

Literature review of companies and supermarkets



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As companies/supermarkets have race to introduced technology that enables the customers to get service on their own (Bitner, M. Amy, L. Ostrom and Matthew, L. 2002). Growing number of customers interacted with the technology to create service outcomes instead with a service firm employee (Matthew, L. Amy, L. Ostrom, Robert, I. And Bitner, M. July 2000). The overall affect model is based on the consumer's feelings toward the use of technology (Pratibha A. and Dabholkar 1996). The Supermarkets which introduce self-service checkout systems wish to gain rapid acceptance and usage of these technologies by potential consumers. (Jungki, L. and Allaway, A. 2002)

According to Merriam-Webster's Dictionary (2008), Innovation is " a new idea, method or device, or the introduction of something new." Drejer (2002) argues that innovation is more than just invention, that idea cannot be innovative as a pure, it must be put in practice and be commercialized; otherwise it is too earlier to speak of innovation. Blackmon (1996) provide us with the best summary for a context of this research: "... technological change is used to describe changes in knowledge that increase the volume of output or allow a qualitatively superior output from a given amount of resources ... and thus in driving organizational evolution ..." The sales profit is a simple conceptual framework chain to linking with the employee satisfaction as well as customer satisfaction and financial performance. This sales profit chain is the relationships between employee and customer satisfaction (Gary, W. and Loveman, 1998). The benefit of the customer retention and satisfaction has been characterized by using the repurchase intention or a factor score of quite a few measures repurchase goal, and

price tolerance. So that the purpose to use the customers management strategy that is the based on managing both satisfaction and benefit of customer retention (Narayandas, D. 1998). Performance expectation and the actual performance have major significance in the Evaluation process, as we need to determine the dimension of product and service performance. Most customers do not switch from satisfied seller to their competitors, but, there are several factors that could affect customer behaviour to switch to different service provider such as mistake in core service failure, service encounter failures, variable prices, inconvenience, responsive to service failures, attraction by competitors, ethical behaviours and involuntary switching etc. (Hawkins, Best and Coney, 2004). Retailers need to analyze what makes a new product from the point of view by the customer if customers facing problems understanding the reason behind the introduction of new self-service checkout systems (SSC) they will not use the system. As we launch new self-service systems, we need to analyse the consumer behaviour as well. The consumer should be involved in some way or another at most stages in the introduction of self-service checkout system. Every retail or sales companies should take care of customer wants and needs (Wright, R. 2006).

Consumers feel a sense of pleasure in understanding that they have found a unique store that they can, and do, frequent. This suggestion is suggested on the notion of value as a function of both worth (Oliver, 1999) and scarcity. People feel good when they find something of worth that is not easily available the feel good feeling from the ordinary and the mundane, is different from satisfaction in that it consists qualitative effects such as

enjoyment and happiness. In contrast, satisfaction is an evaluative judgment (Oliver, 1997) and more cognitive in nature (Howard and Sheth, 1969).

Satisfaction can be defined as a cognitive evaluation resulting from the fulfilment expectations. Satisfaction is a judgment based on either a cognitive or emotional appraisal, made by the customer whether his or her expectations were met (Oliver, 1997). Positive affect is a pleasurable emotional response (Bagozzi, Gopinath, and Nyer, 1999).

“ If organizations want to consider total customer experience, satisfaction by itself is a weak measurement...” (Barlow and Maul, 2000)

As a result, when a consumer experiences more differentiation value in the store, consumer will be more likely to feel more positive responses toward the store (Holbrook and Hirschman, 1982)

The literature in retailing and customer behaviour has identified commitment as one's “ motivation” to keep a relationship with the retailer (Bendapudi and Berry, 1997 and Fournier, 1998). The self-service checkout system (SSC) into the service come across necessitates research to improved understand customers' attitudes toward overhaul providers and technologies, and their intentions to employ technology-based facility delivery systems. In this research, the authors build up and experiment three structural models that include a pecking instruct of consumer attitudes toward together the psychological and the technological factors of the come across to better appreciate their intentions to utilize Self Service Technologies. The result indicates that intentions to exercise self-service technologies options are ambitious by manifold, hierarchical attitudes. In calculation to the direct <https://assignbuster.com/literature-review-of-companies-and-supermarkets/>

belongings of attitudes toward exact self-service technologies and individual employees, the findings corroborate that higher direct worldwide attitudes toward service technologies pressure intentions to use self-service technologies. fascinatingly, the findings indicate that heavy self-service technologies users rely more on attitudes toward specific self-service technologies than do light self-service technologies users, who rely more heavily on universal attitudes toward self-service technologies when formative intention to utilize an self-service technologies. (James, M. Matthew, L. Meuter and Carol, F. 2003)

