

UNIVERSITY OF KWAZULU-NATAL

**Customer Satisfaction and Loyalty:
An application on FMCG Wholesalers**

By

Student Name: Thabile Joyful Mbambo

Student Number: 200006252

**A dissertation submitted in partial fulfillment of the requirements for the degree of
Master of Business Administration**

**Graduate School of Business & Leadership
College of Law and Management Studies**

Supervisor: Dr. Muhammad Hoque

2016

Acknowledgements

I wish to express my sincere appreciation and gratitude to the following individuals, without whose assistance, this study would not have been possible:

- To Ohlanga Group Management for allowing me to conduct the research at Favors Cash & Carry.
- The respondents who gladly answered the questionnaire. They made this study possible.
- ABI, for allowing me the time off work throughout my MBA journey.
- Dr Muhammad Hoque, my supervisor. Thank you for your support, positive attitude, encouragement, motivation and professionalism.
- My MBA group members for the encouragement and learnings that we took from each other throughout this journey.
- My son, Ndalo, who has made many sacrifices through my MBA journey. You have been very understanding and encouraging. You had to adjust to having a present yet absent mother.
- My mother and siblings for being the tower of my strength.
- My late father for challenging me to further my studies at a young age.
- Nonto Myeni. You have become a sister and a friend. Without you, my MBA journey would have been unbearable.

ABSTRACT

Retaining customers in the Fast Moving Consumer Goods (FMCG) wholesale environment is becoming increasingly difficult. While wholesalers have an understanding that superior customer service is important in any business; there is no proof that they actively engage in activities that measure satisfaction and loyalty levels. The presence of national chain stores in traditional townships has changed the competitive environment within this sector; increasing the importance of using service quality as a differentiating strategy. The aim of the study was to help wholesalers find sustainable ways of retaining their customers who are traders, by determining factors that influence customer satisfaction and loyalty, determining whether a relationship exists between the two constructs in a wholesale environment. This was a cross-sectional study which used loyalty and SERVQUAL questionnaire to determine the levels of loyalty. A sample of 159 traders from a population of 300 registered traders that buy from Favors Cash & Carry was selected using simple random sampling technique. More than two thirds (69%) of the sample were male respondents. Most (77%) of the respondents were spaza shop owners. The study found that the expectations were significantly higher than the perceptions for all the SERVQUAL constructs. No significant association was found between loyalty and satisfaction among the participants ($p > 0.05$). The recommendations included express checkout procedures, training, reward and recognition programs for personnel, and loyalty programme for customers in order meet customer expectations.

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Chapter 1

Introduction

1.1 Introduction

The Fast Moving Consumer Goods (FMCG) Industry, also called the consumer packaged goods is one of the largest industries in the global landscape, including South Africa (KPMG, 2014). Wholesalers are also known as cash and carry outlets. Manufacturers of products use them as their route market. Their customers are traders who purchase groceries to retail in spaza shops or supermarkets, to end-users of products. FMCG retailers generally work on low margins (KPMG, 2014) however, wholesaler margins are even lower given that they sell bulk goods to retailers who still need to make profit a from them. Rebates and sales growth incentives that manufacturers pay on occasion maintain their viability.

Retail chain stores such as Spar & Shoprite have moved and continue to move directly to townships, with better price offering and convenience. Wholesalers are losing customers because of the ripple effect of communities not using local shops. The result has been a cut-throat competitive environment for wholesalers, as traders switch from one wholesaler to the other in search of a better offering (Nielsien, 2016). Retailers are no longer limited to wholesalers only for their purchases. Wholesalers continue to use various tactics to lure traders back, however, the challenge is to employ effective strategies that ensure sustainability and longevity (KPMG, 2014).

There is no evidence that wholesalers are taking advantage of the customer satisfaction models to practically measure their customer's perceptions in order to try and rise above customer retention challenges within the industry. It is well known that the overall customer satisfaction has strong positive effect on customer loyalty intentions across a wide range of product and service categories (AWARA & AMAECHI, 2014). This research's main aim was to measure customers' perceptions in comparison with expectations of service quality while investigating the loyalty levels so that a conclusion could be made as to whether satisfaction could be associated with customer loyalty within a wholesale setting. This chapter will cover the background, motivation, focus of the study, the problem statement,

aim of the study and its research questions, objectives, delineations, shortcomings of the study, structure of the research, and finally the conclusion.

1.2 Background of study

The fast moving consumer goods sector (sometimes called consumer packaged goods) essentially deals with manufacturing, warehousing, distribution, selling and marketing of consumer non-durable goods. (Anandrarajan & Manikandan, 2016). The products found in this industry can be classified into food, beverage and non-food goods categories. South Africa's consumer goods industry is estimated at over R800 billion. (Price Waterhouse Coopers, 2012). The retail sector is an important contributor towards the country's gross domestic product and employs a lot of people. A few large players in the consumer goods products landscape include Shoprite/Checkers, Spar, Pick and Pay as well as Walmart within the formal trade. The informal trade includes local and traditional stores such as Spaza shops, street vendors to convenience stores and restaurants in metropolitan areas.

Product manufacturers have to find efficient ways of distributing their products to the end users i.e. the route to market. Some have the capability to deliver directly to consumers (e.g. ecommerce) while some use distribution partners who specialise in delivering to the retailers who then put the product on shelf for retailing to end users. Another popular route to market for manufacturers in South Africa is via wholesalers/ bulk sellers. Manufacturers cut the delivery and customer interaction costs (i.e. sales reps, telesales, after sales) by using this method. Popularly known as Cash and Carry stores because retailers traditionally purchase their goods, pay cash and load goods into their own vehicles and leave the premises. Wholesalers played a major role in South Africa during apartheid because townships were not accessible; making wholesalers an efficient route to market because traders could walk in to purchase goods. In recent years, it has become relatively easy and cost effective to deliver products directly to traders by cutting the middleman (i.e. wholesaler) enabling manufacturers to gain more insights and interaction with end users of products.

Favors Cash and Carry is an independently owned wholesaler based in Phoenix industrial park. It offers its services to retailers from Durban, Phoenix, Inanda, KwaMashu and Ntuzuma. The store has existed for decades and is currently in its second and third generation.

1.3 Motivation of the study

The results of this study will provide much-needed insight into wholesale businesses. Such insights include whether a relationship exists between customer satisfaction and loyalty within the wholesale environment. Results will also be useful to suppliers of wholesalers—the corporate companies, because they may find ways of supporting their customers (who are wholesalers), sharing the benefits of loyal customers by increased sales. This study will also add to the academic literature. While there is literature exploring the relationship between customer satisfaction and loyalty in various sectors, the focus is on the end-user and not the retailer, who is a business person. The wholesalers contribute a large percentage towards the economy. They employ a sizable number of people. It is therefore critical for the economy of the country to keep businesses sustainable, such that they continue to exist from generation to generation. Retaining customers is a major strategy which wholesalers may employ should they gain a good understanding of factors keeping their customers satisfied and loyal. In this study, wholesalers are traders who buy in bulk from manufacturers and suppliers of products, with the purpose of reselling them in bulk to retailers. Customers refer to traders, who buy from wholesalers for the purpose of retailing the products to end-users.

1.4 Focus of the study

The study focused on measuring customer satisfaction, customer loyalty and determining whether a relationship exists between the two constructs. The focus was on SERVQUAL's RATER dimensions; i.e., reliability, assurance, tangibles, empathy, and responsiveness. Factors also include loyalty dimensions: referrals, patronage, likelihood of switching, and frequency of purchase. The research then focused on using these factors to make practical recommendations to the FMCG wholesale fraternity on ways in which these factors may be deployed to close the gaps, as well as to improve service quality, which in turn encourages loyalty. The study focused on Favors Cash and Carry customers only.

1.5 Problem Statement

Retaining customers in the wholesaler environment is becoming increasingly difficult. Products within categories are nearly identical, causing intense price wars amongst wholesalers. This rivalry benefits the traders, as they obtain the best prices; however, they lose loyalty as they move around in search of the ultimate price (KPMG, 2014). Wholesalers engage in various strategies and tactics in an attempt to retain customers. Such tactics are often detrimental to the sustainability and longevity of their businesses, as they affect their bottom line (Jamal, 2016).

Furthermore, township development programmes which have resulted in an increased presence of national chain stores such as Checkers and Spar in townships, have changed the wholesale landscape (Nielsien, 2016). These chain stores' buying power allows them to promote their groceries to end-users at prices below those of wholesalers; in the process also luring traders to purchase from them (Price Waterhouse Coopers, 2012). The inevitable result is fewer feet for wholesalers, and raging rivalry. While customer satisfaction is generally known to lead to loyalty; the problem is: There is no evidence that customer satisfaction does influence loyalty in wholesale environment.

1.6 Aim of study and research questions

The main aim of the study was to determine whether customer satisfaction has an influence over customer loyalty within a wholesale environment. The research questions are:

1. What are the factors that influence customer satisfaction?
2. What are the factors that influence loyalty within the wholesale environment?
3. How significant is the relationship between customer satisfaction and loyalty?
4. Are there recommendations that may be made to the wholesale industry?

1.7 Objectives of the study

The objective of the study was to understand what customers expect from a wholesaler and whether Favors as a wholesaler meets those expectations. Once that was understood; the study had to determine the loyalty level of the customers so that a conclusion could be made as to whether there is a relationship between satisfaction and loyalty. The objectives therefore were:

1. To determine factors that influence customer satisfaction.
2. To determine factors that influence customer loyalty.
3. To evaluate the significance of the relationship between customer satisfaction and Loyalty, within the wholesale context.
4. To make recommendations for the industry.

1.8 Delineations of the study

The study could only be done at Favours cash and carry in Phoenix due to easy access and limited budget to conduct the research in different wholesalers within Durban municipality. This may limit the application of results to all wholesalers. Other municipalities may have challenges such as lack of development in road infrastructure and little competition. Unlike in Durban, the research could unveil different findings in settings where retailers' choice is limited to a few available wholesalers.

1.9 Limitations of the study

1. Time, due to the nature of traders' behaviour and buying patterns. They visit the store frequently however, they don't have time as they complete their shopping in approximately twenty minutes. It therefore proved difficult to get their full attention.
2. Education level of respondents was very low making it difficult for them to read and understand the questionnaire on their own without help. It also proved to be too time consuming to explain the concept of allocating the weights to the RATER dimensions. It was this reason that influenced the decision to remove that section from the questionnaire.
3. Administering of questionnaire had to be conducted by research assistants due to time and education level limitation. These assistants had to translate the questionnaire into IsiZulu so that respondents could understand. This is a limitation because none of the researchers and assistants were bilingual experts.

1.10 Structure of the research

This study consists of six chapters. Each chapter overview is presented below.

Chapter 1: This chapter presents the background of the study, covering the problem statement, the focus of the study, research questions, objectives, motivation of the study, and the limitations of the study. It presents an overview of all chapters.

Chapter 2: This chapter reviews the literature and the theories therein related to service quality, customer satisfaction, customer loyalty, and the relationship between these three constructs. SERVQUAL dimensions, loyalty dimensions, as well as literature that addresses their association, is discussed in detail.

Chapter 3: This chapter addresses the methodological details used for the study. Such details include research design and rationale, study area, target population, sampling techniques, sample size, research instruments, pre-testing, validity and reliability, data-collection techniques, ethical considerations, and finally, the data analysis.

Chapter 4: The results of the survey are presented in this chapter. The reliability analysis is presented first, followed by the demographic information, and finally the presentation of responses according to the objectives.

Chapter 5: This chapter discusses the results found from the survey, analysing the results as related to the relevant literature, as well as demonstrating the way in which the results relate to the study objectives.

Chapter 6: This chapter determines whether the research problem was solved. It then explores the implications, offering practical recommendations to Favors Cash & Carry, as well as to the wholesale fraternity, and finally, it makes recommendations for future studies.

1.11 Summary

This chapter has provided a good explication of the study, reflecting reasons for the importance of the study, given the challenges facing the wholesale environment. This chapter has also provided specific objectives and questions that the study answered, together with the limitations thereof. The next chapter will provide an interesting critical review of literature that pertains to service quality, customer satisfaction, and loyalty.

Chapter 2

Literature Review

2.1 Introduction

This chapter reviews the literature related to service quality, customer satisfaction, customer loyalty, and the relationship between these three constructs. The first level of investigation is the definition of customer satisfaction. The second level of investigation pertains to the customer satisfaction theories, i.e., confirmation/disconfirmation theory, assimilation theory, contrast theory, negativity theory and hypothesis-testing theory. The third level of investigation focuses on the service-quality constructs, its measurements, benefits, the gaps model, service-quality models i.e. SERVQUAL, RATER, Retail service quality scale and analytical hierarchy process technique. The fourth level of investigation explores customer loyalty: its definitions, measurement approaches, benefits, various conditions of loyalty, and its subcategories. The fifth and final level of investigation explores the literature relating to the relationship between service quality and customer satisfaction; as well as the relationship between customer satisfaction and customer loyalty as found in the literature.

2.2 Fast moving consumer goods industry

The fast moving consumer goods sector (sometimes called consumer packaged goods) essentially deals with manufacturing, warehousing, distribution, selling and marketing of consumer non-durable goods. (Anandrarajan & Manikandan, 2016). The products found in this industry can be classified into food, beverage and non-food goods categories. South Africa's consumer goods industry is estimated at over R800 billion. (Price Waterhouse Coopers, 2012). The retail sector is an important contributor towards the country's gross domestic product and employs a lot of people. A few large players in the consumer goods products landscape include Shoprite/Checkers, Spar, Pick and Pay as well as Walmart within the formal trade. The informal trade includes local and traditional stores such as Spaza shops, street vendors to convenience stores and restaurants in metropolitan areas. The global economic outlook was revised to an estimated 2.4% for 2016 (The World Bank, 2016). Profit margins and overall business growth are limited in advanced economies resulting in manufacturers looking to emerging economies such as Sub-Saharan Africa for

growth (Price Waterhouse Coopers, 2012). South Africa's consumer price index is sitting at 6.1%, while the produce price index is at 7.2%. Unemployment is at 26% (Statistics South Africa, 2016). While the market is not mature like the advanced economies and there are prospects for growth due to growing middle income group; the current South African economic outlook is not very impressive 3.3% GDP (Statistics South Africa, 2016). The global and local outlook results in less spend from consumers and aggressive competition from suppliers of consumer goods (KPMG, 2014).

2.3 Wholesalers Overview

Product manufacturers have to find efficient ways of distributing their products to the end users i.e. the route to market. Some have the capability to deliver directly to consumers (e.g. ecommerce) while some use distribution partners who specialise in delivering to the retailers who then put the product on shelf for retailing to end users. Another popular route to market for manufacturers in South Africa is via wholesalers/ bulk sellers. Manufacturers cut the delivery and customer interaction costs (i.e. sales reps, telesales, after sales) by using this method. Popularly known as Cash and Carry stores because retailers traditionally purchase their goods, pay cash and load goods into their own vehicles and leave the premises. South Africa's wholesalers' sales grew by 4.5% in August 2016 (Statistics South Africa, 2016). The main contributors were food, beverage and tobacco as well as agricultural raw materials & livestock. Retail trade sales increased by 0.2% year on year in August 2016. Retailers are under pressure to keep their businesses operating at such low sales growth environment.

2.4 What is customer satisfaction?

Customer satisfaction is the consumer's fulfilment response. It is a judgement that a product/service feature or product or service itself has provided or is providing a pleasurable level of consumption-related fulfilment, including levels of under- or over-fulfilment (Cengiz, 2010). This judgement should be based on what the consumer has expected as a result of previous experience, or messages heard which result in some expectation. The expectation may be either realistic or unrealistic, however, it is nevertheless an expectation (Venkatesh & Goyal, 2010). Hill, Roche & Allen (2007, p. 2) postulates that satisfaction is a perfect word used to describe various attitudes and feelings that customers hold about their experience with an organization. The attitudes may be at either extreme, namely, disgust, or

utmost happiness. Whatever the reason, these customers hold a certain range of feelings and attitudes which influence their behaviour. This definition makes it clear that any organization wishing to reap positive behaviour from their customers must work relentlessly to influence positive attitudes and feelings.

