# The Impact of Relationship Marketing On Customer Loyalty At Tesco Plc, UK

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**ABSTRACT**

**Purpose:** The research aim is to examine the impact of relationship marketing on customer loyalty considering the context of Tesco plc.

**Literature Review:** The literature review broke down into two parts. In first part discussed about relationship marketing and second part discussed about customer loyalty. In relationship marketing part discussed about formation and factors of relationship marketing such as trust, commitment, communication and promise fulfillment and also discussed about what factors enhance relationship marketing. In customer loyalty part discussed about definition of customer loyalty and dimension of customer loyalty. Customer loyalty part also explained loyalty scheme executed by different supermarkets and whether loyalty scheme contribute customer loyalty or not and benefits of loyalty scheme.

**Methodology:** A self administer questionnaire derived relevant to research objective completed by 100 Tesco customers. An interview approaches also used on 50 customers and 10 team leaders in this research. A contents analysis used to analysis qualitative and quantitative data.

**Findings/Result:** Quality of product is dominate factor of relationship marketing to make loyal customer and other relationship marketing factor works to being loyal in the long run.

**Research Limitation**:  The data were collected from only one supermarket; more studies are needed for effective conclusion.

**Practical Implication:** Relationship Marketing has important to gain and sustain loyal customer in the long run specially in product quality.

**Key Word:**  Relationship Marketing, Customer Loyalty, Tesco plc, UK.

■ **Introduction:**

**1.1 Background of Study:**

Relationship marketing is very important in this modern world, since consumers all around the world, especially in UK is sophisticated and have good amount of knowledge and seeks better offers. So, this factor force marketers to shift from push marketing to pull marketing. Retailers are now more focusing on mass mediums and relationship marketing these days. Building relationship with customer was basic function for an organization during last few years, concentrating their marketing their marketing with emphasizing on good customer for whom organization must build long term relation. Building relationship is the only way that an organization can achieve a permanent competitive advantages and which leads to survival and long term growth in the market (Jorgensen, 2001).

Building and maintaining relationship have mentionable long term implication and influence on firm long term strategic marketing plan (Sheth and Parvatiyar,1995; cited in Gummenson, 1987).To creating and maintaining with individual customer and business customer, organization have to attract the customer, have to develop relation what makes them satisfied and maintain relation to retain them. All the organization should be their main objective to creating, developing and maintaining relationship with customer (Izquierdo *et al.* 2005).

Relationship marketing is witnessing a growing interest. Competition and rivalry, which are the hallmark of today's business environment has led to businesses to focus on building strong relationships with its customers. Ndubisi (2004) stated that businesses are increasingly relying on establishing strong relations with its customers not only in terms of better serving and catering them but also in terms of promoting goodwill. Businesses also view this customer relationship with as a means of keeping their customers with us and away from their competitors. According to Pressey and Methews (2000) effective customer relationship results in mutual benefits & rewards. This not only proves to be fruitful for the business but also for the customers also. Through these

effective customer relationships, businesses may have a better idea regarding the customer's needs, requirements and feedback. This may also serve as a source of marketing intelligence, which shall guide the businesses in terms of effective marketing strategy.

Therefore, it is deemed significant to empirically examine the exact affect of relationship marketing in respect of customer loyalty. This enhanced understanding shall serve to better understand the concept of customer relationship and in being able to carry this out in the most effective and optimum manner. The efficacy of this can also be understood by the fact that this leads to enhanced customer loyalty. This research study shall look into the four significant and underpinnings of relationship marketing. These are communication, trust, conflict handling along with commitment in context of customer loyalty at Tesco PLC United Kingdom.

### 1.3 Research objective and Research question:

There are the huge number of research has been done on Relationship Marketing, although researcher discussed on various aspect of the Relationship Marketing. There are few researchers has found ultimate result on Relationship Marketing and also few empirical studies has found on the values of the Relationship Marketing and effect of customer side. The basic objective of this research is to prove the association exists between Relationship marketing and customer loyalty. The result and findings of this research will be added value for the Tesco plc to know the effectiveness of Relationship Marketing from firm perspective and create, maintain relation with customer to retain in the long run.

### ■ Objectives:

1. To critically review the factors of relationship marketing which are influence to be a loyal customer.

2. To assess the Tesco's relationship marketing tool "club card system"

3. To evaluate other factors of relationship marketing of Tesco plc.

4. To find out the link between relationship marketing determinants of Tesco and customer loyalty

**To fulfill this purpose, the following research question will be addressed**

1. Is there any significant relationship between club card system of Tesco plc and customer repurchase?

2. Is there any significant relationship between quality service and retain customer in the long run?

3. Is there any significant relationship between firm commitment to the customer and customer loyalty to the firm?

4. Is there any significant relationship between customer perception about firm and customer loyalty?

5. What is the perspective of Tesco's management about "how important is link between the impacts of relationship marketing on customer Loyalty?"

### ■ Literature Review:

### 2.1 Relationship Marketing

### 2.1.1 Relationship Marketing Formation:

The first "Relationship Marketing" term was used by the Berry in 1983. It noticed that, in early stage, tried to develop general theory about marketing which already exist in relationship perspective. Relationship marketing was not important in early stage what has gained today, because environmental factor was so week on that period than todays. There was two ways to develop relationship marketing. The first, relationship marketing was realized in service marketing then in industrial marketing. The next process was that, when business is widely transformed into general due to dynamic change in business environment. This changes of environment leads to emphasized on service, close communication with customer and customer well being (Toivo, 1996)

According to Gronroos (1993) and Lijander and Stranvik (1995), there was shift Relationship Marketing in service marketing, which was started from "Marketing Mix" view to Relationship Marketing. Levitt (1983) said that the basic objective of Marketing is to create customer and retaining them, but marketer in last decades has given more emphasis on creating customer rather than retaining. Now the business environment is opposite than before which result in "Relationship Marketing". Christopher *et al.* (1991) asserted that the marketing study has focused on different sector over the last few decades which shown in following figure-

**Fig-2.1:** Changing marketing focus .
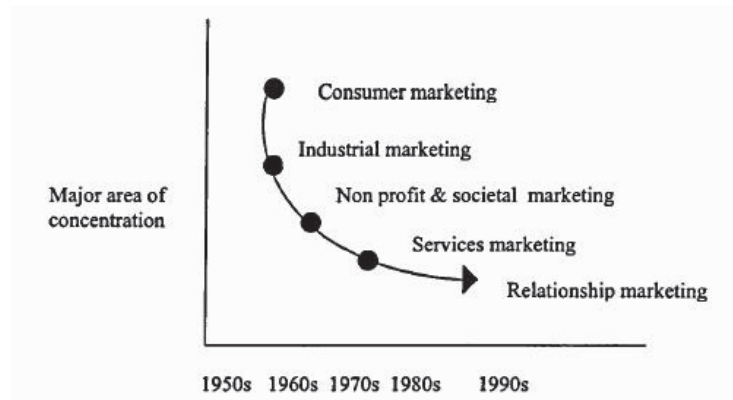


**Source:** Christopher *et al.* (1991)

In 1950's marketer emphasized on consumer goods, just buying and selling but in 1960's marketer has given more emphasize on industrial marketing and 1970's marketing interest was on non-profit or societal marketing sector. In 1980's attention turned into service sector and from the 1990's marketer has given more attention on Relationship Marketing.

Relationship Marketing has developed in response to environmental influences whose goal was to making boundaries between market and Industry (Shani and Chalasani, 1992). Relationship marketing is consider effective and efficient ways that company can achieve permanent competitive advantages and ensure growth as well as survive in the long run where Relationship Marketing considers is a key factor to success.

**2.1.2. Relationship Marketing Definition**:

Relationship Marketing definition has yet to acquire uncontested and meaning. Simply Relationship Marketing is new version of transitional marketing. Generally Relationship Marketing refers all types of internal and external relationship but Relationship Marketing focus on external customer relationship (Buttle, 1996).

Berry (1983, p.14) said that "Relationship Marketing is a strategy to attract, maintain and enhance relationship with customer". But Gronroos (1994) not only emphasize on customer, he said that the basic objective of Relationship Marketing is to establish, maintain and increase relationship with customer as well as other stakeholder, at a profit so that the objective of different stakeholder are fulfilled.

A similar definition has given by the Shani and Chalasani (1992, P, 44), they said that Relationship Marketing as

*"an integrated effort to identifying, maintain and build up a network with individual customer and to continuously strengthen the network for the mutual benefits of both sides, through interactive, individualized and value added, contact over a long period of time"*

Traditionally Relationship Marketing overemphasized on the customer attraction but Mcllroy and Barnett (2000) said that Relationship Marketing objective is to developing long term and cost effective relation between customer and organization. A variety strategy are included in Relationship Marketing such as treating customer fairly, offering augmented services, ensuring customized service according to the needs of customer.

But Das (2009) added that Relationship Marketing can be defined in different ways like customer satisfaction, how to retain customer, and make them loyal, and all the ways which can be linked to the developing trust, commitment, cooperation, close communication and relationship quality.

Relationship Marketing does not mean that makes philanthropy to the customer; it has to be profit oriented and mutually beneficial for the customer and company. Hougaard and Bjerree (2003) said that Relationship Marketing is the company's behavior for the purpose of establish, maintain, and develop competitive and profitable relation with customer which benefited both parties.

The above all definitions are different from each definition to another. However, all the definition indicates that the core function of Relationship Marketing is to providing high quality product and services, and committed in providing timely, trustworthy information to the customer which result in mutually benefits by remaining loyal

to the organization. So Relationship Marketing is long term mutual beneficial relationship between customer and organization.

### 2.1.3 Requirements of Relationship Marketing:

Relationship Marketing is all about making bridge between buyer and seller, which is characterized by Trust, commitment (Morgan and Hunt, 1994)  Communication and promise fulfillment (Gummesson, 1994).  These basic aspects of Relationship Marketing are discussed below-

### 2.1.3.1 Trust:

The first aspect of Relationship Marketing is trust, which has given more attention by different authors (Morgan and Hunt, 1994, Buttle, 1996).

Berry (1995) described the trust as basic elements of relationship Marketing. Moorman *et al* (1993, p. 82) define trust as "a willingness to rely on an exchange partner in whom has confidence".

 Where, Buttle (1996) said that "confidence" is associated with consistency, healthy, sacrificing mentality and cooperative and willingness to help. Trust helps to feel secured, lessen the uncertainty, make friendly environment (Morgan and Hunt, 1994). Peck (1993) has given similar opinion that trust increase dedication to maintain relationship and make the relation strengthen which ultimate result is success of relationship marketing.

Cottrell (1995) asserted trust on the view point of consumer, he said that trust means serve the desired product, at a right price, and an ongoing relationship between customers and company that mutually beneficial for both parties. It is part of the mutual relationship between both parties (customer and company) where consumer has trust on company to meet demand or utility according to customer expectation (Beatty et al, 1996) and other party (company) define trust means that customers are loyal to the company (Berling,1993).

So, trust is a component to secure relies on each other where company seeks to retain customer and customer seek to meet demand according to the expectation.

### 2.1.3.2 Commitment:

Commitment is considered as a compliment in buyer seller relationship (Moorman *et al.* 1993). Commitment is the important for distinguishing between "stayers" and "leavers" (Wilson and Munmalananeni, 1986). All the marketer and researcher consensus that committed relation between customer and company produce significant mutual benefits (Allen and Meyer, 1990). Commitment considers the important variable for strong relationship marketing and useful tools to measuring loyalty of the customer (Morgan and Hunt, 1994). Allen and Meyer (1990, p. 2) classified the commitment as "affective", "calculative" and "normative" respectively. They also stated that affective commitment is "a person emotional attachment to, identification with and involvement within the organization". So, affective commitment helps to remain customer with the organization due to strong emotional bonding with the organization.

Calculative commitment which is related with the recognition cost for leaving the organization (Martineau, 1958). And normative commitment relies on customer obligation for the organization (Weiner, 1982). Different commitments have different outcomes but all types of commitment may not be beneficial for the organization (Meyer et al, 1989).

So commitment leads to strong relationship between buyer and seller by receiving past benefits from the firm on the customer point of view and enjoying benefits from the customer on the firm point of view.

### 2.1.3.3 Communication:

Communication is another important aspect of Relationship Marketing. Communication implies that the ability of discharging information to the customer, but it has to be timely and trustworthy. In the modern era, new concept of communication is two way dialogues between customer and company. It's may be before or, after or during sell (Anderson and Nanus, 1990, cited in Ndubisi, 2007). In Relationship Marketing communication refers to keep in touch with valued customer, giving timely and accurate information about product and services. Ndubisi (2007) said that communication is the important way to building awareness, understanding customer preference, convenience for the customer, and motivate to repeat purchase.  An effective communication between customer and company helps to build strong relationship and result in more loyalty to the company.

### 2.1.3.4 Promise fulfillment:

Gronroos (1994) strongly emphasize the fulfilling promises for the strong relationship with customer. An organization generally attract new customer by giving preoccupied promises, however, if the organization breach

the promises that badly affect on developing and maintaining evolving relationship. A promise fulfilling has significant contribution to provide high level customer satisfaction which led to be loyal to the organization that ensures the profitability.

### 2.1.4 Relationship marketing in Retail market context:

Most of the work on relationship marketing has been done on service and organizational marketing rather than retail market. In retail market, relationship marketing deals with the customer, firm, employees, and specific branches (Beatty *et al*. 1996).