Kano Model Analysis:

The customer satisfaction model from professor Kano is a marketing and quality management approach that can be used for assessing and establishing customer satisfaction and happiness. Kano model has six categories of customer quality characteristics, but, only the first three specially relate to customer satisfaction. (Kano, 2007)

These factors are:

Basic factors

Excitement factors

Performance factors

Basic factors

The prerequisite factors that will cause dissatisfaction if they are not met, but, do not establish customer satisfaction. If they are fulfilled or cross

expectations customer regard this as essential and basic factors contribute to market entrance ' threshold'

Excitement factors

These requirements if they are met can increase customer level satisfaction, but, if they do not meet the requirements, do not cause customer dissatisfaction. These factors come to customers as surprise and create satisfaction. A company can come out from crowd from competitors in a positive way using these factors.

Performance factors

These factors are concerned with the performance level. So, we can conclude that customer satisfaction is directly related to the performance level, if the performance level is high, then, customer satisfaction will be met, but, if the performance level is low, cause dissatisfaction. These factors are directly related to customer desires, wants and needs etc. So, company should try to be competitive in a market.

(Adapted from Prof. Kano, 1994)

Customer point of view in relation to Self Service Checkout System (SSC)

Researcher forecasting about the adaptation of the self service checkout system have been gone against the past recommendation, instead, customers are using this technology more and embrace this technology with open arms.

Reasons for Supermarket to adopt this technology:

Customers do prefer to use their bank cards in privacy and anonymity.

Queue awaiting time reduction;

Need for self-service;

Quick payment;

Shoppers feel empowered;

Retail market is shifting towards radio frequency identification which will replace the bar code.

However this might be a foundation for increasing working hours, as supermarkets not depending on a cashier. Due it is not many research have been done in the UK the USA practise might be relevant for this research and will be in future referred as a compare base.

Theoretical Framework

Porter's competitive advantage theory is a classical and one of the foundational in business literature, however lately it was criticized by some authors (Day and Wensley, 1988 and Hunt and Morgan, 1995). Therefore some complementary concepts have been suggested.

In order to reinforce research the Porter's value-chain theory was complemented with the more current Value-Network model of Stabell and Fjeldstad (Stabell and Fjeldstad, 1998). Value-chain theory and the value network model are presenting the different activities of a company where value can be configured and added through SSC systems. This model allows the researchers to investigate the different activities of companies on which

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the implementation of technology-based self-service as an innovation can have an effect.

Theoretical Framework Implication

In order to fully understand the impact of introducing SSC in ASDA supermarkets it is necessary to look into: role and importance of innovation in a business context, product life cycle connected to SSC; competitive advantage theory and complementary concepts, value chain theory, and finally the importance of customer relationship management in the 'new' self-service economy.

Innovation

Before we are going to analyze stage it is important to understand what innovation in business context is. The full understanding can be obtained through definition of the term.

According to Merriam-Webster's Dictionary (2008), Innovation is "a new idea, method or device, or the introduction of something new."

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Blackmon (1996) provide us with the best summary for a context of this research: "... technological change is used to describe changes in knowledge that increase the volume of output or allow a qualitatively superior output from a given amount of resources ... and thus in driving organizational evolution ..."

In the following relation, the innovation in a business context is a product, device, service, programme, service provider, or methods of services delivery that are new, unusual, or in other ways different from those previously used and positively reflects in overall output of the organization in form of added value directly to the organization or its customers. In the case of this research, innovation in form of SSC brings changes into service delivery.

In order to understand the impact of the innovation it is necessary to understand to which area of service delivery it related.

Dabholkar (2003) made a classification of technology in service delivery with three dimensions.

“ By whom the service is delivered and who operates the technology”.

“ Where the service is delivered (at the shop or in customers’ home); and how the service is delivered”.

Depending on which category the service belongs to different factors will affect the customer’s evaluation of the service quality. This classification can be useful in guiding companies in the development of their marketing strategies when implementing SSC systems.

Table

At service site

At customer’s place

Direct contact

Customer goes to service site and performs service using technology at service site. E. g. ATM, self-service at retail checkouts.

Customer uses technology from home/office to perform service. E. g. internet shopping.

Indirect contact

Customer goes to service site and uses automated telephone system to perform service. E. g. automated wake-up calls at

Hotels.

Customer calls automated telephone service from home/office to perform service. E. g. automated ticket-ordering over telephone.

Source: Dabholkar, 1994 in Anselmsson, 2001, page 13.