Isac, Florin & Rusu (2014) defined customer satisfaction as defined customer satisfaction as an extent of a company's total product performance relative to customer requirements. All these definitions have similarities. Customers have requirements and/or expectations (Oliver, 2015). Their experience results in various levels of fulfilment, satisfaction measure and/or attitudes and feelings (Oliver, 2015). According to Venkatesh & Goyal (2010), research has revealed that experience is sometimes the only determinant of satisfaction.

2.5 Customer Satisfaction Theories

2.5.1 The expectations disconfirmation theory

The expectation confirmation theory is also referred to as confirmation disconfirmation theory, is an intellectual theory attempting to describe satisfaction after the purchase. It was found mainly in literature that addresses psychology and marketing. However, it has been commonly accepted and used in other technical fields such as consumer research. It posits that after purchase or repeat purchase fulfilment is determined by what customers expected, what they perceived of the actual performance and disconfirmation of beliefs (Bae, 2012). The theory was originally found in marketing and psychology literature. The expectation disconfirmation theory consists of four concepts: expectations, perceived performance, disconfirmation of beliefs, and satisfaction (Ganiyu, et al., 2012).

2.5.2 Expectations

Expectations are attributes or features that people anticipate or associate with a particular entity such as product, brand, performance, or service. The anticipated features or attributes influence the perception of performance and disconfirmation of belief which directly influences post-purchase or post-adoption satisfaction. The product or service is judged on the basis of the pre-adoption expectations (Lankton & McKnight, 2012).

2.5.3 Perceived Performance

Perceived performance refers to what customers or consumers feel about the performance of the service or product. Perceived performance is a product of what customers expected before purchasing the product which then influence whether they confirm or disconfirm their beliefs resulting in satisfaction after purchase (Hsu, Hui-Mei; Hsu, Jack Shih-Chieh; Wang, Shih-Yu & Chang, I-Chiu , 2016).

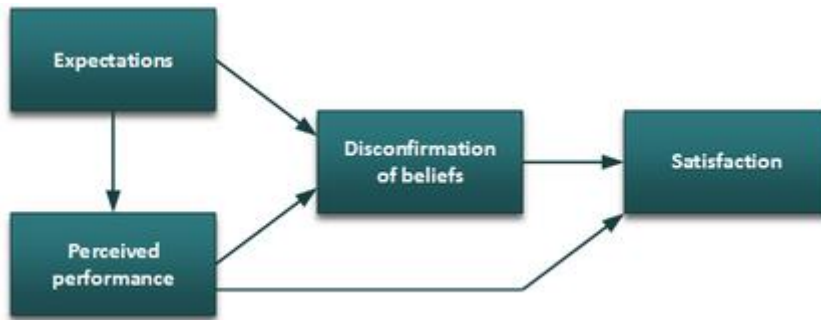


Figure 2.1 : Expectations disconfirmation theory model (source: Oliver, 1980)

2.5.4 Disconfirmation of beliefs

Disconfirmation of beliefs refers to the inconsistency between two concepts, the inconsistency between pre-purchasing and actual performance (Shahin, et al., 2011). Initial research and later studies conducted in the consumer satisfaction field have witnessed disconfirmation as the difference between expectations and perceived level of performance. The disconfirmation is positive if the product or service outperforms the consumer's original expectations. The positive disconfirmation results in post-purchase satisfaction. When the service or product does not live up to the pre-purchase expectations, negative disconfirmation occurs. Negative disconfirmation results in dissatisfaction (Awara & Amaechi, 2014). According to Oliver (2015), disconfirmation was considered as a separate cognitive state, individually perceived by the customer, which may be measured, regardless of its precursors.

Consumer satisfaction theories focus on end-users of products and services. It is evident from the literature that meeting consumer or customer expectations can yield positive results for the product or service (Isac & Rusu, 2014). Service providers cannot meet expectations

of which they are not aware. The literature implies that providers must understand the nature of their customer expectations. Perhaps influencing their expectations is even more important, because knowing the expectations in advance will make it easier to meet them (Lankton & McKnight, 2012). This action would help eliminate any unrealistic expectations subsequently resulting in negative disconfirmation (Lankton & McKnight, 2012; Isac & Rusu, 2014). The converse may also be true: if service providers or product manufacturers' over-promise and under-deliver, consumers will be negatively disconfirmed (Awara & Amaechi, 2014). Several other psychological theories identified by Anderson are useful in explaining the impact of expectancy or satisfaction, or the process customers go through to form judgements (Yuksel & Yuksel, 2008). These theories are:

2.5.5 Theory of assimilation

This theory draws from Festinger (1957)'s dissonance theory which posits that consumers make a cognitive comparison between a product's expected performance and its perceived performance. Any discrepancy that arises from this comparison results in dissonance. The assimilation theory is a post-usage evaluation point of view which was introduced into literature exploring customer satisfaction (Isac & Rusu, 2014).

Consumers adjust their perceptions by lowering their expectations in order to avoid dissonance, aligning the product with their expectations. Consumers also alter their expectations to keep them in line with product performance; alternatively raising their level of satisfaction by minimizing the relative importance of the disconfirmation (Isac & Rusu, 2014). This theory is widely criticized because it seems to suggest that the consumer is motivated enough to adjust expectations and perceptions in order to be satisfied (Lankton & McKnight, 2012). Such a theory does not seem to apply in this current day and age, in which competition is prevalent and consumers have become savvy, with many products/brands from which to choose (Awara & Amaechi, 2014). Manufacturers are becoming extremely innovative in order to remain relevant in the marketplace. Consumers no longer need to adjust their expectations or perceptions. This theory suggests that dissatisfaction would not occur unless the expectation was negative from the beginning (Isac & Rusu, 2014).

2.5.6 Theory of contrast

This theory was introduced by Sherif (1957) as an alternative to the theory of assimilation. The theory of contrast states that the surprise discrepancy of performance with expectation will lead to exaggerated discrepancy. For instance, should a customer find a shelf price of X on the floor, they expect to pay that price at the till point. However, if they get to the till point and find that the price is not X, it is Y, which is higher than X, the customer will be extremely dissatisfied. The converse will also be true: should the customer find that price Y is less than price X which they expected to pay, the customer will be positively disconfirmed.

This theory has received support from researchers. It attempts to predict customer reaction, as opposed to reducing dissonance (Isac & Rusu, 2014). It is human nature, after all, to be very happy with a surprise bargain; equally, to be very dissatisfied if what has been promised is not given. Perhaps this is the reason businesses always strive to delight customers by under-promising and over-delivering, in order to influence the exaggerated positive disconfirmation.

2.5.7 Theory of assimilation contrast

This theory was introduced by Anderson (1973), drawing from assimilation and contrast theories. The theory of assimilation contrast suggests that consumers have a range of acceptance and rejection. Should product performance fall within a consumer's region of acceptance, the consumer will disregard the discrepancy; that is, expectations that were not fully met. However, should product performance fall within the region of rejection, the theory of contrast applies, which is a magnified negative disconfirmation. This theory seems to suggest that both assimilation and contrast theories are relevant within consumer behaviour studies (Yuksel & Yuksel, 2008).

2.5.8 Theory of negativity

Developed by Carlsmith and Aronson (1963), the theory of negativity suggests that any discrepancy of performance expectation will cause negative energy as a result of disruption experienced by the consumer. The theory of negativity draws from the disconfirmation process. It suggests that dissatisfaction will occur if performance either exceeds or falls below expectations.

2.5.9 Theory of hypothesis testing

This theory proposes that customers are biased to positively confirm their product or service experiences (Isac & Rusu, 2014). The theory of hypothesis testing was developed by Deighton (1983) who hypothesized that pre-purchase information plays a weighty role in creating expectations. Expectations created by pre-purchase information is tested against the experience of the product or service. All these theories are a variation of the consistency theory (Yuksel & Yuksel, 2008).

2.6 Service Quality

Hirmukhe & Jyotsna (2012) defined service as the activities of helping customers to attain value. Service quality may be seen as a comparison between customer expectations and the perceived service performance. Service quality, therefore, is a dimension of customer satisfaction. Improving service quality will greatly influence the customer satisfaction levels. Researchers have found service quality to be a dependable differentiator having great influence on a customer's choice of store (Gopalan, Sreekumar, Satpathy, 2015).

Ciavolino & Dahlgaard (2007) contend that service quality is the measure of service levels based on the attributes of the core product. Such attributes include the ambiance and facility layout- display of products, clean environment, clear labelling. Other attributes can be Location, Process - queue management, waiting time, express checkouts, operation hours, delivery time, additional services like parking, and loyalty/membership cards, Product-variety of groceries, durability, merchandise quality and Merchandising . This holds true in the wholesale environment in which customers are traders and not end-users of purchased products. While wholesale customers' satisfaction will be based on these attributes, one would predict that product quality is also very important, traders wishing to sell good quality products in their outlets to avoid trade returns (ABI, 2015).

Measuring service quality levels is invaluable in ensuring that the business fulfils customer expectations, translating to customer satisfaction and increased revenues that are achieved by repeat purchase and positive referrals. Service quality has a strong influence on customer's future behaviour, i.e., intention to visit, purchase, and recommend a store to others (Khudri & Sultana, 2015). Service businesses often expend a great deal of effort to understand customers' needs, supplying what they expect. Once businesses have grasped

this understanding they can gear all their efforts to satisfying customer needs. This may be achieved by improving systems, gearing their operation towards total customer satisfaction. Every point of the business chain must aim to delight customers. The business culture must be towards total service quality.

2.6.1 Measuring customer satisfaction

Measuring customer satisfaction is critical in ensuring a sustainable customer base. The benefit translates to profitability, because businesses are enabled to:

- Understand whether business processes are efficient or lacking;
- Improve areas within the business;
- Understand whether the changes are making the required difference;
- Understand customer expectations and perceptions, and what really matters to customers; and
- Understand the degree to which the business is meeting customer expectations; and whether it is necessary to invest further; and by how much (Cengiz, 2010).

Measuring customer levels of satisfaction can be achieved by using several models that exists. Such models include but not limited to the Gap model, SERVQUAL, RATER, Retail Service Quality Scale (RSQS) and Analytic hierarchy process (AHP).

2.6.2 Gaps model and dimensions of service quality

Customer expectations arise from many sources, such as personal wants or needs, experiences of the past and recommendations. As per the disconfirmation theory, there may be a gap between expectations and the delivery of service. The gaps model was developed by Kevin, Kristine, and Berry in 1985. They identified five gaps that result in unsuccessful delivery. Those gaps are:

GAP 1: Gap between what customers or consumers expect and what management perceive: This is the case when management has an incorrect perception of the customers or consumer's expectations.

GAP 2: Gap between service quality specification and management perception: While management have a correct perception of what customers or consumers want, they fail to set performance standards that satisfy these expectations.

GAP 3: Gap between performance standard and service delivery:

This is the common gap, and one that may be due to lack of training or willingness of staff members to conform to set standards.

GAP 4: The gap exists between delivered service and communications that are sent out externally: This occurs when the advertising messages create expectations failed to be delivered by the product.

GAP 5: This is the gap between the actual service experience and expected service: Consumer misinterprets service quality.

Gaps Model of Service Quality

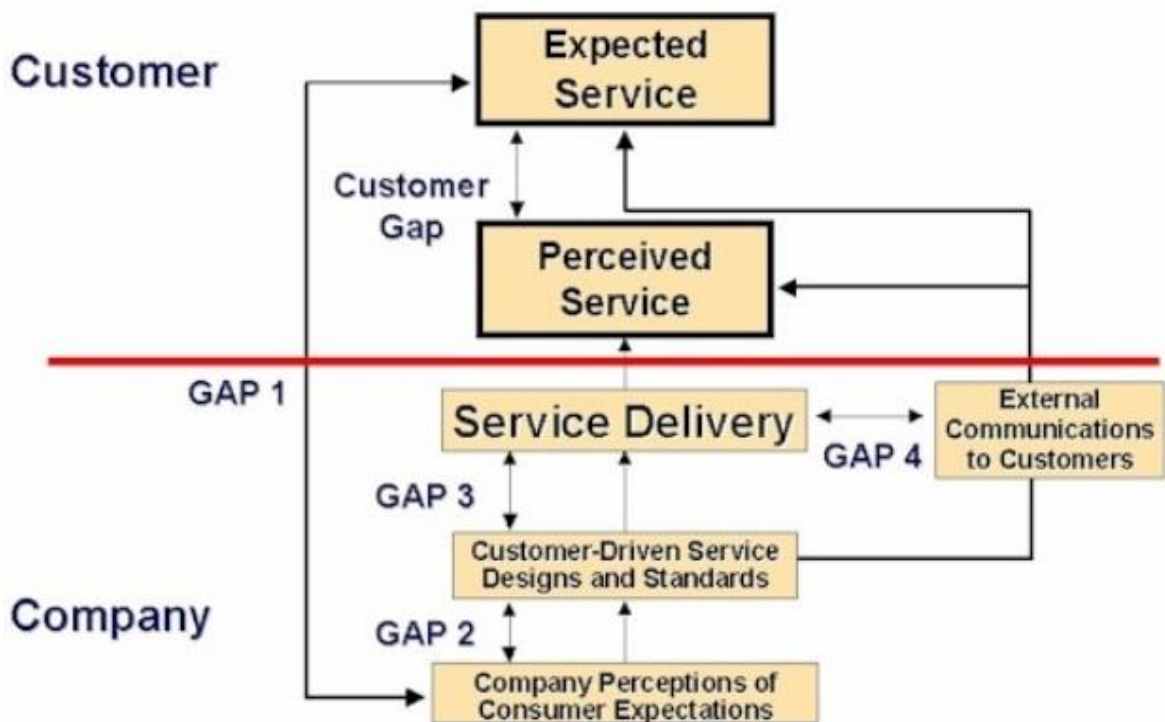


Figure 2.2: Gaps model (source: Parasuraman et al., 1985)

2.6.3 SERVQUAL model

SERVQUAL (an acronym for service quality) is the broadly accepted and commonly used model. This model was introduced by Zeithaml, Parasuraman & Berry in the 1980's. SERVQUAL is aimed at gaging the balance of service quality in the services type of sectors according to customer perception (Tazreen, 2012). SERVQUAL is based on Oliver's disconfirmation model, suggesting that, should perceived performance exceed customer expectations, the supplier is providing quality service (Zaim, Bayyurt, Zaim, 2010). Parasuraman, Zeithaml & Berry (1988) described ten factors that determine or influence the gaps in the form of the SERVQUAL model. The ten factors: reliability, responsiveness, competence, access, courtesy, communication, credibility, security, understanding the customer, and tangibles. The surveys based on SERVQUAL typically consists of 22 questions spread among the above mentioned factors. The respondent is asked to rate the dimensions on one side according to what they expect in a typical service sector, and on the other side, the actual perception of the service in a particular service outlet. The difference between what customers expect and what they perceive becomes the service quality score of the institution being rated (Tazreen, 2012). Parasuraman, Zeithaml, Berry (1991) state that SERVQUAL can be used as a yardstick to uncover different or comprehensive areas of a company's strengths and weaknesses pertaining to service quality. The true benefit is reaped by companies when used over a period of time to allow the opportunity to track and do the trend analysis of the service quality.