To attract and retain customer and implementation of relationship marketing is necessary for the retailers. Retailer can achieve sustainable competitive advantages by developing relationship with customer (Christopher *et al*. 1991). In the dynamic environment, the customers are more dependent on retailer, eventually implementation of relationship marketing difficult but it is highly necessary (Bendapudi and Berry, 2000).

In retail market context, relationship marketing is creating, developing and maintaining relationship with customer (Payne *et al.,* 1995). There are different themes of relationship marketing that can be applied in retail market context. Relationships are exist when both party mutually beneficial and can save the cost (Jackson, 1985). For the retailer side, benefit is more sales, positive word of mouth, less cost in per transaction and most important is customer loyalty as well as retention. For the customer side, financial and non-financial benefit exist (Czepiel, 1990).

For the relation market perspective, consumers are in hurry, and try to save time than before (Mayer, 1990). In this context, relationship marketing induce to shop from one store which lead to save time and convenience for the customer (Dewulf and Odekerken-schroeder, 2003)

Berry & Gresham (1980) asserted that in retail market context, the degree of personal interaction, customer service is necessary to maintain relationship and also more sales necessary to enhance relationship with customer. Finally, it can be said that relationship marketing in retail market, customer loyalty can't be guess and even can't be achieved, it depends on retailer performance.

### 2.1.5 Key factor of enhancing Relationship Marketing:

When companies have realized all the aspect of relationship marketing, then next step is to identify the best ways to build the relationship with customer. There are three factor have identified to enhancing relationship with customer in this literature, which are;

1. Providing customer satisfaction

2. Ensuring high standard customer services.

3. To develop segmentation technique. If the retailer can fulfill three criteria, then it is possible to enhance relationship.

#### 2.1.5.1 Customer satisfaction:

For super market perspective, customer service is the first key elements for executing and enhancing relationship marketing. Many authors has given more emphasize on customer satisfaction for implement relationship marketing. (Buttle, 1996 and Donvon, 1994). For the business success and profitability, customer satisfaction act as a key driver, they also asserted that satisfied customer are motivated to re-purchase refer to others and which led to lower cost to remain existing customer rather than new customer. But Reichheld, (1993) more emphasize on positive words of mouth for customer satisfaction, he also said that better customer service than competitor do, is motivate to consumer level of satisfaction and consequently improve the customer loyalty.

Jones and Sasser (1995) stated that high quality product and services drive the customer needs and ensure high level customer satisfaction as well as high level customer satisfaction associate with customer loyalty. But Swinyard and Whitlock (1994) have given different opinion about customer satisfaction, they said the high levels of satisfaction create high expectation and they conclude that positive disconfirmation lead satisfaction but negative disconfirmation leads dissatisfaction. However, it assumed that, customer are not satisfied until they remain loyal to the firm. To support this statement Bendapudi and Berry, (1997) said that higher the customer satisfaction more the loyal to the firm.

#### 2.1.5.2. Customer service:

Quality customer service considered another key element of enhancing relationship with customer. Customer is the core function in supermarket. And it's described as getting and retaining customer (Christopher et al, 1991).

But Berry (1995) asserted that quality of customer service is the heart of the relationship marketing. Customer service is constructing by caring customer by giving proper service which directly linked to customer satisfaction and helps to build relationship with customer (Lewis and Mitchell, 1990).

Customer service should be measure on the customer point of view (Gummesson, 1987). Parasuraman et al (1994) identified five different categories for customer service that called SERVQUAL model: reliability, tangibility, assurance, responsiveness, and empathy. All the categories ensure the high level of customer service, but Crosby *et al* (1990) has given different opinion, they said that better customer service is essential but not obligatory to enhance relationship marketing. Offering high quality customer service is strong determinants by which an organization can achieve close relationship with customer and can attain competitive advantages compare to competitor (Parasuraman et al, 1994).

### 2.1.5.3. Segmentation:

The third element of enhancing relationship marketing is segmentation. Segmentation is essential when customer needs to categorized in terms of cost prospecting, defining customer needs, needs to offer customized product. For example, Tesco club card magazine segmented their advertisement on the basis of demographic variables like 16-25 age, 25-45 with family, without family, and over 60. It is necessary for a firm to segment those customer groups who want to make relationship with firm. But resources spend on those customer who really don't want to make relation with firm is consider the wastage of resources. Firm should focus on those customers who want to make long term relationship with firm (Bendapudi and Berry, 1997). Customer generally two types, one; the company able to serve profitability who are right customer, another is wrong customer where firm can not earn (Berling, 1993). For different reason, some customers are always brand switching even though they receive better value so those customer who buy at regular price are considerably more loyal than those who buy at promotional price (Reichhled, 1993). So considering right kind of criteria to segment helps to implement and enhance relationship marketing.

### 2.1.6. Do the customers agree to enter into relationship marketing?

The relationship marketing involves both opportunity cost and investment. To develop relationship marketing, organization must understand the customer differences (Bendapudi and Berry, 1997). An organization should not focus on promiscuous shopper for building relationship and attract to remain with group. The motivations of relationship seeker are difficult to understand. Some researcher on shopping perspective found that few part of the shopper seek more attract on contact and value but in supermarket perspective, consumer are more emphasize on quality, value, convenience for the shopping (Buttle, 1996). But those who are transaction oriented, they are concern about economic benefits of purchase while relationship oriented people more concern about social aspect (Blau, 1989). To support this Blau (1989) statement Berry (1989) said that relationship marketing is more important where purchase involve. Generally people are more social and they expect more social exchange in daily behavior. So some customers are reasonable and some other is resistance about relationship, in this situation it is easier to make relation with reasonable customer than resistance customer where firm needs to study about customer. For example one customer car booked for annual service it started by calling to booking service then talking with service manager what the problem after that car put the car into service centre, when customer leave the car, customer are worried about whether car will be ready on time or not. But when customer got car and provide good service the customer make good relation with service provider (Store, *et al*. 2000). So it can be said that to make relation with customer, organization motivation is first criteria than to customer motivation because Bendapudi and Berry (2002) said that customer might build relation either for obligation or other for dedication, so understanding of customer motivation is necessary.

### 2.1.7 Benefits of Relationship Marketing:

In the competitive market, only product and service quality is not enough to achieve competitive advantages for an organization. Day and Wensley (1983) said that by building relationship with customer, retailer can produce differentiate product according to customer needs which gives opportunity to remain loyal to the organization. Relationship marketing increased the customer satisfaction level. Zeithaml (2000 said that relationship marketing increased customer satisfaction which result in more loyal customer and boost up the profitability. But Sheedy (1997) said that relationship marketing increase the scope of the economics by multiple cross selling as well reduce opportunity cost by retaining customer rather than attracting new one. Relationship marketing develops trust between retailer and customer which induce the customer to make referral to others about retailers (Reichheld, 1993).

So relationship marketing makes trust worthy, committed between customers which make them loyal to the organization

2.2. Customer Loyalty

**2.2.1 Customer loyalty definition**:

Present market environment is more competitive than before and consumer becoming much more demanding than before. In the current situation creating and reaming loyal customer is the critical part for the organization. Generally, loyalty means unselfishness relay on any institution but in super market perspective customer loyalty is different (Humby*et. al.*, 2003).

Customer loyalty is the consumer consistence relay on particular brand, services, store, and particular product. It is assumes that one of the basic motto of relationship marketing because organization enjoy strategic benefit for loyal customer (Harridge-March, 2008).

Ndubisi and Chan (2005) asserted that an organization ultimate goal is to make loyal customer from the ordinary customer; they also said customer loyalty can be gained through proper marketing plan by developing trust, by showing committed to the services, making timely dialogue with customer and handling conflict if it arises.

In Oxford Dictionary describes loyalty as "feeling of attachment to or affection for a company's people, product or services". Jones and Sasser (1995) also adapted the oxford dictionary definition and they said loyalty constructed by two dimensions, On one side is emotional part such as consistent, trust, others side practical behavior such as being persistence (not moved, frequently transacting, remaining). All the emotional and practical factor are obviously beneficial for the customer but it needs bear in mind that emotional and behavioral factor are vary person to person. For example, some customer buy frequently from particular shop and some other people buy because they don't have. And retailer is walking distance (Loyalty, 1997).

But Oliver (1997, p.392) has given acceptable definition about customer loyalty, he said "A deeply held commitment to re-buy or re-patronize a preferred product or services consistently in the future".

But Barnes (1994) has given an opposite opinion about the Oliver definition; he said that only repurchase or re-patronize does not make the customer loyalty. But Jacoby & Chesnut (1978) described that a brand long time success not depends on number of consumer who buy once a time they said consumer become a loyal when the buy regularly.

Christopher *et al*. (1990) developed a model about the process to be a loyal customer to the organization. Fig.2 shows that prospect is the initial point to start company's relationship. In relationship marketing if someone transact with company once and become a customer but in this stage, if the customer received benefit from the product and do business again they become client but this is crucial point for the relationship marketing. In this stage customer cannot said as a loyal customer. After the stage, customers still re-purchases and have appointment relationship between firm, progresses few "rungs" supporter, and partners which is top position. This "Partner" position called the real loyal customer who not only repurchase but also act as a referral.

**Fig-2.2:** Relationship Marketing ladder of customer loyalty
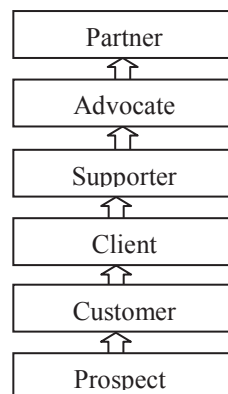


**Sources**: Christopher *et al*. (1991)

In sum it can be said that consumer loyalty can be said when customer emotionally and behaviorally confer to particular brand and repurchase their product or services regularly.

### 2.2.2Dimension of customer loyalty:

Generally customer loyalty has two dimension- behavioral and attitudinal (Dick and Basu, 1994). Two dimension of customer loyalty are discussed below-

### 2.2.2.1 Behavioral loyalty:

The Copeland (1923) has done first research on customer loyalty which was behavioral loyalty. Behavioral loyalty refers the more purchase frequency and possibility a particular brand; it is also measure as a brand loyalty (Brody and Cunningham, 1968). Example of behavioral loyalty is repeat purchase of product or services from same brand or seller which leads to more purchase scope (Yi, 1990). But Day (1969) criticized the behavioral loyalty because behavioral loyalty does not have conceptual basis.  The other author  Bass(1974) also provided opinion against behavioral loyalty, he said that some time customer buy product from particular retailer due to convenience location, when any new shop open in high street , customer can switch for new offer , so this type of repeat purchase is not loyalty. Dick and Basu(1994) said that, in behavioral loyalty does not examine the case of purchase and what factor influence to choose it, it just measure the number of frequency.

### 2.2.2.2Attitudinal Behavior:

Customer loyalty consequently turned into attitudinal measurement tools (Jones and Sasser, 1995). Attitudinal loyalty more emphasize on individual feelings which tend to particular product or services (Fournier and Yao, 1997). To put it different way, attitudinal behavior aggregate the customer preference and willingness for particular product to measures the level of loyalty. But this definition does not explain how, when loyalty creates. For example, a customer bought a product as well as satisfied with product but he/she feels that it is too expensive to use regularly, in this case few author (Day, 1969. Jacoby and Chesnut, 1978, Dick and Basu, 1994) said that mental attachment to particular product, re-purchase is an indication of loyalty but due to cost, inconvenience, it's may be invalid. They also said it is not wise to consider repeat purchase and mental attachment to particular product as sign of loyalty without assessing the real cause.

Finally it can be said that, Oliver (1997) developed framework for loyalty by combining behavioral and attitudinal loyalty and Day (1969) framework also similar as Oliver framework, Day (1969) said that to be perfect loyal customer, it has to be combined by both dimension of loyalty.

### 2.2.3 Customer loyalty scheme:

A loyalty scheme is the way of identifying and providing reward those who are loyal to the organization. This process includes a set of marketing activities to increase or strengthening existing loyal customer. The process of identifying and rewarding can be in formal way (Rayner, 1990). The aim of customer loyalty scheme is to differentiate from the similar firm by giving value added reward to the customer. It is important that the loyalty scheme is the part of the retail strategy and other elements of loyalty such as customer service, trust, commitment to the customer which is necessary condition for the loyalty. Raynolds (1995) asserted that the loyalty scheme work as incentive for the customer for repeating purchase for particular retailer.

### 2.2.4 Loyalty scheme in UK supermarket:

The customer loyalty schemes in the UK supermarket are used as competitive advantages perspective. The supermarkets are generally seen as competitive edge for highly competitive market and to capture more market share (Mintel, 2000). However, considering major UK supermarket, different loyalty scheme are discussed below-

### 2.2.4.1Tesco's "Club card":

Tesco is the largest and top supermarket position in the UK for last few years by providing quality store, high quality customer service and wide range of product, though Tesco could not established as market leader compare to Sainsbury's , ASDA, LIDL, Morrison and others. To compete and survive in the competition Tesco established new store format like "metro", "express" etc (Keynote, 1999).Tesco was stuck as second ranking position in the UK supermarket before introducing "club card". After introducing "club card" Tesco not only in UK biggest supermarket, it is also world larges and successful supermarket (Humby, et al, 2003).Tesco implemented different approach to rewarding customer, "club card" is one of the loyalty package for building strong relationship  with customer. Tesco initiate special customer service within store which customer wanted, also built high profile campaigning like "One in front" it means that if the queue is long, open new check out and

use customer assistant for helping customer pecks. This both initiatives helps to reduce major grievance matter within customer mind and motivated to becoming largest supermarket with 29.7% market share in the UK.

