

## Customer Satisfaction of Retail Chain Stores: Evidence from Bangladesh

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**Abstract:** As retail chain store business is gaining popularity very quickly, people engaged in this sector should pay special attention to the growth of this sector. The present study, aims at determining the factors constituting customer satisfaction of retail chain stores in Bangladesh. Customer satisfaction of this sector can be a pivotal indicator of how well the stores are meeting the expectations of the customers. Customers of 3 big retail chain stores have been interviewed for the study. From the results, it was determined that the model satisfactorily explains customer satisfaction and that retail chain store owners and managers should focus on 4 major elements, responsiveness, product quality, physical design and pricing policies if customer satisfaction is to be treated as a strategic variable. The present study found that responsiveness and product quality were most important to customers followed by price and physical design. Location did not have a significant effect on customer satisfaction, although the exploratory analysis and the secondary research supported it.

**Key words:** Retail chain stores, customer satisfaction, product quality, price, responsiveness

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### INTRODUCTION

Clarence Saunders developed the concept of self-service grocery chain store with his Piggly Wiggly stores in Memphis Tennessee in the USA in 1916. It was a huge success and later on he started to offer franchises of his store. Pretty soon some other companies, such as the Great Atlantic and Pacific tea company of Canada and US followed the business in the year 1920. At present, there are many world renowned superstores spread around the world serving billions of customers and making huge profit of this business. To name a few of them, there are Wal-Mart, Safeway, SPAR, ALDI, Netto, Lidl, etc. Also in Bangladesh, supermarkets have successfully made a breakthrough in the urban lifestyle with the idea of all essential commodities under one roof. From the concept of global retailers, such as Wal-Mart, Safeway and Sears, some private organizations have established the retail chain store services in Bangladesh. Rahimafrooz Superstores Ltd. (RSL) was the first one to launch the first ever retail chain in Bangladesh in the year 2001. In the meantime, super store market in Bangladesh has proven itself, as a highly competitive and unmerciful business place to get into but also highly profitable business to do if you can play it right so did many, such as Shopno with their 70 stores around the country with 30 stores outside Dhaka while sharing the dominance of Dhaka City with giant retail stores as Meena Bazar, Agora and Almas. With the passage of time retail chain stores including small and big ones have been expanded remarkably in Bangladesh, as people are becoming time

conscious and they do not have enough time to spend for shopping. In the large cities of Bangladesh like Dhaka, it is very difficult to move from one place to another place for shopping purposes due to traffic jam. So, majority people want to shop all kinds of goods from a particular departmental store at a time, so that they can save their time, money and energy. Due to high level of awareness, most of the educated customers are quality and service conscious. So, they want to purchase the goods where they get the quality products, better personnel services and hassle free environment. In retail chain stores, there is a variety of assortments in the shelves. All assortments are inventoried in a convenient way so that customers can take, check and verify the goods very easily. All these things caused the rapid growth of retail chain store business in Bangladesh. But, no significant research work has been done to see to what extent the sector is meeting the expectations of the customers in Dhaka City. Moreover Swapno, the largest retail chain shops in Bangladesh, faced a critical problem and bound to close some of their outlets. But, no rigorous research is found regarding this issue. On the basis of the earlier literature review, it can be stated that very few research works have been done on customer satisfaction of retail chain stores in Bangladesh especially in Dhaka City. The field is new and promising and there is a research gap which motivates the researchers to conduct the present study.

Customer satisfaction gives an indication of how much successfully the organization is meeting the demands of customers. All activities of the retail chain

stores are directed towards customer satisfaction which leads to customer retention a pivotal factor for business growth. But, very insignificant papers have been found regarding the chain store business in Bangladesh. As it is going to be a prospective sector day by day to meet the demand of the consumers of Bangladesh, research is required to see the existing customer satisfaction level of this sector by exploring the market perfectly. Through the present research initiative, retail chain stores will know the factors that mostly constitute customer satisfaction. Then, it will be possible for them to pay considerable attention to those factors and make necessary adjustments in policy making and strategy development for satisfying the customers in a better way. On the basis of the research findings, some recommendations will be made that will add value to better understanding of the sector. So, the researchers think that the present study will be a valuable contribution to the growth of this sector. The earlier discussion depicts the significance of the present study.

