



Drivers of customer satisfaction in the grocery retail industry: A longitudinal analysis across store formats

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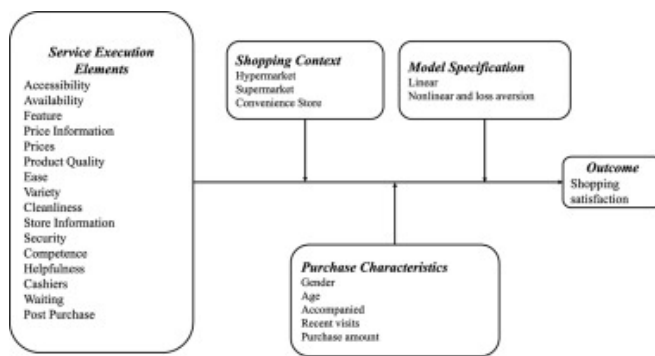
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Abstract

The design of satisfactory shopping experiences remains one of the main challenges for building long-term profitability in modern retailing. Therefore, companies are interested in identifying the key drivers of the service execution that shape customer shopping satisfaction. In this study, we developed a standardized questionnaire for evaluating the shopping experience, and conducted a large study in several grocery stores across different formats during a time span of five years. The resulting rich dataset enabled us to uncover interesting patterns using both individual and store-level analyses. Our results indicate that larger store formats are associated with greater satisfaction levels. When looking at the marginal effects of the various elements of customer service, we found that some specific elements of service execution present significant differences across store formats. In addition, we identified loss aversion on shopping experience, since poor performance impacts more on customer satisfaction than superior performance. Finally, our store-level analysis sheds light on how changes in the service performance determine changes in the shopping experience in the same store. These implied results may guide store and chain managers to evaluate the role of the store execution elements better, and to design the customer shopping experience successfully.

Graphical abstract



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Introduction

Retail competition has intensified in the last few decades and grocery retail chains now constitute a significant percentage of the market (Traill, 2006). Indeed, modern retail accounts for as much as 70–90% of all grocery sales in developed countries (Euromonitor, 2015). Furthermore, the competitive landscape is becoming more complex with a variety of store formats, such as supercenters, dollar stores, and convenience stores attracting customer demand (Volpe et al., 2017). In addition, the rise of new digital platforms is starting to draw customers away from traditional stores (Pookulangara et al., 2011). In this context, the design of satisfactory shopping experiences is one of the main challenges to strengthening customer retention and sustaining long-term profitability in modern retailing (Terblanche, 2018). However, the appearance of new and more complex customer dynamics has created additional challenges to delivering excellence in customer service. For example, manufacturers have enlarged customer assortments, thereby increasing operational costs, and making consumer choices more difficult (Gourville and Soman, 2005). Similarly, the availability of more and better product information, as well as customer reviews, creates higher expectations that are sometimes difficult to fulfill (Floyd et al., 2014). Thus, the importance that customers put on the different elements of service execution¹ is a primary input to a firm's resource allocation strategy (Gustafsson and Johnson, 2004).

One of the most important transformations that modern retail has undergone in the past few decades is the diversification of store formats (Gonzalez-Benito, 2005; Grewal and Levy, 2007; Kamran-Disfani et al., 2017). Traditional supermarkets are still a very common store format, but now they compete with the larger assortments in hypermarkets (also known as supercenters), and the speedy service of convenience stores. While these alternative store formats share common aspects in their value proposition, they have differentiated strategies for attracting customers. For example, taking advantage of their massive sales volume, hypermarkets compete on price, and offer a wide variety of categories. On the other hand, convenience stores that typically offer a merchandise mix of frequently consumed items can leverage their simplified layouts to offer a faster shopping experience.

As is pointed out by Esbjerg et al. (2012), customers pursue different goals depending on their motives for embarking on a particular shopping trip. Moreover, as (Kahn and Schmittlein, 1989), and Walters and Jamil (2003) concluded, grocery-shopping behavior may be different depending on whether consumers are on a

major trip to the store, or just on a fill-in trip. We therefore expect that shopping motivation and behavior make customers assign different weights to the multiple components of the shopping experience depending on the store format. For example, inconsistent price offerings could be more harmful for a customer visiting a hypermarket compared to a customer visiting a traditional supermarket. Similarly, longer lines at the checkout could have a greater effect on the shopping experience for convenience stores compared to the shopping experience at stores with other grocery formats. However, in spite of the large body of research on customer satisfaction, current research in marketing provides little guidance to retail managers about developing and sustaining shopper satisfaction across different store formats (Kamran-Disfani et al., 2017).

Since customers might visit more than one store format over time, to identify the critical service execution elements properly, by store format, and eliminate possible memory biases, the measurement has to be conducted soon after the shopping experience. However, most customer satisfaction studies present results using mailed surveys based on past experience (Gómez et al., 2004; Huddleston et al., 2009), telephone interviews (Bolton and Drew, 1991; Dabholkar et al., 2000), or online surveys (Parasuraman et al., 2005; Terblanche, 2018). There are only a few studies in which surveys are conducted in person and close to the shopping experience as is done in our evaluation (Bernhardt et al., 2000; Orel and Kara, 2014; Vasquez et al., 2001). More importantly, previous research investigating customer satisfaction does not specifically consider the various grocery store formats.