The model has received its fair share of criticism regardless of the acceptance and broad use by researchers and businesses. The gap scores, the wording of questions, as well as the length of the questionnaire, are some of the aspects that have been criticized (Parasuraman et al, 1991). The criticism led to the refinement of the model. The revised model scale is distinctively different from the original model in that the negatively worded items under responsiveness and empathy were changed to a positive format (Parasuraman et al, 1991, p. 425). Another criticism is that it has not been validated in the retail setting (Thu Ha, et al, 2015)

2.6. 4 RATER model

Supplementary studies by Parasuraman et al. (1988) came with key modification which altered the dimensions that were originally used to measure perceptions of service quality. Out of ten dimensions, tangibles, reliability, and responsiveness were the three dimensions

that remained the same. Seven of the original dimensions were melded into two components. **Assurance** was formed by combining the four dimensions which are: security, competence, credibility and courtesy. **Empathy** was formed by combining communication, access and understanding the customer. These factors were later reduced to five in the RATER model, these being:

1. **Reliability** – refers to the capability to accurately and dependably deliver promised service. This is one of the dimensions that were not changed and is arguably the most essential quality that consumers look for in service quality (Pararuraman et al, 1988). It is this dimension which was responsible for increasing the accuracy of the responses. SERVQUAL had been refined following criticism, changing its wording from negative to positive phrasing of questions.
2. **Assurance**—this refers to the level of knowledge that employees possess as well as their courteousness. It also refers to the employees' capability to deliver on trust and confidence. This dimension consists of the combination of courtesy, credibility, security and competence.
3. **Tangibles**—the look and feel of facilities, equipment, communication material and personnel.
4. **Empathy**—measures the ability to deliver on individualized attention as well as that caring attitude to customers. Empathy consists of the combination of communication and access taken from the original ten dimensions. It also addresses convenient operating hours.
5. **Responsiveness** – disposition to support or be of assistance to customers, offering swift service. Responsiveness was not changed during the refinement of SERVQUAL. This factor addresses promptness of service, willingness to be of assistance, and the degree to which the staff is never too busy to respond to customer requests.

Service quality may be measured using the above factors (RATER), which is the subjective method. A more objective method may also be used, such as measuring customer complaints or returned goods. Parasuraman et al. (1988, p. 21) maintain that RATER is more beneficial when used periodically, and when it is used in conjunction with other forms of service-quality measurement. The dimensions have been criticised that they are not universal

2.6.5 Retail service quality scale (RSQS) model

RSQS was developed following SERVQUAL's criticism that it was not fully adoptable to the retail sector. This is a hierarchical factor model that measures performance of service quality, however, it is specific to the retail sector (Khudri & Sultana, 2015). It consists of five dimensions, developed by drawing from the modified SERVQUAL scale and three methods that were used during the triangular research. They are; physical aspects, reliability, personal interaction, problem solving and policy (Gopalan, Sreekumar, Satpathy, 2015). RSQS consists of 28 factors, 11 of the factors are directly applicable to the retail sector while 17 of them originated from SERVQUAL. The model has been tested and used however, the factors were found to be irrelevant in India (Khudri & Sultana, 2015).

2.6.6 Analytical Hierachy Process (AHP) technique

AHP is a model for analysing and organising multifaceted decisions. It enables decision makers to decompose the problem into sub –problems hierachically such that each can be independantly analysed. It used to “derive ratio scales from both discrete and continuous paired comparisons in multilevel hierarchic structures” (Saaty & Vargas, 2012, p3).The process of using this model consists of three steps i.e Modeling the problem as a hierachy, evaluating the hierachy and finally establishing priorities (Saaty, 2008). The distinguishable factor about this theory is that it allows for both tangible (physical) and intangible (psychological) factors to be considered in decision making. The model has been used in different sectors such as manufacturing, finance, sports, political and social to make decisions; however it has also received criticism (Gopalan, et al, 2015). Critics argued that the model has limitations because it allowed rank reversal. Another criticism is that it is vulnerable to manipulation if one replace a judgement with a less favourable one to check if the priority becomes less favourable than the original priority within a comparison matrix (Gopalan, et al, 2015).

A SERVQUAL's modified (RATER) model was adopted for the purpose of this study because it is widely accepted, it has been tried and tested in various service sectors for decades. It measures both the expectations and the perceptions of customers. This makes it easy and practical to put corrective measures for the business to try, completely satisfying the customers within a competitive environment. Other models draw from SERVQUAL, making them variations of the SERVQUAL model.

2.7 Customer Loyalty

The concept of customer loyalty has been studied for decades. It continues to be relevant in the current business environment, customers being the prime focus of a successful, sustainable business. As competition increases and customers become savvy, loyalty becomes crowded with many messages that customers read or listen to.

Loyalty describes both the current experience and its result in future behaviour of the consumer of a product or service. A positive experience influences the future repeat which results in loyalty; by contrast, negative experiences discourage future business dealings, discouraging loyalty. The fruits of loyalty are word of mouth, re-patronage, and buying frequency (Bobalca, 2013).

Loyalty may be defined as repeat purchase behaviour led by favourable attitudes; or as a consistent purchase behaviour resulting from the psychological decision-making and evaluative process. (Shahin, Abandi & Javandi, 2011). Customer loyalty has been defined as a construct measuring the probability that the customer will return and is ready to perform partnering activities such as referrals (Cater and Cater, 2009; Rowley, 2005).

Bowen & Chen (2001, p. 213) posit that loyal customers hold favourable attitudes towards the company, therefore they commit to repurchasing the product or service and recommend the product to others. The researchers also theorize that loyalty may be measured using three approaches, namely, behavioural measurement, attitudinal measurement, and composite measurement.

Behavioural measurement considers consistent, repetitious buying behaviour as an indicator of loyalty. Attitudinal measurements use attitudinal data to echo emotive and psychological affection central to loyalty. Attitudinal measurements are concerned with a sense of loyalty, commitment, and duty (Bowen & Chen, 2001).

Composite measurement combines behavioural and attitudinal measurements. It measures loyalty by customer's product preference, likelihood of switching, frequency of purchase, and total amount of purchase (Bowen & Chen, 2001).

The benefits of a business having loyal customers are embedded in the definition of customer loyalty. While most researchers define loyalty in different ways, the fundamental benefits are the same in all their definitions. Those benefits are repeated purchase or patronage, and a favourable attitude which results in willingness to recommend the product or service to others. Heskett (2011) points out the greatest benefits of keeping customers satisfied, which essentially is profitability. Heskett (2011) maintains that the longer customers are loyal, the more profitable they become. This has everything to do with what is known as the three Rs of customer loyalty.

Retention: this is the first R of loyalty. The ongoing relationship with a customer as they continue to buy products creates a steady stream of revenue (Heskett, James L, 1998). The costs are associated with cost reduction of marketing, and, often, the costs associated with serving the customer decline in proportion to customer familiarity with the company's procedures and its product lines (Rowley, 2005).

The second R is **related sales** which are generated by loyal customers. Organisations generate more profits by selling new products or services to existing customers than new customers. Forward thinking organisations therefore involve their loyal customers during product development. The Loyal customers have faith in the company and will more than likely buy the products since it was developed to meet their needs (Heskett, 2011).

According to Heskett, (2011), related sales over time may produce better profits compared to the original product's profits. New products sales to the existing customer base costs less because there is no need to do credit checks and all the administration associated with taking on new customers. Less marketing and less time is required. The greatest benefit of having loyal customers is that they are often less price sensitive compared to new customers (Heskett, 2011).

Positive referrals is the third R which is the superior kind of advertising or promotion because they cost nothing. Word of mouth is invaluable for profit and business growth. According to research, customers who are received a great service experience which satisfied them are likely to inform about five people, whereas customers who did not receive a great experience and ended dissatisfied, they are likely to inform eleven people (Bowen & Chen, 2001). Personal referrals are more valuable compared to traditional marketing, they are

positively associated with cost containment because it's more costly to acquire new customers than to retain them (Heskett, 2011).

Savareikiene & Daugirdas (2009) argues that customer retention is not the same as customer loyalty. Customers may be coming back for services or products, however, they may not be loyal. Rather, their returning could be as a result of normative, affective, economic, forced, or habitual commitment. Normative commitment refers to a sense of duty or moral commitment. Economic commitment describes a sense of loss if one leaves an organization. It may mean that customers have more to lose if they leave than if they stay. Affective commitment refers to an emotional attachment to an organization. Affective commitment has the strongest impact on loyalty, however, it does not compensate for poor performance (Savareikiene & Laimonas, 2009; Sharma, Young, Wilkinson, 2015).

According to Rowley (2005 p. 575), there are four conditions related to loyalty:

1. Loyalty must signify a favourable correspondence between relative attitude and repeat patronage.
2. Latent loyalty refers to a high relative attitude; however, a low repeat patronage.
3. Spurious loyalty is associated with low relative attitude yet high repeat patronage.
4. No loyalty refers to a low relative attitude with low repeat patronage.

Businesses stand to benefit by understanding their customers and the categories in which they belong. This understanding will enable businesses to make investment decisions apropos of all categories, suggesting how much to invest in each category, depending on what they wish to achieve, or depending on their business strategy. Rowley (2005) subdivided the categories of loyalty. He subdivided them into four categories, namely, captive customers, convenience seekers, contented customers and committed customers.

2.7.1 Captive customer

Captive customers are those who have no choice but to patronize a service or brand because of high switching costs, such as convenience, or finance (Rowley, 2005). A customer residing close to a wholesaler may choose to use it because of convenience. Switching to another wholesaler may be too costly on fuel and time, given that most traders are owners and managers. Such patrons spend an average of only 20 minutes purchasing before returning to their shops (ABI, 2015). Captive customers generally remain satisfied. Their

experience does not cause them to have either a negative or positive view of the brand or service (Rowley, 2005). It is important to realize that these customers can switch to alternatives if competitors poach them, perhaps reducing switching costs by delivering directly to their doors.

2.7.2 Convenience seekers

These customers' choices are largely influenced by convenience. Should their personal situation change, they switch to what they perceive as convenient at that time (Rowley, 2005). Their choices are heavily indexed towards the service or the store, more so than the product, as a result of convenience (Rowley, 2005). Convenience-driven loyalty may be seen in factors such as parking availability outside of town or busy shopping centres. Such loyalty may also be seen as trading hours convenient for people either coming from work or going to work. Availability is a key factor for convenience-driven customers. Businesses that invest in distribution networks or e-commerce reap the rewards from customers such as these (Rowley, 2005).

2.7.3 Contented Customers

Such customers have a positive attitude towards the brand; however, they do not extend their involvement by supporting products or services associated with it (Rowley, 2005). These customers are not the most profitable; however, they present an opportunity to be recruited in order for them to be more involved. Contented customers are already in a positive relationship with the brand, and they judge each brand on merit (Rowley, 2005). They do not become involved with the entire portfolio, having a relationship with one brand only.

2.7.4 Committed customers

Committed customers are the kind that every business wishes for more of. They are true partners or ambassadors. They have a positive attitude and behaviour. They recommend the brand or services to others by means of positive word of mouth (Bae, 2012). Committed customers also contribute to making the experience more pleasant for themselves and other customers. They do expect to be recognized by the suppliers as ambassadors of the product or service or brand (McMullan & Gilmore, 2008). They do not fall for competitors' tactics of trying to entice them. Committed customers are vulnerable to marketing communications

from brands to which they are loyal, and are willing to pass the message on to other potential customers. This analysis reflects the importance of understanding the customer base, recognizing the categories into which customers fall (McMullan & Gilmore, 2008; Sharma et al, 2015). Businesses that have a non-balanced loyalty category customer base must realize that there is work to do in order to have a base heavily indexed towards a committed category. Committed customers must also be recognized explicitly through loyalty programmes or in other forms, so that they are encouraged to continue with commitment.

2.8. The Relationship between Service Quality, Customer Satisfaction, and Loyalty

2.8.1 Service quality and customer satisfaction

The disconfirmation theory proves that if customer expectations are met by perceptions of product or service, they are positively disconfirmed (Awara & Amaechi, 2014). Positive disconfirmation results in post-purchase satisfaction and repurchase. Researchers have found that, in theory, service quality is the determining factor for customer satisfaction. If businesses increase their service quality, customer expectations are disconfirmed, positively resulting in increased satisfaction levels (Kitapci, Dortyol & Yaman, 2013; Bae, 2012).

Kitapci et al (2013), from their research, suggest that SERVQUAL dimensions i.e. empathy, responsiveness, assurance, and tangibility are critical originators of customer satisfaction, influencing positive word of mouth. However, their findings suggested no significant relationship between reliability (as a service-quality dimension referring to the ability to perform the service accurately and dependably) and customer satisfaction. Reliability addresses error-free records such as accurate invoice or till slip; sincere interest in solving customer problems; correct price label on shelf against the product; as well as advertisement reliability: if an item is advertised at a certain price, customers should find the described item at the exact advertised price when they reach the outlet (McMullan & Gilmore, 2008). One could argue that supermarkets use sophisticated systems making their records more accurate. Customers do not, therefore, focus on this feature. In general, supermarkets' shelf pricing is adjusted automatically. There are several merchandisers per product and floor managers whose job is to ensure that the prices on shelves are accurate, the correct product in the correct space within the category.

In the wholesale study, one could predict that reliability will have to be high because traders do not have time to move from one wholesaler to another to find items not offered by another wholesaler, as they only spend 20 minutes on average at the wholesaler, rushing back to their outlets in order to run their businesses (ABI, 2015). Over and above the time factor, traders rely heavily on broadsheet advertising to plan their shopping lists, knowing exactly what they will be purchasing from the wholesaler.

While the four dimensions were significantly positively related to satisfaction, empathy was found to be the strongest indicator of loyalty within the supermarket environment (Kitapci et al, 2013). The individualized attention given to customers by staff is addressed by Empathy (Kitapci et al, 2013; Tazreen, 2012). It is human nature that when a customer receive individual attention and is called by name (Carmody & Lewis, 2006) he or she feels valued. It is no wonder that this dimension influences loyalty more than any other, relating to greater brain activation patterns (Carmody & Lewis, 2006). The research findings are central to end-users of the product and not the trader, whose intention is to satisfy the need of the end-user. This is the gap which the study proposes to address.

2.8.2 Customer satisfaction and loyalty

It is well known that the relationship between customer satisfaction and loyalty is that the more satisfied are the customers, the more they repurchase, spreading their satisfaction. However, the converse also holds true. Dissatisfied customers will tell approximately eleven people about their dissatisfaction compared with five people about their satisfaction (Heskett, James L, 1998). While it is commonly known that satisfaction results in loyalty; a great deal of literature has also found a nonlinear relationship between the two constructs. It is recognized that customer satisfaction drives customer loyalty; however, empirical studies have proved that there are service contexts in which customer loyalty and satisfaction do not always correlate positively (Shahin, Abandi & Javadi, 2011).

Shahin, Abandi & Javadi (2011) found no significant relationship between customer satisfaction and loyalty. However, a significant relationship was found in some loyalty dimensions such as emotional, motivational, and trust dimensions. Customer satisfaction is important to the customer's feelings towards an organization; however, this cannot be the only factor or even the main factor for customer loyalty and commitment (Ganiyu,Uche, Elizabeth, 2012).

