

# Factors Affecting Customer Loyalty of Supermarkets in Nyeri Town, Kenya

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## Abstract

This study sought to examine the factors affecting customer loyalty of supermarkets in Nyeri town, Kenya. The study was guided by the following specific objectives: to explore the extent to which price differences in supermarkets affect customer loyalty; to examine the extent to which competition affects supermarkets in maintain customer loyalty; to assess the extent to which changing customer preferences has affected customer loyalty of supermarkets in Nyeri town; and to investigate the extent to which the supermarkets' image affect customer loyalty. The study was conducted on the supermarkets within Nyeri town and the results have been generalized for all other supermarkets in the entire county. Data was collected by use of questionnaires distributed and collected by the researcher. The completed questionnaires were screened for accuracy and completeness and edited and coded where necessary. Thereafter, they were sorted in accordance with similarity of response given to the different questions. Microsoft Excel was used for data analysis and generation of code for data simulation for effective analysis and for effective use of the descriptive statistics research design. The study revealed that there supermarkets have factors that affect the loyalty of their customers who shop at their stores. Price is one of the factors that the supermarkets in Nyeri face as different supermarkets had different pricing strategies. Secondly, the changing customer preferences also do influence the loyalty of customers since the supermarket owners are uncertain of the customers frequent change of preferences. Moreover, the study did establish that the image of the supermarket does influence the customers loyalty and finally the study revealed that the customer loyalty of supermarkets in Nyeri town is affected by the stiff competition among the supermarkets as each supermarket store strives to develop a market share of the available customers and develop patronage.

**Keywords:** Customer loyalty, Supermarkets, Price differences, Competition, Changing customer preferences, Supermarkets' image

## ABBREVIATIONS

ACSI	American Customer Satisfaction Index
CL	Customer Loyalty
ECSI	European Customer satisfaction index
IT	Information Technology

## 1.0 INTRODUCTION

### 1.1 Background of the study

This study deals with factors affecting customer loyalty of supermarkets. The study dwells on the supermarkets as they form an ideal customer contact points with most of the products they frequently purchase, being self-service stores that carry a complete line of food products as well as non-food products (Hult, Pride & Firell, 2011). Hence descriptive research methods are to be used in order to identify and obtain information on the factors that the supermarkets have. As Hussey (1997) pointed out that descriptive research methods help to explain facts as they exist.

There is an observable worldwide shift toward loyalty marketing in most of the sectors across various industries. The earlier business goal of ensuring customer satisfaction has got undermined due to prevailing colossal relationship orientation of businesses that calls for going beyond the boundaries of satisfaction and create a commitment based enduring association with customers that renders immunity to the business against competitive pressures (Oliver, 1980). Apart from bringing it to the centre stage of customer related affairs of the respective company, the advantages of customer loyalty have rendered it a place of supreme importance in academic circles as well. The value of customer loyalty for business firms has such as supermarkets been recognized by many researchers such as Brown (1996) who has underlined its potential effect on the development of sustained competitive edge for the businesses that embrace it.

Developing and maintaining customer loyalty towards a firm's product or services is an important factor in the marketing activities of a company (Dick & Basu, 1994). Customer loyalty is one of the most important factor or the issue being faced by businesses today. Unless companies can retain the loyalty of their

customers, they will lose their customers for repeat purchase and the long term future of that business will be uncertain (Linton, 1998). Therefore this study is based on ensuring that supermarkets in the current markets are able to utilize and benefit from the importance of developing a strong customer loyalty in this era of relationship marketing.

According to Dick (1994) customer loyalty has been defined as the strength of the relationship between the individual's relative attitude and repeat patronage. Therefore, Aaker (1992) pointed out that considering the brand loyalty reflects the likely habitual behaviour of consumers when brand make changes in price, product features, its communication and distribution programmes. It is an important part of marketing side for the expansion of customer loyalty which focuses on the marketing strategy due to the benefits related with retaining the existing customers (Gwinner & Hagen 2000). Discovering an exact measurement of loyalty is very important due to its profitability (Reichheld, 2003)

However, the concept of customer loyalty is still not yet utilized (Hart, 1999). Consumer intend to repurchase the same brand after using it because they have recognized that this particular brand of product or service provision meet their exact features, advertising, image of the brand or in terms of quantity at the right price. Thus customer loyalty is a combination that may require psychological and behavioural measurement towards the consumers (Kyrner, 1973).

As the market becomes more competitive and most supermarkets are trying to maintain the existing customers, some supermarkets have introduced variety of activities to improve customer loyalty such as loyalty programme, customer performance reward schemes. But this is not sufficient as it is known increasing the long term relationship with the customers is more beneficial so that the reward for this group of consumers will be long term and increasing (Grayson & Ambler 1999). This study will seek to establish why some customers prefer certain supermarkets against the other related one and what factors make them develop an obligation towards the value associated with that brand of supermarket they choose.

This study was conducted in Nyeri Town, where supermarkets fight to maintain customer loyalty though retailing other products than its own manufactured or repacked products, in a very competitive market and dynamic due to the frequent entrance of new supermarkets posing a threat on the share of the existing supermarkets loyal customers yet with uncertain customer tastes and preferences.

### **Customer Loyalty**

According to Dick (1994) customer loyalty has been defined as the strength of the relationship between the individual relative attitude and repeat patronage towards products. Customer loyalty is always related with brand. Based on ideas and principles in marketing a brand is a name, sign, symbol, term or design or combination of these, created to identify and differentiate a particular brand from goods and services of one seller from those of competitor Kotler (2003) operationally, a brand conveys to identify the name or fame that are used to represent a specific set of unique features, benefits and services to the buyers. Where an organization fails to develop a brand name as a major part of marketing its goods and services it fails to attract customer loyalty (Kotler, 2003) It is majorly agreed according to Chaudhuri & Holbrook (2001) that loyalty is the most important factor which affects the performance of the company as its customers will be cheap to maintain than gaining new ones. However, it is still uncertain whether a repeat purchase behaviour or retention of a customer by a particular store can be fully regarded as customer loyalty or devotion is the considered to be the case (Oliver, 1999). Several studies have proven that there exists a direct connection between the satisfaction and loyalty. According to Kasper (1995) satisfied customers become loyal and dissatisfied customers may move to other sellers.

