Three supermarkets namely tesco dunnes store and aldi business essay

Several decades ago, the manufacture industry occupied the most important status in the business world. Service industry merely existed as an accessorial industry for the manufacture industry. ' Product' and ' service' were recognised as two diverse aspects. In other words, ' product quality' and ' service quality' were two disparate measures of performance. Moreover, ' customer service' was ignored for a long time and was identified in a very narrow meaning. Nevertheless, nowadays, according to the expanding and diversified economy international economy, customer service can be the critically crucial factor between an organisation's success and failure.

Most organisations are providing excellent and distinguished customer service in order to retain existing customers and attract more potential customers. Consequently, the organisation acquires the competitive edge among businesses in final. However, if the organisation handles customer service in a disastrous way it can damage the business's operations.

Customers in the current trends incessantly demand to improved levels of service. Therefore, the issue of customer service training, particularly in a retail environment has improved greatly over the past decades. Retail companies spend massive efforts, time, money and other resources into training programmes as a result of treating customer service as a key factor for companies.

Although the importance of customer service quality is well-known, through the existing literature, there are relatively few studies which argue if customer service training impacts customer satisfaction in the supermarket

industry. The purpose of this study intends to address the relationship between customer satisfaction and customer service training programmes.

Intense competition and market saturation are forcing supermarkets to access new revenue streams worldwide. Supermarkets are expanding their array of products through mass customization, developing private label lines, embracing internet and home delivery services and increasing focus on customer loyalty programs (Agnese, 2003; Blisard et al. 2002). Market saturation, extreme competition and shifts in demographics teamed with the recent economic slump restrict players in the supermarket industry to limited external market growth. In an attempt to deal with diverse markets (the first major business issue), supermarket retailers are forced to customize various operating strategies – expanding the array of services and products, increasing loyalty of profitable customers, generating profits through private labelling, and reaching customers through new delivery methods like internet shopping and home delivery. Supermarket retailers attempt the most effort to satisfy customer needs in order to maintain the existing customers and attract potential customers. Customer service and training can not be ignored by supermarkets.

This research will investigate three supermarkets, namely, TESCO, Dunnes Store and ALDI.

TESCO

Tesco plc is a UK-based international grocery and general merchandising retail chain. It is the largest British retailer by both global sales and domestic market share, with profits exceeding £3 billion. It is currently the third

largest global retailer based on revenue, behind Wal-Mart and France's Carrefour, but second largest based on profit, ahead of Carrefour.

Dunnes Store

The company, which is privately owned, is intensely proud of the fact that it is an Irish company. The guiding principles of the company are to provide its customers with a choice of good quality products at competitive prices. These principles are encapsulated in the words " Better Value" for which Dunnes Stores has become famous. 15, 000 people operate throughout the Dunnes Stores Group within a vast array of different and diverse positions.

ALDI

ALDI, short for " ALbrecht DIscount", is a discount supermarket chain based in Germany. They are still Germany's richest men, earning an estimated €1. 5 billion per year. Cost-cutting strategies save Aldi money and the general price level in Aldi stores shows that most of these savings are passed directly on to consumers. Employees are expected to alternate between checking customers out and store maintenance, such that all employees focus on that during peak hours. Conversely when customer traffic is low, only one employee will check people out while the rest perform other duties required to run the store (pallet removal/insertion, cleaning etc).

1. 2 Research Question

Research question is foundation stone for the research. Bryman and Bell (2003) point out that formulation of the research questions are crucial because they will:

guide your literature search;

guide your decisions about the kind of research design to employ;

guide your decisions about what data to collect and from whom;

guide your analysis of your data

guide your writing up of your data;

stop you from going off in unnecessary directions.

The researcher intent to answer the following research question:

Does customer service training impact on customer satisfaction levels in the supermarket industry?

In addition, the research question should always generate new insights into a subject matter. Based on the best of the researcher's knowledge, no studies have been carried out on the relationship between customer service training and customer satisfaction in the supermarket industry. The findings of this research will be valuable information to those involved in the areas of customer satisfaction, customer service training and supermarket.