Bae (2012), advocates that competitive settings significantly affect the association between satisfaction and loyalty. Bae (2012) argues that the relationship between the two constructs is positive; however, each organization can choose how much to invest in loyalty, depending on market conditions. In a less competitive environment or monopolistic set-up, over-investing in loyalty will not result in more sales or more customers: customers will remain loyal regardless. This viewpoint can prove dangerous when there are no switching costs. Customers would move quickly to competition if they feel that they have been trapped in non-competitive prices through lack of alternatives, unable to explore their options, there being too few suppliers. This viewpoint may hold in conditions where switching costs have been strategically employed in order to increase customer retention, limiting switching for competitive reasons (Edward & Sahadev, 2011). While switching costs act as a mediating factor in customer loyalty, customers who were deeply loyal in McMullan & Gilmore (2008)'s study highlighted that they shopped around before making their bookings, in order to secure the best price, irrespective of the availability of loyalty programmes. This suggests that price is an important variable in customers' purchase decisions. Customers do not develop inertia simply because they are loyal. Ganiyu et al (2012) agree with McMullan & Gilmore (2008), citing that loyalty will be difficult to achieve in recessionary times, trivial reasons being sufficient to turn customers away from investing in the business. The above-mentioned researchers cite that price will be a major driving force, because immediate benefits will appeal, overriding loyalty. McMullan & Gilmore (2008) also argue that an objective to create a loyal customer base cannot be achieved by customer satisfaction alone. The researchers agree that in competitive environments satisfying customers is not enough. Organizations need to completely satisfy their customers.

McMullan & Gilmore (2008, p.1092) found no evidence of deeply loyal customers trying alternatives. This does not mean that they are always fully satisfied with every transaction. It does perhaps put forward that loyal customers are more understanding of issues and are willing to engage the business on issues. Oliver (1997) defined loyalty as a strongly held commitment consistently to repeat the purchase of a preferred product or service, resulting in re patronising or rebuying of the same brand regardless of positive or negative situations and messages or promotions that may encourage switching intentions or behaviour. This is an important trait of loyal customers because it gives the business an opportunity to deploy corrective actions (Ganiyu et al, 2012), winning the customer over. Customers who are less loyal tend to be more interested in promotional offers and not in a partnering relationship.

In a study conducted by (Bowen & Chen, 2001; Shahin et al, 2011), the results verified that customer satisfaction is not the same as customer loyalty ; however,the customer indices increased by over 100 per cent as the level of customer satisfaction increased from six to seven.. This finding is in line with the contrast theory discussed under the disconfirmation theory. Bowen & Chen (2001, p. 215) suggest that there are two thresholds affecting the link between satisfaction and loyalty. Loyalty increases dramatically when satisfaction reaches a certain level; yet it decreases equally dramatically when when satisfaction declines to a certain point (Bowen & Chen, 2001). A minor change in satisfaction may lead to a substantial change in the loyalty increment. This suggests that businesses should not only strive to satisfy customers - they should strive to extremely satisfy their customers, thereby encouraging them to verbalize their perceptions to potential customers (Bowen & Chen, 2001; Shahin et al, 2011).

Awara & Amaechi (2014) found that there was a significant relationship between customer satisfaction and loyalty, customer patronage, and customer retention. The study was performed in selected eateries, and as such, it may be expected that these constructs were found to be significantly strong. Satisfied customers can also switch regardless of their loyalty as a result of changing needs (Hussain, 2014) e.g., changing health reasons may result in customers trying out healthy alternatives, if their preferred brand does not offer these. In the case of wholesalers, this scenario may be applicable where traders require a change. Perhaps, as they age, traders may be physically unfit to walk around a shop. They may turn to a wholesaler capable of delivering directly to their door. This may not be as a result of dissatisfaction or lack of loyalty; rather, through changing needs which the preferred service provider does not have the capacity to provide.

2.9 Conclusion

It is evident from the literature that findings pertaining to service quality, customer satisfaction, and customer loyalty are difficult constructs to apply to all situations. Significant dimensions which may result in loyalty in one context may not necessarily be significant in another context. However, researchers and studies recognize that these are constructs that all businesses in various industries and contexts must understand and measure in order to gain a competitive edge, profitability, and a sustainable customer base in their specific contexts. SERVQUAL, as a measure, is universal, and has been widely used to measure service quality and customer satisfaction in various industries. The literature

however, does fall short on exploring satisfaction and loyalty within the wholesale sector; where customers are firstly business owners, managers of their businesses, and are not always the end-users of products that they purchase. This study will add valuable insights into this aspect of the academic literature and the industry at large.

CHAPTER 3

RESEARCH METHODOLOGY

3.1 Introduction

This chapter addresses the methodological details used for the study. Details include research design, study area, target population, sampling techniques, sample size, research instruments, pre-testing, validity and reliability, data-collection techniques, ethical considerations, and finally, the data analysis.

The study addresses four research questions.

- 1) What are the factors that influence customer satisfaction?
- 2) What are the factors that influence loyalty within the wholesale environment?
- 3) How significant is the relationship between customer satisfaction and loyalty?
- 4) Are there recommendations that may be made to the wholesale industry?

3.2 Research Design

A research approach or design is a blueprint for the collection, measurement, and analysis of data, based on the research questions of the study (Sekaran & Bougie, 2013). Creswell, (2014, p. 3) posits that research approaches are plans and procedures for research that span broad assumptions across detailed methods of data-collection, analysis, and interpretation.

This study is descriptive and quantitative in nature. It was conducted using a survey design. This has been achieved by using a seven-point Likert scale for service quality, together with some loyalty questions, as well as multiple choice for demographics and some of the loyalty questions. This methodology has proved excellent for statistical analysis of the data. The length and nature of the research has required honesty. Other methods, such as observations and personal interviews or focus groups would not only be inconvenient for traders, but it would also add potential for bias, as well as the inability to make statistical data analysis.

3.3 Study Area

The study was conducted only in Phoenix at Favours Cash & Carry, as a result of limited budget and time constraints. Favours Cash & Carry is one of the largest independent cash and carry stores in Durban. The outlet services customers/traders from various backgrounds in Durban and surroundings, such as Phoenix, KwaMashu, Inanda, Ntuzuma, Verulam, and Durban central. The study will therefore be a reflection of traders' voices within Durban and its environs.

3.4 Target Population

The population consists of every customer who buys from Favours. According to the store's database there are 300 registered customers (Jamal, 2016). These customers are business people who own spaza shops, supermarkets, convenience stores, taverns, etc. The total population size at the time of the research amounted to 300.

3.5 Sampling Techniques

According to Creswell (2014), there are two major types of sampling design, namely, probability and non-probability sampling. With probability sampling, elements have a known, non-zero chance of being chosen as subjects in the sample. Probability sampling is more useful where representativeness of the sample is important for generalization.

Non-probability sampling is useful where representativeness is not overly important, elements not having a known or predetermined opportunity of being selected as subjects. The findings from this kind of sampling cannot be used to generalize (Sekaran & Bougie, 2013); however, findings are suitable for use when time is limited. Probability sampling may be either restricted (complex probability sampling) or unrestricted (simple random sampling).

For the purpose of the study, an unrestricted probability (specifically, simple random) sampling technique will be utilized. A simple random sampling technique is valuable because every element has a known and equal chance of being selected (Sekaran & Bougie, 2013). This technique also ensures a high generalizability of findings as well as the least bias.

3.6 Sample Size

The population refers to the entire group of people, events, or items of interest to the researcher (Sekaran & Bougie, 2013). A sample is a subset of the population comprising some but not all elements of the population. By studying a subset or subgroup of the population, the researcher should be able to draw conclusions that are generalizable to the population of interest (Sekaran & Bougie, 2013). The decision regarding the size of the sample to be studied is an important one for a researcher. It should take into account the research objectives, the confidence interval (the extent of precision desired), the amount of variability in the population, the cost and time constraints, even the population size in some cases (Sekaran & Bougie, 2013).

In the current study the population consisted of 300 customers as provided by the store manager from the list of computer registered customers. The researcher decided on a 95% confidence interval to reflect the level of certainty with which the estimates for the population parameters based on sample statistics will hold true. At least 95 times out of 100 the estimate will reflect the true population characteristics. The sample size was calculated at 169.

3.7 Research instruments

The study was descriptive in nature as it aims to research the correlations of satisfaction and loyalty. It will help make decisions going forward, based on results. The study will help in better understanding the characteristics of customers, as well as providing factors related to customer satisfaction, specifically retailers who buy from wholesalers.

Research strategies may take different forms, such as experiments (usually associated with deductive research and scientific or a hypothetico-deductive approach to research), a survey research (a system for collecting information from or about people to describe, compare, or explain knowledge, attitudes, and behaviour Fink, 2003), observation (excellent when collecting data on actions and behaviour of people), case studies (focusing on collecting information about a specific object, event, or activity), grounded theory (a systematic set of procedures to develop an inductively derived theory from data (Strauss & Corbin, 1990), action research (appropriate while effecting planned changes, usually undertaken by

consultants who wish to initiate change processes within an organization), and mixed methods (Sekaran & Bougie, 2013).

For the purpose of this study, a survey research was used (a system for collecting information from or about people to describe, compare, or explain knowledge, attitudes, and behaviour. Fink, 2003). A survey made it possible to analyse the retailers' attitudes towards service quality. The purpose of the survey research was to generalize from a sample to a population, so that inferences could be made about the characteristic, attitude or behaviour (Creswell, 2014) of customers/traders using Favors Cash and Carry.

The advantage of adopting this strategy:

1. It is cost effective to design and administer the survey. The researcher had budgeted R2000 only for data collection. The researcher used matric and college students as research assistants to help translate the questions to isiZulu, assisting with ticking the correct answers.
2. Rapid turnaround time in data collection: it took approximately 10 minutes per respondent to complete the questionnaire, after employing the students' help. The data was collected over three days: 15, 16, and 21 April 2016.
3. The ease of identifying attributes of a large population from a small group of individuals (Fowler, 2009).

Customers were asked to complete the questionnaire with the help of a research assistant, while they were waiting in queues for the cashiers to scan their goods and make payment. The advantage of this strategy is that it allows for minimum interference. Retailers would have made their purchases, therefore the survey would not interfere with normal activities for either the wholesaler or the retailer. Customers comprised the older generation with low levels of education and technology exposure. Most of these customers do not possess email addresses. This made it difficult to use *question pro* or similar technologies.

3.8 Description of Survey Instrument Used

A questionnaire was utilized for the purpose of this study. A modified SERVQUAL instrument (Appendix1) was chosen for the study, this having been and continuing to be widely used to measure consumer's perceptions of service quality (Shahin et al, 2011). SERVQUAL compares customers' expectations before a service encounter with the

perception after a service encounter (Parasuraman, et al., 1991). It is composed of five dimensions:

- a) Tangibles (physical facilities, equipment, and appearance of personnel);
- b) Reliability (ability to perform the promised service dependably and accurately);
- c) Responsiveness (willingness to help customers and provide prompt service);
- d) Assurance (competence, courtesy, credibility & security, i.e., knowledge and courtesy of employees and their ability to inspire trust and confidence); and
- e) Empathy (caring and individual attention given by the organization to customers, including access, communication, and understanding customers).

A SERVQUAL’s modified (RATER) model was adopted for the purpose of this study because it is widely accepted, it has been tried and tested in various service sectors for decades. It measures both the expectations and the perceptions of customers. This makes it easy and practical to put corrective measures for the business to try, completely satisfying the customers within a competitive environment. Other models draw from SERVQUAL, making them variations of the SERVQUAL model. Owing to the literacy of respondents, the weighted average question where customers had to weight each dimension to ensure that the total was 100% was removed from the questionnaire. This section would allow for the researcher to determine the order of importance of the dimensions according to the customers’ opinion. The elimination of this section did not make the entire questionnaire invalid because the expectations sections managed to indicate the importance of each dimension nevertheless.

The table below describes the construct of the questionnaire.

Table 3.1 Construct of Questionnaire

Section of Questionnaire	Content	Link to objectives
A	Demographics	1, 3 &4
B	Loyalty dimensions	1,2 & 3
C	Service-quality dimensions	1, 2 & 3

Personal data such as age (Section A) was organized in a nominal-scale fashion which allowed the respondents to be grouped into categories or groups. The rest of the demographic information such as gender, employment status, type of store owned, was organized into multiple-choice questions. Loyalty information (Section B) was split into multiple choice

(such as frequency of purchase, reasons for choosing the store, etc.) and a Likert 7-point scale (e.g. question on whether they would recommend the store; or would it matter to them if they could not use the store, etc.), in which 1 reflects strong disagreement and 7 reflects strong agreement. Customer satisfaction/service-quality dimensions (Section C) used 22 questions on a Likert 7-point scale, in which 1 reflects strong disagreement and 7 reflects strong agreement.

3.9 Pre-testing

Pre-testing is a process whereby the questionnaire is piloted before the main research to discover possible pitfalls about the questionnaire. This is critical in ensuring a successful test. A pilot test helps identify in advance any biases or problems with the questionnaire, such as questions that sound strange or that do not work well, or are too long (Sekaran & Bougie, 2013). This process is invaluable for both the interviewer and the researcher.

There are two major types of pre-test, i.e., field and pre-field, both having advantages and disadvantages. The researcher pre-tested the questionnaire on field which proved very insightful. The majority of respondents were not literate, which made it difficult for them to self-administer the questionnaire. The language was also a barrier and impacted mainly the weighting requirement of the questionnaire, in which the customer is supposed to give weighting to the 5 dimensions of service quality. The customers simply did not understand the question, which made the process very time-consuming and eventually resulted in wrong answers. The researcher decided to remove the average weighting section because it became almost impossible to translate it into isiZulu for customers with low levels of education.

3.10 Validity and Reliability

Validity determines how well an instrument measures the concept it is intended to measure (Creswell, 2014). Reliability refers to the extent to which the tool provides reliable or consistent outcomes (Creswell, 2014). SERVQUAL's reliability and validity has been tried and tested over the years (Shahin et al, 2011). The questionnaire scales were adopted to ensure validity and reliability. It is a universal instrument that may be used in various settings and industries, with minor modifications. For the purpose of this study, bias was eliminated by using SPSS to analyse the data. For data-collection purposes, the research assistants were given thorough training to ensure that they understood the questionnaire and the objective of each question, in order for them to explain the meaning of each question when translating

into isiZulu. They were also trained on how to treat customers with respect in case they were not willing to be respondents. To avoid bias, ten different research assistants were used to assist administer the questionnaire, explaining it to respondents.

3.11 Data-collection techniques

Field data collection was conducted through the research assistant's administration. The data was collected over three days: 15, 16 and 21 April 2016. The assistants randomly approached customers inside the shop once waiting in line for their goods to be scanned by cashiers. This method ensured minimum interruption of daily activities in the store; and also ensured that traders' time was not wasted. Generally, traders have only 20 minutes to shop before returning to their outlets (ABI, 2015). Customers were asked if they were interested in answering the questionnaire and were also asked if they had not answered them before to avoid duplication. The assistants were trained outside the job and on the job by the researcher to ensure uniformity. The researcher also randomly appeared unannounced to observe during the interaction with customers to avoid data collection bias.

3.12 Ethical Issues

The University of KwaZulu-Natal Department of Humanities and Social Sciences vetted the ethical clearance application (Appendix 2), approving it. A clearance certificate was granted, reference number HSS/0250/016M. The permission to conduct research/data from Favors was granted by Favors' General Manager (Appendix 3). The research instrument consisted of the consent form (Appendix 4) which clearly stated that participation was voluntary and that participants could withdraw at any time. Anonymity was also confirmed. Respondents were assured that their names would not be included in the data analysis.

3.13 Data Analysis

Data were captured and analysed using SPSS version 22.0. A Cronbach's test was carried out to capture the reliability of the data. Initially, summary statistics, such as frequency distribution, were calculated for all the statements. For loyalty, all the statements were added and then categorized as either loyal or not loyal. A Chi-squared test was applied to discover whether any demographic variables were associated with loyalty. From SERVQUAL, all the statements were added to obtain the overall scores for all the dimensions for expectation and perceptions. A students' T-test was conducted to compare the average scores for all the dimensions between loyal non-loyal customers. A paired T-test was also conducted to

determine whether the expectations and perceptions were similar. Finally, Pearson's correlation test was performed to elicit the relationship between the SERVQUAL constructs. P-values <0.05 were considered statistically significant.