Shadowed cell is the relevant technology for this research. Using this type of SSC, the customer goes to the service site and performs the service by using the technology provided at the service site. This implies a greater importance and wider range of quality issues in the interactive marketing function of the organisation.

Product/service life Cycle

In a business context everything is going through different level, stages of performance. It is similar to the any life development. From the cell of life to the maturity and death, the products are repeating same way from idea to implementation and ultimately death. Particularly in our case the service as well as product must be planned and introduce to employees, customers and

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eventually be accepted by them. It is crucial for the managers to adjust and control its performance while it goes through different stages. The effect respectively will be also different on different stages. Therefore, considering the life cycle of SSC systems is important when investigating the effects on company competitiveness.

Figure: Source Cordiant Technologies Limited

The product life cycle tend to go through the five stages of products:

Service/product development;

Market introduction;

Growth stage;

Mature stage;

Stage of decline.

Each stage is different in effectiveness of the product, expenses, revenue, etc. The first stage usually money intensive as there is no sales revenue and all expenses are covered by different organization's activities, in our case no effectiveness gain from reducing cost of operation. Stage two is quite expensive in our case as technological cost is very high. The purchase of the machineries and shop's infrastructure adjustments to accommodate it are required. Moreover the staff and customer's trainings and special promotions materials must be prepared. The third stage is continuous use of SSC by customers and therefore operational cost reduction becomes positive revenue, which might cover the marketing expenses. The fourth stage is

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characterised by very low costs of operation as number of customers who is using it increased. The final stage might come as soon as more efficient and productive technology will arrive and current become outdated. (Day, 1981)

The progression of a product through these stages is not certain however. Some products may stay in the mature stage forever, for example commodities such as milk, others might not even reach stage of maturity.

These products go through their life cycle as marketer's "marketing mix" strategies change. For example, advertising is informative stage of the introduction, maturity stages, winning in the growth and in the decline stage reminder-oriented. In the early stages the promotional budget tends to be highest, and as the product gradually tapers off matures and declines. Product characteristics, pricing, distribution also tend to change.

(Day, 1981)

The concept of product life cycle, applied to Self Service Checkout System (SSC) innovations, has also been introduced as an important concept that also contributes to affecting competitiveness.

The Value-Chain

Porter's value chain framework today still is the 'accepted language' for representing and analyzing the logic of firm-level value creation, and is also a framework for analyzing firm-level competitive strengths and weaknesses.

In value chain analysis "competitive advantage is understood by these discrete activities of the value creation process that contribute to the firm's relative cost place and produce a basis for segregation. These activities are

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the 'building blocks' from which a product or process is created that is valuable to the firm's customers. The different activities have different economics and thus contribute differently to the valuable characteristics of the product or process".

The value creating activities in Porter's model are divided in two levels. "Primary activities consist of directly interact to create and bring value to the customer, while support activities facilitate and develop the performance of the primary activities".

Figure: Source: (Porter, 1985, 1990)

The primary activity level consists of five actions: inbound logistics, operations, outbound logistics, promotion and sales and service. The maintain actions are procurement, technology growth, human supply management, and firm infrastructure. It is important to note that the different activity categories are not the same as organizational functions. Using the value chain for analysis, "costs and assets are assigned to the value activities as a first step, and are further analyzed as "structural drivers" related to the scale and scope of the firm, linkages across activities, and environmental factors. Cost and value drivers are usually analyzed separately. Moreover, drivers are partly related to internal relationships, partly to external factors, and partly to relationships between internal and external factors as well. The main drivers of value are policy decisions made by product and segment choices when the firm is established or repositioned".

(Stabell and Fjeldstad, 1998)

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According to Porter, “ the value-creating logic of his value chain with its generic activity categories is valid for firms in all industries. However, he further states that the specific activities that are vital to a firm’s competitive advantage depend on which industry the firm operates”.

(Porter, 1985, 1990)

Stabell and Fjeldstad (1998) however have investigated the application of the value chain model to a variety of industries and have experienced problems in applying the value chain frame work to more than two-dozen firms.

They have found that the value chain is suitable for describing and understanding the value creation logic of manufacturing firms, but that it proves problematic when analyzing activities in service industry firms.

They argue that “ problems arise from difficulty to assign and analyze activities in terms of the five generic primary value chain categories proposed by Porter, leading to unclear explanations of value creation”.