The main objective of this study is to find out the factors that explain customer satisfaction of retail chain stores in Bangladesh. In order to explore the major objective, researchers also have some specific objectives:

- To explore how well the company meets the customers demand
- To identify the relative importance of each factor that contributes to customer satisfaction
- To identify underlying dimensions or factors that explains the correlations among variables
- To make recommendation on service strategy, products as well as customer satisfaction strategy of retail chain stores

#### **Literature review**

**Retail chain stores and customer satisfaction:** Few studies have been found regarding retail chain store business in Bangladesh. In the country, not much research has been carried out in this field. Kashem (2012) in his study, focused on customer satisfaction of super stores in Bangladesh. But, it was on a very small scale as the geographical limit was confined to only Chittagong. Reardon *et al.* (2009), a professor at the Department of Agricultural, Food and Resource Economics at Michigan State University, stated business in Bangladesh is part of a 4th wave that just barely has emerged in the last few years. Other countries at a similar stage are Cambodia, Bolivia and certain countries in West Africa. The American researcher feels it is likely that the diffusion of retail chain store will be quite slow for the 4th wave, compared to the first 3 waves. The reason is that the key socioeconomic changes necessary for a change in the

retail environment are happening in Bangladesh, at a pace much slower than for example in India (Bachmann, 2008; BSOA, 2011). These changes acting, as a driving force behind retail chain store diffusion include increasing urbanization, increasing number of women working outside their home (which leaves them with less time for shopping of essentials) and increasing incomes per capita. By the estimates of Assage Gol, it will probably take another decade or two, until retail chain store diffusion in a country like Bangladesh is appreciable, meaning that roughly around 20-25% of retail sales are made through this channel. But, the time for South Asia seems to have come, he adds. Just look at the expansion of Cargill Ceylon in Sri Lanka. That retailer has >120 food super markets all over the country (Bachmann, 2008; BSOA, 2011). In fact, Sri Lanka with a population of over 20 million has 240 supermarkets while Dhaka with its 25 million inhabitants does not even have 70 such stores.

Seiranevoda has conducted study on the factors that influence the consumer in choosing departmental stores in Bangladesh where he identified the factors influencing consumers to shop at superstores in Bangladesh in specific 6 probable extrinsic cues. The 6 extrinsic cues-brand image, perceived price, perceived quality, product availability and location of the store. In another research study, Datta (2010) argued that customer retention has received considerable attention and has become a prime issue for food retail organizations desiring to stay in business, maximize profits and/or build and sustain competitive advantage in the food sector in his research study. To focus on customer satisfaction Jeevananda (2011), suggested gaining high levels of customer satisfaction is very important to a business because satisfied customers are most likely to be loyal and to make repeat orders and to use a wide range of services offered by a business. Customer satisfaction is an asset that should be monitored and managed just like any physical asset. The same way Bhardwaj (2011), has attempted to measure the links between attribute perceptions and consumer satisfaction and between consumer satisfaction and sales performance in the food retail sector of India. The study relies upon an extensive data set of consumer satisfaction and sales information from approximately 180 consumers. Mohan (2013), explained that retail customer satisfaction is determined by customer service, brand variety, store environment, convenient location and shopping convenience. Lu and Lukoma (2011) told that retail customer satisfaction depends on location, product quality, reliability, process and personnel services. On the other hand Madan and Kumari (2012), conducted study on factors influencing

customer satisfaction of organized retail outlets in Delhi where they identified the following cues as the determinants of customer satisfaction in retail outlets. The cues are personnel interactions, physical aspects, promotional campaign, price, location and product quality (Hussain and Ara, 2004). Bangladesh's retail sector is dominated by traditional shops nonetheless, it has shown growth and modernization, keeping pace with overall economic growth, the increase in middle-class consumers and changes in consumption patterns. The organized retail sector, including supermarkets, remains relatively small but consumes increasing volumes of imported food products and exhibits the fastest growth.

