisfaction has become the major success factor for business enterprises to gain increased market share and to successfully compete. Kotler and Armstrong (2006) point out that for business enterprises to deliver customer need satisfying goods and services profitably, they need to meet or exceed the customers' expectations of value. Orth and Green (2009) add that higher customer satisfaction relates to higher customer loyalty. Williams and Naumann (2011) find that strong positive association between customer satisfaction, and retention, revenue, earnings per share, stock price. Sun and Kim (2013) reveal that the impact of customer satisfaction is reflected in the profit margin, return on assets and return on equity all proxies of a firm's profitability.

Balkenhol and Evan-Klock (2002) point out that SMEs in South Africa are faced with many difficulties regarding their return on investment. Amongst these is the dual nature of the economy, where SMEs, often, have to compete with established multinational and large firms in the same sector. In South Africa, most sectors are concentrated around a few large firms. Consequently, SMEs face the constraints of entering and staying in a highly competitive market and this affects their ability to make profits from their investment. Weeks and Benade (2008) and Phillip (2010) agree that the South Africa's economy is highly centralised, with high levels of concentration of capital and limited levels of competition in key sectors. The extent to which this economic structure constrains options and opportunities on the margins is often overlooked. The Institute of Packaging of South Africa (2013) points out that South African can be said to have a dual economy. Epitomising this phenomenon is a three-tier retailing system. At the top end of the scale are the giant supermarket chains in urban areas and often located in shopping malls, followed by the township spazas. At the bottom end of the retailing spectrum are street traders.

Ligthelm (2008) finds a generally negative impact of the shopping malls on the surrounding small informal and formal township retailers. Almost half the respondents report a decline in the number of small businesses in their immediate vicinity during the six month's existence of the shopping malls. In addition, almost 60% of the respondents experience a decline in their businesses' profitability, turnover, stock movement and product range. This suggests that the existence of big stores can have implications for customer satisfaction and loyalty to small retail stores that are closely located to big stores.

Objective of the Study

The objective of the study is to investigate the extent of customer satisfaction and loyalty to small township retail shops that are located near big retail stores in Mankweng, Limpopo Province.

Literature Review

Customer Satisfaction

Kotler and Armstrong (1996) define customer satisfaction as the level of a person's felt state resulting from comparing a product's perceived performance or outcome in violation to his/her own expectations. The efficient satisfaction of customer needs is the ultimate test of a business enterprise's success and focus of business activity should be to serve customer needs and wants more efficiently than competitors (Jain 2000). The long term survival of a business enterprise depends not only on the sales volume and the variety of business enterprise's products but also on the former's ability to satisfy the needs of customers efficiently. A business enterprise's ability to deliver superior value is thus the starting point in efficient customer need satisfaction (Jain 2000). A satisfied customer is the only true asset of the business enterprise and represents the sole justification of the business enterprise's existence (Cant et al. 2006). There is a direct positive link between service quality and customer behavioural intentions and strong customer service leads to customer satisfaction, which will in turn, lead to loyal behaviour. The perceived value of products relative to price, staff friendliness and willingness to assist as well as the quality and freshness of products, store appearance, and the degree of customer service are some of the factors affecting customer satisfaction (Gomez et al. 2004). According to Clottey et al. (2008), the benefits of customer satisfaction to a business include lower acquisition costs of attracting new customers and retaining existing customers.