The term customer loyalty is used to describe the behaviour of repeat customers, as well as those who offer good ratings, reviews, or testimonials. Some customers do a particular company a great service by offering favourable word of mouth publicity regarding a product, telling friends and family, and adding them to the number of loyal customers. Customer loyalty includes much more, however; it is a process, a program, or a group of programs geared toward keeping a client happy so he or she will provide more business.

Customer loyalty is built in some cases by offering a quality product with a firm guarantee. Provision of free offers, coupons, reduced prices, high value trade-ins, extended warranties and other rewards and customer loyalty incentive programs. The ultimate goal is happy customers who will return to purchase again and persuade others to use that company's products or services. This equals profitability and happy stakeholders. Customer loyalty may also involve a one-time program or incentive, or an ongoing group of programs to entice consumers (Kotler, 2003). Buy-one-get-one free programs are very popular, as are purchases that come with rebates or free gifts. Another good incentive is offering a risk free trial period for a product or service especially on electronics sold in supermarkets. Also known as brand name loyalty, these types of incentives are meant to ensure that customers will return, not only to buy the same product again and again, but also to try other products or services offered by the company.

Mostly customer loyalty has been viewed by several authors as a multidimensional concept acknowledged by different dimensions, some of which can be identified by behaviour of customer which is uncertain and other psychological processes (Allen, 1998), for example, pointed out that it should be measured by

individualising the attitudinal loyalty defined as a customer tendency towards a brand that include preference thus a supermarket store having a stable consumer base basing on attitudinal loyalty creates the opportunity for cross-selling and it decreases the stores marketing cost as word of mouth from a satisfied customer does market it (Lasser, 1998).

Loyalty to an object for example a brand, store, service or company is shown by favourable propensities towards that object. These propensities may be behavioural or attitudinal. In industrial and service marketing, behavioural loyalty is viewed as retention of the brand (Reichheld, 1996). For services, particularly those in semi-continuous use such as mobile-phone airtime, such retention can be measured by the duration of time that the customer has used the service and, for durables, by the customer's repeat purchase of the brand. In markets such as supermarkets, where customers may use several brands in a category, the share-of-category expenditure is used to measure customer loyalty (Aaker, 1992). Another behavioural measure of customer loyalty, is the portfolio size; this is the number of brands used in a period, the larger the number, the lower the loyalty. Turning to attitudinal measures, liking the brand has been used as a predictor of retention, while other researchers have explained loyalty in relation to satisfaction commitment and trust (Oliver, 1999),

Definitions may be singular, in the sense that they focus on single concepts, either attitudinal or behavioural. However, much of this discussion of loyalty has centred on more consequences of loyalty. These elaborate treatments have often represented consumer loyalty as a combination of concepts. For example, Chestnut (1978) proposed a six-component definition on loyalty that included both attitude and behaviour. This approach to the conceptualization of loyalty seems to be partly related to a need to represent the causes of loyalty, and partly semantic, that this is what the term 'loyalty' means. Semantic considerations provide a start in scientific definition but the idea that attitude-behaviour congruence is required for loyalty seems ill founded. In interpersonal contexts, loyalty is shown when persons do not undermine others by what they say or do.

A person who has undisclosed misgivings, yet still behaves supportively, is seen as loyal. Thus, everyday usage appears to link loyalty more with behaviour than attitude. The inclusion of potential causes in the definition of loyalty is typified by Oliver (1999) he defines loyalty as a deeply held commitment to re-buy or re-patronize a preferred product/service consistently in the future, thereby causing repetitive same-brand or same brand-set purchasing, despite situational influences and marketing efforts having the potential to cause switching behaviour. This definition implies a positive correlation between attitude and behaviour in loyal groups but Oliver reports that this association is usually quite weak and concludes that true loyalty, with emotional commitment to the brand, is rare.

### **Supermarkets in Nyeri Town**

Nyeri town has the following registered supermarkets and mini-supermarkets. The supermarkets are three in number being; Mathai, Kasturi, and Samrat branches of supermarkets. There several mini-supermarkets such as Fair sale, Slopes, Woodley Shaan Enterprises, Rural Urban, Lenana, Homecare, General, Dan selection and Good (hope.www.bussinesslist.co.ke. 2013) They are located on various strategic positions in the town serving as the major retail stores for a variety of goods and services to their customers (Kinyungu, 2006). These supermarkets are in constant renovation to maintain their niche and obtain new customers as well. However, key hyper-supermarket chains in the country have not ventured into this market yet.

### **1.2 Statement of the problem**

This study assessed the factors affecting customer loyalty of supermarkets in Nyeri town. How customers develop true store loyalty and how store loyalty can be maintained are still open questions for retail stores owners. In order to improve store performance, marketers are interested in customer loyalty drivers and their practical usage. Thus an investigation of these factors is likely to reduce challenges faced by supermarkets for lack of loyal customers to their stores. Therefore, this study identified the challenges that the supermarkets face and how they can position their stores best and which store loyalty driving factors the supermarket owners need to focus on and improve in order to maintain customer loyalty in their stores. The research scope for this problem is the supermarkets in Nyeri town.

### **1.3 Purpose of the study**

This study sought to examine the factors affecting customer loyalty of supermarkets in Nyeri town, Kenya.

### **1.4 Objectives of the study**

- (i) To explore the extent to which price differences in supermarkets affect customer loyalty.
- (ii) To examine the extent to which competition affects supermarkets in maintain customer loyalty.
- (iii) To assess the extent to which changing customer preferences has affected customer loyalty of supermarkets in Nyeri town.
- (iv) To investigate the extent to which the supermarkets' image affect customer loyalty.