**Why customer satisfaction is important:** In an increasingly competitive business environment, companies must be customer oriented and periodic customer satisfaction survey indicates to what extent the firm is meeting the needs of the customers (Oliver, 1987). Modern management science's philosophy considers customer satisfaction, as a baseline standard of performance and a possible standard of excellence for any business organization. To reinforce customer orientation on a day to day basis, a growing number of companies choose customer satisfaction as their main performance indicator. By using this indicator companies can modify their goods and services as per the preferences of the customers. In this way, customer satisfaction can be ensured. And customer satisfaction leads to customer retention that ensures business growth and profitability. Armstrong and Kotler (2007), explained the importance of customer satisfaction in this way that a highly satisfied customer: Stays loyal longer, buys more as the retailer introduces new products and upgrades existing brands, talks favorably about the retailer and its merchandise, pays less attention to competing brands and advertising and is less sensitive to price, offers products/service ideas to the retailer and costs less to serve than new customers. Based on these criteria, it is important that the retailers pay considerable attention to customer satisfaction and measure it regularly.

**Customer satisfaction and its determinants:** Customer Satisfaction (CS) has become an important measure of firm performance and consequently an important area of interest in business research. It can be defined, as the feeling or attitude of a consumer toward a product/service after it has been used. Oliver (1981), explained that customer satisfaction entails the full meeting of customer expectations of certain products and services. If the perceived performance matches customers expectations of service then they will be satisfied. If perceived

**Table 1: Customer satisfaction factors**

Researchers	Factors
Mohan (2013)	Customer service, brand variety, store environment, convenient location and shopping convenience
Lu and Lukoma (2011)	Location, product quality, reliability, process, personnel services
Madan and Kumari (2012)	Personnel interactions, physical aspects, promotional campaign, price, location and product quality
Andaleeb and Conway (2006)	Responsiveness, product quality and price

performance falls short of customer expectation then they are dissatisfied. And if the performance of the products exceeds the expectation of the customers, they will be highly satisfied or delighted. Previous studies identified some indicators regarding customer satisfaction of products and services. Table 1 presents summary of determinants of customer satisfaction.

## MATERIALS AND METHODS

The study is a combination of qualitative and quantitative research. For the purpose of the study, data were collected from both secondary and primary sources. But, maximum concentration was given on primary sources of data. All the primary data were collected from personal interview with existing customers of retail chain stores through administration of a questionnaire. It included perceptual measures that were rated on 5-point Likert scales. This design is consistent with prior studies on customer satisfaction and service quality. Each scale item was rated at the numeral 1 with the verbal statement strongly disagree and at the numeral 5 with the verbal statement strongly agree. Multiple items were used to measure each construct, so that their measurement properties could be evaluated on reliability and validity. The scale items measuring the dependent variable were chosen to reflect people's overall satisfaction with the services provided by the retail chain stores. The respondents were personally questioned and the questionnaire was filled in by the interviewer based on the response of the respondents. Total 3 leading retail chain stores have been selected for the study named Agora, Shopna and Meena Bazar. Mall intercept interview technique was used for collecting the data from the respondents. The total number of respondents for the study was 150 which was drawn from different areas of Dhaka City, especially Dhanmondi, Banani, Mohakhali, Gulshan and Uttara since most of the retail chain stores are located in these areas. The secondary data were collected from the store records, annual publication manuals, academic journals, annual report, BSOA (Bangladesh Supermarket Owners Association) reports, books and finally the current and available information

from the newspapers were tapped depending upon the nature of the problem. Collected data were computed and analyzed by the researchers. To make the data effective and meaningful, SPSS software have been used for the study. Descriptive analysis was performed to understand the profile of the respondents. Multiple regression model was used to find out which factors significantly contributed to customer satisfaction.

**Conceptual framework and hypotheses development:**

Conceptual framework and hypotheses development are discussed in Fig. 1.