CHAPTER 2 LITERATURE REVIEW

2. 1 overview of supermarket industry

In recent years, the customer base in much of the world has been declining or stabilizing and market demographics have shifted considerably (Agnese, 2003). The rate of population growth has decreased across the board worldwide over the past 30 years. In low-income countries it declined from 2.

0 percent in 2000 to 1. 9 percent in 2003 then to 1. 8 percent 2004 and finally 1. 8 percent in 2005. In middle income countries population growth remained stable at 0. 9 percent in 2000, 2003, 2004, and 2005. In high-income countries it declined from 0. 8 percent in 2000 to 0. 7 percent in 2003, 0. 7 percent in 2004, and 0. 7 percent in 2005 (World Development Indicators Database, April 2006, www. worldbank. org), Today's woman bears, on average, less than three children down from five in the 1960s (World Bank, 2003). This trend is expected to continue until at least 2010 (World Bank, 2003). The world economy is also struggling. Annual GDP has been stagnant the past five years in countries of all income levels. During 2000-2005, annual GDP was between $0. 85 and 1. 4 trillion for low. The supermarket industry is well saturated as a result of urbanization and many existing supermarkets in residential neighborhoods. The industries within the USA, Canada, Europe and Japan are highly mature (Table I). Growth opportunities, which traditionally came from opening new stores, are now found mainly in same store growth, complimentary markets and acquisitions. Saturation has given rise to intense competition and required many grocers to address new types of competitive threats (restaurants, home shopping delivery, etc.) and rethink their traditional business model (Stadler, 2002).

2. 2. Overview of Customer Satisfaction

2. 2. 1 Signification of Customer Satisfaction

The service sector has developed considerably during the past 20 years, so far, it occupies close to three-quarters of GDP, three-quarters of employment. It leads to increase competition and customer demand for higher quality service and products have forced organisations to both

examine the levels of service they presently provide and increase the quality of service provided to customers. Furthermore, customer satisfaction is one of the most important factors of customer service.

Satisfied customers who stay with a company for a long period tend to impact the profitability of the company in several ways. First, their repeat business generates income for the company. Second, because of the expenditure involved in advertising, promotion, and start-up activities, acquiring new customers can cost much more than retaining existing ones. Third, loyal (and satisfied) customers often " spread the good news" and recommend the services to several others (Anderson and Sullivan, 1990; Reicheld and Sasser, 1990; Zeithaml et al., 1996).

High customer satisfaction has many benefits for the company, such as increased consumer loyalty, enhanced firm reputation, reduced price elasticises, lower costs of future transactions, and higher employee efficiency (Anderson et al., 1994; Fornell, 1992; Swanson and Kelley, 2001). On the other hand, dissatisfied customers may take their businesses elsewhere and disparage the firm.

The success of Aldi and Lidl, both German-owned, coincided with the recession that put a squeeze on household budgets.

The stores adopt a ' pile it high, sell it cheap' philosophy, and high customer Satisfaction while the number of staff per store is a fraction of mainstream operators. They both charge for plastic bags, and do not tend to offer big brands.

The success of some budget supermarkets in our survey proves that savvy shoppers can make the most of their money without compromising on quality. (chief executive Peter Vicary-Smith)'UK shoppers want the whole package – great value for money, a wide range of quality products and a pleasant shopping environment. It's not rocket science, but those supermarkets that consistently get it wrong should beware – shoppers will vote with their feet and take their business elsewhere.'

2. 2. 2 Customer Satisfaction Theories

In the past several decades, many definitions of customer satisfaction had been defined already. Customer satisfaction generally means customer reaction to the state of fulfilment, and customer judgment of the fulfilled state (Oliver, 1997). Brown (1992) defined customer satisfaction as: the state in which customer needs, wants and expectations throughout the product or service's life are net or exceeded resulting in repeat purchase, loyalty and favourable worth-of mouth. Satisfaction is a person's feelings of pleasure or disappointment resulting from comparing a product's perceived performance (or outcome) in relation to his or her expectations (Kotler, 1997). And, Bitner and Zeithaml (2003) pointed out satisfaction as follows: The customers' evaluation of a product or service in terms of whether that product or service has met their needs and expectations.