Tesco first introduced "club card" in February 1995 started trial in 14 stores and reached to 15million members (www.tescopls.com). The "club card" is like a magnetic strip card which can read at point of sales. In registration form, all the details of customer that use each quarter to send cash voucher according to earned points. Sometimes customer get promotional discount voucher along with club card magazine voucher. The vouchers are able to use only club card holder. The club card reward system is flat percentage and the structure is following system-

- Customer can earn 1 point for £1 spending.
- For 250 points, reward is £2.50 club card voucher.
- Club card can be used for Tesco petrol.
- All points carried to next quarter.

Points are giving in the following way

**Table: 2.1. Club card Point's distribution for each pound**

| Per week spending | £20 | £30 | £40 | £50 | £100 |
|---|---|---|---|---|---|
| Points for per quarter | 250 | 375 | 500 | 625 | 1250 |
| Redemption for per quarter | £2.50 | £3.75 | £5.00 | £6.25 | £12.50 |

Tesco generally selling 600 core products at low price, but Tesco provide extra club card points for specific product compare to Sainsbury's reward system (Loyalty, 1997).

Tesco also provide two extra cards out of club card: one is student club card which provide instant discount for spending £150 out of £250, another one is club card plus which can use as saving account which laid 5.12% interest and customer can pay for purchasing at Tesco.

Loyalty (1997) carried out a research on club card; he found that every three month period, shopper reward point increased from £4.90 to £6.01 at the end of every quarter. It's proved that loyal customer increased due to loyalty card.

Humby et al, (2003) said that Tesco may be reach in enviable position but it could not be possible quickly without club card. They also said introducing of Tesco club card is not for only the loyalty to Tesco; basically main purpose is to show that Tesco is loyal to the customer. Tesco also produce club card magazine by segmenting the customer on the basis of demographic variables. The main purpose of club card magazine is the way of communicating with the customer by introducing different services and giving promotional offer to the customer.

### 2.2.4.2 Sainsbury's Reward card

John James and Marry Ann established Sainsbury's in 1989 in London and stared by selling butter milk and eggs. Sainsbury's has almost 400 supermarkets all over the UK Key note 2009). Sainsbury's lost its top position in 1995 after introducing innovative marketing idea and Tesco club card. After introducing Tesco club card David Sainsbury's said that we thought that electronic shield stamp administer cost will be £10 million which would be wastage, even it will not be beneficial for the customer. But we are in wrong and we will focus on this scheme (Benady, 1995).

After introducing Tesco club card, Sainsbury's understood that we have to get the loyalty scheme and then Sainsbury's used magnetic strip following Tesco. The Sainsbury's launched in January 1997 called as Sainsbury's "Reward" card. The scheme also worked on the basis of redemption percentage system at following way-

- Customer earns every 1 point by spending £1.
- 250 point can get £ 2.50
- The reward voucher has to collect as soon as 250 points earn.

Sainsbury's also collaborate with other supermarket where "reward" point can be used. This includes Sainsbury's store, coffee shop restaurants, petrol station, Sava centre etc. Sainsbury's reward points can be used for air miles voucher, like if 250 reward points; customer can get 40 air miles as well as £2.50 reward voucher can get £5.00 discount on food bill at Beefeater. Sometimes Sainsbury's offer double points for various special products which are cover almost 200 type of product.  One research shown that 7 million customer used Sainsbury's reward card (Sainsbury's 2009). Sainsbury's also used "Nectar" card as loyal program by making coalition with other partner including Debenhams, BP, Vodafone, and Barclaycard. In Nectar card, customer gets 2 points for each £1 spending for Sainsbury's goods. Customer can take £2.50 discount if they earn 500 points that can be use in restaurants, holidays, and in air flight. Generally cash discount is not better than reward value, for example customer gets £2.50 for 500 points on purchasing, on the other hand customer can get same point by renting DVD from Blockbuster price worth 3.75, so reward program is less good than club card.

### 2.2.4.3 Other super market (ASDA, Morrison, Lidl):

ASDA CEO Andy Bond (2009) said that "you can not buy loyalty with plastics point". It means that ASDA does not believe in loyalty by loyalty card. He also mentioned that loyalty card is like conditional selling and only rewarded customer from there, but we are rewarded customer by giving lowest possible prices for this reason customer choosing to shop in ASDA, so, ASDA is loyalty card rejecter. But ASDA apply tricky things on behalf of loyalty scheme. ASDA CEO said, ASDA ambition is to involve customer in every step in business which helps to take decision what ASDA do. In this view, ASDA better in the supermarket by rejecting loyalty card scheme. Same as the other super market follow providing cheaper price rather than loyalty program

### 2.2.5 Contribution of Club card to Tesco growth:

Tesco introduced "club card" as a unique customer loyalty program. Tesco mission is to "create value for customer to earn their life time loyalty" (www.tescoplc.com).  Club card is the part of implementing the Tesco mission statement. Club card is not only the loyalty card program; it is also used to make relationship with customer because club card is the way of saying "Thank you" to the customer.

Humby *et al.* (2003) said that club card is not just use for making loyal to the business that is also way of making relation with customer by "every little helps" which help is more popular in UK than before.  Now total club card member is 15 million, people now more prefer to open new Tesco store rather than competitor store because of club card. Club card is the most significant elements to growth Tesco and ensure high level of loyalty than competitor are shown in following graph-

**Fig-2.2:** Customer loyalty vs competitor
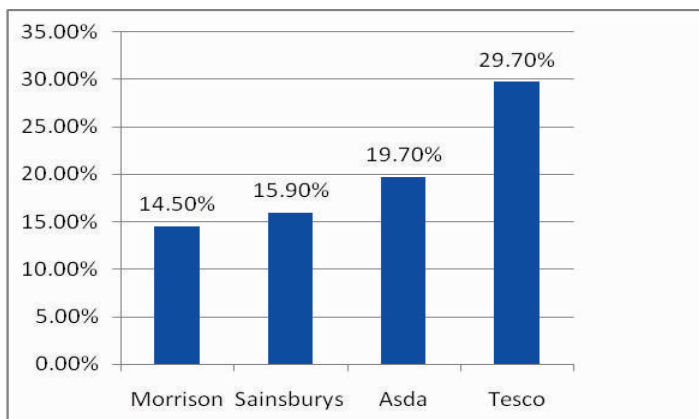


Source: Tesco Annual Report 2011

Loyalty (1995) said that club card is the single reason for that customer switching from their competitor because of club card work as the more you spend the bigger the "Thank you". Humby*et al* (2003) said that club card has given a chance to be personal as a medium that can treat customer as an individual. They also added that, club card is the way to show approach regularly to the customer. After introducing club card, Tesco growth is increase consistently which shown in the following figure-

Fig-2.3: Tesco growth vs competitor
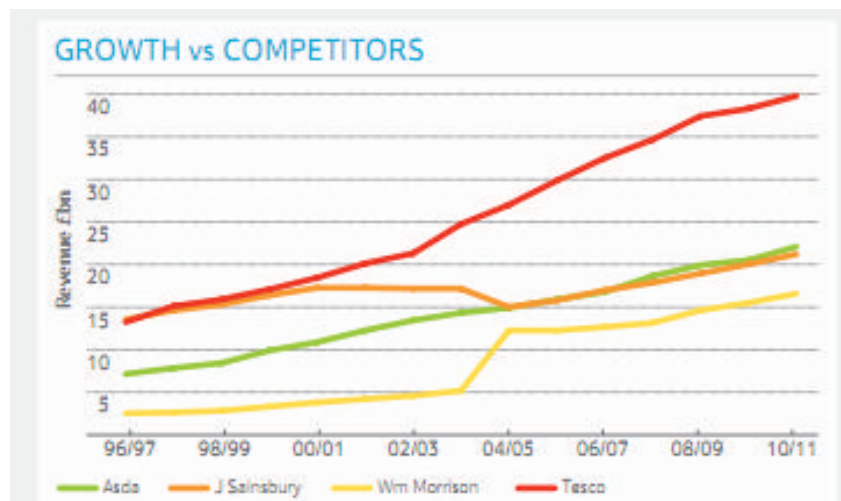


**Source:** Tesco Annual Report 2011

### 2.2.6 Customer perception about loyalty scheme:

Perception about loyalty scheme may differ customer to customer. Some part of the customer can be motivated to change their behavior due to incentive in the form of discount and they do not believe that this is alarming for the relationship with company (Reynolds, 19950. And some other customer reacts about loyalty scheme without understanding true benefits from their loyalty scheme. However, people have different view and behavior about loyalty scheme. Some part of the customer carry different loyalty card and earn point from their shopping as normal behavior but they are strict about incentive, on the other hand, some customer interested only low price which ASDA follow (Uncles, 1994). The impact of customer loyalty scheme is not equal on consumer, some customers are interested in price, service staff and technology, other portion of customer may be different. The benefits of loyalty scheme is the matter of re-enforce like customer think that retailer listen to customer, retailer are innovating according to customer demand, caring about customer, concern about customer, some other view that customer are not interested to make relationship with retailer after fulfilling their demand. But customer point of view, loyalty scheme motivate the customer to get something even for nothing. So the basic objective of loyalty scheme is to find the loyal customer and remain them, its not be problematic for the promiscuous supplier (Uncles, 1994). But Humby *et al* (2003) described that loyalty scheme just like a bribe, he also mentioned that loyalty scheme like "zero sum game" because if the every retailer provide the same reward for loyalty, how it is impact on customer, they also said that 55% supermarket customer believe that retailer increase their price to pay reward for the loyalty scheme.

### 2.2.7 The economics of customer loyalty:

Attracting the new customer is the indication of growing business, now a day's every business try to generating sales with existing customer and reduce the rate of defection, this is the indication of long term financial benefits of customer loyalty (Reichheld, 1996). The benefits of customer loyalty widely recognized, Barnes (1994) describe that the building relationship with customer is the basic elements of customer loyalty. Many authors use different statistics to describe that to earn new customer is costly that retain the existing customer (Christopher, *et al*. 1991). So, relationship marketing indicates that an organization existing customer, i.e. loyal customer is an asset for the organization. Generally the long term relationship between customer and company leading to more profit because it reduces marketing cost and customer acquisition cost (Buttle, 1996).

Reichheld (1993) asserted that loyal customer buy more in regular interval and spend less time to buy and they are indifferent about price and they refer new customer, so, to retain customer and make them loyal, an organization needs to make long term relationship with customer by providing quality service, fair price, and ensuring mutual benefits, he also added that organization need to identify the way of making long term relationship with customer and execute the relationship marketing strategy to improve relationship which lead to increase loyal customer. Long term relationship with customer reducing marketing cost for the both parties

(customer and company), so company needs to emphasize on understanding the way of building relationship with customer. To support this statement, Reichheld (1993) said that sales and profit depend on the longer relationship with customer. Reichheld and Sasser (1990) has given strong argument that if the customer are more satisfied what they received, that motivate to repeat purchasing that reduce operating cost of the company and profit goes up.

■ **Research Methodology:**

## 3. Research Methodology:

Various approaches and techniques are employed by the researcher to ensure the collection of most appropriate and relevant information, which is to be used in the research. There are different methodological approaches used to obtain the research objective which explained step by step for the purpose of giving overview how the data have been gathered and analyzed.

### 3.1 Research Philosophy:

It is important to select appropriate research philosophy for conducting research.. Research philosophy describes how to develop knowledge for the research being work and categorize the nature of the knowledge (Saunders *et al*. 2007. P. 101). Research philosophy is three types which are: positivism; interpretivism and realism. Positivism philosophy deals with philosophical stances and highly structural methodology and quantifiable observation to statistical analysis (Saunders, *et al*. 2009; p.101).when the research philosophy is positivism, it means that researcher is independent and researcher does not influence by the research subject. When the research reflect the positivism principles, preferred to work with an observable social reality and this types of research product can be law like generalization same as like to the work of physical and natural scientist (Saunders *et al;*2009). It is widely recognized that there is no better approach than another approach, lots of researcher followed mixer of two philosophies (Saunders et al, 2009). However, the positivism states that it is rather the social words, which are emphasized via the objective rather than the subjective approach. The subjective approach is termed as the quantitative approach (Breyman and Bell, 2007). The qualitative approach however, entails the researcher collecting the data related to the defined topic along with the subjective area.

The reason we select positivism in this research is nature of the topic. The researchers in regard of research make use of various methodologies. However, the selection of one from among these methodologies depend on certain factors, which include the nature of the research topic and the work, which has previously been undertaken in reference of the research topic (Searan and Bougie,2009). This research report entails the employing of both the qualitative and the quantitative approach for its development. Despite of the fact that the number of researchers, which have been undertaken on this topic, represents a huge number; however, in order to explore the implications related to the subjective topic , the employing of qualitative and quantitative approaches were found to be appropriate in the process of necessary data and information collection. This also proved to be equally effective in drawing comprehensive conclusion.