The SERVQUAL model introduced by Parasuraman et al. (1988) provides one of the most important basis in the theory of customer satisfaction. The SERVQUAL model provides the basis for the measurement of customer satisfaction with a product or service by assessing and comparing both perceptions and expectations across a range of different service characteristics. As observed by Terblanche (2002), superior service quality leads to customer satisfaction. Therefore, service quality, as measured by the SERVQUAL model cannot be separated from customer satisfaction analysis. Further development of the customer satisfaction theory was conducted by Oliver (1977, 1980), who introduced the expectancy disconfirmation theory. The disconfirmation theory suggests that customer satisfaction with a product or service is related to the size of the disconfirmation experience; where disconfirmation is related to the customer's initial expectations as compared to the actual performance delivered (Thijs and Staes 2008). The "gaps" between the actual delivered value and customer expectations, consequently, influence the level of satisfaction or dissatisfaction of the customer. Therefore, where performance matches or exceeds customer expectations there will be positive disconfirmation and customer satisfaction. However, negative disconfirmation will occur where performance is below customer expectations and there is customer dissatisfaction (Wirtz and Bateson 1995). The gap between customer evaluation or perceptions of performance and customer satisfaction provide a solid measure of service quality and determines the level of performance (Thijs and Staes 2008).

Customer Loyalty

Customer loyalty can be defined as repeat patronage, that is, the proportion of times a purchaser chooses the same product or service in a specific category compared to the total number of purchases made by the purchaser in that category (Neal 1999). Boora and Singh (2011), identify customer loyalty through repeat purchase behaviour. The attitudinal theory introduced by Day (1969) suggests that a customer's willingness to recommend a service provider is often presumed to be a surrogate indicator of customer loyalty. For true loyalty to be in effect the customer must have a favourable attitude towards a product and purchase it repeatedly. According to Hollensen (2003), the success of a business is based on loyal customers who have a bond with the business enterprise and this bond links the customer to the enterprise to such an extent that the customer develops a preference for the business enterprise. When true loyalty exists, customers will regularly conduct repeat purchase transactions with the business enterprise for the sole reason that customers have a strong preference for that business enterprise. Customer loyalty is not merely based on quality, price, physical facilities or satisfaction but is based more on customer feelings and perceptions about the business enterprise (Krell 2005). The marketing maxim on customer loyalty is that it costs five times more to acquire a new customer than to retain an existing one (Gee et al. 2008). Customer loyalty results from committed customers who display repeat purchase tendencies or behaviour towards the business enterprise will be committed to purchasing the goods offered by that particular enterprise (Brink and Berndt 2004).

RESEARCH METHODOLOGY

The study used the quantitative research methodology approach. The target population was identified as customers that purchase goods from two big retail stores (Pick and Pay and Shoprite) and nearby small retail shops in Mankweng, Limpopo province. Mall intercept survey, where shoppers at a mall are intercepted and given self-administered questionnaires to complete, was used to collect data. According to Rice and Hancock (2013), a mall intercept is a method of data collection in which an interviewer at a shopping mall intercepts a sample of those passing by to ask if they would be willing to participate in a brief research study. A mall intercept is a kind of convenience sampling, that is, potential respondents are not necessarily selected at random and may therefore not be representative of the target population. Nevertheless, mall intercepts provide a relatively quick and economical way to do sampling, especially of hard to reach segments of a population. The respondents were selected randomly as they exited the retail stores. The questionnaire included close ended questions and Likert-scale questions. Close ended questions were limited to demographic factors. To measure customer satisfaction, a modified version of the SERVQUAL model introduced by Parasuraman et al. (1988) was used. According to the SERVQUAL model, an effective measure of customer satisfaction requires measuring the differences between customer expectations and the customer perceptions. Seven dimensions of customer satisfaction were focused upon. These include tangibility, responsiveness, courtesy, customer handling, competence, accessibility and security. These dimensions were presented both in terms of expectations and perceptions. The T-test was performed on the mean scores of expectations and perception items and dimensions to identify the existence of significant differences in the mean scores. To measure customer loyalty, the Harvard Business Review Apostle model was used. Customers were asked to rate their overall satisfaction on a scale of 1 to 10 and their likelihood to continue to do business with the retail stores on a scale of "definitely will" to "definitely will not" (on a scale of 1 to 10). According to the Apostle model, loyalists report both high satisfaction and high loyalty. Hostages report high loyalty despite low satisfaction. Mercenaries report high satisfaction, but low loyalty. Defectors report both low satisfaction and low loyalty. Furthermore, a five point Likert scale detailing whether the customer would recommend the retail stores to family and friends and whether the customer would switch to competitors was also used to effectively measure customer loyalty. Respondents were also asked about the effect of the presence of big retail stores on their loyalty to small retail stores using the five point Likert scale "1 strongly disagree" to "5 strongly agree". Data analysis included descriptive statistics, chi square goodness of fit, T-test and ANOVA. To ensure validity, the study used constructs such as the SERVQUAL model and the Apostle model that have been empirically validated. The research instrument was also pre-tested in a pilot study. The Cronbach's alpha was used as the measure of reliability.