## 1.5 Definition of key terms

*Customer loyalty (CL)*: this is an attitude by consumers to create a relationship with a particular brand or a repeat patronage to particular products or services.

*Brand*: Refers to a particular retail supermarket, for example Naivas supermarket, Mathai Supermarket or Samrat Supermarket

*Supermarket/supermarket store*: This term has been used in this study to refer to the retail outlets that sell their products by displaying them on the shelves for customers to pick and buy them. They also offer renting spaces for companies to place their products for sale.

## 2.0 LITERATURE REVIEW

### 2.1 Introduction

This chapter presents review of the literature related to the purpose of the study. The chapter is organized according to specific objectives in order to ensure relevance to the research problems. The review was undertaken in order to eliminate duplication of what has been done and provide a clear understanding of the existing knowledge base in the problem area. The literature review is based on authoritative, recent and original sources such as journals, books, theses and dissertation.

### 2.2 Factors affecting customer loyalty of supermarkets in Nyeri town Supermarkets' image

Supermarket image is widely investigated determinant of customer store loyalty (Sirgy, 1985). Bloemer (1998) define supermarket image as the complex of consumer's perceptions of a store on different salient attributes. Schlosser (1998) defines Supermarket store image as consumer's impression of a Supermarket that is based on responses to its features. Supermarket store image includes two factors: tangible or functional factors and intangible or psychological factors (Ray, 2009). Responses to store image can be cognitive and emotional and are interrelated with such store characteristics as merchandise quality, supermarkets' personnel, physical facilities, services and atmospherics (Schlosser, 1998). Supermarkets social image is its style and appearance, which represents stores name in customers decision making process to patronize particular store (Ghosh, 2010). The image of a supermarket equals with brand's image in its ability to represent value and quality (Ray, 2009).

Supermarkets brand differentiates in particular from other competitors and stimulates stores segmentation and positioning (Ray, 2009). Shopping is not only functional need fulfilment; it also makes customer to feel good (Ray, 2009). Over time customer creates favourable attitude towards particular supermarket based on stores unique affective surroundings, if person has a positive emotional experience. Thus supermarket store loyalty is a store image function (Wan & Schell, 2007). If the customer likes the supermarkets image, he/ she is likely to develop loyalty to it. Customers tend to visit those supermarkets whose image is similar to customers own image. Supermarkets image reflects on its personality image as stereotypes in customer's mind, such as high status of low status supermarket, traditional or modern supermarket, friendly or formal (Martineau, 1958). There are also functional supermarkets images, which refers to tangible characteristics exhibited by the respective supermarkets, such as clean or dirty supermarket, quiet or noisy one (Sirgy, 1985)

#### Customer preferences

Customer preferences are defined as the subjective or individual tastes, as measured by utility, of various bundles of goods that they purchase. They permit the consumer to rank these bundles of goods according to the levels of utility they give the customer. The preferences are independent of income and prices. Ability to purchase goods does not determine a consumer's likes or dislikes. A customer can have a preference for supermarket over another but only have the financial means to shop at that particular supermarket. Customers as consumers of supermarkets product and services make decisions by allocating their scarce income across all possible goods in order to obtain the greatest satisfaction. Thus customers will opt for retail stores where they will maximize their on their basket of expenditure and their preferences catered for efficiently: their taste and preferences are matched (Ravald & Gronroos, 1996).

Customers change their needs and preferences in search of utility of which, utility is defined as the satisfaction that a consumer derives from the consumption of a good. As noted above, utility's determinants are decided by a host of noneconomic factors. Consumer value is measured in terms of the relative utilities between goods Reichheld (1996) these reflect the consumer's preferences that supermarkets should strive to obtain as it leads to customer satisfaction an attribute that breeds customer loyalty. An individual customer has a set of preferences and values whose determinations are outside the realm of economics. They are no doubt dependent upon culture, education, and individual tastes, among a number of other factors that the supermarkets face in developing customer loyalty as they have different tastes and preferences that keep on changing. Thus the supermarkets have to be swift on and research to remain relevance in offering the customers preferences (Doherty, 2008).

## **Competition**

Competition is the rivalry among sellers trying to achieve such goals as increasing profits, market share, and sales volume by varying the elements of the marketing mix: price, product, distribution, and promotion. As supermarkets brands become increasingly innovative and competition fiercer, keeping and expanding customer relationships depends on the ability to deliver a customer experience tailored to changing customer needs and values and consistent with the brand promise. In a time of economic uncertainty with customer trust eroding and purchase behaviours grower harder to predict mastering this ability has become even more critical to staying relevant, competitive and profitable. Intensifying competition and growing customer expectations have made it increasingly difficult in recent years for supermarkets to keep their customers and do it profitably.

Now, new economic concerns pose new threats to break down the bonds of customer loyalty even further. Trust is an essential component of loyalty; as consumer confidence becomes weaker due to competition, so too does the basis on which loyalty can be fostered. To survive and even thrive in today's difficult economic market environment, many organizations are revising their strategies and methods for retaining customers and renewing their commitment to customer centricity. The threat of declining customer revenues and defection due to competition is real for supermarkets reducing its loyal customers, however, the economic climate creates new opportunities to strengthen market position and position for growth by building customer trust, providing meaningful brand differentiation, tailoring offers in light of new customer needs and, if appropriate, negotiating new terms. The battle for customers will have winners and losers. However, those supermarkets brands that act aggressively to develop and implement fact-based, customer-centric strategies, focused on providing differentiated experiences that build trust will out do those who focus on merely surviving. Supermarkets currently are driven through price cuts and seemingly improved quality of service delivery but there are also erected barriers to keep out new players and their move into convenience stores could distort competition however this factor does influence customer loyalty (Doherty, 2008).