Finally, throughout the literature researched, Kotler and Armstrong (2006) deem that customer satisfaction is an emotional attitude generated towards a product, resulting from the comparison of what was expected and what was received. Customers compare their expectations of a product or service with their perceptions of what they received. If perceptions meet or exceed

expectations, the customer is generally satisfied. However, if expectations are not met, the customer is generally unsatisfied with the service.

2. 2. 3 Customer Satisfaction Model

The customer satisfaction model from Kano (1984) is a quality management and marketing technique that can be used for measuring client happiness. Kano's model of customer satisfaction distinguishes six categories of quality attributes, from which the first three actually influence customer satisfaction (See Appendix 1):

Basic Factors. (Dissatisfiers. Must have.) -The minimum requirements which will cause dissatisfaction if they are not fulfilled but do not cause customer satisfaction if they are fulfilled (or are exceeded). The customer regards these as prerequisites and takes these for granted. Basic factors establish a market entry threshold.

Excitement Factors. (Satisfiers. Attractive.) – The factors that increase customer satisfaction if delivered but do not cause dissatisfaction if they are not delivered. These factors surprise the customer and generate delight.

Performance Factors. The factors that cause satisfaction if the performance is high and they cause dissatisfaction if the performance is low. Here, the attribute performance-overall satisfaction is linear and symmetric. Typically these factors are directly connected to customers' explicit needs and desires and a company should try to be competitive here. The price for which customer is willing to pay for a product is closely tied to performance attributes.

The additional three attributes which Kano (1984) mentions are:

Indifferent attributes. The customer does not care about this feature.

Questionable attributes. It is unclear whether this attribute is expected by the customer.

Reverse attributes. The reverse of this product feature was expected by the customer.

These last three attributes are often of little or no consequence to the customer, and do not factor into consumer decisions. An example of this type of attribute is a plate listing part numbers can be found under the hood on many vehicles for use by repairpersons.

2. 2. 4 Factors that influence customer satisfaction

According to Wong and Sohal (2003), the greater the degree to which a consumer experiences satisfaction with a retailer, the greater the probability the consumer will revisit the retailer. In order to acquire a good understanding of customer satisfaction and distinguish which features compose successful customer satisfaction in the retail environment, the researcher has identified the following findings.

Customer aspect

Customer satisfaction is strongly influenced by customer characteristics such as variety seeking, age and income. Demographics variables such as education and age have also been found to be good predictors of the level of customer satisfaction (Homburg and Giering, 2001). Satisfied customers tend

to use a service more often than those not satisfied (Bolton and Lemon, 1999), they present stronger repurchase intentions, and they recommend the service to their acquaintances (Zeithaml et al, 1996). It has been suggested that satisfaction has a direct effect on repurchase intentions (Reichled and Teal, 1996).

Employee aspect

Personnel affect the satisfaction level of the occasional, probably due to the aid they require from supermarket staff as they do not know the store layout and/or facilities. Wang and Netemeyer (2004) pointed out that employees' competence and abilities are not the only important factors, but also the employee's friendliness and general presentation play a particularly central role. Especially against a background of strong price orientation by some retailers and the increasing homogeneity of products and assortments, service quality is a very promising means of creating a distinctive retailer brand, not only for specialty retailers.

Service quality aspect

In today's world of intense competition, the key to sustainable competitive advantage lies in delivering high quality service that will in turn result in satisfied customers.

