

The Future of Organic Retailing Stores: A Customer Satisfaction Survey

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Abstract – This study analyses the impact of customer satisfaction on economic success considering as an example the organic food retail trade. Furthermore, the influence of customer satisfaction on customer loyalty is examined. The study is based on 885 customer interviews and an analysis of management ratios of 11 organic food shops. The results show that customer satisfaction is a relevant key to economic success. Regression analysis results show, that some 45 % of sales per m² can be explained by the overall satisfaction of customers. The collateral inquiry of customer and shop data allows the confirmation of an essential economic effect. A further analysis identifies the quality of goods, the consulting and service, the atmosphere, the price-performance ratio and the trust in employees as main determinants of customer satisfaction. In a second step the influence of customer satisfaction on the willingness to change shops is analysed. The results of an online survey among 170 customers show that customer satisfaction and commitment are necessary preconditions for the economic success of small organic food shops, but they are not sufficient to explain customer loyalty.¹

INTRODUCTION

Like in other European countries, the German retail trade sector is characterised by a high level of concentration as well as a strong focus on prices. But in contrast to e. g. Great Britain or Switzerland, small shops are the major players in the German organic food market today. In 2004, 26 % of organic food sales were generated in organic food shops (Rippin, 2006: 3). With an increasingly severe competition among shops, customer loyalty becomes a more and more important factor for the success of small specialized shops which, as a rule, due to their structural cost disadvantages, are only competitive when offering a good service. This development can actually be observed in the German organic market where conventional supermarkets and large modern organic supermarkets settle next to traditional, small organic food shops (Michels et al., 2004). As a result, those small shops have to face high levels of customer fluctuation. Against this background, the influence of customer satisfaction on customer loyalty is examined for the example of the organic food retail trade.

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OBJECTIVES

Customer satisfaction was regarded as a sufficient precondition for a long time (Yi, 1990; Dick/Basu, 1994). The first aim of this study therefore is to evaluate the relationship between customer satisfaction and profit in organic food shops and to determine the parameters which influence customer satisfaction (Bloemer/de Ruyter, 1998; Bloemer et al., 1999). Current research on the other hand reveals customer satisfaction to be only a necessary but not a sufficient precondition for customer loyalty (Peter, 1997; Garbarino/Johnson, 1999).

Apart from variety seeking, especially competing offers might get even consumers who are generally satisfied with their shopping options to change shopping places or brands (Peter, 1997: 100). On the other hand there are also dissatisfied but loyal customers, who for example are lacking alternatives (Müller, 1998). The second aim of the study therefore is to identify factors which might help to explain the consumers' habits of changing shops (Keaveney, 1995). All in all, the research project aims at discovering critical factors determining the options of small retailers in a more and more competitive business environment.

From a theoretical point of view the study deals with the linkage between customer satisfaction, business performance and store loyalty on the basis of individual store data and a comprehensive survey.

PROCEDURE

The study is composed of two parts. First, 885 customers of 11 organic food shops were asked about their satisfaction with their shops. A regression analysis is carried out to measure the impact of customer satisfaction on shop profits, defined as sales per m². A factor analysis and a further regression analysis are carried out in order to find out about the determinants of customer satisfaction. In a second step, the influence of customer satisfaction on the readiness to change shops is analysed. For this purpose, 170 customers were interviewed in an online survey based on a simple choice model, which is then analysed with a multinomial logit model to identify different consumer clusters.

RESULTS

The impact of satisfaction on the economic success of the shop is measured by a regression analysis. A

high explanatory power of the model is reached, with satisfaction explaining 45 % of sales per m², which is much higher than in conventional supermarkets (Table 1). The high relevance of customer appreciation for the success of a shop emphasises the importance of customer satisfaction management for the marketing activities.

Table 1. Regression analysis to explain the economic success.

Independent Variables	Beta	t-Value
Customer satisfaction	.699	2.933**

N = 11; depending variable: Annual sales per m² sales area; adj. R²: 0.432; F-Value: 8.604; ** p ≤ 0.017

Source: own survey

Five dimensions of customer satisfaction are identified with a factor analysis. As main influencing factors on customer satisfaction, the quality of the goods and the consulting and service of the store could be identified (Table 2). All in all, the factors explain 46 % of variance in satisfaction.

Table 2. Regression model to explain customer satisfaction.

Independent Variables	Beta	t-Value
Quality of goods	.27	8.954***
Consulting and service	.24	6.998***
Atmosphere	.19	5.920***
Price-performance ratio	.13	4.259***
Trust	.11	3.286**

N = 885; depending variable: customer satisfaction; adj. R²: 0.46; F-Value: 133.11; *** p ≤ 0.001; ** p ≤ 0.01; * p ≤ 0.05

Source: own survey

In a second part of the study the willingness to switch to other shops is examined with a choice experiment. Under the premise that all shops were located at the same distance and prices of special products were given, the respondents had to select one preferred shop. As a result, three consumer clusters could be identified which differ in terms of choice decision. These are discount-oriented customers, organic food shop customers and organic supermarket customers.

The multinomial logit model, with the organic food shop customers as the reference group, shows that discount-oriented consumers especially differ from organic food shop customers in terms of „customer satisfaction/commitment“. They feel less bound to organic food shops and are less satisfied than regular customers of organic food shops. The group of organic supermarket customers varies from organic food customers in one important point. Although they are quite satisfied with their organic food shop, they rank it inferior to organic supermarkets in terms of emotional and sensory quality. This factor relates to estimations of regionality, taste, quality of advice, quality of food, and shop atmosphere.

CONCLUSIONS

As can be seen from the regression analysis, customer satisfaction has a high impact on the economic success of a shop. But the results of the readiness to switch survey show that customer satisfaction and commitment are not sufficient to explain loyalty. There are no significant differences in customer satisfaction between organic food shop customers and organic supermarket customers, but there are strong differences with regard to discount-oriented customers. Summing up, customer satisfaction and loyalty are necessary but not sufficient preconditions for the economic success of small specialized shops.

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