RESULTS AND DISCUSSION

Two hundred and eighteen questionnaires were completed by the respondents. The gender composition was 48% males and 52% females. 41% of the respondents were university students (the survey area is very close to the University of Limpopo) and 59% of the respondents were non-university students.

Customer satisfaction was measured using a modified version of the SERVQUAL model introduced by Parasuraman et al. (1988) was used. Seven dimensions of customer satisfaction were focused upon as depicted in Table 1. These include tangibility, responsiveness, courtesy, customer handling, competence, accessibility and security. These dimensions were presented both in terms of expectations and perceptions. The t-test was performed on the mean scores of expectations and perception items and dimensions to identify the existence of significant differences in the mean scores. The reliability coefficients for the perception minus expectation gap scores for all the SERVQUAL dimensions are high, indicating high internal consistency among items. For tangibility, the mean score of expectation is 4.57 and the mean score for perception is 4.04. Thus there is a gap of (4.57-4.04 =0.53) between expectations and perception. The t-test does not show any significant gap between expectations and perceptions. For reliability, the mean score for perception is 4.69 and the mean score of expectation is 4.18. There is a gap of (4.69-4.18=0.51) between expectations and perceptions. The t-test does not show any significant gap between expectations and perceptions. For courtesy, the mean score of expectation is 4.91 and the mean score for perception is 4.65. Thus there is a gap of (4.91-4.65 =0.36) between expectations and perception. The t-test does not show any significant gap between expectations and perceptions. For competence, the mean score of expectation is 4.88 and the mean score for perception is 3.86. Thus there is a gap of (4.88-3.86=1.02) between expectations and perception.

Table 1: Mean scores and t-test results for expectations and perceptions

Item	*Expectations*	*Perceptions*	*Gap score*	*t-values*
Tangibility				
Employee appearance	4.62	4.31	0.31	1.433
Physical facilities	4.21	4.03	0.18	1.345
Product quality	4.75	4.21	0.54	1.543
Store layout	4.72	4.01	0.71	1.567
Price of products	4.82	3.91	0.91	1.945
Modern equipment	4.31	3.82	0.49	1.456
Scale mean	4.57	4.04	0.53	1.989
Expectation- Perception gap	0.53			
Cronbach's alpha	0.71			
Reliability				
Keeping to times	4.96	4.92	0.04	1.876
Never runs out of stock	4.22	3.62	0.60	1.076
Quality of service	4.90	4.01	0.89	1.787
Scale mean	4.69	4.18	0.51	2.256
Expectation- Perception gap	0.51			
Cronbach's alpha	0.79			
Courtesy				
Courteous employees	4.95	3.62	1.33	0.123
Happy employees	4.89	3.64	1.25	1.954
Employee attitudes	4.88	3.69	1.19	1.932
Scale mean	4.91	3.65	1.26	1.871
Expectation- Perception gap	1.26			
Cronbach's alpha	0.77			
Competence				
Short queuing time	4.94	3.69	1.25	0.230
Knowledgeable employ employees	4.91	3.55	1.36	0.210
Correct labelling of items	4.81	4.34	0.47	1.923
Scale mean	4.88	3.86	1.02	1.002
Expectation- Perception gap	1.02			
Cronbach's alpha	0.72			
Accessibility				
Easy access to store location	4.92	4.08	0.84	1.945
Ease of access to helpful employees	4.88	4.02	0.86	1.439
Scale mean	4.90	4.05	0.85	1.983
Expectation- Perception gap	0.85			
Cronbach's alpha	0.77			
Security				
Safe parking area	4.88	4.21	0.67	1.934
In store safety	4.95	4.45	0.50	1.799
Scale mean	4.92	4.33	0.59	1.659
Expectation- Perception gap	0.59			
Cronbach's alpha	0.78			
Customer Handling				
Complaints handling	4.95	3.29	1.66	0.234
Communication	4.91	3.67	1.24	1.103
Scale mean	4.93	3.48	1.45	1.777
Expectation- Perception gap	1.45			
Cronbach's alpha	0.72			