Quality is one dimension on which satisfaction is based¼Œone group of researchers upholds that satisfaction is antecedent to service quality. Another group of researchers who believe that service quality is antecedent to satisfaction argue that since service quality is a cognitive evaluation, a positive service quality perception can lead to satisfaction, which may in turn

lead to favourable behavioural intentions (Brady and Robertson, 2001). A third perspective maintains that there is a non-recursive relationship between service quality and satisfaction (Taylor and Cronin, 1994). For the service industry in general, the authors divided service quality into two categories: technical quality, primarily focused on what consumers actually receive from the service department, and functional quality, focusing on the process of rendering service.

Emotions aspect

Liljander and Strandvil (1997) observed that affective reports are more highly predictive in consumer situations involving services than those involving physical products.

Darden and Babin (1994), for example, discuss the importance of emotions in retailing, and point out the need to include affective factors when studying store image and purchase behaviour. They contend that, in order to account fully for a store's retail personality, both its functional and emotional meaning should be assessed. Both factors influence the customer's perceived store image and his/her purchase behaviour. In a small empirical study, the authors found evidence of the usefulness of affective quality (items taken from Russell and Pratt, 1980) as a means of explaining consumers' mental representations of retail stores.

Store aspect

White's (1996) meta-analysis of manufacturing performance defines a set of variables that influence customer satisfaction including quality, delivery speed, delivery dependability, cost, flexibility, and innovation.

Gagliano and Hathcote (1994) divide service in retailing into store service (e. g. returns/exchanges, after sales service) and sales service (helpfulness, friendliness, employees' competence). Darian et al. (2005) state that a retailer should avoid poor service levels for any service activity.

Furthermore, one also had to bear in mind that customers develop specific preferences for specific brands. Regardless whether such preferences are habitual or demonstrate loyalty to the brand (Gounaris and Stahakopoulos, 2004), weaken the consumer's actual involvement with the store's atmosphere and aesthetics since they enter the supermarket with a predetermined choice plan.

2. 2. 5 Argument for customer satisfaction

Roger and Rolf (2002) suggest that customer satisfaction with service industry probably decrease its significance through the developed world because most people do not care it any more. In other words, the trouble is, it may be dead but it will not lie down.

In Roger and Rolf (2002) view, line managers primarily struggle to meet their financial targets since this is what most of them believe dictates their bonuses and future promotion and their ability to move to other jobs. Further, for such managers, customers are potential assets that need to be managed and leveraged. So, customer relationship management is key, not customer satisfaction (Srivastava et al., 1998).

Customer satisfaction is losing its status even for marketers. It is not helping them in achieving this aim such as understanding their marketplace so that they can continually present key customers with better value offerings than

the competition. There are three main reasons to cause it. Firstly, it is very difficult to measure; secondly, even when measured, it often has little relation to actual purchase behaviour; thirdly, new technology is opening up both the actual purchasing activities and the possible reasons behind them.

2. 3 Overview of Training

2. 3. 1 Signification of Training

Every organisations desire to complete their goals and to survive in an increasingly competitive world must utilise effectively and efficiently its most valuable asset- the skills of its employees. According to Ferketish and Hayden (1992), the human resource development (HRD) challenge for the next decade will be to assure a continuous improvement culture by keeping the system aligned with continuous improvement strategies.

Bramley (2003) argues that training implies learning to do something and, when it is successful, it results in things being done differently. The author believes that training should be a planned process rather than an accidental one.

To be more specific, Barlow and Mail (2000) suggest that receiving service is both a personal and psychological experience. There is a psychological and physical closeness between employees and customers in the service encounter, effective training done not only make supermarket sales process more efficient, also provide satisfaction to customer, which helps retain their loyalty to company's brand, or become an opinion leader to spread in other consumers about supermarkets' reputation. In addition, there is no quality control in the customer contact; service providers work alone and without

supervision, fail to train service providers may lead to the consequence that dissatisfied customers may take their business elsewhere and disparage the firm.