## **Pricing**

According to Kotler & Armstrong (2010) price is the amount of money charged for a product or service, or the sum of the values that customers exchange for the benefits of having or using the product or service while Stanton & Bruce (1994) defined price as the amount of money or goods needed to acquire some combination of another goods and its accompanying services. But the marketing literature showed researchers' inclination towards price fairness in relation with customer satisfaction. Price fairness refers to consumers' assessments of whether a seller's price is reasonable, acceptable or justifiable. Price is a very important issue that leads toward satisfaction fostering loyalty (Kotler & Armstrong, 2010).

Charging standardized fair price helps to develop customer satisfaction and loyalty, this is because customer's decision to accept particular price has a direct bearing at satisfaction level. Customer satisfaction is directly influenced by price perceptions while indirectly through the perception of price fairness. (Yang, 2004). The pricing itself and the way it is fixed and offered have a great impact on satisfaction. According to Lommeruda & Sorgard (2003) supermarkets services are like undifferentiated products therefore, where customers are not price sensitive all the times and sometimes brand loyalty takes part in brand preferences. This is likely the reason why some consumers are retained with old monopolists. However price plays a critical role in customer in determining the loyalty of a customer to a particular supermarket.

## **2.3 Theoretical orientation**

### **Equity theory**

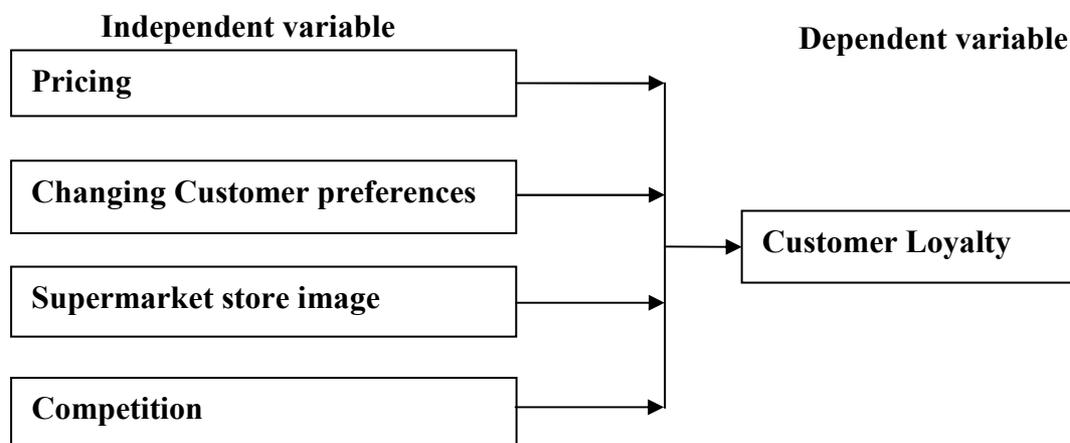
Equity theory Adams (1965) posits that individuals evaluate number of factors which they may consider as inputs and outcomes in their evaluations of if they are treated fairly (under-rewarded or over-rewarded) comparing to other individuals Adams (1963). In other words, individuals compare other individual's situations with their own situations when assessing fairness. In situation when ratios are unequal, inequity occurs and individual experience cognitive dissonance. In order to restore equity individuals are motivated to act. The equity theory key components are inputs (contribution); outcomes (rewards); in reference to other individuals with whom an individual compare their ratio of outcomes to inputs. Equity evaluations or comparison that individuals make in order to determine whether they perceive themselves to be in equitable or inequitable in a particular situation and reactions to inequity either behavioural or psychological actions which individuals make to restore equity.

Equity theory is often used to explain employee motivation, but it can be applied to wide range of situations such as explanation of satisfaction and loyalty as used in this study, because perceived equity evoke positive affective states, which leads to positive attitudes (satisfaction and loyalty) (Adams, 1965). Value equity is driver of loyalty intentions, which explains what must be sacrificed for received benefit (Vogel, 2008). Customer experiences inner fairness when customers outcome – input ratio match up to customers own reference outcome - input ratio (Oliver, 2008). Perceived value is the customers overall assessment of the utility of a product based on perceptions of what is received and what is given or what you get for what you pay .The

get or benefit components include perceived product or service quality, whereas give components include monetary value and non - monetary prices such as time, energy and effort. With regard to supermarket shopping, value includes several benefit components: variety, service, facilities, quality, convenience, freshness (Hussey, 1997).

If customers are annoyed with shopping experience, they can develop a feeling that they are giving up more than they are getting for specific exchange. For those customers whom monetary price is more important, reduction of monetary sacrifice will increase value perception in their mind (Zeithaml, 1988). Whereas for those customers whom non-monetary price is more important everything what makes shopping less time, energy and effort consuming will increase value perceptions about store, for instance, fast checkout or even ready to serve food. While forming their perceptions, customers take into account competing alternatives as well. Therefore, if competing stores value for money increases, customers value for money perceptions in main store decreases, and customer's store loyalty decreases as well. It therefore means that supermarket stores which are operating in highly competitive retail environments, value perception may have higher impact on store loyalty intentions comparing with store in less competitive retail environments (Sirohi, 1998). In other words, the higher the competitive intensity, the stronger impact of value perception on store loyalty intention. Therefore, this study is anchored on Adam (1965) Equity theory.

#### 2.4 Conceptual Framework



**Figure 2.1: Conceptual framework**

*Changing Customer preferences:* Customers are dynamic and thus their behaviour keeps changing influenced by their tastes and preferences, change in the economy and the various products and services promotion programs, thus what could be drawing them to develop loyalty for a particular supermarket could change by a provision of another appealing taste in another supermarket. They customers could also switch to other supermarkets in search of more satisfaction or obtain better and quality service from another store. This forms an independent variable that does influence customer loyalty.

*Competition:* This is a major challenge for supermarket owners. The loyalty of a customer is affected by the rivalry that exist among the retailer where leading brands have dynamic tactics of enticing customers, with the advantage of economies of scale they can invest in customer loyalty programs promotion and have a versed experience of modes of influencing customers buying behaviour thus they are better placed than the new entrants supermarkets. Therefore, competition among the supermarkets affects customer loyalty.