3.14 Summary

In this chapter, the researcher discussed the methodologies used by the study, as well as the rationale for choosing it. A quantitative data-collection strategy was adopted for the study. The population consisted of customers who shop at Favors Cash & Carry in Phoenix. These customers are mainly traders owning, inter alia, spaza shops or taverns. A sample of 169 was chosen from a population of 300. A simple random sampling technique was used. A questionnaire was used as a research instrument, designed in line with research objectives. A pre-test was conducted to ensure that it was designed appropriately for the target population. A SERVQUAL instrument was modified by removing the weighted average section, owing to the literacy levels of the population. Research assistants were used to help administer the questionnaire on site while customers waited in line for their goods to be scanned and checked out. The results were analysed using SPSS. Chapter Four will provide an analysis of the collected data.

Chapter 4

Results

4.1 Introduction

Data analysis and presentation attempts to present the collected raw data as meaningful information which directly relates to the research objectives, as well as to the recommendations. This chapter will present the results of the survey conducted. The reliability analysis will be presented first, followed by the demographic information, and finally the presentation of responses, according to the objectives.

4.2 Reliability analysis

A total of 169 participants completed the questionnaire. However, 10 of the questionnaire were invalid due to errors. Only 159 questionnaires could be used for the purpose of analysis. The reliability analysis showed that the data were reliable, the Cronbach's Alpha value being 0.808 (Table 4.1).

Table 4.1: Reliability analysis

Reliability Statistics	
Cronbach's Alpha	N of Items
.808	44

4.3 Socio-demographic analysis presentation

Section A of the survey was made up of questions that aimed to understand the socio-demographics of respondents as well as the type of outlet owned by respondents. With regard to participants' socio-demographic information, more than two-thirds were male (69%) (Figure 4.1). The majority of the participants were between the ages of 18 years and 44 years of age (Figure 4.2). Apropos of their employment status, about three quarters were self-employed (73%), followed by full-time employed (15%) (Figure 4.3). When asked which category was most suited to their store, the majority of them indicated Tuckshop/Spaza

(77.3%), followed by street vendor (8.18%) (Figure 4.4). More participants reported that they buy a combination of all the items indicated from the wholesaler (65%) (Figure 4.5).

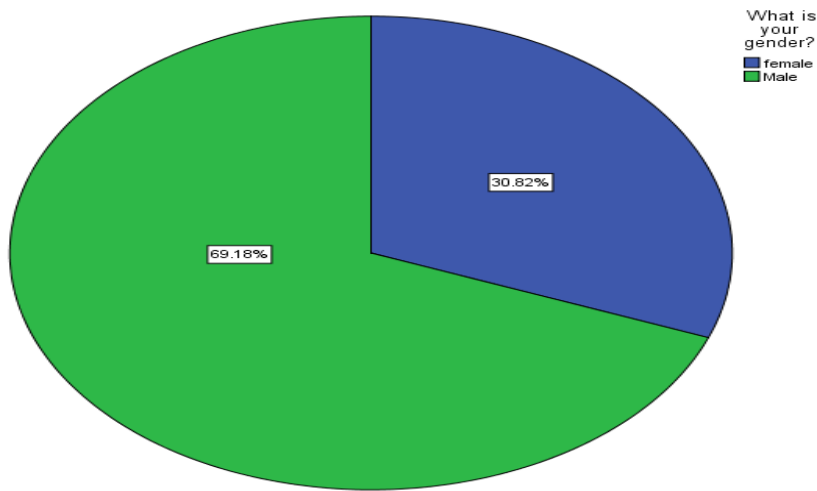


Figure 4.1: Distribution by gender

Figure 4.1 shows that the majority of respondents were males at 69%. Females were just under 31%.

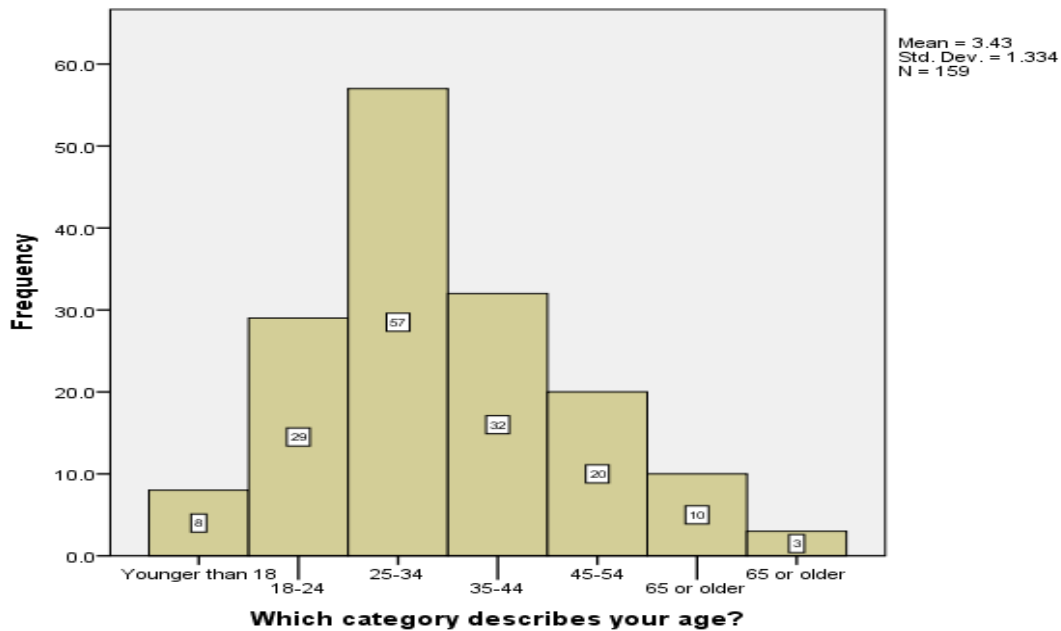


Figure 4.2: Age distribution of the participants

The above figure demonstrates that the majority (57%) of respondents were between the age of 25 and 34; followed by age of between 35 and 44 at 32%.



Figure 4.3: Employment status of the participants

Figure 4.3 indicates that the respondents’ majority were self-employed, however 15% of them had full time jobs.

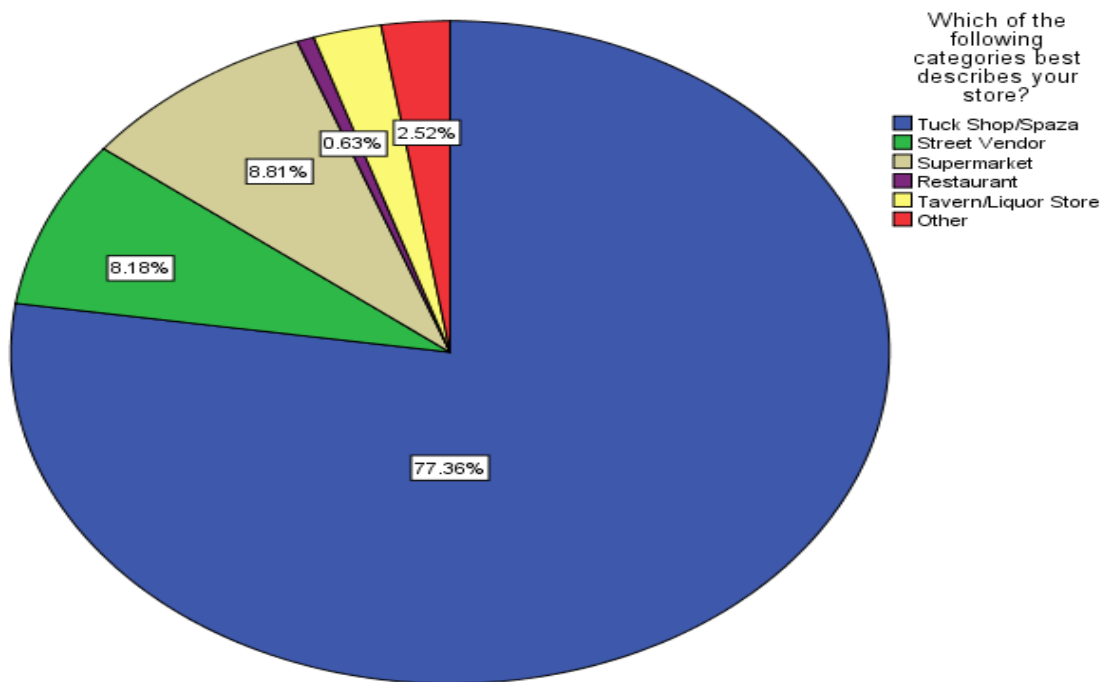


Figure 4.4: Distribution of type of store

Figure 4.4 illustrates that 77.36% of respondents owned tuck shops also known as spaza shops; followed by 8.8% that were supermarkets and 8% street vendors.

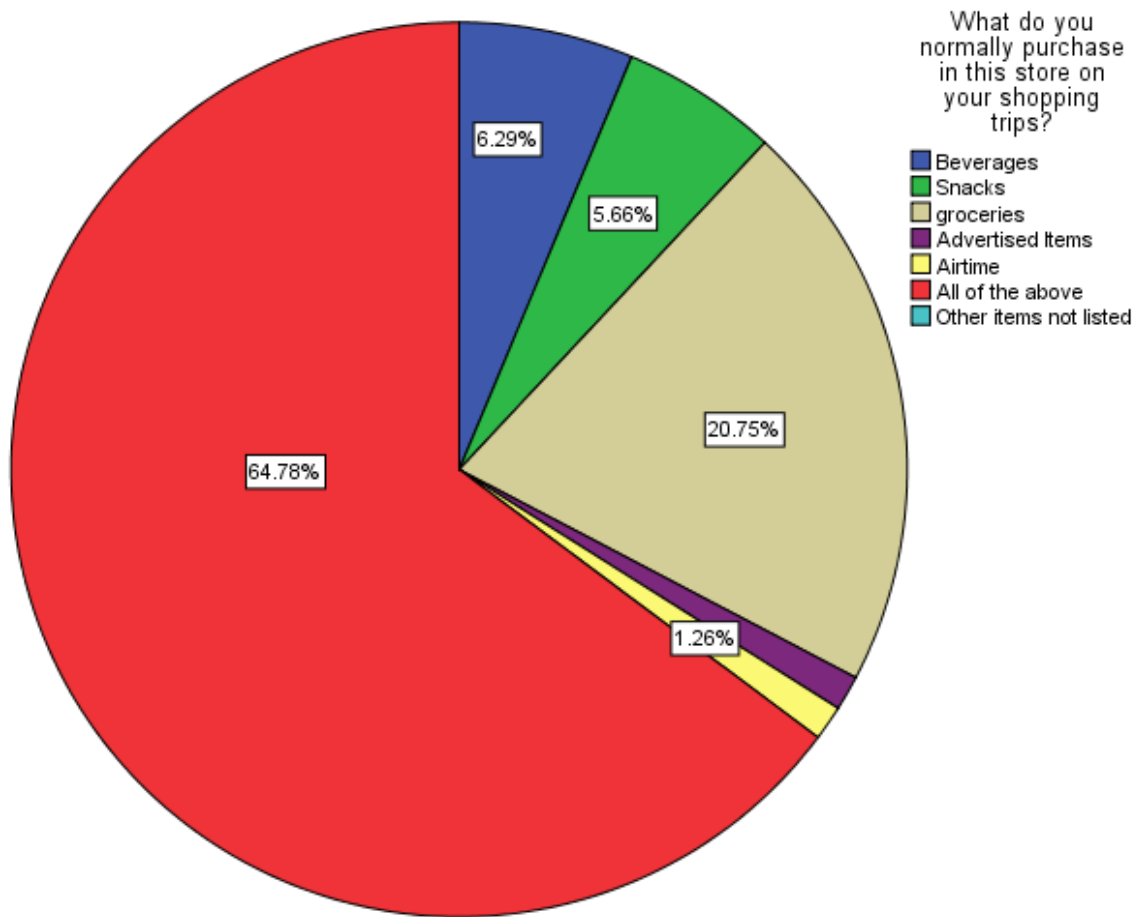


Figure 4.5: Purchasing pattern of the wholesaler

Almost 65% of purchases consists of a full basket of goods i.e. beverages, snacks and a variety of consumable products.

4.4 Loyalty results presentation

Section B of the questionnaire consisted of questions which aimed to extract the level of loyalty from the respondents. These included period of years, or the time customers have been with the outlet; frequency of visits to the store; word of mouth recommendations, as well as the likelihood of switching.

It was found that 78% of the participants have been shopping for a year or longer at the wholesaler's. The majority of the participants also reported that they shop either every day or every week (Table 4.2). According to Figure 4.6, it was found that the majority of the participants positively reported that they would recommend this store to a friend or colleague

(92.5%); it would matter a great deal if they stopped using this store (77%), and they always choose this wholesaler over other wholesaler (94%).

Based on Table 4.2 and Figure 4.6, combining all the questions, it may be concluded that the majority of the participants were loyal customers to the wholesaler (94%) (Figure 4.7). Further analysis showed that none of the socio-demographic variables was associated with loyalty to the wholesaler ($p>0.05$) (Table 4.3).

Table 4.2: Frequency of using the wholesaler

Variables	Frequency	Percent
How long have you been shopping at this wholesaler's?		
Less than 6 months	12	7.5
6 months to less than a year	11	6.9
1 year to less than 3 years	22	13.8
3 years to less than 5 years	35	22.0
5 years or more	79	49.7
How frequently do you purchase from this wholesaler?		
Once a year	1	.6
Twice a year	4	2.5
Every 4-6 months	2	1.3
Every 2 -3 months	4	2.5
Every month	16	10.1
Every 2-3 weeks	12	7.5
Every week	54	34.0
Every day	66	41.5

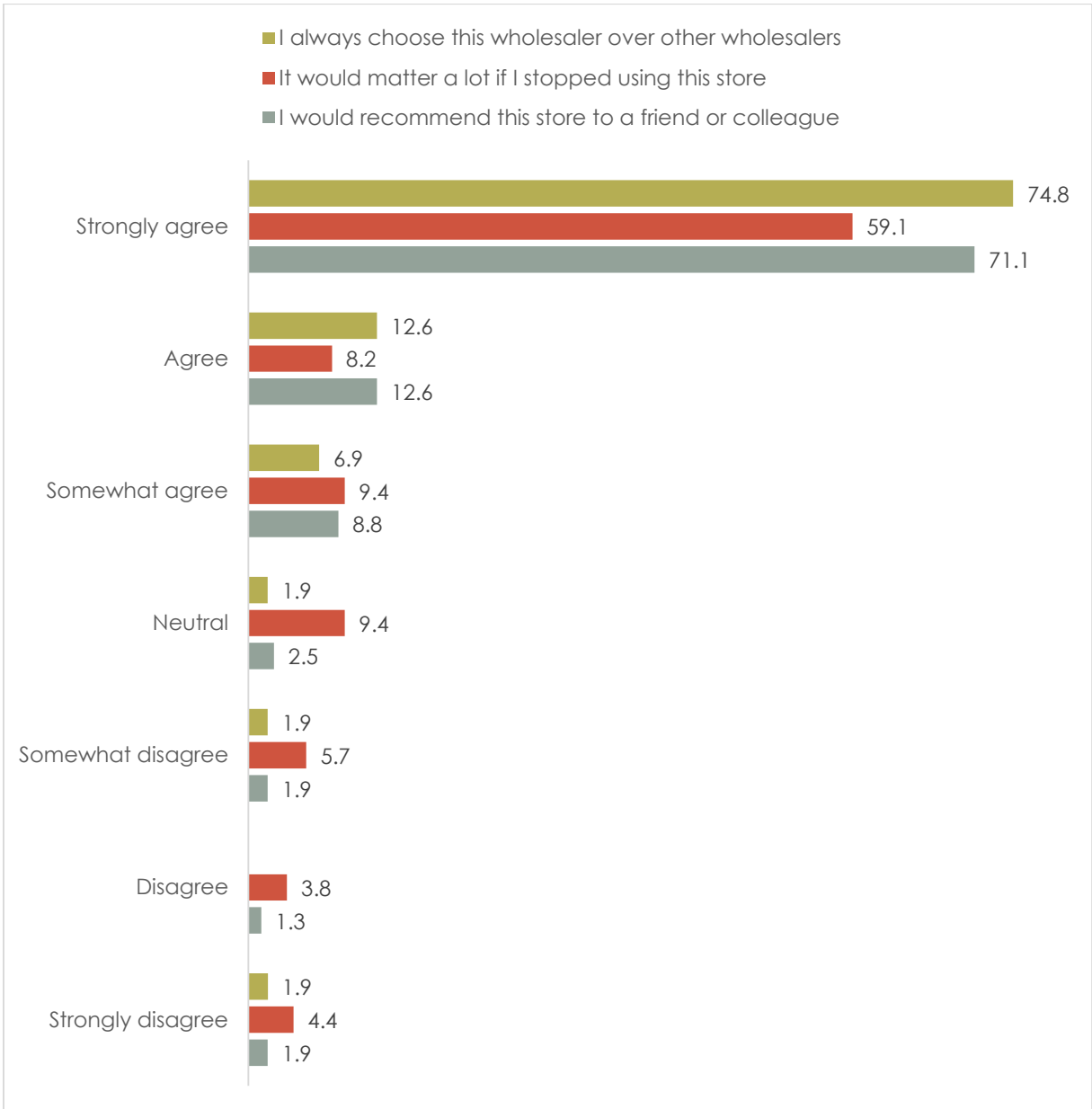


Figure 4.6: Rating of statements regarding loyalty

This figure depicts the responses to loyalty questions posed to respondents. Majority of respondents (74.8%) strongly agreed that they always choose the store over others, which is a sign of commitment. 59% of the respondents also strongly agreed that it would matter a lot if they stopped using this store. 71% of the respondents strongly agreed that they were willing to recommend the store to friends and colleagues. This figure shows the level of commitment that customers have for the store.