2. 3. 2 Customer Service Training

The definition of training, Heery and Noon (2001) introduce the concept of competence, explaining that training is the process of changing the skills, attitudes, and knowledge of employees with the purpose of achieving or improving their levels of competence. In other words, training is that through a designed process, management is able to change, improve employees working skill, attitude, and knowledge to suit their current position or fit higher level organisational hierarchy in thecontext of career development. Refer to the retailing industry, customer service training can be seen as a grass roots program, which provides employees the knowledge and skill of serving customers.

There is no surprise that Customer service training is considered as one of the most vital factors to improve the level of employees' capability when dealing with customers in retailing industry by market researchers and organisation management. The very common customer training is all the activities performed to support the customer during the supplier-customer exchange, including all presale, sale, and post-sale activities (Markland, Vickery, and Davis, 1995), in order to maximize customer satisfaction. High level of customer satisfaction makes customers more dependable on retailers or suppliers, as a result, organisations build strong relationship with their customers, strength customer loyalty, which Innis and La Londe (1994) suggest that can be considered as a effective competitive advantage over

rival firms. Today's business world, skilled labour is seen as one of the most valuable assets, human resource managers have to effectively utilise training programme, where can be crucial to company's success. For instance, all new employees at Disneyland and Walt Disney World must attend Disney University, where they undergo a special training program for Disney employees.

However, many companies do not always support training programmes. They may be indirectly unsupportive of training programmes by not covering for that employee while they are off-the-job on a training programme. Inappropriate training programme is another issue, especially under global financial crisis, most companies are suffering from difficulties, the situation requires firms consider cost more carefully. Formal training course is usually a big expense which management willing to cut. Furthermore, the management may concentrate on areas of training which increase productivity or efficiency, but not customer service. Moreover, the customer service programmes may emphasise areas which customers do not consider important. For example, the training may focus on how to smile, how to respond to a certain situation, rather than providing service providers with skills to enable them to foresee customer needs and wants and to be able to respond in a very personal and customised manner to that customer needs or wants (Coulter et al., 1989)

2. 3. 3 Training Process

Reid and Barrington (2000) use the Training and Development National Standards to design the training process. The purpose of the standards is

stated as being to " develop human potential to assist organisations and individuals to achieve their objective".

The following is the comprehensive lists that break down the training process into its main functional areas and sub-areas.

Identify training and development needs

Identify organisational training and development requirements

Identify learning requirements of individuals

Plan and design training and development

Design training and development strategies for organisations

Design training and development programmes

Design and produce learning materials

Deliver training and development

Manage the implementation of training and development

Facilitate learning with individuals and groups

Review progress and assess achievement

Monitor and review progress

Assess individual achievement

Assess individual achievement of competence

Continuously improve the effectiveness of training and development

Evaluate the effectiveness of training and development within an organisation

Evaluate the effectiveness of training and development programmes

Improve own training and development practice

Contribute to advances and developments

2. 3. 4 Customer Service Training Dimensions

Based on theory of Lin and Darling (1997), the customer service training process should be learned as a multidimensional issue. They segment the training process by three dimensions: 1. an analytical dimension of tasks, technique, procedure and system. 2. a behavioural dimension, concerned with attitudes, perceptions, and motivation. 3. and an organisational learning dimension, concerned with management style, corporate culture, structure and information flows.

The first dimension, analytical dimension is the most widely recognised, it means that management breaks down service tasks into several trainable steps. Typical topics include such major headings as ' the customer and market knowledge', and ' knowledge of the selling process' (Anderson, Hair and Bush, 1992; Ingram 1992). The training may include high service element is often made more effective by including words, photographs, drawings, video tapes, computer-based training. The purples of the analytical dimension are to concentrate the relationship between service providers and

customers, based on the analytical results of service input and output. Moreover, quality and technical issues are also the concerns of management in analytical dimension.