*Supermarket store image:* This is the image that the consumers hold in their minds regarding a supermarket or the services they obtain from it, may have considerable effect on their attitudes and or judgment about a supermarkets' overall delivery of its services. Unlike products, services evaluations pose a great challenge for consumers as it is inherently intangible and process driven. The supermarkets image, therefore, becomes the lens through which consumers are able to make appropriate judgment regarding the firms overall outlook in comparison to other competitors. It affects how people think and relate with the supermarket eventually affecting the customer loyalty to a particular store especially where the image is not appealing.

*Pricing:* This is an independent variable that does influence customer loyalty in that where the customers are price sensitive they will base their relationship to the supermarket on its pricing strategies for the products it is retailing .Pricing is an important factor that does influence customer satisfaction and thus influences the customer loyalty. Customers will shop in supermarkets where they purchase products and services at fair prices and are likely to avoid supermarkets where the pricing does not allow them to maximise on their basket of expenditure. Customer satisfaction is directly influenced by price perceptions of customers while

indirectly through the perception of price fairness. Thus customers will shop in supermarkets where they consider being of fair prices and will tend to avoid supermarkets where the prices are not fair in their judgement.

## 2.5 *Empirical Review*

The focus of attention by many of the researchers has been aimed at defining and measuring customer loyalty driven by products, however, the importance of the construct for services such as those offered by supermarkets and other service industries is also recognized (Dick & Basu, 1994). The need to fully understand the determinants and consequences of loyalty is in mind of establishing and maintaining a loyal relationship with customers has considerable effect on long-term financial performance in competitive markets (Hallowell, 1996; Reichheld, 1996). This is because customers who engage in repetitive purchases despite pressure to switch to another brand will, in the long run, contribute to business growth and profitability. Loyal customers are a valuable asset to any firm since they tend to spend on regular basis, and provide positive recommendation to other consumers through the word of mouth marketing referrals.

Despite its importance, the definition of customer loyalty has remained a matter of debate. In his view Oliver (1999) describes loyalty as “a deeply held commitment to rebuy or repatronize a preferred product/service consistently in the future, thereby causing repetitive same-brand purchasing, despite situational influences and marketing efforts having the potential to cause switching behaviour. The essence of loyalty has long been summarized as “repeat purchasing frequency or relative volume of same-brand purchase.” Several definitions that examine loyalty from a behavioural standpoint such as repeat purchase without delving into the psychological meaning of the term are considered problematic (Oliver, 1999). Chestnut (1978) investigated the psychological meaning of loyalty in order to separate it from behavioural loyalty. They concluded that using repetitive purchasing as a measure of loyalty could be invalid as it could be caused by a need for convenience. Also, where consumers are multi-brand loyal, inconsistent buying could mask loyalty.

Therefore, in an attempt to provide an alternative and a more comprehensive definition, researchers including Dick & Basu (1994) suggested that loyalty should comprise both behavioural and attitudinal properties, and also determined by the strength of the association between relative attitude and repeat purchase. Hence, the general consensus among researchers is that both behavioural and attitudinal elements must be included when defining and conceptualizing customer loyalty (Trivellas, 2010). The behavioural dimension referring to issues related to frequency of repeated purchases and brand switches, whereas the attitudinal dimensions emphasizes psychological involvement and preference with a unique focus on issues such as brand recommendation, resistance to superior products, repurchase intentions and willingness to pay a premium price (Cronin & Taylor, 1992). Overall, customers who become loyal are more likely to increase their repurchase activities, make business referrals, give favourable word of mouth and are also less likely to switch to alternative suppliers in the face of attractive price inducements as compared to less loyal customers (Cheng & Yeung, 2008). In other words, customers who exhibit both attitudinal and behavioural features of loyalty tend to demonstrate greater commitment to their relationship with their service suppliers. With the strategic importance of customer loyalty highlighted, thus for the purpose of this study the factors affecting customer loyalty described in the previous chapter will be investigated more in the following chapter to obtain their influence on supermarkets customer loyalty in Nyeri Town.

### **Supermarket (Store) Loyalty**

Supermarket loyalty can be defined as non random behavioural response ( revisit), expressed over time, by some decision-making unit with respect to one store out of a set of stores, which is a function of psychological (decision making and evaluative) processes which results in brand commitment (Bloemer & Ruyter 1998). (East, Hogg & Lomax, 1998) argue that store loyalty is a propensity to use the store. Propensity can be expressed as customer’s attitude towards store or customer’s intention to visit store, when circumstances permit (Doherty, 2008). Further, Knox and Denison (2000) define store loyalty as a customer’s inclination to patronize specific store or store chain over time (Doherty, 2008). Store loyalty includes consumer attitudes, purchase intentions and actual purchasing behaviour (Reyes, 2006). Store loyalty has also been defined as a multidimensional concept which includes behavioural and attitudinal factors (Reyes, 2006).

Attitudinal loyalty is customer’s psychological attitude towards brand or store .Behavioural loyalty on the other hand reflects to customer behaviour: past patronage in the same store and possibility of future repeat patronage. For the elaboration of customer long term relationships both are important, attitudinal and behavioural loyalty (Yavas, 2009). Store loyalty can also be divided into two types: long – term and short – run loyalty. Short – term loyal customers are more likely to switch to another supplier than long – run. Short- run loyalty can be measured in terms of word of mouth behaviour and complaints. Whereas long – term loyalty is divided into four different phases: cognitive, affective, conative and active loyalty (Oliver, 1999). This model describes intensity of customer loyalty. Therefore, customer loyalty should be viewed not in categorical terms like whether customer purchases or not, but in terms of intensity level and continuity instead (Markey, 2008).