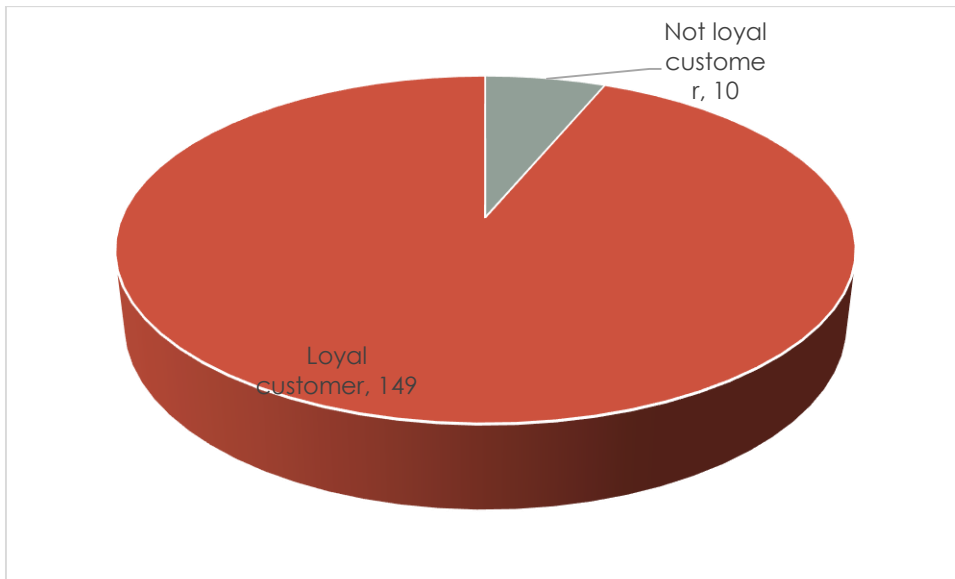


Figure 4.7: Distribution of loyal customers

Figure 4.7 illustrates the number of loyal customers and those that are not loyal. It was found that out of 159 customers only 10 were not loyal; all 149 customers were found to be loyal.

Table 4.3: Association between Loyalty and Socio-demographic Variables

		Loyal or not		Chi-squared value	p-value
		Not loyal customer	Loyal customer		
What is your gender?	Female	3	46	0.003	0.954
	Male	7	103		
In which age category do you fall?	Younger than 18	1	7	2.476	0.871
	18-24	2	27		
	25-34	4	53		
	35-44	1	31		
	45-54	2	18		
	65 or older	0	10		
Which is the best description of your employment status?	Employed full time	3	21	2.381	0.668
	Employed part time	1	11		
	Self-employed	6	110		
	Retired	0	3		
	Unemployed	0	4		

This table illustrates the analysis that none of the socio-demographic variables was associated with loyalty to the wholesaler ($p>0.05$)

4.5 Customer Satisfaction results presentation

Section C of the questionnaire aimed at measuring the level of customer satisfaction. A SERVQUAL model was used. There were 22 statements which were posed to the participants to compare their expectations with their perceptions. All the statements were 7-point Likert-type questions. It was found that the participants had very high expectations, as the mean value for all the statements was almost seven. Similarly, the average score for perception was very high, but lower than the expectation average value (Table 4.4).

Table 4.4: Summary of statements regarding satisfaction

	Statements	Expectation		Perception	
		Mean	Std. Deviation	Mean	Std. Deviation
Tangible	Excellent wholesalers will have ample shopping equipment, such as trolleys, baskets, electronic cashing, debit card/credit card machines.	6.92	.573	5.83	1.643
	The store layout will make it easy for customers to find what they want.	6.93	.300	6.21	1.265
	The store will provide a variety of products to choose from.	6.90	.506	6.32	1.069
	Materials associated with the service (broadsheet adverts or invoices) will be visually appealing at an excellent wholesaler.	6.97	.208	6.21	1.338
	The products displayed at excellent stores will be of good quality (not expired or damaged).	6.98	.177	5.47	2.021

Reliability	When a customer has a problem, excellent wholesalers will show a sincere interest in solving it.	6.96	.191	5.92	1.629
	Excellent wholesalers will provide the right price label on products.	6.92	.510	5.52	1.742
	Excellent wholesalers will sell the product at the price stated in the advertisement.	6.94	.350	6.02	1.398
	Excellent wholesalers will insist on error-free records.	6.88	.620	5.40	1.804
Responsiveness	Excellent wholesalers willingly handle returns and exchanges.	6.99	.112	6.16	1.456
	The checkout procedures in excellent wholesalers are efficient.	6.91	.679	4.73	2.030
	Employees of excellent wholesalers will immediately answer customer queries.	6.96	.283	5.57	1.715
	Employees of excellent wholesalers will never ignore the customer requests.	6.97	.175	5.61	1.814
Assurance	Employees of excellent wholesalers will have knowledge to answer customer questions	6.98	.136	5.65	1.779
	Goods (especially food) in excellent wholesalers will not have safety issues.	7.00	0.000	6.01	1.512
	The payment method in excellent wholesalers is safe to the customers.	6.97	.262	6.25	1.320
	The shopping environment in excellent wholesalers will be safe (not slippery, no falling pallets, no stock falling from shelves).	6.96	.411	5.11	2.107
Empathy	Excellent wholesalers have operating hours convenient to all customers.	6.94	.559	6.58	1.015

Excellent wholesalers have a large enough parking area.	6.96	.222	4.73	2.212
Employees of excellent wholesalers will make suggestions to the customers to help them obtain products at the cheapest price.	6.99	.112	5.08	2.135
Excellent wholesalers will be located next to a main residential area or taxi rank.	6.97	.157	5.97	1.741
Excellent wholesalers will provide all goods within the reachable regions, from the customer point of view.	6.97	.262	5.97	1.595

Table 4.4 illustrates the finding that participants had very high expectations as the mean value of all the statements were almost 7. Similarly, the perceptions were also high but were not higher than expectation on average.

4.6 Relationship between Loyalty and Satisfaction results presentation

To investigate whether loyalty was related to satisfaction, the mean comparison for overall and each dimension of the SERVQUAL model was tested. The result showed that the overall mean score for overall expectations was higher among non-loyal customers (Table 4.5). It was also found that non-loyal customers had a higher mean expectations score for all the SERVQUAL dimensions. However, loyal customers had a higher mean perceptions score for overall perceptions in all the SERVQUAL dimensions.

A students't-test was used to investigate whether the mean differences were significant between loyal and non-loyal customers. Result showed that overall total perceptions, total tangibles, reliability total perceptions, responsiveness total perceptions, and assurance total perceptions were ($p < 0.05$) (Table 4.6).

Table 4.5: Distribution of Means between Loyalty Levels of the Customer

Group Statistics					
	Loyal or not	N	Mean	Std. Deviation	Std. Error
Total expectation	Not loyal customer	10	154.0000	.00000	.00000
	Loyal customer	149	152.9732	2.76060	.22616
Total perception	Not loyal customer	10	108.0000	21.10292	6.67333
	Loyal customer	149	127.5570	17.07590	1.39891
Tangibles total expectations	Not loyal customer	10	35.0000	.00000	.00000
	Loyal customer	149	34.6779	1.35202	.11076
Tangibles total perceptions	Not loyal customer	10	24.7000	5.47824	1.73237
	Loyal customer	149	30.4027	4.52906	.37104
Reliability total expectations	Not loyal customer	10	28.0000	.00000	.00000
	Loyal customer	149	27.6846	1.11554	.09139
Responsiveness total expectations	Not loyal customer	10	28.0000	.00000	.00000
	Loyal customer	149	27.8389	.92318	.07563
Reliability total perceptions	Not loyal customer	10	19.0000	6.05530	1.91485
	Loyal customer	149	23.1275	4.39485	.36004
Responsiveness total perceptions	Not loyal customer	10	18.0000	5.57773	1.76383
	Loyal customer	149	22.3423	4.86545	.39859
Assurance total expectations	Not loyal customer	10	28.0000	.00000	.00000
	Loyal customer	149	27.8993	.56646	.04641
Assurance total perceptions	Not loyal customer	10	19.2000	6.81175	2.15407

	Loyal customer	149	23.2685	4.81780	.39469
Empathy expectation	total Not loyal customer	10	35.0000	.00000	.00000
	Loyal customer	149	34.8188	.76276	.06249
Empathy perceptions	total Not loyal customer	10	27.1000	5.98981	1.89414
	Loyal customer	149	28.4161	5.43400	.44517
Gaptt	Not loyal customer	10	46.0000	21.10292	6.67333
	Loyal customer	149	25.4161	17.82539	1.46031
Gaptan	Not loyal customer	10	10.3000	5.47824	1.73237
	Loyal customer	149	4.2752	4.94409	.40504
Gapres	Not loyal customer	10	10.0000	5.57773	1.76383
	Loyal customer	149	5.4966	5.02645	.41178
Gaprel	Not loyal customer	10	9.0000	6.05530	1.91485
	Loyal customer	149	4.5570	4.64465	.38050
Gapass	Not loyal customer	10	8.8000	6.81175	2.15407
	Loyal customer	149	4.6309	4.93108	.40397
Gapemp	Not loyal customer	10	7.9000	5.98981	1.89414
	Loyal customer	149	6.4027	5.58221	.45731

Table 4.5 above illustrate the finding that the overall mean score for expectations was higher among non-loyal customers. Loyal customers had had higher mean perceptions score.

Table 4.6: Comparison of Mean Scores for all the Dimensions relating to Loyalty

	t-test for Equality of Means						
	t	df	Sig(2-tailed)	Mean Difference	Std. Error Difference	95% Confidence Interval of the Difference	
						Lower	Upper
Total expectations	1.173	157	.243	1.02685	.87557	-.70257	2.75626
Total perceptions	-3.454	157	.001	-19.55705	5.66181	-30.74019	-8.37390
Tangibles total expectations	.751	157	.454	.32215	.42881	-.52484	1.16914
Tangibles total perceptions	-3.804	157	.000	-5.70268	1.49900	-8.66350	-2.74187
Reliability total expectations	.892	157	.374	.31544	.35381	-.38341	1.01428
Responsiveness total expectations	.550	157	.583	.16107	.29280	-.41726	.73941
Reliability total perceptions	-2.804	157	.006	-4.12752	1.47216	-7.03530	-1.21973
Responsiveness total perceptions	-2.708	157	.008	-4.34228	1.60363	-7.50976	-1.17480
Assurance total expectations	.560	157	.576	.10067	.17966	-.25420	.45554

Assurance total perceptions	-2.514	157	.013	-4.06846	1.61826	-7.26482	-.87209
Empathy total expectations	.749	157	.455	.18121	.24192	-.29663	.65905
Empathy total perceptions	-.737	157	.462	-1.31611	1.78602	-4.84383	2.21161
GAPTT	3.495	157	.001	20.58389	5.88961	8.95081	32.21698
GAPTAN	3.706	157	.000	6.02483	1.62558	2.81400	9.23566
GAPRES	2.725	157	.007	4.50336	1.65283	1.23871	7.76801
GAPREL	2.871	157	.005	4.44295	1.54738	1.38658	7.49932
GAPASS	2.523	157	.013	4.16913	1.65222	.90568	7.43258
GAPEMP	.818	157	.415	1.49732	1.83142	-2.12008	5.11471

Table 4.6 illustrates the results from investigating whether the mean differences were significant between loyal and non-loyal customers. P value was found to be less than 0.05.

Table 4.7 Mean total expectations and total perception

Paired Samples Statistics					
		Mean	N	Std. Deviation	Std. Error Mean
Pair 1	Total expectations	153.0377	159	2.68349	.21281
	Total perceptions	126.3270	159	17.92159	1.42127

Table 4.8 Mean difference between total expectation and total expectations

Paired Samples Test									
		Paired Differences					t	df	Sig. (2-tailed)
		Mean	Std. Deviation	Std. Error Mean	95% Confidence Interval of the Difference				
					Lower	Upper			
Pair 1	Total expectations - total perceptions	26.71069	18.65827	1.47970	23.78815	29.63323	18.051	158	.000

The table above shows that a paired t-test was conducted to determine whether the overall expectations and perceptions were similar. The results have shown that the overall total expectations was significantly different from that of perceptions.

Table 4.9 Correlation between SERVQUAL dimensions

Correlations							
		Total expectations	Tangible total expectations	Reliability total expectations	Responsiveness total expectations	Assurance total expectations	Empathy total expectations
Total expectations	Pearson's Correlation	1	.568**	.671**	.685**	.621**	.376**
	Sig. (2-tailed)		.000	.000	.000	.000	.000
Tangibles total expectations	Pearson's Correlation	.568**	1	.035	.134	.066	.117
	Sig. (2-tailed)	.000		.663	.093	.410	.144

Reliability total expectations	Pearson's Correlation	.671**	.035	1	.352**	.443**	.261**
	Sig. (2-tailed)	.000	.663		.000	.000	.001
Responsiveness total expectations	Pearson's Correlation	.685**	.134	.352**	1	.577**	.085
	Sig. (2-tailed)	.000	.093	.000		.000	.284
Assurance total expectations	Pearson's Correlation	.621**	.066	.443**	.577**	1	.163*
	Sig. (2-tailed)	.000	.410	.000	.000		.040
Empathy total expectations	Pearson's Correlation	.376**	.117	.261**	.085	.163*	1
	Sig. (2-tailed)	.000	.144	.001	.284	.040	
**. Correlation is significant at the 0.01 level (2-tailed).							
*. Correlation is significant at the 0.05 level (2-tailed).							