**Product quality:** An important factor constituting customer satisfaction is the quality of goods and services sold at retail chain stores. According to Gilmore (1974), quality is the capacity of a product to satisfy some specific wants of the customers. Quality of products is normally measured by product features, benefits and ability to satisfy required needs and so on. It is considered to be one of the important determinants of satisfaction. So, it can be hypothesized like that:

H<sub>1</sub>: The higher the level of product quality, the more the level of customer satisfaction

**Responsiveness:** It is identified, as the willingness of the staff to be helpful to provide prompt services to the customers and availability of all required items. Customers expect the stores to understand their needs and address them in a timely manner with the availability of necessary items all the time. When staff members are more responsive, attending to clients needs quickly and with care and courtesy, it should result in improved customer satisfaction. Therefore, it is proposed that:

H<sub>4</sub>: The higher the level of responsiveness, the higher the level of customer satisfaction

**Price:** The pricing policy of retail chain stores can also greatly influence customers because price has the capability of attracting or repelling them (Grewal *et al.*, 1998), especially since price functions as an indicator of quality (Lewis and Shoemaker, 1997). If the price is high, customers are likely to expect high quality or it can induce a sense of being ripped off (Andaleeb and Conway, 2006).

Likewise if the price is low, customers may question the ability of the stores to deliver product and service quality. Moreover, due to the competitiveness of retail industry in Bangladesh, customers are able to establish internal reference prices. When establishing prices for products and services, an internal reference price is defined as a price (or price scale) in buyers memory that serves as a basis for judging or comparing actual prices (Grewal *et al.*, 1998). This indicates that the price offering for the item needs to be in accord with what the market expects to pay by avoiding negative deviation (i.e., when actual price is higher than the expected price). Researchers propose that:

H<sub>2</sub>: Pricing policy of the stores affects satisfaction level of customers

**Store location:** Customers think deliberately when they want to purchase something from a particular store. They prefer shopping from convenient places where sufficient car parking facilities and other amenities are available. In the context of Dhaka City in Bangladesh location is a very vital factor because there exists a large number of people in Dhaka City. Huge traffic jam is a common scenario of this city. So, people want to buy goods and services from those stores where they can easily go and have their desired items with limited efforts. Hypothesis of store location can be stated like this way.

H<sub>3</sub>: The better the store location, the higher the level of customer satisfaction

**Physical design and appearance:** The general appearance of the stores and the staff provides to some extent tangible cues about the quality of services that customers can expect. Such physical evidence reflecting the overall condition of a retail chain store and its facilities is deemed important by customers during the qualitative interviews. Eye catchy appearance of the stores can easily grab the attention of people. On the other hand, stores can easily be identified by distinctive physical appearance. It takes little time for the customers to find out the stores if its design is unique. Therefore, it is proposed that:

H<sub>5</sub>: Better physical design and appearance of chain stores increase customer satisfaction

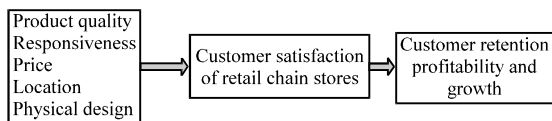


Fig. 1: Research framework

**RESULTS AND DISCUSSION**

**Respondents profile:** In the present study, out of 143 respondents, 59.4% were male and remaining 40.6% were female. Total respondents 44.8% are <30 years, 45.5% from 31-40 years and the rest are >40 years. The 18.2% of the respondents have education up to higher secondary level, 37.1% are graduates and 44.8% have

Table 2: Cronbach's alpha value of variables

Variables	No. of items	Cronbach's alpha	Items deleted
Product quality	4	0.656	None
Responsiveness	4	0.695	None
Price	4	0.633	None
Location	4	0.684	None
Physical appearance	4	0.643	None
Customer satisfaction	4	0.729	None

Table 3: Correlation analysis

Variables	Mean	SD	1	2	3	4	5	6
Product quality	3.8776	0.55734	1.000					
Responsiveness	4.0787	0.55856	0.570**	1.000				
Price	3.2832	0.55999	0.414**	0.304**	1.000			
Location	3.9091	0.54429	0.429**	0.373**	0.131	1.000		
Physical appearance	4.2692	0.40145	0.168	0.372**	-0.009	0.187*	1.000	
Customer satisfaction	3.9213	0.51254	0.516**	0.560**	0.357**	0.301**	0.318**	1

\*,\*\*Correlation is significant at the 0.05 and 0.01 level, respectively

post graduate education. Total respondents 44.8% are service holders, 7.7% are business men and 47.6% are housewives.

**Reliability analysis:** Cronbach's alpha was used to measure the reliability of variables. Table 2 shows a summary of Cronbach's alpha value for all variables used in the analysis.