## **2.6 Research Gaps**

The primary objective of implementing American Customer Satisfaction Index (ACSI) was to explain the development of customer loyalty. Therefore, in ACSI model there are three factors which influence the experiences of customer loyalty they are perceived value, perceive quality and customer satisfaction. (Anderson, 2000). However, in the European Customer satisfaction index (ECSI) is divided into two elements being, first one hardware; which contains the elements of the product and services and the second one human ware; which consists the customer service which means the personal behaviour and atmosphere of the prevailing market environment. In these two models it is revealed that satisfaction should increase the loyalty of consumers. When the satisfaction is low the customer will have the tendency to exit for example switch to a competitor or express their complains about the products or services (Gronholt, 2000). Researchers have shown that 60-80% of customer who defect to the competitor said that they are satisfied or very dissatisfied on the survey just previous to their defection (Dobele, 2001). Hence there is an indication that apart from the challenge on ensuring customer satisfaction supermarkets face other challenges in maintaining customer loyalty.

Customer loyalty therefore, presents a paradox, many see it as primarily an attitude based phenomenon that can be influenced significantly by customer relationship management initiatives such as the increasing popular loyalty and affinity programs. However, empirical research shows that loyalty in competitive repeat-purchase where the market is shaped more by the passive acceptance of brands than by strongly held values about them Consumer Marketing Journal, vol 2, pg20 (2004) therefore, this study aims at evaluating the challenges faced by supermarkets in maintaining customer loyalty.

There has been increased interest, over several decades, in understanding the factors determining customer loyalty. While a number of factors are assumed to influence loyalty, it is difficult, if not impossible; to find one study that has investigated all the factors of loyalty simultaneously and jointly (Yadin & Ozer, 2005; Cronin *et al.*, 2000). Obviously, several factors are assumed to determine customer loyalty in supermarkets. However the factors being investigated by this study in particular, and in reference to the supermarket stores customer loyalty have a gap as recommended by Oliver (1999) for further findings that this study seeks to fill.

## **3.0 METHODOS**

### **3.1 Introduction**

This chapter has discussed the techniques used to carry out this piece of research. It will also explain the process by which the data was collected and the various sources used for the same. The data analysis techniques and the sampling will also be discussed herein. The latter part of the research will discuss the constrains involved in carrying out the research. Also the chapter will discuss how the respondents were selected and what other sources were used to collect the secondary data materials. The methodology of this study has been structured to accomplish the objectives of the research questions stated in chapter one of this study.

### **3.2 Research Design**

This is a blueprint of the method that the study will dwell on to satisfy the quest for the study thus achieving the objectives and the purpose of the study (Poilt & Beck, 2004). The design that this study dwells on is the descriptive design, which is a scientific method which involves observing and describing the behaviour of a subject without influencing it in any way Shuttleworth (2008) It therefore provides answers of who, what where and how in relation with a particular problem under study. To seek to the factors affecting customer loyalty of supermarkets in Nyeri town this design will be effective to help in describing customer behaviour and their characteristics being a qualitative research method.

### **3.3 The Target population**

The study on the factors affecting customer loyalty of supermarkets is based in Nyeri Town. This forms the major town in Nyeri County that is densely populated. There is a significant population mainly of government and corporate workers ordinarily residents in Nyeri town, leading private companies, tourism firms and a vast number of institutions of higher learning (Kinyungu, 2006). Being an administrative town with the county headquarters placed in it, it forms a meeting point focal for vibrant business and thus provides instances where the study can be effective as there is a provision of a versed types of customers. However basing on the study and reason for its choice, the town retail trade is getting more dynamic and is still a potential target market as it is yet to attract leading supermarket brands in the country such as Turskys, Naivas, Uchumi and Nakumatt (Business Daily, 2008). For this matter it's a likely indication that customer loyalty could be a challenge that retail traders in Nyeri face thus, the population considered for this study are the supermarkets in Nyeri Town who rate of development is increasing with a stiff competition (Kinyungu, 2006).

Also the customers in this target market take time to perceive new brands and change in general but upon the acceptance of such brands and having confidence in them they develop long term customer loyalty that is hardly influenced by frequent changes in the prevailing market, (Wachira & Muteithia, 2004). The

supermarkets are; Mathai, Kasturi, and Samrat, Fair sale, Slopes, Woodley Shaan Enterprises, Rural Urban, Lenana, Homecare, General, Dan selection and Good hope. (www.bussinesslist.co.ke. 2013)

### 3.4 Census Procedure

Nyeri have a population of 12 supermarkets that venture in the retail trade in Nyeri Town (Wachira & Muteithia, 2008). This form the target population for the study that accredit a census since they can all be reached and will provided the data required for the study. The respondents for the research questionnaire shall be two, the manager in charge and the supermarket's branch floor merchandiser. The census framework is presented in table 3.1 below.

**Table 3.1 Census framework**

Supermarkets in Nyeri Town	Population	Targeted Respondents
Mathai	1	2
Samrat	1	2
Good Hope	1	2
Fair Sale	1	2
Kasturi	1	2
Woodley	1	2
Shaan Enterprises	1	2
Rural Urban	1	2
Lenana	1	2
Homecare	1	2
Slopes	1	2
Dan Selection	1	2
Total population	12	24

### 3.5 Data collection

This study will use both the primary and the secondary methods to collect data for the study. Data collection will entail the use of types of questionnaires. Questionnaire is particularly used for survey that the person answering the questions are actually recorded as respondent information (Kelvin, 1999). this study aims at investigating behaviour attitude of customers towards various supermarkets in Nyeri town hence questionnaire can collect information in a systematic way. The selection of respondents was the employees of supermarkets in Nyeri town. The questionnaires were distributed through a strategic sampling technique for two individuals of each supermarket the manager in charge and the floor merchandiser. After collecting the feedback from the respondents, the collected questionnaires were analysed and interpreted to get the final results with support of secondary data.

