

Assessing Customer Satisfaction and Loyalty in the Retail Sector

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Abstract:

Purpose – The effects of customer satisfaction on loyalty have been widely discussed by the academic community. Although the results of the studies reported in the literature are often contradictory, the existence of a relationship between satisfaction and loyalty is acknowledged, despite the influence of moderators and constraints of various kinds. The purpose of this study is to discuss this relationship in the specific context of a retail store, since this sector presents major challenges in terms of competition and the efforts placed on customer satisfaction and loyalty are more evident.

Design/Methodology/Approach - A survey based on the ECSI model (European Customer Satisfaction Index) was applied to the particular case of a retail store in Portugal. This model has its roots in Switzerland, where in 1989 Claes Fornell developed a new complementary method for measuring the overall quality of the companies output, through the calculation of an aggregated customer satisfaction index. The proposed model is based on a set of causal relationships established between a set of constructs. The ultimate goal is to calculate both satisfaction and loyalty indexes as well as estimating the relationship between both constructs. Structural Equation Modelling (SEM), based on a Partial Least Squares (PLS) estimation methodology, is

the statistical technique used to estimate the model parameters, as well as to compare the aggregated indexes. PLS is based on the principles of linear regression and combines multiple regression aspects with factor analysis, in order to estimate a series of interrelated relationships.

Findings – The results confirm a positive influence of satisfaction on customers' loyalty to a retail store. The study has also shown the importance of the Image construct, due to its strong direct effects on Satisfaction, which makes it essential for influencing both directly and indirectly the Loyalty index. The impact of this construct is also evident on the Expectations one, as this last one has shown a considerable direct effect on Perceived quality.

Research limitations – The study is based on a single case study of a Portuguese sports retail store. In future it would be interesting to study a representative sample of the retail sector.

Practical implications – The study is useful for the specific retail store where it was undertaken to help it devise better customer service in order to increase satisfaction and loyalty. It is also useful for the entire network of stores for that retailer and other retail chains.

Social implications – The systematic application of customer survey to whole sectors of the economy will improve competition, customer service and ultimately contribute to development and economic growth

Originality - The ECSI has been applied to various industry sectors in different countries, including Portugal. It has never been used in the context of the Portuguese retail and it adds to the discussion on the relationship between satisfaction and loyalty, which is indeed a topic of interest for researchers in quality management.

Keywords: customer satisfaction, customer loyalty, partial least squares, European Customer Satisfaction Index, retail industry, Portugal