### 3.2 Research Approach:

An appropriate and relevant approach is very essential and critical to be developed for conducting research. It is important to note here that it should be such, which would serve to address the problems, which have been identified and facilitates the finding of the solutions and answers (Saunders *et al*. 2003). The importance of an appropriate research, which would facilitate the research, was recognized in the data collection stage along with the subsequent transformation of this data to information. According to Saunders *et al*. (2009), an appropriate research approach renders a crucial role in term of keeping the focus of the study being undertaken on findings. Inductive and deductive approaches, these two types of approach are seen in methodology. Deductive approach deals with developing theory and hypothesis which test by research strategy to know its validity in the real world by experimental inspection. In the natural science, deductive approach considers a leading approach (Crowther and Lancaster, 2008 cited in Saunders *et a*l; 2009). Inductive approach is completely opposite approach of deductive approach where the researcher first collecting and analysis of data and develop theory based on result of data analysis. Saunders *et al* (2007, p.103) said that "the deductive approach owes to more to positivism and the inductive approach to interpretivism" .Deductive approach has been adopted in the development of this research in view of its significance in reference in the research writing and as it fully compatible and suits the research problem, which has been identified (Cooper and Schindler, 2006). In the context of this study inductive approach is neither appropriate nor applicable in view of its narrow perspective along with broader idea. Researcher used deductive approach in this research and avoided inductive approach. Main advantages attributed to this approach can be witnessed because this leads the discussion to the end point. Also, the inductive

approach in this regard was dropped because it commences with focus point before it generalizes it. The inductive approach also fails to provide with comprehensive conclusion and therefore, this approach was not utilized as it was not deemed relevant and appropriate (Kumar, 2008). The deductive approach however facilitated in the development of the problem and theoretical background; on whose identification of this research has been based on (Saunders *et al*, 2003).

### 3.3 Research Strategy:

 Saunders *et al* (2009) pointed out that there are different researches strategies can be used in the research such as: experiment, survey, case study, grounded theory, ethnography, action research. In business research; survey strategy is popular and common strategy where survey based on questionnaire. The appropriate strategy depends on research question and objective. In survey method, large amount data can be collected from sizeable population in a highly economical way.  Survey method is easy to understand but more time consuming for designing and piloting question. This study is a contemporary event and without intervention on behavior. So, survey strategy is appropriate for this study. In this study interview strategy also used because the advantages of interview strategy cover the limitation of survey method that helps to build proper research. Survey and interview strategy will be employed to find the relationship between relationship marketing and customer loyalty at Tesco.

### 3.4 Research technique

There are two techniques which are: qualitative and quantitative. Qualitative data deals with non numerical data which cannot be quantified. Qualitative data generally collect through semi-structured, unstructured and in-depth interviews. While quantitative data deals with numerical data .Quantitative data are collect normally through survey or by using mathematical tools. Both qualitative techniques and quantitative techniques were utilized and similarly a qualitative and quantitative research design has been used in the development of the research. Quantitative research methodology is considered an integral part of the positivist philosophy. Researcher used the questionnaire survey which is collected by fieldwork as part of methodological triangulation to support the qualitative research findings (Breyman and Bell, 2007). The significance of qualitative research for this research report can also be understood in view of the complexity of the subject of this study. Therefore, the selection of qualitative technique can be deemed to have critical importance.  In view of the highly complex nature of the issues and subject of the study, the adopting of qualitative techniques was deemed both necessary and appropriate. One of the features of this research design is that it is comparatively much easier to be carried out (Burns, 2008). For this research, the selection of qualitative technique facilitated the data collection process along with providing the basic idea regarding the data collection and the quality of it required for the purpose of this conducted study (Saunders *et al*, 2003).

### 3.5 Sampling method:

Sampling process is essential elements of research methodology for conduct a research (Kumar, 2008). Sampling technique provide an effective method that helps the researcher to reduce the size of data by considering any sub group rather than whole population (Saunders *et al,* 2007, p.168).The sampling technique is classified in two groups which are probability or representative sampling and non-probability sampling or judgmental sampling. While choosing sampling method, researcher considered two method; probability sampling and non probability sampling techniques. This research followed systematic random sampling to collect data through questionnaire and non probability sampling for interviews from customer of the Tesco plc, and interview with Team leaders of Tesco plc.  The sample size is around 100 for survey and systematic random sampling has been used to collect data through questionnaire because Saunders *et al* (2009) suggested if the sample is more than 50, researcher should avoid non probability sampling. While for interviews with customers and Team leader of Tesco PLC, researcher used non probability sampling technique. For the interview, personal choice is more advantageous rather than select statistically. In interview with customer, it is difficult to apply probability sampling because most of the customer was not agreed to participate in interview.

### 3.6 Data Collection:

Data can be collected through primary and secondary sources. Two kinds of data i.e. the primary and secondary data have been used in the conduction of this research.

### 3.6.1 Secondary data collection:

The secondary data is one which has been already collected and used for different purposes. Secondary data has been collected via various and diverse mediums including internet search. In this regard articles, which were

written by various professionals and scholars in context of research topic, were considered (Kumar, 2008). In context of secondary data collection various books, which were written by various authors and these belonged to different countries and different parts of the world. In ensuring the validity of the researched data collected via the secondary research, this data was cross verified via diverse sources. Similarly the data derived from books was also cross verified from articles.

There are different advantages of using secondary data which is summarized by Aaker *et al*. (1995) are discussed below-

- Secondary data collection does not need a significant amount of time, cost, and effort.
- Secondary data sometimes more reliable than the primary data.
- In some cases, primary data is not possible where secondary data is only sources.

However, secondary data also some limitation even though several advantages.

- Secondary data may be collected for other purposes but it's may not fit with current research.
- Secondary data accuracy is questionable because sources of data collection unknown by second user.
- Secondary data may be outdated; this may impact on accurate decision making.

For this research, the sources of secondary data are published material on relationship marketing and customer loyalty. These resources are collected from academic journal such as Journal of Marketing Management, Retailing. Academic journal were used for the purpose of identify the current thought about relationship marketing and how it is impact on customer loyalty. There are several additional sources also used like commercial report and trade press. The purpose of using these sources is to understand the current market trend and future trend about relationship marketing in supermarket.

### 3.6.2 Primary data collection:

Primary data which is collect for the specific purpose of analyzing the research question and objective. Saunders *et al*. (2009, p. 263) defined primary data as "data collected specifically for research project being undertake". For the purpose of this study, questionnaires are used for the former and in-depth interview with customers and Team leaders used later. Both method of data collection are discussed below

### 3.6.2.1 Questionnaire Designing:

A questionnaire is the method of gathering a particular information about research objective so that the analysis of data and interpretation and result in better association with objective (Chisnall, 1992). The collection of both the primary data and the secondary data has been equally significant for this research. Most pertinent methods were employed in order to ensure the collection of appropriate, relevant and accurate data. For the collection of primary data, questionnaire was developed and used 100 questionnaires, 50 in-depth customer interview and 10 team leaders' interviews were considered during this research. The questionnaire in this regard was very comprehensively developed so that the data collected via it would be provide valuable input, which is relevant and comprehensive. The great advantage of questionnaire is that huge amount of data can be collect about a respondent at one time.

Care was taken for making appropriate questionnaire, avoided vague along with inaccurate and irrelevant questions as it could have affected the quality of information.

The questionnaire, which incorporated by close ended self administer questionnaire as per research requirement. The Likert "summated" scale approach was taken while developed the questionnaire, it is an effective tool for measuring respondents' attitudes. Likers scale method consider good research tool because of its reliability and huge amount of information gather about respondents feelings. This is the best approach while doing directed research. The questionnaire main theme in this regard was gathering of information related to customer loyalty and relationship marketing, its relationship, present trends and significance at Tesco. Questionnaires, which were developed proper way, included various elements, which were identified during the process of secondary research. This ensured the data accuracy along with imparting the report validity. Hence, a very comprehensive approach was adopted in this regard, which ensured the validation of secondary data along with primary data collection. Questionnaire supplied to the customer in front of the shop door of Tesco which is situated at Gallionreach at London by taking permission of authority as well customer. During the data collection, weekend and week days considered for ensure the quality of data.

### 3.6.2.2 Interview approach:

In-depth interview is considered a fundamental method of qualitative research (Esterby *et al.* 1991). An in-depth interview helps to understand the meaning and significance of situation from the respondents' belief and values that interviewees had gathered over their lives. An in-depth interview was conducted over 50 customers. The interview used for this study which is conducted outside in Tesco plc at same place where survey was conducted. The interview involves stopping shoppers in outside the supermarket and qualifying them if necessary and inviting them for participating interview. The advantages of in-depth interviews are that the interviews are conducted in relevant supermarket environment where customer can instantly express their behavior relevant with research objective. The main interview was conducted between 10th November to 24th November 20111. The interview was conducted outside of the Tesco store in Galionreach at London. Respondents were conducted interview by the researcher personally and interviewed approximately 5 minutes even though huge number of shoppers refused to participate in interview.

In this study, 10 interviews were undertaken from Team leader of Tesco plc. The purpose of team leader interview was to gain insight into relationship marketing strategy of Tesco. More specifically team leaders interview was conducted to know the perception of relationship marketing strategy and how the impact on customer loyalty. Team leaders were selected from different shop of Tesco. But most of the team leader selected from Galionreach Tesco and few of team leader interviews were taken from East Ham Tesco's. The interviews with team leader were unstructured interview and researcher used pen and paper to write interviewee opinion. The interview was held 15-20 minutes because of time restriction given by the interviewees and recorder did not allow during the interview.

### 3.7 Data Analysis:

Data analysis tools and techniques which are depend on the nature of data. Analysis tools and techniques for qualitative data are mostly different from the quantitative data. In this study researcher followed content analysis for analysis qualitative and quantitative data. Content analysis is the way of categorization of verbal and numerical data, for the purpose of classification, summarization, and tabulation. The content analysis can be used in two ways. The descriptive data can be analyzed by interpreting what actually said and what is meant by the response and what implied. On the other hand quantitative data can be analyzed by the tabulating quantitative data (Easterby-Smith *et al.*, 1991). Researcher analyzed data by using Central Tendency such as arithmetic mean and mode. Researcher used mean and mode because this method allow to reduce mathematical complexity and helps to make decision quickly. The researcher chooses simple analytical methods for analyzing the data and these methods are mean, mode, charts and tables. These methods are simple and illustrative and easy to understand. This will allow all sorts of readers to understand the research. The good research called, which is understandable for the maximum number of people. This method is picked because it's easy to perform and need basic mathematics skills and will show data in very presentable form and interactive for readers

### 3.8 Reliability and validity:

Reliability refers that the inquiry of research procedure and operation can be rehash by other researchers which then get similar result or findings (Reige, 2003). In this study, all the primary and secondary data ensured that sources of data, analysis of data and interpretation give consistent result according to literature to increase the thread of reliability.

Validity refers establishes the appropriate research result were used from theoretical discussion (Reige, 2003). It means that similarity of ultimate research result which is intended to do. In this research, to ensure the validity, the research question and questionnaire as well as overall relationship marketing framework were developed after thorough review of literature review.

### ■ Context of Research:

### 4. History of Tesco plc in UK:

In mid-twentieth century, the supermarket was key retail innovation that helps to change the nature of the shopping in the UK. After Second World War, agriculture subsidies and retail liberalization helps to established super market. Supermarket concept first started in the 19th century by co-operative movement through which local retailers groups came together and started to sell affordable goods under the control of consumers' member. The first co-operative business started in 1940 in Lancashire. In the same year, all the co-operative of North-England came together to build co-operative society for providing great opportunity for the customer by offering goods bulk. Beginning of the 20th century, different shop units developed idea to sell wide range of grocery

product that result in supermarket (Sedlmaier, 2005). Tesco started business in 1929 by Jack Cohen started his retail career by selling surplus groceries in East End of London. The Tesco first came in market as a brand in 1924 and 1932 Tesco became a private limited company. The major growth stage of Tesco was in 1950 by bought 70 Williams store, 200 Harrow store and followed 97 Channel Philips store. In 1968, Tesco first open supermarket in Crawley, West Sussex. As a revolution of supermarket, in 1970 Tesco started aggressive strategy by opening new store just to overtake Sainsbury. In the following two years Tesco launched slogan "every little help" as a strategy which strongly impact on UK customer. In 1995, Tesco introduced "Club card" as a loyalty scheme strategy (Clark, 2008). This club card strategy helps to overtake Sainsbury's. Tesco now operates in 13 different countries by opening 5380 stores and 492714 people are employed in Tesco. In 2011Reportes sales was £67.6bn and trading profit was £3.7bn (www.tescoplc.com)

■**Result and Findings:**

**5.1 Result of questionnaire:**

100 personal interview were conducted through self administer questionnaire outside in Tesco which situated in Galionreach, London. The questionnaire objective is to identify consumer attitudes about relationship marketing and customer loyalty to Tesco plc. A sample description is given first, and after that an analysis of relationship between relationship marketing and customer loyalty will discuss.

**5.1.1 Sample Description**

**Age**

A systematic random sampling was used to collect information through questionnaire and different demographic variable like age occupation, gender was used to identify the customer attitudes about relationship marketing and customer loyalty. The socio demographics characteristics of resulting sample are discussed in the following paragraph. The most of the question comprised the 35-45 age groups by using probability sampling. The most of the respondents were relatively young with the age between 35-45.