#### Primary methods

Primary data is the collection of first information or obtaining data from the collection of first hand information which enhance the researcher to identify the elements or from direct sources (Bryman, 2007). Primary data research plays an important role for attaining the collection of information for this research. To achieve the set objectives and the question in relation them the study used these sources to suit the study by providing first hand information for the study.

#### Secondary methods

The study involved the use of secondary sources of data. This helped to get an understanding about what previous researches found related to the specified area of the research. Being an academic piece of work which requires the support of secondary data to introduce the key factors regarding the research area, the secondary data sources entailed in this study in relation to customer loyalty in supermarkets are: Academic text Books – these were collected from the university library, Kenya National Library Nyeri and other sources; Websites-involved collection of information from the supermarkets and company websites related to the area of study in specification; and Academic and professional journals-these included the collection of journals related to the chosen research topic and related to the supermarket stores.

#### Data collection tools

In the research, both qualitative and quantitative techniques were intended to be used where self administered questionnaire were issued. Both closed and open-ended questions on the questionnaire were used as tools for data collection. This is due to the fact that closed-ended questions enable respondents to select the answer that describes their situation. Unstructured open-ended questions were intended to give the respondents freedom to respond to question without intimidation. Open-ended questions are simple to formulate and flexible (Mugenda & Mugenda, 1999).

### 3.6 *Validity and reliability*

To ascertain the correct aspect of the data provided especially by the primary sources the study used a test and retest method such as, a particular question being addressed to different customers concerning loyalty in a different phrasing in the various supermarkets

### 3.7 *Data analysis*

This study used a combination of both the primary and secondary data. The primary data included both qualitative and quantitative methods namely, questionnaire results, and various supermarkets' internal customer loyalty reports. The data was analysed with descriptive method, responsibility to make an analysis using an analysis strategy in order to achieve the best analysis of data was also incorporated. According to Wienclaw (2009) quantitative method can be successful when it is backed by qualitative data which helps in analysing and interpretation of the research study a lot in a comprehensive manner.

### 3.8 *Ethical consideration*

The Research ethic framework states that a study should have high quality, researchers and participants should be fully informed about the nature and content of the research, confidential and anonymously process, voluntary, independent and any prejudice and bias clarified in order to be considered ethical (Bryman, 2007). In this study the respondents were briefed about the research topic. Moreover, the answers have been anonymous and the data has been used just for this study. An effort was made to link the analysis and conclusion part to both primary and secondary data to decrease the prejudice and bias for the readers. This study avoided plagiarism practices and respected the previous studies.

## 4.0 **FINDINGS AND DISCUSSIONS**

### 4.1 *Introduction*

This chapter discusses the findings of the research. The objective was to evaluate the factors affecting customer loyalty of supermarkets in Nyeri Town. It is divided into five parts; general information, customer loyalty in supermarkets and the factors affecting customer loyalty of supermarkets in Nyeri Town. This section is a presentation of data from tables, percentages and charts where possible of the findings from 12 supermarkets in Nyeri Town.

### 4.1 *Response rate*

In total 24 questionnaires were dispatched to 12 supermarkets in Nyeri town, out of which 21 questionnaires were collected reflecting a response rate of 83.33%. The respondent supermarkets are presented in table 4.1 below.

**Table 4.1 Response rate**

Supermarket	Administered questionnaires	Collected questionnaires	Response rate (%)
Mathai	2	2	
Samrat	2	2	
Good Hope	2	1	
Fair Sale	2	2	
Kasturi	2	2	
Woodley	2	1	
Shaan Enterprises	2	2	
Rural Urban	2	1	
Lenana	2	2	
Homecare	2	2	
Slopes	2	1	
Dan Selection	2	2	
Total	24	20	83.33

The overall percentage of the response was fair as most of the information was collected from respondents by use of drop and pick procedure.

#### 4.2 Factors affecting customer loyalty of supermarkets in Nyeri town

This study's objective was to establish the factors affecting customer loyalty of the retail stores in Nyeri town in line with the study's objective the study established that the following factors being pricing, supermarkets' store image, competition and changing customer preferences affect the loyalty of the various supermarkets in Nyeri town as indicated by the following analysis.

##### Effects of Pricing on supermarkets customer loyalty

The respondents were required to indicate if they used pricing as strategy of developing customer loyalty 75 % of the respondents were in agreement that they used pricing as a strategy while 25% of the respondent did not use pricing to develop customer loyalty. The other part of the question sought to establish if price changes had an influence on the customer loyalty to the supermarkets in instances when they changed the prices. The responses were as follows 47% strongly agreed, 23% were in agreement, 14% of the respondents were uncertain, 9% disagreed while 7% of the respondents strongly disagreed that the change of prices in their supermarkets affected the customer loyalty.

##### Supermarket store's Image effect on supermarkets customer loyalty

The first question in this section sought to inquire whether the respondents' supermarkets had an established image to its customers in Nyeri town the respondent were expected to indicate if Yes or No. The research findings were as follows 66.67% of the respondents were positive while 33.33% were negative. The second question of the section required the respondents to indicate the brand image effectiveness on the customers' loyalty to their supermarkets. This is attributed to the positive results that brand image contribute to customer loyalty as elaborated by Kotler (2000). The research findings were as follows very efficient was 39% of the respondents, moderately efficient were 30%, efficient were 21%, less efficient response was 6% while 4% of the respondents had their brand image not efficient in developing customer loyalty.

##### Competition of supermarkets in Nyeri Town

The research question sought to establish whether competition among the supermarkets in Nyeri town had an influence on the customers' loyalty to the various supermarkets. More than 79.17% of the respondents were in agreement while 20.83% of the respondent disagreed with competition being among the major factors affecting customer loyalty.

##### Changing customer preference

The research question sought to establish whether the changing customer preferences on the mode of the supermarkets' shopping services delivery and the products they sale had an influence on the customers' loyalty to the various supermarkets. The response to this question was as follows, 62.5% of the respondents had a positive view while 37.5% of the respondents had negative view that the changing customer preferences had no influence on the customers' loyalty to the retail stores.