Sig 0.05

The t-test does not show any significant gap between expectations and perceptions. For accessibility, the mean score of expectation is 4.90 and the mean score for perception is 4.05. Thus there is a gap of (4.90-4.05 =0.85) between expectations and perception. The t-test does not show any significant gap between expectations and perceptions. For security, the mean score of expectation is 4.92 and the mean score for perception is 4.33. Thus there is a gap of (4.92-4.33 =0.59) between expectations and perception. The t-test does not show any significant gap between expectations and perceptions. Competence has the largest gap of 1.02. For all the measures of customer satisfaction there is a gap between customer expectations and customer perception. Customer expectations are greater than customer perceptions. This suggests a rather low level of customer satisfaction

The results are presented in Tables 2 and 3 indicate that customers will recommend the small retail stores to friends and family and would also be returning to make repeat purchases. Table 4 shows holistically that customers are satisfied with shopping experience and are likely to redo business with the small retail stores. The results furthermore indicate that the presence of big retail negatively impacts on loyalty to small retail stores. The findings are consistent with previous empirical studies on the impact of big retail stores on small retail stores such as Ligthelm (2008).

Table 2: Customer loyalty

Question	*Mean*
Would you recommend the retail stores to friends and family	3.65
Would you be returning to make purchases	3.88
Cronbach's alpha	0.77

Table 3: Customer loyalty based on the Harvard Business Review model

Question	*Mean*
Are you overly satisfied with your shopping experience	5.68
Are you likely to return to redo business	7.06
Cronbach's alpha	0.72

Table 4: The impact of the presence of big retail stores on loyalty to small retail stores

Mean	*Mean*
The presence of big retail stores in the neighbourhood negatively impact on loyalty to small retail stores	3.26

CONCLUSION

The study investigates customer satisfaction and customer loyalty in small retail stores that are located close to big retail stores. Customer satisfaction was measured using a modified version of the SERVQUAL model. Seven dimensions of customer satisfaction were focused upon. These include tangibility, responsiveness, courtesy, customer handling, competence, accessibility and security. These dimensions were presented both in terms of expectations and perceptions. For all the measures of customer satisfaction there is a gap between customer expectations and customer perception. Customer expectations are greater than customer perceptions. This suggests a rather low level of customer satisfaction. However, customers indicate that they will visit the small retail stores to make repeat purchases and also recommend the stores to friends and family indicating customer loyalty. Customers also indicate that the presence of big retail stores impact on their loyalty to small retail stores.

RECOMMENDATIONS

The retail stores need to improve in all the areas of customer satisfaction in order to bring expectations closer to perceptions. Thus training of employees and owners of small retail stores is of great importance. Owners of small retail stores need to take responsibility for their training by attending training courses organised by organisations such as the Small Enterprise Development Agency. In addition, better pricing of goods will bring expectations closer to perceptions in the area of tangibility. Small retailers can form cooperatives that will allow them to make bulk purchases from manufacturers at reduced prices. In addition, small retailers need to invest on point of sale technology to reduce queuing time especially at peak hours.

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