Correlation found between SERVQUAL dimensions table 4.9.

Table 4.10 Satisfaction distribution between loyal and not loyal customers

		Loyal or not		Total
		Not loyal customer	Loyal customer	
Satisfaction	Not satisfied	10	145	155
	Satisfied	0	4	4
Total		10	149	159

Only 4 of 149 loyal customers were completely satisfied while none of the 10 non-loyal customers were found to be completely satisfied.

Table 4.11 Relationship between satisfied customers and loyal customers

	Value	df	Asymptotic Significance (2-sided)	Exact Sig. (2- sided)	Exact Sig. (1- sided)
Pearson's Chi-Squared	.275 ^a	1	.600		
Continuity Correction ^b	0.000	1	1.000		
Likelihood Ratio	.527	1	.468		
Fisher's Exact Test				1.000	.769
Linear-by-Linear Association	.274	1	.601		
N of Valid Cases	159				

a. 2 cells (50.0%) have expected a count less than 5. The minimum expected count is .25.

b. Computed only for a 2x2 table

No relationship was found between satisfied customers and loyal customers (Table 4.11).

Table 4.12 Mean perception score per SERVQUAL dimension

	Reliability total perceptions	Responsiveness total perceptions	Assurance total perceptions	Empathy total perceptions	Tangibles total perceptions
Mean	22.8679	22.0692	23.0126	28.3333	30.0440
N	159	159	159	159	159
Std. Deviation	4.60340	5.00648	5.03656	5.45948	4.78043

Table 4.13 Mean total GAP score and per dimension

	GAPTA N	GAPRE S	GAPRE L	GAPAS S	GAPEM P	GAPTT
Mean	4.6541	5.7799	4.8365	4.8931	6.4969	26.7107
N	159	159	159	159	159	159
Std. Deviation	5.17294	5.16150	4.84425	5.14301	5.60049	18.65827

Table 4.14 Reasons for choosing the store over others

Reasons	Frequency
Price	92
Service	10
Convenience	36
Advertised items	1
Habit	10
Loyalty	10
Total	159

Empathy and Responsiveness received the highest gap scores of 6.49 and 5.7 respectively (Table 4.13). Tangibility received the lowest gap score of 4.6 followed by reliability and assurance at 4.8 and 6.5 respectively. Empathy received the highest perception score followed by assurance at 28 and 23 respectively (Table 4.12). 58% of customers indicated that they chose the store for price and 23% chose it for convenience (Table 4.14).

4.7 Conclusion

This chapter has presented the research data and results of the survey conducted. It started by analysing the reliability of the analysis, followed by the socio-demographic information of the participants. Various results were then presented, which aligned with the questionnaire as well as the research objectives. Strong correlations were identified and presented. The results indicated that there were associations or relationships between loyalty and satisfaction dimensions. The next chapter discusses the results with reference to the literature.

Chapter 5

Discussion of results

5.1 Introduction

The previous chapter converted raw data into meaningful information that can now be used to discuss the findings. This chapter will review the objectives of the study, discussing the results found from the study, comparing or analysing the results, comparing them with those found in the relevant literature, as well as demonstrating ways in which the results relate to the study objectives.

5.2 Research Objective Overview

The research objectives were to determine factors that influence customer loyalty, as well as factors determining customer satisfaction. Once these are established, it is possible to determine whether there is a relationship or association between these two constructs, together with the significance thereof. Educated recommendations may then be made to the wholesale fraternity, based on the findings.

5.3 Discussion of results of the study

The results will be discussed in a structured manner which aligns with research objectives. The intention is to discuss the results such that the recommendations are derived directly from the discussion.

5.4 Satisfaction measures results

The main objective is to understand whether there is a relationship, and what its significance, between customer loyalty and customer satisfaction in a wholesale environment in which customers are traders, rather than end-users of products. Theory and research posited that customer satisfaction is embedded in service-quality dimensions (SERVQUAL). The SERVQUAL model was then used to measure service quality and, as such, customer satisfaction. These dimensions are tangibles, responsiveness, assurance, reliability and empathy. Perceptions were measured against expectations for each SERVQUAL dimension.

5.5 Total Expectations and Total Perception

The findings revealed that customers' expectations were very high on all dimensions. The mean average of all expectations was almost 7 on a 7-point Likert scale. Perceptions were also high on average, however, overall, they were less than expectations. According to the disconfirmation theory, positive disconfirmation occurs when the product or service outperforms the consumer's original expectations and resulting post-purchase satisfaction (Venkatesh & Goyal, 2010). The converse imply that the difference between expectations and perceived performance results in disconfirmation of beliefs. At face value, the results would suggest that performance did not outperform expectations and therefore customers were not satisfied. However, a further analysis indicates that the customers were not completely dissatisfied, considering that the majority of customers scored between 5 and 6 on a 7-point Likert scale. It is fair to consider that, from a 7-point Likert scale, a score of between five and seven (in which 5 = somewhat agree, 6 = agree, and 7 = strongly agree) would be considered as unmet expectations, however, not a completely dissatisfied customer. A score of between 1 and 4 may be considered as unmet expectations, and completely dissatisfied customers. Some businesses aim for a 80% minimum satisfaction score, it being highly unlikely for any business to invest in meeting a hundred per cent of customer expectations. The cost of trying that approach may be detrimental to the bottom line of the business, outweighing the return on the investment (Cengiz, 2010). It is fair to conclude that a full gap between total expectations and total perceptions of 26.7 does not arise from pure dissatisfaction. Rather, it arises from very high expectations. According to the gaps model (Pararuraman, et al., 1988), the results of this research indicate gap 5, which is a gap between service expectations and service experienced. In theory, the results indicates dissatisfaction. However, the theory then need to be criticised in that it does not allow for different levels of satisfaction. The theory of assimilation which posits that consumers adjust their perceptions by lowering expectations in order to avoid dissonance was not witnessed in this research because customers' expectations were very high regardless of the number of years that they had been patrons.

5.6 Tangibles

Tangibles, as a dimension, scored the highest perceptions mean score of 30; and the lowest gap score of 4.6 of all the five dimensions. This implies that customers are relatively more satisfied with this dimension compared with all others. Tangibles are concerned with the appearance of physical facilities, equipment, personnel, and communication material

(Tazreen, 2012). The lowest scoring questions were those pertaining to equipment such as trolleys, speed-point machines, as well as the question of quality of products. These results could be associated with the fact that not all cashiers are capable of helping customers with cards, only some having authority to operate the machines. This can be frustrating, customers having to wait for specific assistants to assist them. The question on product quality is critical for traders who purchase goods to be placed on their shelves for retail consumption. Wholesale products therefore must be of an exceptionally high-quality standard, more so than when they are bought by end-users. This is important because the rate of sale of a product may not be swift, yet the product must reach the end-user in good condition.

5.7 Reliability

Reliability mean perceptions scored 22.8. While it was one of the lowest perception scores, the gap score was also one of the lowest at 4.8. This suggests that expectations were not far off perceptions compared with other dimensions. It also implies that customers feel that the store does perform promised activities; that it promises to perform dependably. It appears from the results that the question on error-free records received the lowest score of all questions relating to this dimension. This may be because these customers are usually rushing to return to their stores, spending an average of twenty minutes to complete their shopping (ABI, 2015). Errors are irritating and time-consuming, given that the promptness of checkout procedures also received the lowest score of 4.7 of all questions. If the invoice has an error, this is discovered during the checkout procedure, resulting in more time spent resolving that error. Should the error be missed by the checkout procedures, the customer will only discover the error once at their shop. This may mean that they have to carry the cost of driving back to the wholesaler to resolve the error. The checkout procedures attempt to avoid the latter situation; however, procedures are vulnerable to human error.

5.8 Service Assurance

This dimension also received a good score overall—23 on perceptions, with a gap of 4.89. Service assurance combines competence, courtesy, credibility, and security (Tazreen, 2012). The question on credibility and courtesy received very good scores, above 6. The question on competence received 5.6 which means that customers somewhat agree that the staff is competent. This implies that they do agree; however, they have reservations on the level of agreement with this statement. The question that received the worst score relative to others is the one pertaining to a safe shopping environment. Customers felt that the shopping

environment was not safe, because of forklift vehicles driving around them, replenishing stock on shelves throughout the day. There is a great need for stock to be continuously replenished, in order to ensure that stock is available on shelf all the time. This is likely the reason that the store scored very well on layout and availability of a variety of products to choose from. However, the store must find a balance between ensuring availability and meeting the safety needs of customers. Kitapki, et al (2013, p403) found that customers feel more satisfied about the service provider if their perception of assurance become more favourable. The store has to therefore work hard at this dimension if satisfaction has to be achieved.

5.9 Responsiveness

Responsiveness received the second-highest gap score of 5.7, indicating a large gap between expectations and perceptions. Responsiveness addresses promptness of service, willingness to be of assistance, and the degree to which the staff is never too busy to respond to customer requests (Gopalan, et al., 2015). Of all dimensions, the results reflect that this is the weakest dimension. Hirmukhe & Jyotsna (2012, p 3) also found responsiveness to have one of the highest gaps in a study about internal customer service. As with all other dimensions, customers have very high expectations. As already mentioned above, the weakest score of all questions pertaining to responsiveness was on checkout procedures, which received a 4.7 score. Checkout procedures are important in any wholesaler's because costly queries that might arise at a later stage may be avoided. The checkout process is performed by staff members, who have to check each customer's invoice against a trolley-load of goods, to ensure that the items reflected on the invoice correspond with goods found in the trolley. This is a time-consuming exercise, albeit essential. The wholesaler must find ways of achieving a combination of speed and accuracy, possibly using more sophisticated technologies; perhaps by benchmarking other countries, should the cost justify the investment.

5.10 Empathy Results

Empathy dimension measures access, communication and understanding of customer needs (Hirmukhe & Jyotsna, 2012). The empathy-related questions scored five on average (somewhat agree). The gap between expectations and perceptions was the highest of all the dimensions, making it the weakest dimension. The lowest-scoring question pertained to

sufficiency of parking area, followed by the level at which employees make suggestions to the customers to obtain the products at the cheapest price. These questions scored a mean of 4.7 and 5.08, respectively which means that customers were not satisfied. The parking area availability is important for these customers, because they all have vehicles for loading their goods. If there is no parking space available, the customer drives around searching; this is both frustrating and time-consuming. In the unlikely event that they cannot find parking space, customers will be obliged to switch to another wholesaler who can offer ample parking facilities. This is an unacceptable situation given the competitive environment. Customers are increasingly looking for convenience (Nielsen, 2016). The results show that corrective actions must be taken as a matter of urgency.

These five dimensions were tested to determine their relationships. The results found indicated that the dimensions were positively related. The theory and literature agrees with this finding that the dimensions are all positively related to satisfaction.

5.11 Loyalty Factors Results

The first objective was to determine factors that influence loyalty. According to literature, loyalty dimensions are concerned with behavioural, attitudinal, and composite measures.

5.12 Behavioural Measure:

Behavioural measurement considers consistent, repetitious buying behaviour as an indicator of loyalty (Shahin, et al., 2011). According to the findings, half of the respondents (49.7%) have been shopping at Favors Cash & Carry for over five years. 22% of the sample respondents have been with this business for three to five years. 14% of respondents have been patrons for a period of one to three years. While 7.5% and 6.9 % have been patrons for less than six months or less than one year, the majority of customers (86%) have been patrons for from three to over five years. The frequency of their visits to the store indicates that the majority (75%) shops every day (41.5%) and 34% every week. This is positive, because, 77.4% of the respondents own Spaza shops, and 8% are street vendors. It may therefore be expected that street vendors would shop every day, not having storage space for their goods. However, Spaza shops require a purchase at least between one and two weeks relative to cash flow and space in their shops. It is therefore an indication of commitment to the store that 41.5% of customers shop every day, with 8% (street vendors) and 34 % making their

purchases every week. These results shows agreement with theory that loyal customers show high relative repeat patronage (Sharma, et al., 2015).

5.13 Attitudinal Measures

One of the exciting findings was that a majority (92.5%) of these customers will recommend the store to friends or colleagues. 71% of the 92.5% strongly agreed with this statement. Not only are they willing to market this store gratuitously, 94% of respondents always choose this store over other wholesalers. This is clearly a wholesaler of choice. It is very interesting to note that 77% of these customers recorded that it would matter a great deal if they stopped using this wholesaler. Only 59% strongly agreed with this statement. This finding indicates that 59% of customers are not likely to switch to other wholesalers if persuaded by either advertisements or other factors. However, about 22% of these customers are likely to switch; and this is a large share of the market. The store may have to mitigate this possibility by implementing switching costs such as loyalty programmes and special deals for loyal customers. Communicating this message to customers will be critical so that they do not perceive the goods to be of inferior quality or standard compared with competitors (Ganiyu et al, 2012)

5.14 Composite Measurement

Composite measurement combines both the attitudinal and behavioural measures. According to Bowen & Chen (2001), these are measurements of the likelihood of switching, frequency of purchase, as well as the total amount of purchase.

Research and literature supports that loyalty may be measured by the customer's behavioural patterns and attitudes. Bowen & Chen (2001, p. 213) posit that loyal customers hold favourable attitudes towards the company, committing to repurchase the product or service, and to recommend the product to others. The customer category associated with that Favors Cash & Carry, signifies the kind of loyalty relating to both favourable relative attitude as well as favourable repeat behaviour (Rowley, 2005). This is arguably the best condition of loyalty of the four conditions mentioned in Chapter Two, which are latent loyalty, spurious loyalty, no loyalty and loyalty with favourable correspondence between high relative attitude and repeat patronage.

Further to that, these customers are loyal customers who signify a large level of commitment. The results of this study on loyalty has made clear the category in which loyal Favors' customers fall. McMullan & Gilmore, (2008) agree that it is critical to understand the category in which customers fall, in order to take relevant steps to retain them.

It is also interesting to note that the majority (85%) of customers' baskets, from Figure 4.5, contained a combination of various groceries and other items from the store. Customers did not choose a certain limited number of items only. This would indicate that they had chosen the outlet for price only; or because other wholesalers do not offer that particular product. It is important to recall that, according to theory, committed customers wish to be recognized as committed customers (McMullan & Gilmore, 2008).

5.15 Loyalty and Customer Satisfaction

An overall 94% of the sample were found to be loyal customers. Only 10 customers of 159 were found to be not loyal. No significant association was found between loyal customers and socio-demographic variables ($p > 0.05$). This implies that these customers' behaviours and attitudes or psychological evaluations are not associated with their socio-demographic situations.

The main question to be answered is whether these loyal customers are satisfied or not satisfied. One may thereafter better make the association between satisfied and loyal customers. According to the SERVQUAL model, the difference between total expectations and total perceptions that give a negative or less than zero score indicates satisfaction; while a positive score or greater than zero indicates unsatisfied customers.