**Correlation analysis:** Correlation analysis was conducted to determine the degree and direction of relatedness between constructs used in the present study. As shown in Table 3, the degree of relatedness between independent and dependent variables are all good. Product quality, responsiveness, price, location and physical design are positively related to customer satisfaction. In terms of relationship, all the variables are significant.

**Factors affecting customer satisfaction in retail chain stores:** Multiple-regression analysis was used with the 5 factors, as independent variables to test the model for customer satisfaction (Table 4). Based on the SPSS output, it is found that the product quality is statistically significant at 1% significance level (Sig. t = 0.009) with a positive beta. It means that product quality has significant positive effect on customer satisfaction. This finding is consistent with other research findings, such as Madan and Kumari (2012), Lu and Lukoma (2011) and Andaleeb and Conway (2006).

SPSS output also shows that responsiveness is statistically significant, at 1% significance level (Sig. t = 0.001) with a positive beta (β). It means that responsiveness has significant positive effect on customer satisfaction. This finding is also consistent with previous research findings, such as Andaleeb and Conway (2006).

The 3rd independent variable, price, also has significant positive effect on customer satisfaction of

Table 4: Regression analysis output

Independent variables	Beta	t-value	Significant
Product quality	0.232	2.642	0.009
Responsiveness	0.304	3.519	0.001
Price	0.166	2.265	0.025
Location	0.036	0.489	0.625
Physical appearance	0.160	2.238	0.027

R<sup>2</sup> = 0.411; Adj. R<sup>2</sup> = 0.389; F = 19.114; Significant F = 0.000; Durbin-Watson = 2.042; Condition index = 40.191

retail chain stores. The SPSS output shows that price is statistically significant, at 5% significance level (Sig. t = 0.025) with a positive beta that supports earlier studies, such as Madan and Kumari (2012) and Andaleeb and Conway (2006).

The location dimension is not statistically significant, at 5% significance level (Sig. t = 0.625) though earlier research supported it.

Physical appearance of the retail stores is also statistically significant, at 5% significance level (t = 0.027) with a positive beta (β). It means that physical appearance of retail stores has significant positive effect on customer satisfaction. This finding is consistent with other research findings, such as Madan and Kumari (2012).

The R<sup>2</sup> was 41.1% meaning that the regression model used for this study can explain 41.1% variations on customer satisfaction. This indicates that there are other factors that explain the remaining 58.9% variations of customer satisfaction. The F-value was large and significant, at 1% significance level. This signifies that there was an adequate model. The Durbin-Watson falls within the acceptable range which means that there was no auto correlation problem in the data. The VIF, tolerance and condition index all fall within the acceptable range and therefore, there was no multicollinearity problem in the model. Normal P-P plot shows that data were linear. The histogram shows that data were normally distributed. The results suggest that model explains customer satisfaction in the chain stores reasonably well.

## CONCLUSION

This study tested a model of customer satisfaction for the retail chain stores of Bangladesh. The results suggest that the model satisfactorily explains customer satisfaction and that retail chain store owners and managers should focus on 4 major elements: Responsiveness, product quality physical design and pricing policies, if customer satisfaction is to be treated as a strategic variable. From the results, it was determined that responsiveness and product quality were most important to customers followed by price and physical appearance. Location did not have a significant effect on customer satisfaction, although the exploratory analysis and the secondary research supported it. As retail super stores are on the rise in Bangladesh, now the present study for assessing customer satisfaction in the retail chain stores is a useful one. The researchers believe that if the people engaged in this business truly want to gain a competitive edge, they must continually strive to increase the level of customer satisfaction by emphasizing the 4 significant factors discerned in this study. It is likely that location of retail chain stores works through some other mediating variables to explain customer satisfaction, this should be explored in future research.

## LIMITATIONS

The main limitation of this study is that the retailers are spread all over the country but only Dhaka City has been taken into consideration. For collecting data from all over the country, a large amount of financial resources and huge time are required. The findings of the current study may be applicable only to the retailers (super markets). Another limitation is that responses could be biased because the research is conducted in open market place where respondents answers can be influenced by numerous variables such as mood, feelings and so on. In the model the value of coefficient of determination (adjusted  $R^2$ ) is 0.389. It suggests that researchers consider other factors to explain customer satisfaction of retail chain stores.

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