Therefore, Stabell and Fjeldstad (1998) suggest that “ the value chain can be considered as one of three generic value configurations to facilitate the understanding and analysis of firm-level value-creation logic for a broad range of industries and firms”. The additional two value models besides the value-chain are the value network and the value shop. The importance shop model applies to firms where price is created by “ mobilizing income and performance to resolve an exacting customer difficulty”, for example professional service firms dealing with medicine, law, architecture and

engineering. The value network model refers to firms that generate cost by “facilitating an organization relationship among their customers using a mediator technology”.

Stabell and Fjeldstad (1998) also propose alternative presentation formats for both models that represent their unique value creation logic. For the purpose of this research both Porter’s value chain and Stabell and Fjeldstad’s value network is of importance. Although Stabell and Fjeldstad state that according to their findings the value chain is mostly useful for manufacturing firms, for our investigation of supermarkets’ ‘traditional’ operations, the value chain is most fitting, with one small alteration.

However, in also considering the introduction of a new type of service offering through technology-based self-service checkouts, it is found necessary to complement the value chain model with the value network model in order to be able to capture the value adding activities of SSC. The combination of the different value-creating logics, as suggested for this research, has also been proposed by Norman and Ramirez (1993). Since the main purpose of the research is to investigate the effects of SSC in supermarkets, the value network is of central importance, which is discussed in further detail below.

The Value Network

“ Value networks use a ‘mediating technology’ to link clients and customers who wish to be interdependent.” According to Stabell and Fjeldstad (1998), “the firm provides a networking service through the mediating technology and thus facilitates exchange relationships among customers distributed in

space and time". For the consideration of SSC, the value network idea is modified to mean that the firm is the network itself, linking its customers not to each other but to the firm itself, facilitating a more interdependent exchange relationship between the firm and its customers.

Customer Satisfaction

" To measure the customer satisfaction of how your organisation`s `total product` performs in relation to a set of customer requirements." (Gower, 1999)

If you like to measure the customer satisfaction of the customers and you need direction exactly what you are measuring. Understanding the concept of customer satisfaction is very easy and can be done by assuming yourself as a customer in a supermarket.

Satisfaction is simple. If you get what you wanted and your requirements are met, you are satisfied. The starting point of a customer satisfaction management is to set the objectives.

There are different customer satisfaction objectives that can be set.

Customers` requirements (important ratings)

Customer satisfaction (Satisfaction ratings)

Comparison with other organizations

PFI (priorities for improvement)

Customer satisfaction index

A track able measure of satisfaction

The internal perspective

Firstly, you should identify customers` requirements and there are many things customers want and need but we need to identify most relative of customer requirements.

Secondly, you must measure customer satisfaction. Organisational performance is directly related to customer satisfaction and list of customers` requirements.

Thirdly, if you could go a bit further to analyse the customers` requirements as compared to other same organisations. (In our example `supermarket`)
This will give you the opportunity to get the benchmarking. By using benchmarking, you could analyse the requirements of your supermarket customers` as satisfied or not satisfied.

Fourthly, after getting the customers` satisfaction measures, you can use these measures to produce some survey outcomes and the first of that step is to identify the PFIs (Priorities for improvement)

Fifth, you will need to measure the overall customers` satisfaction. We call it a satisfaction index and it will indicate us to monitor progress from the one year to the next for the overall customers` satisfaction.

Finally, customers` satisfaction survey has to be done inside the supermarket to know about the understanding of employees about their customers` requirements. It will help any supermarket to indentify that if

their employees know about their customers` requirements and can identify gaps. An internal survey can also be used to help the management to make the decision making process and strategic management. (Gower, 1999)

Achieving Customer Satisfaction:

“ Customer satisfaction is measured frequently. Sampling is extensive. Surveys are quantitative as well as qualitative. The measures are taken very seriously. They are reviewed unflinching by Top management: the development of such measures is taken very seriously as the development of budgetary measures or product reliability measures. Evaluation of people in all functions at all levels is significantly affected by the satisfaction measures”. (Tom Peter, a Passion for Excellence)

Customer delight seems very credible people say things like:

In today`s competitive markets customer satisfaction is no longer enough; you have to delight the customers, give them something they did not expect to keep their business.

In customer satisfaction, the link between customer loyalty, customer retention and profitability can make get better customer satisfaction. It has been shown that customer retention can boost profit of the supermarket as it is very easy to keep the existing customers than getting new customers.

After getting the trend data and established the satisfaction- loyalty ratio in your market for your organisation, you make some models. Some companies now have `business performance models` based on their customer

satisfaction management survey results that have quantified the exact links between customer satisfaction, customer loyalty, sales and profit. They know that how much one percent improvement in customer satisfaction will improve loyalty how much that contributes to profits. Precisely, this is a very powerful forecasting tool.