The results indicated that only four customers were satisfied, with the rest of the 155 customers not satisfied. A Pearson's chi-squared test conducted to find any association between loyal customers and satisfied customers indicated that there was no association between loyal customers and satisfied customers. This differs from other findings such as at those supermarkets where empathy, tangibility, responsiveness, and assurance were found to be positively related to customer satisfaction; which in turn was positively associated with customer loyalty (Kitapci et al, 2013; Siddiqi, 2011). While this finding is different from the traditional view that satisfaction results in loyalty, some researchers have found similar results. Shahin et al (2011) found that there was no significant relationship between satisfaction and loyalty in the software industry. It is interesting to learn that the majority of these customers are repeatedly purchasing full baskets of goods from Favors Cash & Carry,

happy to partner with them through word of mouth referrals, having shopped there for years, yet they are not satisfied. The reason for this may be that they are not completely dissatisfied. Most customers range between somewhat satisfied and strongly satisfied, based on the answers given in the SERVQUAL dimensions. This finding suggests that satisfaction alone is not the antecedent of customer loyalty. Ganiyu et al. (2012) also agrees that satisfaction alone is not enough to influence loyalty. The converse has been proved true by this study. Other studies suggest that competitive settings have a negative influence on loyalty. McMullan & Gilmore (2008) posited that deeply loyal customers did not try alternatives because they were completely satisfied. They did not try alternatives because they were more understanding and willing to engage on business issues. This may explain the reasons for such loyal customers which are not satisfied yet who continues to pay patronage. Bae (2012) found that the association between loyalty and satisfaction is underpinned by a competitive setting within the environment; agreeing that satisfaction alone is not enough to influence loyalty. Perhaps Bae (2012)'s finding related to competitive setting answers the question as to why these customers are loyal when they are not satisfied.

5.16 Summary

Customer satisfaction and customer retention is the dream of every business. Research and literature have traditionally agreed that customer satisfaction will influence customer loyalty. Service-quality dimensions i.e., tangibles, responsiveness, empathy, reliability, and assurance, have been found by researchers and literature to be positively related to customer satisfaction. Customer's attitudinal, behavioural, and composite measures have been widely researched apropos of loyalty. The results of this study have revealed a high level of loyalty, paired with dissatisfied customers. Empathy and responsiveness have been found from this study to have the greatest gaps between expectations and perceptions. While customers were dissatisfied, the findings reveal that they had very high expectations; and that they were not completely dissatisfied.

The implications of this study's findings is that Favors have very loyal and committed customers. However, Favor's must find a means of increasing customer satisfaction levels to a point where perceptions meet expectations for all dimensions of service quality. The challenge, however, is for Favors to calculate the extent to which investment into achieving these dimensional low gap scores will pay off.

The study has provided many insights into factors that wholesalers should explore in attempting to satisfy their customers, reflecting ways in which they can work to retain customers. The next chapter will focus on critical findings, as well as giving recommendations.

Chapter 6

Conclusion and Recommendations

6.1 Introduction

This study researched the relationship between customer satisfaction and loyalty in the context of wholesalers. Favors Cash & Carry was used to collect the data, their customers being a reflection of traders in Durban and surroundings. This chapter will reiterate the research problem, determining whether it was solved. The chapter will then explore the implications to the wholesale fraternity, before making practical recommendations.

6.2 Resolution of the Research Problem

The researcher established through experience working in the sector for over five years that Favors Cash & Carry is one of the largest wholesalers in Durban by size and revenue. It services customers that come mainly from Durban, Inanda, KwaMashu, Ntuzuma, Verulam, and Phoenix. The store's customers are shop owners who buy groceries in bulk in order to resell them to end-users. These customers therefore represent the voice of many Durban customers who patronize and have knowledge of Durban wholesalers. The research problem was first to determine factors influencing customer satisfaction by reviewing the literature on customer satisfaction and service quality. Thereafter the study would determine factors influencing customer loyalty, evaluating the significance of the relationship between customer satisfaction and loyalty within the wholesale context, finally, making recommendations to the FMCG wholesale industry. Factors influencing customer satisfaction were established in the form of modified SERVQUAL dimensions also called RATER i.e. Reliability, Assurance, Tangibles, Empathy and Responsiveness. The loyalty factors were also established in the form of attitudinal, behavioural, and composite measures. The relationship between customer satisfaction and loyalty was determined, finding that there was no association between the two variables in the FMCG wholesale context. This means that the research problem was resolved. The findings were discussed in detail in the previous chapter; however, they will be highlighted, with recommendations, in this chapter.

6.3 Key Outcome of the Study

The most critical outcome of the study was that

1. Reliability, Assurance, Tangibles, Empathy and responsiveness were relevant factors which influenced Favors customers' perception of service quality and satisfaction.
2. Favors' customers' behaviour showed loyalty in that majority of them purchased repeatedly, their frequency of purchase was high and they were willing to recommend the store. This behaviour is in theory a future result of past positive experiences.
3. There was no association found between customer satisfaction and customer loyalty within the wholesale context. Customers were found to be very loyal; however, they were not satisfied. While their expectations exceeded their perceptions on all dimensions, empathy and responsiveness as service quality dimensions were found to be very weak in comparison with other dimensions of service quality.
4. Another finding was that customers were not completely dissatisfied. This indicates that more effort must be applied in order to increase customer's perceptions so that their expectations may be met. It also intimated that there may be other loyalty antecedents for customer satisfaction.

6.4 Implications of Findings

The study has found interesting implications for Favors Cash & Carry and the industry at large. The fact that there was no association found between their loyal customers and satisfaction implies that the wholesaler must work on improving satisfaction levels. The good news, however, is that their customers were not completely dissatisfied. Nevertheless, they have expectations which exceed perceptions. Favors Cash & Carry must immediately address the following, in order to improve the perceptions' scores:

- It is evident from research that customers have changed, in that they require card facilities when shopping. Typically, wholesalers do not provide for these, or if they do, they are placed in a specialized area inconvenient for customers. This is understandable, traders dealing with cash, therefore often bringing notes and coins; hence wholesalers provide excellent cash-handling facilities. It is time for

wholesalers to become more flexible, incorporating debit/credit card machines at each or at least at most till points.

- Shopping trolleys are very important for the traders, who buy a great deal of goods. Certain customers often buy goods requiring two or even three trolleys. They need to move around the store, going from isle to isle. When the trolleys are full, it is very difficult to push them, even when they are in good condition. It can be very frustrating for customers to push a heavy trolley which is not in good condition. Trolleys must be well maintained and be of sufficient size for the average shopper purchasing from the store.
- Wholesalers must be vigilant with their inventory management practices, to ensure that the quality of goods is always superior. This can be very challenging for wholesalers who are in a low-margin environment. Such merchants have to buy in large quantities when their suppliers offer them a deal so that they can make extra margins when the deal has been executed. This practice comes with negative consequences if merchants do not transfer the deal to customers, trying to make extra margins because their rate of sale does not increase to the extent that they can sell all their extra stock at once. This practice results in short-dated stock, and the perception that the store sells inferior quality products. Suppliers of products have also to ensure that they support the wholesalers by giving them the freshest products straight from their production lines, not stock which they have kept in their warehouses for overly long periods.
- It was enlightening to learn that customers are very frustrated with the checkout procedures and errors caused by cashiers. This essential procedure is both important and time consuming. If errors from cashiers are reduced, the checkout procedure will not be as unpleasant as when there is an error. The wholesalers need, therefore, to find ways of minimizing errors. This may be achieved by recognizing and rewarding cashiers that make the fewest errors per month. A practice such as this will create some healthy competition among staff members, resulting in a high-performance culture. The store may also create express check-out points and express tills to minimize the frustration.

- A safe shopping environment was a major issue for customers who felt that the forklift vehicles endangered their lives and limbs as vehicles moved around filling shelves. This is a normal phenomenon at all wholesalers, where shelves are filled throughout the day. However, there are ways of operating in a manner that leaves the customers comfortable. It is most important to fill all the shelves before the store is open for business and after it closes. This indicates that forklift drivers must come in early, or work late in order to minimize movements while customers are shopping. If it is necessary to fill shelves during the day, or to drop some pallets from the top shelves, strict safety procedures must be applied. This may involve using two staff members to walk in front of the forklift to alert the customers that the forklift is behind them, asking them politely to make way for it. When the vehicle arrives at its designated area, the spot should be demarcated until the forklift vehicle has completed its task, following the same safety procedure to alert customers on its return.
- It was also evident that staff members generally do not advise customers of ways in which to save money, by making suggestions regarding products on promotion, should the customer have taken a product not on special. The staff was also found not very swift to attend to queries nor to have the necessary knowledge expected of them. This implies that the store must invest in staff training. Staff members must become more customer-centric. This is important for all wholesalers in general. Cashiers must be aware of what is happening around them, such as the specials which the store is running.
- This would mean a cultural change or shift of mind set from simply working for remuneration to being passionate about customer service and taking pride in the work that each staff member can produce. It will be very challenging to create this paradigm shift; however, it is an effort which must be made. Such an effort may be accomplished by asking customers to vote for the best employee. The selected employee may then be recognized and considered for a promotion or bonus. If customer orientation is their focus, some recognition will send the message to employees that the business is serious about customer satisfaction.

- The final, and most important insight was that customers are very loyal and committed. This suggests that customers require recognition for all the partnering activities in which they are willing to participate, such as word of mouth referrals, and patronage. Recognition may be achieved by forming a loyalty programme which benefits only loyal customers. This may take various forms, including one-day specials only for loyal customers. Favors Cash & Carry recognizes their customers once a year by inviting them to lunch, involving suppliers to give away prizes to make the day fun and rewarding. This could be a contributing factor towards the loyalty levels enjoyed by the store. Other wholesalers should take a leaf out of this book, offering similar recognition of their loyal customers. Suppliers of wholesalers should partner with wholesalers to gain loyalty for their brands.

6.5 Recommendations for Future Research

This study was limited by time, hence a quantitative study was conducted. A qualitative study would have afforded more comprehensive results, because it can explain why these customers continue for years to give patronage while not feeling satisfied. Favors Cash & Carry will benefit from continuous surveys in order to understand whether their improvement efforts are changing customer perceptions over time. It will also be interesting to understand the impact of price, fear of change and personal relations with store owners on loyalty for wholesale customers. Future researchers could extend the research to other wholesale customers in different industries to understand their behavioural patterns concerning loyalty and satisfaction.

6.6 Conclusion

Change is the only constant. The wholesale game has changed dramatically from the old days when it first began. Wholesalers are no longer only competing against other wholesalers. Retail supermarkets are slowly eroding the line at an increasing rate, and in that process taking a piece of the pie from the wholesalers. Favors Cash & Carry remains one of the largest wholesaler in size, revenue, and customer base in Durban, and arguably in KZN. This wholesaler aggressively takes on competitors head to head in order to retain their customer base. Some of their customers have been with them for over twenty years. As with all other wholesalers, Favors Cash & Carry do their best to keep their customers loyal and to provide excellent customer service.

The purpose of the study was to analyse the relationship between customer satisfaction and loyalty within the wholesale environment. The study addressed four research questions. 1) What are the factors that influence customer satisfaction? 2) What are the factors that influence loyalty within the wholesale environment? 3) How significant is the relationship between customer satisfaction and loyalty? 4) Are there recommendations that may be made to the wholesale industry? SERVQUAL dimensions and loyalty measures were explored in the literature review and theory. A quantitative study was conducted in line with the research objectives and questions. A survey was conducted with a questionnaire that aimed to elicit responses which would help answer the research questions. Satisfaction levels were measured using a SERVQUAL questionnaire. Loyalty levels were also measured using a loyalty questionnaire which was designed using loyalty constructs as per literature and theory. The collected data was able to answer the research questions. Service quality dimensions were found to be positively related to customer satisfaction. The findings indicated that 149 of 159 customers surveyed were loyal customers. SERVQUAL results indicated that only 4 of 159 customers' perceptions equalled or exceeded expectations, indicating that a majority was not satisfied. The results indicated that there was no association between customer loyalty and customer satisfaction. It is important to note that, while customers were not satisfied, they were not completely dissatisfied; however, they had very high expectations of almost 7 on a 7-point Likert scale. Empathy and responsiveness were specific areas that received the highest gaps, indicating that more work is required in those areas to make improvements. The results gave precise insights into specifics which must be attended to in order to improve the satisfaction levels for Favors Cash & Carry, as well as wholesalers in general, including their suppliers. These insights will be invaluable to industry at large, enabling the stakeholders to make strategic decisions which place them at a competitive advantage.

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APPENDIX 1

Appendix 1

Section A

Please mark correct answer with a X

Section B:

Please mark correct answer with a X

1. What is your gender?

- 1. Female
- 2. Male

2. Which category describes your age?

- 1. Younger than 18
- 18-24
- 25-34
- 35-44
- 45-54
- 55-64
- 65 or older

3. What best describes your employment status?

- 1. Employed full time
- 2. Employed part time
- 3. Self Employed
- 4. Retired

4. Which of the following categories best describes your store?

- 1. Tuck / Spaza Shop
- 2. Street Vendor
- 3. Supermarket
- 4. Restaurant
- 5. Tavern/ Liquor store

5. What do you normally purchase in this store on your shopping trips?

- 1. Beverages
- 2. Snacks
- 3. Groceries
- 4. Advertised items
- 5. Airtime
- 6. All the above
- 7. Other items not listed

6. How long have you been shopping in this wholesaler?

- 1. Less than 6 months
- 2. 6 months to less than 1 year
- 3. 1 year to less than 1 year
- 4. 3 years to less than 5 years
- 5. 5 years or more
- 6. other

7. How frequently do you purchase from this wholesaler?

- 1. Every day
- 2. Every week
- 3. Every 2 -3 weeks
- 4. Every month
- 5. Every 2-3 months
- 6. Every 4 – 6 months
- 7. twice a year
- 8. Once a year

8. Why do you choose this store over other wholesalers?

- 1. Price
- 2. Service
- 3. Convenience
- 4. Advertised items
- 5. Habit
- 6. Brand loyalty

Dr M Hoque
Graduate School of Business and Leadership
University Of KwaZulu-Natal
Westville Campus
Durban
3630

1st March 2016

Dear Dr Hoque

RE: PERMISSION TO CONDUCT RESEARCH

This letter serves to confirm that I, Immad Rasheed , General Manager at Favors Cash & Carry hereby acknowledge and approve the research of Ms Thabile Mbambo within the Company for the completion of her Master of Business Administration.

Sincerely,



Immad Rasheed
General Manager : Favors
Tel no: 031- 5072515

FAVORS CASH & CARRY (PTY) LTD
VAT NO: 4430124406 REG NO: 1995/008205/07
P.O. BOX 60512
PHOENIX, 4080
TEL: 031 508 9500
FAX: 086 515 9147

29 March 2016

Mrs Thabile Joyful Mbambo 200006252
Graduate School of Business and Leadership
Westville Campus

Dear Mrs Mbambo

Protocol reference number: HSS/0250/016M

Project Title: Customer Satisfaction and Loyalty: An application on FMCG Wholesalers

Full Approval – Expedited Application

In response to your application received 10 March 2016, the Humanities & Social Sciences Research Ethics Committee has considered the abovementioned application and the protocol has been granted **FULL APPROVAL**.

Any alteration/s to the approved research protocol i.e. Questionnaire/Interview Schedule, Informed Consent Form, Title of the Project, Location of the Study, Research Approach and Methods must be reviewed and approved through the amendment /modification prior to its implementation. In case you have further queries, please quote the above reference number.

PLEASE NOTE: Research data should be securely stored in the discipline/department for a period of 5 years.

The ethical clearance certificate is only valid for a period of 3 years from the date of issue. Thereafter Recertification must be applied for on an annual basis.

I take this opportunity of wishing you everything of the best with your study.

Yours faithfully



.....

Dr Shenuka Singh
Humanities & Social Sciences Research Ethics Committee

/pm

Cc Supervisor: Dr Muhammad Hoque
Cc Academic Leader Research: Dr M Hoque
Cc School Administrator: Ms Zarina Bullyraj

Humanities & Social Sciences Research Ethics Committee

Dr Shenuka Singh (Chair)

Westville Campus, Govan Mbeki Building

Postal Address: Private Bag X54001, Durban 4000

Telephone: +27 (0) 31 260 3587/8350/4557 Facsimile: +27 (0) 31 260 4609 Email: ximbap@ukzn.ac.za / snymanm@ukzn.ac.za | mohunp@ukzn.ac.za

Website: www.ukzn.ac.za



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