##### Customer preferences research

The researcher sought to establish if the supermarkets in Nyeri town carry out research to their customers to obtain their tastes and preferences of the products they would buy if stocked in the supermarkets or the kind of services they would prefer during their shopping experiences. The research findings on how frequent the research was done were as follows: 8.33% of the respondents indicated very frequent, 16.67% of them did it moderately frequent, 16.67% carried the researches frequently while 25% of the respondents did the research less frequently and 33.33% of the respondents carried out the customer preferences research infrequently.

#### 4.4 Factors affecting customer loyalty of supermarkets in Nyeri town

The respondents were provided with a listing of possible factors that could affect customer loyalty and requested to indicate extent of effect of each of the factors by ticking as appropriate along a five-point scale. *Where:* Strongly agree = (5); Agree = (4); Uncertain = (3); Disagree = (2) and Strongly disagree = (1). The findings are summarised and presented in table 4.1 below.

**Table 4.1: Extent to which selected factors affect customer loyalty**

Extent to which selected factors affect customer loyalty	Response (%)					Mean	Ranking
	(5)	(4)	(3)	(2)	(1)		
Pricing affect customer loyalty	28.57	38.1	19.05	9.52	4.76	1.83	1
Customer preferences affects customer loyalty	15.78	47.37	36.84	10.53	0.00	1.75	2
Supermarket's image affect customer loyalty	20	15	55	5	5	1.67	3
Competition affect customer loyalty	5.56	38.89	27.78	11.11	16.67	1.63	4
<i>N = 24</i>							

## 5.0 CONCLUSION AND RECOMMENDATIONS

### 5.1 Conclusions

The factors leading to customer loyalty in supermarkets are mainly those which either stem from customers' evaluations and subsequent perceptions of the service such as service quality and customer satisfaction or the

ones that fall into the category of relational outcomes of repeated service transactions like trust and commitment they develop towards a particular supermarket. There are few others which are broadly related to the company's own position such as the supermarkets image, industry dynamics like switching costs, changing customer preferences and the competition in the industry as has been established in this study from the data collected from supermarkets in Nyeri town.

Therefore, for supermarkets to develop customer loyalty and obtain the benefits associated to having loyal customers these factors relating to its own position should be well facilitated. The supermarkets should develop a corporate image to clearly distinguish its brand from other supermarket in Nyeri town for instance as well as establish a perception of a supermarket that delivers the expected promise to its customers. The pricing mode of the supermarket as indicated by the study does affect customer loyalty in to supermarket though it's a competing tool, the supermarkets owner should be price sensitive as well as relative to the competitors pricing mode to ensure that the customers are attracted by the supermarket's mode of pricing eventually developing patronage as this was a major factor affecting customer loyalty of supermarkets in Nyeri town.

To cope with the changing customer preferences that the customers demonstrate as indicated by the research findings, the supermarkets should constantly carry out market research as a customer oriented approach so as to obtain their preferences and thus configure the supermarket organization of staff, product display on shelves and its product quality according to the customers views from the research. This will develop loyalty as the customers will like to be associated with a retail store that puts in mind their need and preferences and aims to satisfy them. The study has also indicated that the loyalty of customers to supermarkets is affected by completion among the various supermarkets in Nyeri towns as covered by the census.

The supermarket owners indicated that they fight to develop a market share of the supermarket shoppers in Nyeri town; therefore there is need for supermarkets to develop a competitive edge against its competitors by demonstrating that continuous commitment. According to this research finding, continuous commitment is a primary antecedent for maintaining customer loyalty in the case of low relationship frequency, whereas affective commitment is dominant in the case of high relationship age and frequency (Kotler, 2001). Supermarkets can identify the status of each relationship by age and frequency and then make different strategy for it to increase customer loyalty and the possibility of continuing relationships. This will eventually lead to the supermarket benefiting from an effective customer loyalty to its retail store.

## **5.2 Recommendations**

It should be noted that customer loyalty cannot be created in a vacuum as there are other factors which need to be taken care of in order to attain customers' loyalty. Service quality is of primary importance in respect of customer loyalty and supermarket owners, who desire unwavering loyalty of their customers, should carefully assess and deliver quality services to their customers by offering better products with greater flexibility and reasonable charges, hassle free shopping procedures and a proactive and systematic grievance handling mechanism. Such measures will help the supermarkets in instigating committed behaviours among their customers which are another requisite of customer loyalty.

To develop trustworthiness of the supermarket, greater transparency and better customer service should be provided to the customers repeatedly. Since supermarket services are not latent products and thus involve relatively a large number of service encounters the contact between customers and the supermarkets employees merchandisers especially, a good relationship should there be developed to foster loyalty of the customer through service delivery. Thus, supermarkets need to conduct systematic training programs for their employees whereby they are trained and designed to foster the supermarkets' loyalty program. Another important aspect of supermarkets retail business is that customers get to evaluate company's service after a considerably long period and thus, it gets difficult to forge customer loyalty since service quality evaluations and resultant commitments take time to materialize. To compensate this, supermarkets should design active and regular integrated marketing communications addressing general queries and other apprehensions of customers and informing them about new products as well as up gradation of service delivery by a respective supermarket.

## **5.3 Suggestions for further study**

This study has focused on evaluating factors affecting customer loyalty of supermarkets in Nyeri town on the basis of assumed linear relationship of loyalty with its antecedents. Further investigation may be undertaken to explore and establish the possible non-linear relationship between loyalty and its individual antecedents. The antecedents discussed in the literature review section are mainly customer variables which may be classified into evaluative judgments and relational outcomes. Future studies may test the interrelationships of these variables in relation to customer loyalty formation and examine the possible indirect and interactive effects on the relationships of customer loyalty. Researchers may also work in the direction of developing and validating a scale for customer loyalty assessment on the basis of preliminary research instrument used in this study.

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