Fig: 5.1: Age composition of sample population
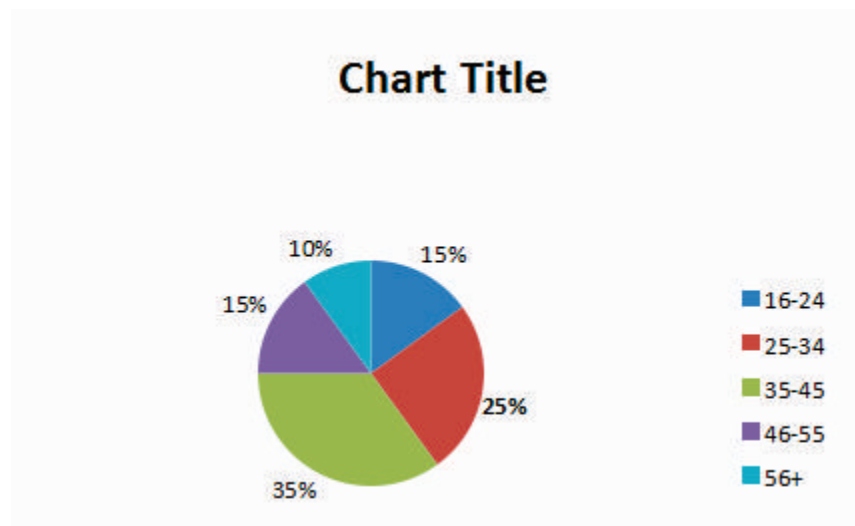


The high refusal rate was problem to apply probability sampling method; especially high refusal came from old age people even though 10% of sample comprised respondent over 55 years old.

**Gender**

The majority of the respondent were female (69%). it is clearly observed that the greater likelihood of encountering female in supermarket than the male. The researcher also collected more information from female due to high proportion of female customer in the supermarket. The sample may also have been influence due to the time of the day because majority of the data were collected during week days, even though it is ensured that the sample composition by gender may have varied had weekend shopper also been interviewed.
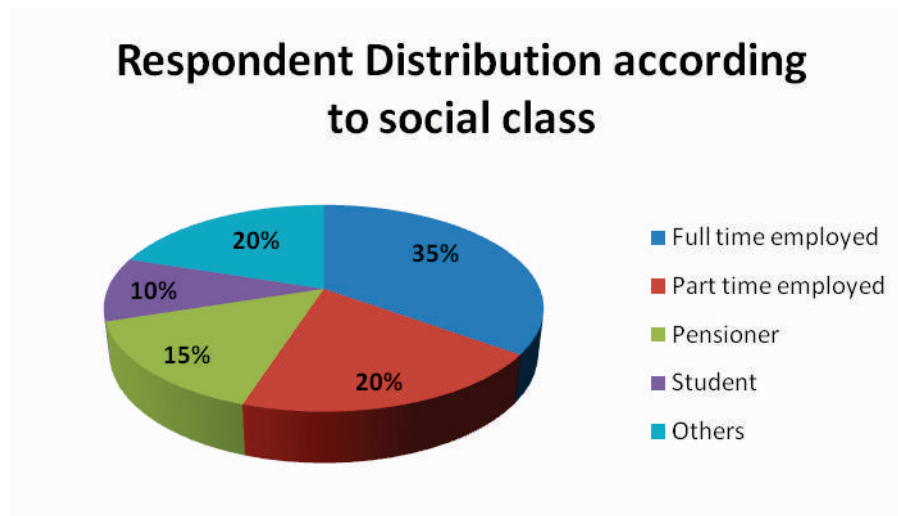
**Fig: 5.2: Gender composition of sample**
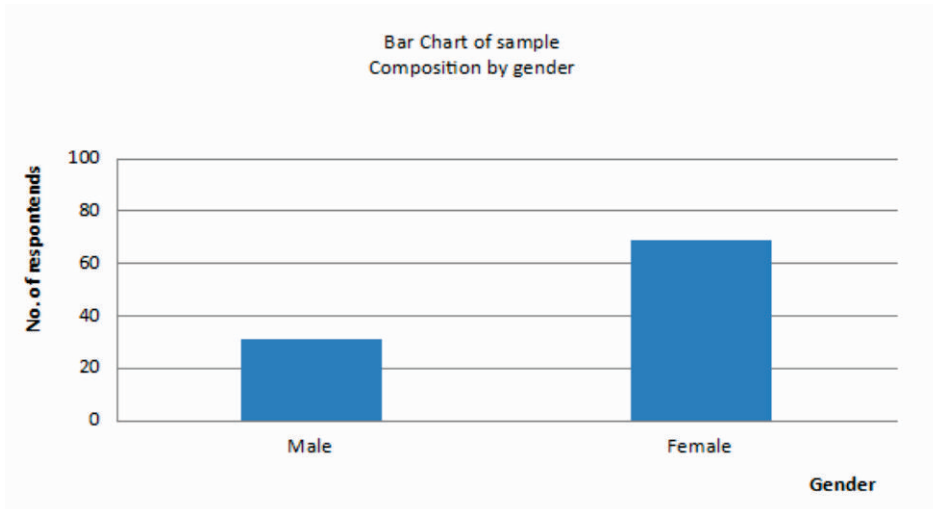


**Social class:**

To identify the respondent's social class, they were asked about their occupation. But many of the respondents refused to discuss their occupation. Those who have given the occupation (68%) are categorized by standard occupation classification.

Fig: 5.3. Social class distribution of sample



The information have been collected from Tesco plc in Galionreach, London where most of the consumer are migrant and they are from Asia, Africa and mixed culture among them 30% are full time employed and rest of the part time and pensioner respondent.

**5.1.2. Factor considered for choosing supermarket:**

An attempt was made to identify the factor which motivate to shop from predominant supermarket. Week days and weekend used to collect information to reduce disparity between respondent. Respondents were asked to order the importance of 10 factors regarding selecting supermarket. The result of these factors rated in terms of the importance, consumers are mostly placed more importance on 'product quality' to shop any particular supermarket, it indicates that customer put more priority on their core demand. After the quality of product, customer placed importance on product price. Money has considerable value, customer always wants to get competitive price along with product quality. Product range also carry similar importance for choosing

supermarket for shopping purposes. Some of the respondents placed importance on convenience at home /work, it means that customer prefer to shop in short distance supermarket rather than far way. The great advantages of product range and convenience at home or work is saving the time. In terms of UK, saving time is influential matter for shopping decision. But respondents also placed importance on customer services but less important compare to product range, distance to shop from work/home. Some of the respondents placed least importance on company's offer and discount. However, it is important to acknowledge that majority of respondents; they don't need parking facilities either because they had no car or because of the supermarket are near to home or work. Customer loyalty scheme and store layout rated are not at all important, because it can be assumed that loyalty card do not motivate strongly to chose supermarket as consumers are give more importance on other factor. But in terms of responsiveness of staff does not carry any importance for choosing supermarket. Responsiveness of staff refers the staff feedback about customer queries.

**Table: 5.1: The importance of each factor when deciding upon which supermarket to shop**

| Factor of choice | Mean score rating |
|---|---|
| Quality of goods | 1.492 |
| Price of the product | 1.655 |
| Product range | 1.724 |
| Convenience at home/work | 1.806 |
| Customer service | 2.122 |
| To catch company's Special offer | 2.760 |
| Parking facilities | 3.214 |
| Store loyalty card | 3.884 |
| Store lay out | 4.769 |
| Responsiveness of staff | 4.987 |

**Where, 1=very important, 5= not at all important**

**5.1.3 How do people compare Tesco with other supermarket?**

Tesco is a leading supermarket in the UK. Generally customers shop any particular supermarket by considering various factors. An attempt was made to find out what factors motivate to choose Tesco as supermarket compare to other supermarkets. Respondents were asked about 7 factors regarding for choosing supermarket. The result of respondent put more importance price of product of Tesco. It means that Tesco product price is very competitive compare to any other supermarket which attract customer to shop in Tesco. Quality of goods also distinct factor to shop in Tesco but Tesco product quality attract customer less compare to product price. Respondents also placed considerable importance on Tesco customer service compare to other supermarket. Tesco product range carries almost similar importance compare to customer services. Product range means that Tesco produce more items which attract customer to shop in Tesco. A wide range of product offer different benefits specially it save more time by getting all the product under one roof. It is also acknowledge that respondents placed less importance on Tesco loyalty card, it means that does not make any motivation to shop in Tesco. In terms of store lay out also placed same importance like Tesco club card. Hence it is also assumed that store loyalty card and store layout strategy may be same in all supermarkets. Convenience at home is also not at all important.

**Table: 5.2**. **How does Tesco compare with other supermarket?**

| Factors | Mean of score rating |
|---|---|
| Price of product | 1.622 |
| Product quality | 1.842 |
| Customer service | 1.955 |
| Product range | 2.022 |
| Tesco loyalty card | 3.853 |
| Store lay out | 4.283 |
| Convenience at home/work | 4.926 |

**Where, 1= much better 5= worse**

**5.1.4 Segmentation of respondent In terms of shopping behavior:**

Respondents were classified on the basis of shopping behavior. Those who shop regularly from any particular supermarket are called loyal customer and those who do not believe in one supermarket or shop from different supermarket called switcher. In terms of this characteristic, respondent were asked whether they are shopping from one particular supermarket or from different supermarket. 85% of the respondent said that, they are trust in one supermarket for their shopping purposes. 15% of the respondents said that they are frequently switching from one supermarket to another supermarket.

Fig: 5.4: Segmentation of respondents buying behavior



**Respondent Segmentation**
■ Loyal   ■ Switcher

15%

85%
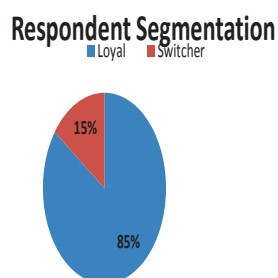
**5.1.5 Considering factor for switching supermarket:**

Customer shopping decision depends on various factors. Generally customer wants to maximize their level of satisfaction by fulfilling their desired demand. Customers move from one supermarket to another supermarket to get their desire utility according to their demand. Among the 15% of the respondents, those who are switching supermarket were asked about cause of switching. In the questionnaire there are seven causes were given to order in terms of importance. Respondents paced more importance on bad quality of product for switching supermarket. It indicates that if the customers are not satisfied with their product quality, they move to another supermarket just to get quality product. After the bad quality of product, respondents placed importance on lack of customer service for their switching. If the respondents don't get desired customer services, customers change their mind to shop again from particular super market. Charging unfair price also carry importance for moving supermarket. Charging unfair price means that charging high price compare to competitor. But in terms of catching company's discount and offer carries neither important nor unimportant for switching supermarket, which means that sometimes discount and offer may motivate to change to other supermarket. In the questionnaire, it is observed that distance of store and lack of parking facilities not at all important for switching supermarket.

**Table 5.3:  Factor for switching supermarket**

| Factors | Mean of score |
|---------|------------|
| Bad quality product | 1.213 |
| Lack of customer service | 1.746 |
| Charging unfair price | 2.251 |
| To catch customer discount | 3.244 |
| Distance of store | 3.987 |
| Lack of parking facility | 4.351 |

**1= very important        5=not at all important**

### 5.1.6 Number of loyalty card held:

Generally holding loyalty card indicates that customers are loyal to respective supermarket. But in other sense, Morrison, ASDA, Lidl, don't have any loyalty scheme, it does not mean that customers are not loyal to those supermarket. So holding loyalty card is visible indication of loyalty. Those who don't have loyalty card, it has two meaning either customer are not interested about loyalty card or may be customers are not loyal to the respective supermarket.  Most of the respondent just have only one loyalty card, but few of them don't have loyalty card. 81% of the respondents participate in loyalty card and 19% customers do not participate in loyalty card. Those who participate in loyalty card among them 38% respondents have more than one loyalty card and 43% the respondents hold only one loyalty card.

**Table 5.4: Percentage of loyalty card holder**

| Number of loyalty card | Proportion of loyalty card holder |
|------------------------|-----------------------------------|
| 0 | 19% |
| 1 | 43% |
| 2+ | 38% |

### 5.1.7 Predominant users of loyalty card:

There are various loyalty card launched by different supermarkets. Respondents also asked about which supermarket loyalty card use more. 48% respondent use Tesco club card in their shopping, 25% use Sainsbury reward card and 15% people use Iceland bonus card rest of the respondents use both loyalty cards. Higher percentage of club card users indicates that respondents are more loyal to the Tesco compare to other supermarket. It is clearly observed that only one loyalty card holder is 43%, so it can be said that single loyalty card holder predominantly use Tesco club card and those who hold more than one loyalty card, they also use Tesco club card on priority for their shopping.