Above individual employees level is the organisational behaviour training, which is not any written rules or skill or knowledge that can be learned by any course, but the way of doing daily business of certain organisations. Positive and effective organisation behaviour is a valuable advantage for retailing business, which can strongly support on job training new employees and improve levels of customer service. Therefore, the third dimension also known as organisational learning was introduced by Nevis et al. (1995) it defines as the capacity or processes within an organisation to maintain or improve performance based on experience. According to information processing perspective (Garvin, 1993), organisational learning encompasses the acquisition, dissemination, interpretation, and storage of information that results in the modification of the potential range of behaviours to reflect new knowledge and insights organisations that are responsive to customers' needs engage in organisational learning in a customer information context (Day, 1991). Moreover, Training should lead not only to the improvement of skills but also to change in the ways employees think and view their jobs and the company.

2. 3. 5 Customer Service Training Barriers

Binshan and John (1997) point out three ancillary issues add complexity to training program implementation. These implementation issues involve operational barriers, managerial barriers, and cultural/structural barriers.

The operational barriers focus on training technique and the roles of training officers. The training officers can play either the provider role or the change agent role. The provider has a generally accepted, although limited, role in offering training expertise geared toward the maintenance and development of organisational performance, but it does not extend to organisational change. On the other hand, the change agent is the classic organisation development consultant and performs a role that is the antithesis of the provider role. As the title implies, the change agent views the customer service function as giving rise to organisational problems and is concerned with helping others to resolve these problems through changing the organisational culture. Thus, the message of the change agent is always clear: " Change is good, change is essential, and change is here to stay."

2. 36 Efficient consumer response (ECR) and logistics systems structure

Supermarket chains are dealing with their unique positions by implementing a common strategy: ECR (Kurt Salmon Associates, 1993). This strategy is becoming central to shaping logistical trends within the supermarket industry (the third major business issue). ECR focuses on the customer as the driving force of the system. It involves evaluating inefficiencies throughout the entire supply chain to create improvements on every level. ECR was started in the USA in 1992 in response to low growth, high competition, and consumer pressure. The movement spread to Europe in 1994, Asia in 1996, Latin America in 1998 and is now starting in India. The system requires cooperation and information sharing between members of the supply chain, and more commonly involves cooperation between

previously unrelated suppliers. In many cases, ECR strategies now include competitors. Although suppliers do not always agree, efforts pay off for all parties (Corsten and Kumar, 2003). Grocery stores in the USA lose $6 billion in sales per year, $200, 000 per average supermarket, due to out-of-stock products in the top 25 grocery categories (Stadler, 2002). Approximately, £2. 5 billion a year in the UK is lost because a product is not on the shelf when a customer is looking to buy it (Rowat, 2006). When products are on the shelves, customers get better service, supermarkets increase profitability and sales and suppliers reduce transportation costs and increase sales.

Although born in the USA, the ECR movement in Europe gained momentum to allow the European chains to quickly outperform their US counterparts, primarily due to the lack of space, issues related to dealing closely with 14 countries and transportation costs. American chains often have warehouses that rival the shop floor in square footage. This space provides plenty of room for safety stock. European supermarkets often lack back rooms, requiring that inventory systems be extremely efficient and accurate to avoid stock-outs without requiring any extra inventory. The same factors allow the US to achieve profitability with an average of $510, 000 in sales and 40, 000-50, 000 SKUs per store, while European supermarkets must have higher sales with only 20, 000-35, 000 SKUs (Fallon, 1998). In 2005, it was reported that grocery retailers in the UK were now keeping an average of 11. 3 days worth of stock compared with 12. 8 days in 2003 (Food Manufacture, 2004).

2. 4 The Relationship between Customer Satisfaction and Training

Because of customers are vital to business growth and success, so customer service, especially satisfying customer is the key to achieve the business growth and success. How to train staffs to satisfy customers that is big challenge need to face by organisation.

The important factor is the measurement of customer satisfaction as fourth factor. As before mentioned, the lack of market research identified in the Irish survey, few managers represent dissatisfaction with the results of market research but an even greater number did not attempt to carry it out. To respond complaint from customer that is a method to access customer needs and wants. However, this may be a motivating