Consequently, the primary objective of this research is to identify and compare the key service execution drivers of customer satisfaction for each store format. We use the conceptual framework of Esbjerg et al. (2012) for analyzing customer shopping experiences in grocery retailing to guide the investigation. Due to the increasing relevance of inter-store-format competition (Reutterer and Teller, 2009), and the identified research gaps, our work aims to identify the role of purchase motivations operationalized by shopping at different store formats as a moderating variable on customer satisfaction in a grocery retailing setting. To perform the comparison across formats, we took advantage of a large and novel dataset in which diverse store formats were measured repeatedly using the same instrument.

In the customer satisfaction literature, most previous studies have assumed that the relationship between customer satisfaction and customers' responses to service execution can be characterized using a linear function. However, some studies suggest that a non-linear response function that incorporates loss aversion (Tversky and Kahneman, 1991) may represent the effects of customer-perceived service quality more accurately (e.g., Suzuki et al., 2001). The loss aversion concept suggests that the effect of service execution is asymmetric with respect to a reference point (i.e., a customer's expectation), such that a customer's response to service execution would be steeper in the loss region (below a customer's expectation) than in the gain region (Suzuki et al., 2001). In addition to putting more weight on some attributes, depending on the store format, we expect that shopping motivations also induce different degrees of loss aversion for different store formats. Accordingly, in this paper we investigate whether the magnitude in which positive and negative evaluations affect customer satisfaction varies by store format. Then, through this study, we uncovered the drivers of customer satisfaction in the grocery retail industry, and addressed three main research questions: How much do customer satisfaction levels depend on the store format? What is the relative importance of each service execution element in each format? Does loss aversion depend on the store format?

To address these questions in the context of grocery retailing, we use data obtained from a large study conducted in several grocery stores across different formats in a time span of five years. The availability of multiple evaluations for each store in the dataset allows us to control for unobserved store heterogeneity. Moreover, as we observe individual-level characteristics, we can also control by demographics and other contextual effects, such as the size of the basket, and whether or not the customer was accompanied. In general, our results indicate that store formats play an important role in terms of satisfaction levels, the relative importance of the execution of various service components, and how customers incorporate their negative evaluations in their overall satisfaction.

The rest of this article is organized as follows: The related literature is described in Section 2. The study design, the instrument, and some initial descriptive analysis of the collected data are presented in Section 3. Our modeling approach and the formalization of our analyses are presented in Section 4. The conclusions of our study are given in Section 5.

Section snippets

Literature review

Customer satisfaction is one of the key metrics that retailers use to monitor the performance of the company, and diverse studies have demonstrated that overall satisfaction correlates well with a firm's profitability (Bernhardt et al., 2000; Gomez et al., 2004). Fundamentally, customer satisfaction is an aggregated construct that summarizes the customers' perceptions regarding diverse elements of their relationship with the company (Gustafsson and Johnson, 2004). Customer satisfaction has...

Research methodology

In this research, we collaborated with four major grocery retail chains in a large city in Latin America. These retailers not only allowed us to collect data in their stores, but they also provided continuous feedback on in which ways the instrument could help them to evaluate their customer service. The data were collected using a standardized questionnaire that we gave to shoppers across multiple store formats right after different shopping occasions....

Drivers of customer satisfaction

One of the main objectives of this study is to identify the key drivers of customer shopping satisfaction for different grocery retail formats. For this purpose, we first formulated a linear model to analyze the relationship between the overall satisfaction ratings and the evaluations of the different components of the service execution at the respondents' level. Then, we explored the existence of loss aversion when evaluating the service execution elements, and its impact on overall...

Conclusions and managerial implications

Our study was aimed at investigating the key drivers of customer shopping satisfaction in the grocery retail industry, and evaluating how they differ across three store formats. To address this issue, we analyzed an extensive dataset from a service quality survey given to customers who had just shopped at several food market stores. It included more than 25 thousand responses in a time span of 5 years. The structure of the panel data, with repeated measurements for multiple stores, allowed us...

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...The key food attributes are price, taste, colour, smell and texture (Goić et al., 2021; Wicaksono & Illés, 2022; Yokoyama et al., 2022). In addition, the critical service attributes are convenience, accessibility, variety, opening hours, availability, cleanliness, information, cashiers and waiting time (Goić et al., 2021; Hunneman et al., 2021; Wicaksono & Illés, 2022; Yokoyama et al., 2022). Studies addressing customer satisfaction in SFSCs are scarce, with only a few revealing the importance of customer evaluations of the perceived product and service quality (Carzedda et al., 2018; Lülfs-Baden et al., 2008; Rosa & Nassivera, 2013)...

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...Therefore, isolated store openings are not necessarily positive for consumers preferring larger stores with complementary stores nearby (Clarke et al., 2012) or those preferring stores combining with hard discounters and traditional supermarkets to reduce the time and effort spent on shopping (Gijbrecchts et al., 2018). Still, a good location, such as that of a convenience store, can help enhance customer satisfaction (Goić et al., 2021; Hunneman et al., 2015). The higher the customer's evaluation of convenience, the higher the customer satisfaction....

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...These explanations could be grouped under either service quality related, or utility theory related. Regarding service quality, one rationale given (e.g. Goić et al. 2021) is that different formats lead to different associations and therefore expectations with customers. For example, prices at hard discounters are expected to be considerably lower....

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