**Fig: 5.5**: proportion of different supermarket Loyalty card user



**Predominant loyalty card user**

mixed, 12%

Bonus card, 1 5%

Sainsbury Re ward card, 25 %
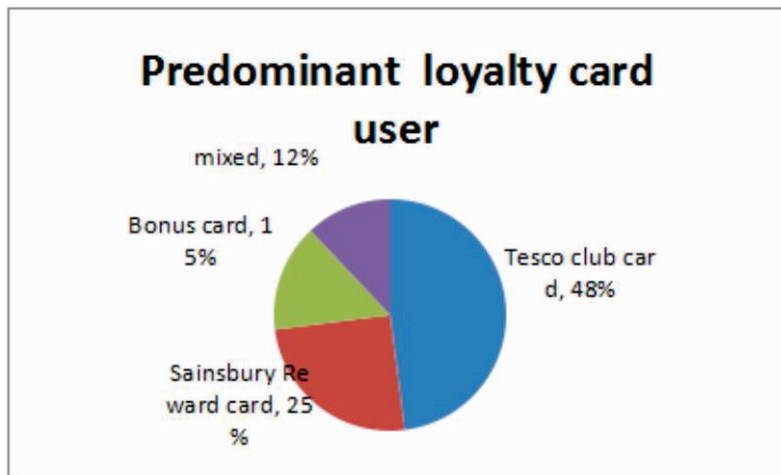
Tesco club car d, 48%

**5.1.8 Impact of club card on customer shopping behavior:**

Club card is an innovative relationship marketing strategy to increase the sales. Tesco consider the club card is a revolution to make the customer loyal. Researcher was asked the respondents whether any change in shopping behavior for using club card. There are four option has given about shopping behavior. Significant number of respondent (52%) agreed that there is no change in shopping behavior for using loyalty Card. No change in shopping behavior for club card means that loyalty card does not impact on the shopping. 25% respondent said that they visit the store frequently with club card, it means that when customer shop, customer use club card to earn points. 8% respondent said that we encourage to buy things generally we would not it. 10% respondent spend more money due to club card, but surprisingly 5% respondent did not give answer the question because they said given alternative are not match with his/ her own thought.

**Table 5.5: Impact of club card on shopping behavior**

| No change | Encourage to buy |
|---|---|
| 52% | 8% |
| Visit store frequently with club card | Spend more money for club card |
| 25% | 10% |

**5.1.9 Considering factor for using loyalty card:**

The loyalty scheme launched by the supermarket is to increase sales by making loyal customer. But customer use loyalty scheme by considering various factor. The respondents were asked which factors consider more for using loyalty card. The six factors have given, among this factor respondents placed more importance on loyalty card points for using loyalty card. It means that customer wants to earn more points which is indirectly means that customer are loyal to respective supermarket. After that respondents placed more importance on encourage to repeat purchase, it means that customers are influenced by the loyalty card to shop more. Earn loyalty card points and encourage to repeat purchase almost similar meaning because repeats purchase leads to earn more points. But in terms of scope of use and offer from the supermarkets bear lees important for using loyalty card. Here scope of use indicates the place of use. For example Tesco has supermarket, Tesco finance, Tesco fueling

etc. however it is acknowledge that according to the respondents, friendly use of loyalty card ad facility to claim points against voucher does not carry any important to use loyalty card.

**Table 5.6: Which factors consider more for using loyalty card?**

|  | Mean score |
|---|---|
| Loyalty card points | 1.952 |
| Encourage to repeat purchase | 2.184 |
| Offer from the supermarket | 2.852 |
| Scope of use | 3.157 |
| Friendly use | 3.751 |
| Facility to claim points | 4.455 |

**1= very important        5=not at all important**

**5.1.10 Considering factors for repurchase from particular supermarket:**

Repeat purchase means buying regularly from particular supermarket. Repeat purchases also mean that customer is loyal to the respective supermarket. There are various factors considered for repeat purchase from any particular supermarket.  The questionnaire was designed to explore the factor for repeat purchase from particular supermarket. There are nine factor has given to find out the most important factor in the form of Likerts five scale method. All most respondents agreed that product quality is necessary condition for repeat purchase. Every customer wants to get quality product which leads to maximum satisfaction that associates with customer loyalty. Respondents also agreed that price also important factor for repeat purchase. Here, 38% respondents, strongly agreed and 12% respondents agreed that price of the product is an important factor. Because customers buying decision are influence by the budget. Here price of the product represent the competitive price or affordable price. In terms of customer services, respondents agreed that customer service also influential factor for repeat purchase but 28% people is not sure that whether it is important or not and 5% respondents disagreed that customer service is not factor a factor to repeat purchase. In terms of product range and convenient at home/work, most of the respondents are disagreed. It is also observed that most of the respondents disagreed about company's offer/discount and loyalty scheme does not motivate for repeat purchase.

**Table 5.7: Agree and disagree about factors for repeat purchase**

| Factors of repeat purchase | Strongly Agree (%) | Agree (%) | Not sure (%) | Disagree (%) | Strongly Disagree (%) |
|---|---|---|---|---|---|
| Quality of product | 65 | 35 |  |  |  |
| Price of the product | 38 | 60 | 2 |  |  |
| Customer service | 10 | 57 | 28 | 5 |  |
| Product range | 2 | 23 | 55 | 20 |  |
| Walking distance |  | 32 | 58 | 7 | 3 |
| Size of the store | 5 | 45 | 40 | 10 |  |
| store layout |  | 12 | 70 | 10 | 8 |
| Company's offer and discount |  | 5 | 20 | 68 | 7 |
| Loyalty scheme |  | 25 | 10 | 60 | 5 |

**5.1.11 Summary of questionnaire result:**

100 questionnaire surveys were conducted to collect data in relation to relationship marketing and how to impact on customer loyalty. Result of questionnaire presented by bar chart, pie chart and table format. Questionnaires designed based on demographic characteristics, relationship marketing variable, and customer loyalty factors. The questionnaire results were presented by considering research objective. These included an identification of what customer thought about factors more important to shop in particular supermarket. Respondents placed more

placed more importance on product quality, it means that product quality is more important to attract and retain customer. But when respondents were asked about which factor attract more to shop in Tesco, surprisingly respondents placed more importance on price of the product. It is assumed that customer may think all the supermarket product produce quality product but Tesco produce cheaper price compare to other rival, which attract more to shop in Tesco. Respondents also asked about how many loyalties card use and which company's loyalty card use more. In response of this questionnaire, most of the respondents use only one loyalty card and Tesco club card use more. Regarding loyalty card also asked respondents, which factors consider more for using loyalty card and impact of loyalty card in shopping behavior. Respondents emphasized on loyalty card points for using loyalty card and more than half of the respondents said no impact on shopping behavior. Finally respondents asked most important question in the form of Likerts scale method that which factor has more contribution for repeat purchase. Most of the respondents strongly agreed that product quality is more important rather than other factor of relationship marketing. So it can be said that product quality plays vital role for deciding a particular supermarket for shopping and to stay in the long run in particular super market.

## 5.2. Findings

### 5.2.1 Interview with customers

An in-depth interview was conducted on 50 customers. The customers, who participated in interview, raised some interesting points concerning their attitudes toward relationship marketing and customer loyalty. The findings of these interview provided greater insightful innovation regarding relationship marketing and customer loyalty.

### 5.2.1a. what are the factors attract customer to shop again in the particular supermarket?

Generally respondent felt that bigger supermarket give more benefits than smaller one. The bigger supermarket has wide range of product where possible to get all the necessary goods under one roof. But it has to be ensured quality of product and fair price charging. Some of the respondent said that "if the quality of product is not good enough, it does not make any sense to shop again even price is very cheap". Some of the customer said that additional facilities also entice them to repeat purchase. For example: one customer said that "I do shop in Tesco at Gallionreach even it is not my local store, but I can park my car that makes my life easier". Another customer said that free car parking facilities make shopping "hassle free". Another respondent mentioned that "I do shop in same shop because I know where it is, which helps to shop faster and easier". Some other customer also mentioned the short distance from home is great advantageous for shopping.

### 5.2.1b. Would you continue to shop in same supermarket regardless of loyalty scheme?

All the customer who participated in interview, straight of way said that "quality of product and fair price" is necessary condition to continue the shopping. Loyalty scheme is makes the customer happy but quality attract more than loyalty scheme. One respondent said that "for loyalty scheme, you can save few pennies for every pound but it is not enough to be loyal other than standard product". Another respondent noted that the importance of customer service is being more important than the loyalty scheme, she also said "all the supermarket offer all most same loyalty scheme as well as same reward, so it is not important issues for repeat purchase" but she recognized that the customer do not rate loyalty scheme as important than other issues.

### 5.2.1c. How many loyalty card you have?

Most of the customer do not have loyalty card but those who have loyalty card, are not more than one. Some of the respondent said that, we have only one card that we visit regularly. Another customer said that it is annoying to have more than one loyalty card because I do my majority of shopping in one supermarket so there is no point to take various supermarket loyalty card.

### 5.2.1d. Have you been changed in shopping behavior after using loyalty card?

In this regard, customer has given different opinion. One customer said that "loyalty card don't have significant impact on shopping behavior", loyalty card generally use after shopping as additional facility. One customer said that "I will earn some point but I am not shopping for just to earn loyalty card point". But most of the customer said that we shop from supermarket rather than non grocery shop because at least we can earn reward points that entice to buy from supermarket. Specially one respondent said that "I do more shopping which is not intentional just to earn points".

**5.2.1e Do you shop from one particular supermarket or from different supermarket?**

The majority of participants are fairly conscious that we believe in one supermarket rather than more supermarkets because the great benefit is that we know every things where it is and price and quality of product. Another benefit is that staffs are recognize us as regular customer, so we receive great customer service from staff. Another respondent noted that "we buy from other super market if they give special offer but it is occasionally not regular". We trust in particular supermarket which is more convenient for us.

**5.2.1f. Are switching from your predominant supermarket to another one just to catch Company's special offer**?

Researcher asked the participant about switching for special offer but majority of the respondents said that "we are not so excited about special offer" they said that life to too busy, there is no point to switch another supermarket to save few pence. Another respondent mentioned that "I warmly welcome the special offer and I am also conscious about value for money which encourage for additional shopping".

**5.2.1g**. **Are you regularly shopping from Tesco? Why / why not?**

Researcher asked customers about shopping nature. Most of the participants are regular customer of Tesco's. Respondents said that Tesco produce quality product and tailoring product. Researcher also asked about tailoring product, they said that "Tesco focus local communities demand and fairly priced". Some of the respondent said that "Tesco have wide range of product that helps to get all the goods from one shop that save the time". Few respondents also mentioned the great customer service and parking facilities.

**5.2.1.1 Summary of customer's in-depth interview:**

In the in-depth interview, customer also asked almost similar questions as questionnaire because questionnaire is close ended where customer opinion is limited by the researcher but open ended interview gives the opportunity explain clearly. In interview and questionnaire result and finding is not big difference but in interview part, respondents has given clear explanation about their opinion. In interview customer asked about which factor consider for selecting supermarket and stay in the long run in same supermarket. Customer emphasized on product quality but they added that product quality is core demand for customer satisfaction, if the customer satisfied with basic demand that motivate to come again. Interviewee also emphasized on product price, and respondents explained that if the product price is higher or costly, it does not motivate to come again even product quality is good. Respondents also emphasized on other functional variables of relationship marketing that distinguish and helps to chose supermarket.

**5.2.2 Interview with Team leaders of Tesco**

For conducting the research at the management side, 10 team leaders of Tesco were chosen and interviewed are present in the following

**5.2.2a. Is Tesco aware about relationship marketing and how Tesco execute relationship marketing?**

Team leaders said that Tesco strongly aware about relationship marketing, not even Tesco every supermarket is aware about relationship marketing. Relationship marketing is very important to connect customer as regular customer. Basically Tesco strongly emphasize on customer service, additional facilities like parking facilities, baby change, and loyalty scheme and reduce queuing etc. other team leader said that relationship marketing generally more focus on customer service, in terms of customer service criteria, it is vary from person to person. Some of the customer considered that quick counter service as good customer service. For that reason they tend to avoid busy hours of super market when there are already too many buyers around for grocery. If this factor is not present in the customer service agenda it can cause anxiety and can push any customer to change it grocery store. However it cannot be said decisively that customer service can help in gaining customer loyalty at any cost"

**5.2.2b. What do think, why customer is more loyal to the Tesco? What sign or factor indicates this?**

Basically Tesco plc is a big supermarket even it is now leading supermarket in UK supermarket. Brand image is also considerable factor for loyal to the Tesco, but brand image associated with product quality, fair price, good customer service, customer oriented etc. specially few Team leaders mentioned that Tesco ensure product quality with competitive price and provide other facilities increase the customer comfort for shopping. Another team leader mentioned that Tesco captured more market share compares to other competitor so, it indicates that customer are more loyal to the Tesco. He also added that Tesco always ensure product quality, emphasis on

customer demand and produce what the customer wants. Some other team leader said that Tesco categorized their shop such as Express, Metro just to make convenient for the customer.

### 5.2.2c. Do you think that loyalty scheme is important for customer loyalty?

Team leaders agreed that loyalty scheme is important for customer loyalty, but some other Team leaders said that loyalty scheme is not enough to making loyal but it is supportive factor. Loyalty scheme helps to stay customer in the long run in a particular supermarket, but it is not a such factor that customer just come and buy regularly only for loyalty scheme. If the Tesco do not produce quality product, customer will not stay with Tesco to enjoy loyalty scheme. Other Team leader added that Loyalty scheme is an innovative strategy for Tesco and lot of customer are motivated by loyalty scheme just to earn points and get discount voucher. Another team leader mentioned that Loyalty cards are subject to long term basis and cannot assure the loyalty of customers in the short run.

### 5.2.2d. How important is the role of relationship marketing to gaining and maintaining customer loyalty for the supermarket?

Now a day's relationship marketing considers a part and parcel for the supermarket. One Team leader said that that relationship marketing complementary for customer loyalty. For example: even Tesco produce quality product and charge fair but if Tesco's customer service is not good and store are not properly organized, store are not in convenient place, customer may come twice but in this situation customer may not stay with Tesco in the long run. Other Team leader mentioned that product quality and proper pricing is basic needs for customer loyalty and relationship marketing is strong supportive strategy for making loyal.