Customer satisfaction

Business success

Employee satisfaction

Customer Retention

Figure: (Ch. BABAR 2010)

Customer Satisfaction and the Performance:

Customer satisfaction can be defined as more loyal customer and it involves emotional and complicated process. Every customer has certain level of product or service expectation and desire. If customer expectation level increased as a result of using that product or service, then, customer experiences satisfaction.

(Simon & Homburg 1998, Page 44)

However, " Satisfaction has also recently been described as the emotional reaction to this cognitively defined process of comparison".

(Homburg and Rudolph 1995, page 31)

In this context, customer experiences that the outcome of the process of comparison will not always give the correct result about the expected satisfaction outcome and actual level of satisfaction outcome. Instead, direct effect of these outcomes or satisfaction levels also interacts with satisfaction.

(Bolton et al. 1991 page 376)

The customer satisfaction has been in research for long time, mostly research and investigation has been done on the customer satisfaction, but, not on the customer retention.

It is the experience and attitude of the employee in closest contact with customers that customers are satisfied, loyal and customer retention has been achieved.

The Satisfaction is an “ a overall attitude of customer towards the service provider”

(Levesque and McDougall, 1996)

The companies are more successful, later research has showed if they adopt customer retention rather than customer satisfaction.

(Knox, 1998)

Customer satisfaction brings many benefits. Satisfied customers are fewer prices sensitive; they purchase more items, not go to competitors and stay longer.

(Zineldin, 2000)

Customer satisfaction is directly related with the customer complaint process management. If customer complains more, then, it increases more customer satisfaction. Customer complains about the product or service he/she receives, then, supermarket can achieve more customer satisfaction

(Johnston, 2001)

“ The product innovations, staff service, price, convenience and business profile are all determinants of customer satisfaction”.

(Athanassopoulos, 2000)

Later, Bejou et al. (1998) propose that “ customer satisfaction can be enhanced through relationships, provided they are developed and managed to the customer`s satisfaction”

Customer retention is not directly related with the customer satisfaction.

Sometime customer do not change service provider because of the alternative circumstances, but, customer satisfaction level remain the same. Sometime customers do not have any choice to change their service provider, so, they stick with their existing provider.

Hallowell (1996) argues that customer satisfaction cannot produce life time customer loyalty even though customer satisfaction has been increased, but, retention can be related with customer satisfaction.

Retention can be understandable as “ to do business or exchange a commitment to continue with a particular company on an ongoing basis”.

(Zineldin, 2000)

Retaining old customers are easy and cheap to keep as compared to the new customers because they are more loyal and less price sensitive. They keep their loyalty to their existing service provider and do not change their loyalty to the new service provider. It increases customer retention, satisfaction, lower price sensitivity, higher market share, higher productivity and higher efficiencies.

(Reichheld, 1995)

The authors suggest that in order to retain customers, companies should always change and developing their product and services to meet the ever changing needs of customers.

“ The concept of acquiring, developing and retaining customers from a cognitive and affective perspective”, they provide examples of how cognitive and affects are used to increase retention.

(Desai and Mahajan, 1998)

“ Customer satisfaction is a direct determining factor in customer loyalty, which, in turn, is a main presentation of customer retention”.

(Gerpott et al., 2001)

Customer satisfaction can be achieved by customer retention. Customer complaint process can increase the level of customer satisfaction that result in customer retention. Employee perspective is also very important with relation of the customers. Individual relationship with the customer can boost the level of customer satisfaction. It is direct related with the mental theories of customer and employee perspectives. Managers should be aware of customer wants and needs as well as employee mental perspective. Different employees keep different level of relationship with the customers that could affect the customer satisfaction and retention level. Therefore, Managers must keep eye into employee/customer relationship and set realistic goals to achieve.

(Spreng et al, 1995)

Good section

Customer Retention

Customer retention is directly linked with the customer satisfaction. The framework guide managers to decide which part of customer satisfaction has more collision, which part of customer satisfaction needs to be improve and make strategies to retain existing customers.

An individual level model of loyalty and customer retention has been developed, that can be used to predict effects of service level improvement at supermarket.

“ Customer satisfaction has been changed recently from transactional marketing to relationship marketing”.

(Grönroos, Sheth and Parvatiyar, 1994)

“ To all marketing activities directed toward establishing, developing, and maintaining successful relational exchanges”

(Morgan and Hunt, 1994)

“ Customer satisfaction has been treated as essential instrument for the customer retention, has gained significant importance in relational marketing approaches”.

(Rust and Zahorik, 1993)

Kotler sums this up when he states:

“ The key to customer retention is customer satisfaction”

(Ko