Team leader mentioned that Relationship marketing is definitely important factor for customer loyalty. In the present world business is more competitive. Every supermarket tries to give their best service and grave customer, so innovative strategy for relationship marketing helps the customer to identify the difference among the competitors. So, additional facilities like great customer service, car parking, share information, loyalty scheme motivate to customer being loyal. Other Team leader has given opposite opinion; he said that relationship marketing is not directly involved with gaining customer loyalty but relationship marketing has contribution to gain customer loyalty.

### 5.2.2e. What causes customer could be switched to another super market?

All the team leader agreed that when customer ate not satisfied with core demand then customer decide to move to another supermarket. Team leaders also said that UK people are too busy. Every customer tries to get all the necessary goods under one roof, if the people not get all the things then customer may switch to another supermarket. Price and quality also play vital role for switching supermarket. One team leader mentioned that, some customers are very sensitive about customer service and they differentiate among rivals in terms customer service when they not get expected customer service then they move to another one.

### 5.2.2f. Do you think that discount and offer play role for switching supermarket?

Team leaders said that discount and offer do not motivate the customers to switching. Those who are frequently switching for catch the company's discount and special offer, they are always flying customer and opportunistic. Ideal customer does not bother about discount and special offer but they are conscious about quality and price. Few of the Team leaders mentioned that few customers are conscious about value for money.

### 5.2.2g.As an employee of Tesco, what do you think, how does Tesco compare with other super markets?

According to the Team leaders view, the price of all the super markets is much or less the same due to high competition. In fact, in terms of price no company has got competitive advantage over others. Everybody is trying hard to keep the prices at the lower end and there is not much of a price difference. So all the companies are more intend to capture the market share at the cost of their profit margins. So the competition is more market share oriented rather than profit margin.

One Tesco team leader mentioned that quality of goods and competitive price helps to decide the supermarket for shopping and other additional facilities make strong bonding with particular supermarket.

So, in terms repeat purchase, quality product and reasonable price plays vital role but other facilities such as good customer service, parking facilities, loyalty schemes etc reduce the switching intention by increasing satisfaction level.

### 5.2.2h. what do you think about club card for making customer as loyal?

Team leaders opinion is that club card is beneficial for those customers who buy more; they can earn more point but before that customer have to decide that he or she will buy regularly. So in this regard they said that club card is not a factor for making loyal but it is beneficial if the customer already decided for repeat purchase. Club card helps to stay with Tesco but nor for making loyal.

### 5.2.2i. Do you think customers of Tesco are satisfied with the feedback management gave them in return of their complaints?

In this regard the response given by the Team leaders of the Tesco was not conclusive enough as to know whether the customers are really satisfied or not in return of the corrective measure that are taken by the management of Tesco after getting feedback from the customers. However the response that was given by the team leaders was that Tesco management always looks to get the feedback from their customers. At the same time, Tesco management also brings relevant changes in regards with their policies, offers and different value added and core services and products. Just recently there has been a line of different product categories that were recently added by the Tesco management after analyzing the customer requirements. It was also said by few team leaders that concerns that are shown by customers are not repetitive and once the necessary measures are taken by the company they are not uttered in response by the customers.

### 5.2.2j. Do you think, loyalty card change spending habits of consumers?

All the team leaders revealed the fact that yes loyalty cards has motivated majority of customers to change their spending habits and consume over and above their entire budget. However since the loyalty card program has been offered by all super markets so it has not helped any company to earn customer loyalty in the long run. In short term, companies can urge their customer with the help of these loyalty cards to stick with them and shop more and more. But when the benefits are reaped by the customer in return of those points nothing could then motivate the customer to stick with any particular supermarket. Also it was reflected from the responses that customers tend to acquire the loyalty cards of each supermarket and every individual of their family has a particular loyalty card and any family member can use those cards to benefit the card holder. However in order to cut the long story short, it was revealed by the team leader that customer are now consuming more in search of the points they can earn but the customer loyalty has not been impacted in this regard.

### 5.2.2.1. Summary of Team Leaders interview:

10 Tesco's team leader interview was taken to conduct research. Team leader is not right person to give enough information about relationship marketing and how impact on customer loyalty. But as employee of Tesco, they have reasonable knowledge about relationship marketing. In interview with Team leader tried to focus on same topics to find the management view and compare with customer view. Surprisingly customer view and management side view all most similar. Team leaders also focused on product quality to attract and maintain as well as retain customer. They also mentioned that relationship marketing helps to stay customer in Tesco in the long run and makes more referral customer.

### ■ Result and Findings Analysis:

### 6. Result and Findings Analysis

This part will examine the findings and result in relation to literature review and research objective. The discussion covers the result and findings in relation to research objective.

### 6.1. Considering factor for choosing supermarket:

Before shopping decision, customer thinks about various matters for shopping decision. The purpose of considering various factors is to find better supermarket which can satisfy their all demand. According to questionnaire respondent, majority of the respondent agreed that quality of goods is the most important factor. Some of the customer also placed importance on price after quality of goods. Importance of price and quality depends on customer philosophy because some customers are price sensitive and some of the customers are the quality sensitive. Every customer are wants to get quality of product but some of the customer give more priority on price rather than quality and some other customer give more priority on quality even price is so high. Some of the respondents also considered the product range because people don't want to spend more time on shopping purposes. Every customer wants to get all the necessity goods under one roof. Customers don't want to go in different shop to get their necessity goods. In the questionnaire, respondents were asked about important factor for deciding supermarket. The mean score ratings of quality of goods is 1.492; it means that quality of goods carry more important. In terms of price, mean score ratings is 1.655 which is higher than the quality of

goods, so its carry less important than the quality of goods for selecting supermarket, moreover, range of product also carry almost similar importance as product price. In terms of customer service, the mean score is 2.122, it indicates that customer service also plays vital role for selecting supermarket. it is observed that, for the discount and offer as well as partings facilities mean score is all about 3.00, it means that parking facilities and company's discount and offer neither important nor unimportant. But for the loyalty scheme and responsiveness of staff does not carry any importance for choosing super market.

According to interviewee , there are no different opinion about quality of goods, interviewee said that they gives the more priority on quality of good for choosing supermarket for their shopping but for the other factor little bit contradictory for choosing supermarket. Some of the customer said size of the shop attracts more for choosing super market because it produces wide range of product. They also mentioned that better customer service and parking facilities and company's discount and offer also attractive.

According to Team leader of Tesco, he also did not disagree with customer opinion either in questionnaire respondents and interviewee. He said quality product is first criteria to attract customer rather than other factor. He also felt that without quality product it is difficult to convenience customer for shopping. He also mentioned that additional facilities like customer service, parking facilities, loyalty scheme, company's discount and offer also has contribution to attract customer.

### 6.2. How Tesco compare with other supermarket:

There are several supermarket exist in the UK such as Tesco, Sainsbury, ASDA, Iceland, Morrison etc. Among the supermarket Tesco and Sainsbury covered the major market share compare to other supermarket. According to questionnaire respondent has given more priorities on price for choosing Tesco compare to other supermarket. The mean of score rating for price is 1.622 which indicates the Tesco much better for their pricing. But there is strange matter is that when customer asked about which factor are important for selecting supermarket, majority of respondents placed important on quality of goods but same respondent choose Tesco for the price. But in terms of quality of product, the mean of score ratings is 1.842 which is near to 2.00; it indicates that Tesco quality of product is better compare to other super market. Customer service also carries similar importance as quality of goods where customer service means scoring is 1.955. But club card and store layout scoring mean is 3.853 and 4.855 respectively. So it means that Tesco club card and store lay out does not carry any importance for choosing Tesco for shopping compare to other super market. Technological advancements have made the life very easy for today's customers. Now they are not necessarily required to come down to the super market for shopping. If they feel convenient they can order online and goods will be dispatched at the required destination. So this factor cannot play a conclusive role as a tool of relationship marketing on order to retain loyal customers. Here it can be said that, Tesco has been introduced loyalty card first in the market and purpose was to increase sales by making loyal customer, but Tesco club card did not encourage to repeat purchase, so those supermarket did not introduce loyalty card such as Morrison, ASDA, Lidletc, does not make any big difference with Tesco. So, spending on club card strategy is wastage and its failure to attract customer. Where, Morrison, ASDA, and Lidl are concentrated on product quality and reducing price rather than spending on loyalty scheme. Because, customers give more priority on quality of product and price of product rather than incentive in the form of loyalty card.

On the other hand, those who participated in interview they said that Tesco product quality is much better compare to other which is also contradictory with questionnaire respondent. Additionally customer also mentioned that Tesco produce tailoring product considering local community which more attract to shop in Tesco. Some of the interviewee also mentioned about price of the Tesco which is more attractive. Some of the customer mentioned that wide range of product also attract customer to shop in the Tesco, they also mentioned that Tesco also ensure the product quality.

So three different forms of respondents little bit contradictory about their cause of choosing Tesco but all the respondents quit agree that quality of product is more important then price and other factor.

### 6.3 Attitudes towards Tesco club card as loyalty scheme:

Most of the supermarket use loyalty scheme for the purpose of making loyal to the particular supermarket. Respondents were asked whether their behavior has changed for the using of Tesco club card, more than half of the respondents felt that their shopping behavior hasn't changed as direct result of the using Tesco club card. However, just less than half of the respondents felt that they have changed their shopping behavior due to club card as loyalty scheme. Most notable thing that respondent said that they visited the store more frequently with

club card and some of the respondent motivated in different way, they said that club card enticed to buy more which is usually we would not. Some of the respondent said that they spend more money on shopping just only for club card. So, more than half of the respondents of questionnaire are not motivated due to club card and rest of the respondent are motivated on their shopping behavior. In the study, it was found that respondents did not rated club card as important factor compare to other factors. Tesco club card did not generate emotional attachment for repeat purchase but customer used as incentive in their shopping purposes. Tesco has been spent huge amount of money as a result they got almost double loyalty card holder compare to other competitor, so indicates that club also motivate customer to shop in Tesco.

But in face to face interview with customer has different opinion about club card. Some of the customers are influenced by the club card and some of the customers are not influenced by the club card. But most of the interviewee said that they are not directly motivated by the club card. One customer said that "*club card are not worth having, they are just a con from the Tesco who wants us to feel more positive about them*". But majority of questionnaire respondent and face to face interviewee attitude about club card are similar, they said that club card is not directly motivate toward shopping behavior. However, few of the interviewee said that they buy from Tesco rather than other shop jus to earn club card points. Few customer said that they use club card but not for any special motives or intentionally to earn some things.

In interview with team leader of Tesco, he mentioned that club card is not so influential factor to bring customer but it helps those customer who buy regularly from Tesco. Club card motivate the loyal customer to stay in the long run.

### 6.4Considering factor for repeat purchase:

Generally repeat purchase refers means buying regularly or again and again from particular supermarket. In this regard respondent were asked about various factor about repeat purchase in the form of Likerts five scale method. Majority of the respondents agreed that quality of goods is priorities cause for repeat purchase from particular supermarket. It is clear that customer level of satisfaction depends on product quality which associated with customer loyalty. Besides the quality of goods, customer also conscious about price. Respondent also agreed that price also influential factor for repeat purchase. Customer also considered the size of the store and customer service for repeat purchase because bigger sizes of store offer wide range of product opportunity and customer service increase customer mental satisfaction. But most respondent also agreed that loyalty scheme and company's offer and discount is not influential factor for repeat purchase. So it is clear that quality of goods and price has direct relation with repeat purchase but other additional services in the form of relationship marketing has indirect impact on repeat purchase.

In the face to face interview with customer also said similar factor as the questionnaire respondents for repeat purchase. Customer also said that price also needs to be competitive for repeat purchase. Some of the interviewee said that better customer service attract to come again in same shop but they also mentioned that if the product is not fulfill our demand , we are not coming again even their good customer service. In terms of loyalty scheme, interviewee said that if the retailer ensure good quality product then loyalty scheme motivate more to visit shop again. Interviewee also said that free parking facilities also attract to repeat purchase.

On the other hand, Tesco team leader said that quality of goods and competitive price helps to decide the supermarket for shopping and other additional facilities make strong bonding with particular supermarket.

So, in terms repeat purchase, quality product and reasonable price plays vital role but other facilities such good customer service, parking facilities, loyalty schemes etc reduce the switching intention by increasing satisfaction level.

### 6.5. Why do customers switching supermarket:

In terms of supermarket perspective, switching refers to move or changing mind from one supermarket to another supermarket. Switching supermarket depends on customer perception. In relation to supermarket perspective, respondents were asked about the cause of switching supermarket. Respondents said that the most important factor is bad quality product where the mean of score rating is 1.213 it indicates that the most important factor. When customer asked which factor attract for choosing supermarket, they said that the quality of goods. Here it is observed that the quality of goods is important reason to select supermarket as well as the same reason for switching supermarket for the bad quality of product. The respondents also placed importance on lack of customer service for the cause of switching supermarket; the mean of score ratings is 1.746 which is near to 2.00. It means that after the bad quality of product, lack of customer service also plays important role for switching customer. Here it can be said price carry less important compare to customer service for switching but

respondent has given more priority on price for the choosing supermarket compare to customer service which is contradictory. But, on the other hand, company's discount and offer as well as convenience at home mean scoring rate is near to 4.00, so it means that distance and company's offer is not plays important role for switching supermarket.

In the face to face interview, most of the customer said that they believe in one supermarket but some of the customer said that if we are not satisfied in terms of expected demand then we decide to switch supermarket. The majority customer said that product quality is important to us and few interviewees also mentioned that unfair price also motivate for switching super market.

On the other hand, Tesco team leader said that generally people trust on one supermarket because of saving time and to get other facilities but if the customer not getting right kind of product according to their demand then customer switch to other super market.

### 6.6. Relationship marketing and its impact on gaining customer loyalty:

The 50 interviewee and 100 questionnaire respondent confirmed that relationship marketing is not directly impact on gaining customer loyalty. But Berry (1995, p.14) said that "relationship marketing is a process of attracting, maintaining, and enhancing relationship with customer". Moreover, Harrldge-March (2008) suggested that the basic function of relationship marketing is to make the customer loyal and loyal customer may be of strategic advantages for an organization. Respondent of questionnaire and interviewee were asked about important factor for selecting and repeat purchase from particular supermarket and majority of the respondent said that quality of product and price is influential factor for selecting and repeat purchase, then the customers chronologically rating other additional facilities like customer service, loyalty scheme, parking facilities etc. some of the respondent mentioned that relationship marketing strategy also contribute to customer loyalty. So Relationship marketing is not directly associated for gaining customer loyalty, so these result reflected Jones and Sasser (1995) statement, they said that high quality product drive the customer demand that associated with customer loyalty. So the study confirmed that the quality of product and fair price directly helps to gain customer loyalty but relationship marketing has indirect contribution to gain customer loyalty.

### 6.7. Does Relationship Marketing "strengthen" Customer loyalty?

All the participant in interview and questionnaire agreed that relationship marketing strengthen customer loyalty. The study found that relationship marketing such as customer service, loyalty scheme; parking facilities; discount and offer etc motivate to stay with particular supermarket. Relationship marketing increases trust on predominant supermarket which associates with customer loyalty. The study also found that relationship marketing strategy influence for repurchase which is also said by Leverin and Liljander (2006), they said that, face to face communication, good customer service, is important relationship building strategy in retail sector. Most of the customer agreed that relationship marketing strategy makes life easier and increase the comfort level shopping from particular supermarket. Some of the customer said that we shopping from particular supermarket instead of other high street shop to get good customer service earn loyalty card reward etc.

### 6.8 The important of relationship marketing "maintaining" customer loyalty:

From the interview with customer and respondent, it is clear that, relationship marketing has contribution to maintaining customer loyalty. Some of the interviewee mentioned that they are shopping from Tesco regularly because of parking facilities which makes them "hassle free" shopping but in questionnaire, respondent put least importance on parking facilities. Some of the interviewee said that even quality of product is necessary but additional facilities motivate to stay and repeat purchase. In this context, Berry (1996) said that, relationship marketing increase the level of satisfaction that motivate to being loyal to the organization. When respondent were asked about cause of repeat purchase or cause of choosing supermarket, majority of respondent placed more importance on quality of product. The researcher demonstrated that all participant in interview and questionnaire believed that relationship marketing important in maintaining customer loyalty but not for gaining customer loyalty.

### 6.9 Analysis of relationship marketing factors that affect customer loyalty:

Relationship marketing increase the customer level of satisfaction and customer satisfaction has direct relationship with customer loyalty. Here it can be mentioned that there are two types of loyal customer. One is behavioral loyal and another is committed or emotional loyal. Based on questionnaire result analysis, and findings analysis, a model developed in the following-

**Fig: 6.1: Impact of relationship marketing on customer loyalty**
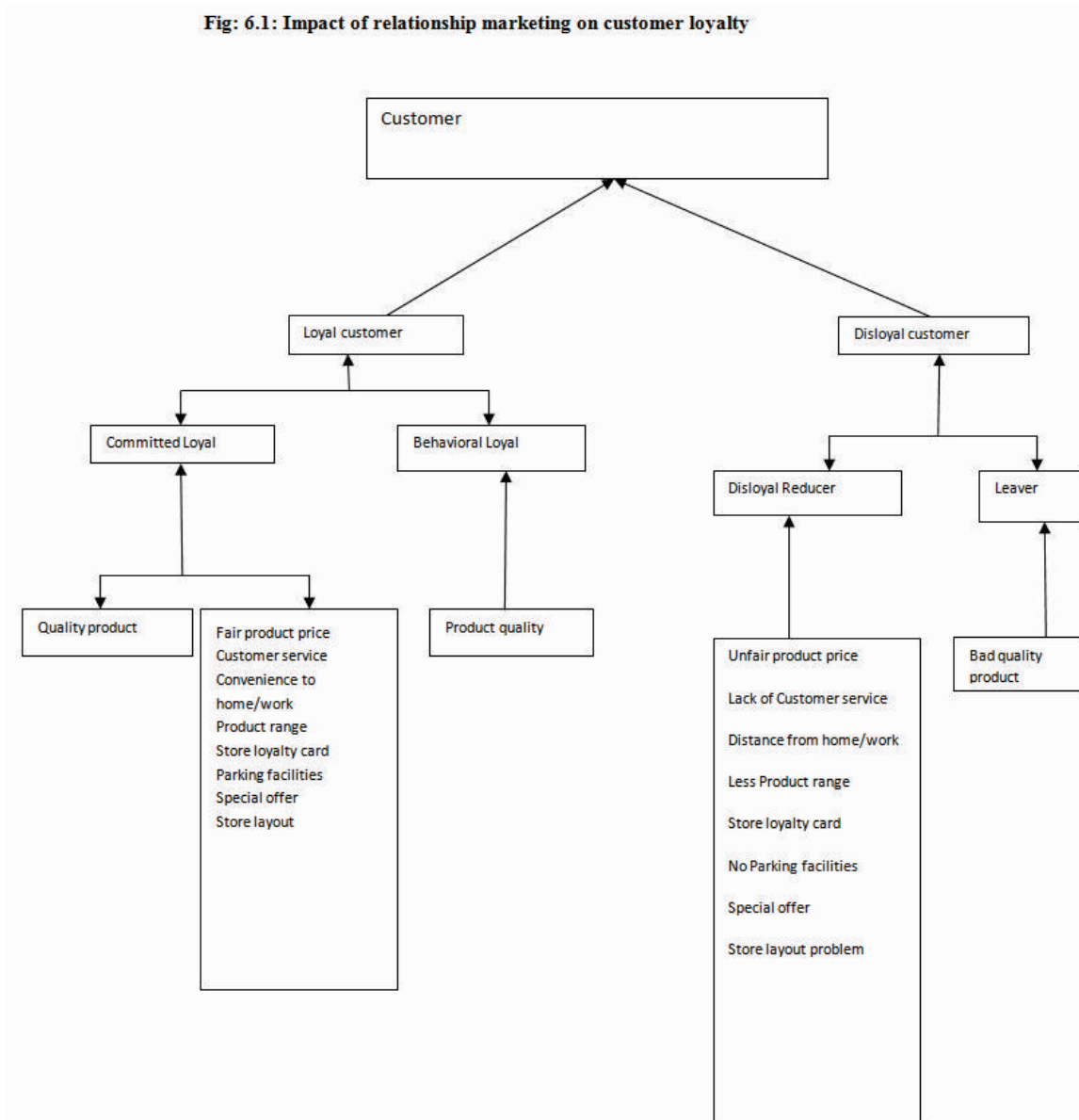


In the above graph shows that customer are two types one is loyal and another is disloyal. In the result analysis and finding analysis found that product quality is important factor for customer loyalty. Researcher added that product quality makes behavioral loyalty. Behavioral loyalty means active customer who buy regularly from particular supermarket and determined that customer will stay in future with same supermarket but do not recommend to others for shopping. In result and finding analysis also found that other functional variable of relationship marketing like , good customer service, fair price, loyalty card, offer and discount etc also helps to making loyal customer. So if the customers get quality product as well as other facilities it makes committed loyal customer. Committed customer means customer not only buy from specific supermarket but also refer to others. This is the real loyal customer in business point.

On the other hand, finding and result analysis found that bad quality product is crucial factor for switching supermarket it is also called "leaver". It means that customer will certainly move to other super market. If the customer are not satisfied with relationship marketing strategy that will leads to disloyal reducer, it means that customer significantly down the shopping which is lead to ultimate leaver in future.

**Conclusion and Recommendation:**

**7.1 Conclusion**

This research is being constructed with a logical manner to discuss that whether the relationship marketing impact on the customer loyalty. In order to do so the research has included the study of famous supermarket Tesco plc in UK. The two main factors that are discussed in this report are the relationship marketing and the customer loyalty. This report is being constructed to realize the intensity and impact of relationship marketing practices adopted by the organizations over the customer loyalty.

The research has investigated the role of relationship marketing on customer loyalty considering the Tesco pls. in recent year retail market have focused attention on relationship marketing as a tool for customer loyalty. The success of relationship marketing strategy depends on the benefits sought by individual retailer. The research revealed that the impact on relationship marketing on customer loyalty is obvious but level of customer loyalty depends on individual functional value of relationship marketing. The research also found that, product quality has direct impact to attract and retain customer. Product quality is dominant functional values of relationship marketing either for choosing supermarket or making loyal customer.

In the literature review, Cottrell (1995) said that trust is essential for customer loyalty where trust indicate the product quality. Based on the result of this research, respondents were clearly keen about product quality to convert from ordinary customer to loyal customer.

In the literature it also claimed that club card has significant contribution for making loyal customer, but research result found that loyalty scheme (club card) as getting something for nothings. The majority of respondents were not highly motivated about club card for repeat purchase but respondents felt that club card just an added incentive. Research also revealed that respondents did not rated loyalty scheme as being as important compare to other factors like product and service quality, customer service facility for choosing supermarket and even for repeat purchase, because loyalty scheme did not generate emotional attachment to particular supermarket. The research result about loyalty scheme does not disagree with literature where Reynolds (1995) said that emotional loyalty is not developed by loyalty points and reward.

In the literature stated that loyal customer either behavioral loyal or emotional loyal. After the overall research result and findings it is clear that among the functional variables of relationship marketing such as, product quality, fair price, customer service quality, loyalty scheme, product range etc, only product quality is solely contribute to make loyal customer and this type of loyal customer called behavioral loyal. It is also clear that, apart from product quality, other functional variable of relationship marketing can't make loyal customer. But all the factors of relationship marketing including product quality can create true loyal customer which called committed or emotional loyal customer, where emotional loyal is more profitable for the company than the behavioral loyal customer. So, all the functional variable of relationship marketing excluding quality product work together as supportive elements for making loyal customer.

In conclusion it can be said that, Rival of Tesco such as Morrison, ASDA, Lidl don't use loyalty scheme in the form of loyalty card even though they are holding significant portion of market share. Researcher found that customer are giving more importance on product quality rather than loyalty scheme, where Tesco spending huge amount of money on club card but other market player like ASDA, Morrison, Lidl emphasized on product quality and reduced price by avoiding spend on loyalty scheme. Researcher considers that it is threat for Tesco in the long run for capturing market share.

**7.2 Recommendation:**

- Customer are clearly want quality product and competitive price, so retailer need to concentrate on enhancing customer service and satisfaction by producing quality product. Quality product and fair price enhance relationship with retailer and convoy to customer for repeat purchase.
- If the retailer use loyalty scheme as only mechanism for making loyal need to be cautioned. Because most of the customer don't have positive attitudes towards loyalty scheme but loyalty scheme can use as part of loyalty strategy.
- Retailer should not tie themselves on loyalty scheme because it is clear that all the major supermarket now offer same form of loyalty scheme and all the loyalty scheme almost same, it does not make any differentiation. So retailer should offer loyalty scheme to customer using different strategy.

- Offering quality product is not enough to making emotional loyal customer. Retailer should concentrate on additional facilities for making emotional loyal customer. Because emotional loyalty increase referral customer that helps to gain competitive advantages over competitor in the long run.
- The importance of internal marketing also considerable. Better customer service and commitment from staff is also precondition for develop relation with customer. Staff needs to be understand the value retaining customer, so retailer should provide proper training so that staff can deal with any situation within supermarket.

### 7.3 Limitations of the Research:

Although this research report is embedded with hard work by the researcher, but still the findings of the research report cannot be generalized. The main restriction was of the scarce resources time and money. Moreover the sample size that was considered was meant to be enough for this research report, but on the findings of that sample size, the overall impact of relationship marketing over the customer loyalty cannot be defined. But in the same time, this research can provide with the pattern that relationship marketing does aid the organization and marketer to develop and create a customer base which is loyal.

One more aspect is of the methods through which the data has being collected. Although the researcher ensured that personal biasness is kept away, but still there is always a chance of human error, especially at this level. Hence it can be said that the research would have been better if it had being conducted by a professional researcher.

### 7.4 Recommendation for Future Study:

In order to gain the knowledge and information regarding the similar topic, it is suggested that the sample size should be broaden. Moreover rather focusing over a single industry player, the researcher can also take into considerations different market players, which can provide the information regarding how different companies within the industry can have better relationship practices.

Moreover if quantitative approach is also incorporated in the research, like the impact of relationship marketing over the profitability of the company, then it would have provided with more relevant and authentic findings. Since the core reason behind each act conducted by business is to increase the profitability, therefore the impact of relationship marketing over the profitability would provide greater and newer aspect to the researcher. In addition the practices that are adopted by the companies for relationship marketing like introducing club card, membership and loyalty cards must also be assessed. This can also give insights to how the different tools within the relationship marketing have aided the company to increase sales, increase profits and to have loyal customer base.

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