

An Empirical Research on Influencing Factors of Customer Experience of Retail Industry Aiming to Improve Customer Satisfaction: Taking Supermarket as an Example

Tang Wenwei, Zheng Tongtong

School of Management, Wuhan University of Technology, Wuhan, P.R.China, 430070

(E-mail: tangwenwei95@hotmail.com, PPLLZTT@163.com)

Abstract Based on existing research, this paper which conducts a primary research to explore customer experience in retail industry is conducted in Wuhan China. And it is concluded 45 key factors that indicate customer experience perception. These factors are the base of further factor analysis. Seven dimensions such as the service, price, convenience, product, store atmosphere, brand image and relationship are concluded as the key factors that indicate customer experience in retail industry. Correlation analysis finds out that there is a positive correlation between customer experience and customer satisfaction in retail industry.

Key words Customer experience; Customer satisfaction; Retailing; Supermarket

1 Introduction

In this Experience Economic world, customers' need turns to be higher than before thinking about the pyramid of hierarchy of need. Customers' behavioral characteristic and psychological requirements are increasingly complex. For example customers prefer to decide what to buy freely. And customers focus more on value rather than product itself than before, such as being respected, relaxing of body and soul, feeling self-realization and so on. More and more entrepreneurs and scholars began to pay attentions to customer experience in order to meet customer needs accurately, consequently to improve customer loyalty and customer value. Thus, customer experience management was proposed in this background. So far there are few empirical researches on this field in China, especially in retail industry. This paper was composed by the research which is based on almost every detail of the process when customer purchasing. The aim is to differentiate customers experience and to try to find key dimensions, key factors of customer experience in retail industry. This could be some help for practitioner of retail industry.

Retail industry takes various forms, such as discount store, convenience store, and supermarket(SM). In this research, SM was chosen as the scope of research. The reasons are as following. Firstly, SM has a large area and a great variety of goods and it can meet customer's one-time shopping needs and daily demands of necessity. Secondly, SM is one of the most important forms in Fast Moving Consumer Goods (FMCG) industry. Today, retail giants of foreign countries entered Chinese market aiming at the huge demand in China. With China's entrance to WTO, many restrictions on foreign retailers are cancelled. So retail industry, especially in SM, competition will become fiercer.

2 Overview of Customer Experience

Many scholars defined and illustrated customer experience. According to Joseph Pine and James H. Gilmore, experience is the fourth economic form after product, commodity and service, and is a new value resource. In a word, customer experience is customers' beautiful feeling, which is the result of interactive events planned by providers. And he or she could reach to a particular level of emotional mind, physical power, intelligence and spirit.

Customer experience is not only a marketing concept, but also a management tool. Refer to the concept of service marketing, Joseph Pine and James H. Gilmore constructed an experience theatre model, and pointed out that organizations must have a clear theme for customer experience management, and carry out an accordingly experience activity centre on this theme. As for customer involvement and relationship types, these kinds of experiences conclude entertainment experience, education experience, in addition to reality experience and aesthetic experience^[1].

According to Bernd H. Schmitt, experience is the internal responses of individual for certain stimulus in the process of watching or participating in events personally, and is a psychological state of perception which customers are pursuing. Today, customers are not pure rational decision-maker; they buy something just for the sake of emotion, intuition and impulsion^[2]. Moreover, from the standpoint of physiology, psychology, and sociology, Schmitt proposed that experience includes sensory experiences

(SENSE), affective experiences (FEEL), creative cognitive experiences (THINK), physical experiences, behaviors and lifestyles (ACT), and social-identity experiences, which is result from relating to a reference group or culture (RELATE)^[3].

Ramesh Venkat held that customer experience of retail industries contains three levels: the first level contains place experience, sensory experience, product experience and service experience; the second level contains edutainment experience and multi channel experience; and the third level contains brand experience and relationship experience^[4].

Sampson Lee, the founder and president of G-CEM (Global Customer Experience Management Organization), proposed that customer experience takes six main forms: product, service, relationship, price, convenience and brand image^[5].

3 Segmentation of Customer Experience Dimension

Taking account both former research and the characteristic of SM, this research classifies customer experience into seven dimensions: store atmosphere, product, service, relationship, price, convenience and brand image.

Store atmosphere is customer's feeling to the entity environment and atmosphere, including a series of sensory experience such as sight, hearing, taste, touch and smell.

Product contains physical product and service, including something enjoying right now, such as restaurant, and others for further use, such as durable goods. The key point of product experience is to meet customer's requirement of diversification.

Service contains basic service and additional service, such as after-sale service, consulting service and so on. Focusing on details is important in the process of providing services.

Relationship is customer's attitude toward the state of relation for the both sides: the customer and retailer. This contains to take every means to improving customer relationship, such as VIP club.

Price contains pricing policy, high rate of costs, customer-segment pricing and so on.

Convenience exists in whole process of customer buying, including time-saving, effort-saving and easy to get.

Brand image is an impression brand value leaves on customer, including brand direction for different market and target customer.

4 Research Design and Data Acquisition

Data of this research were collected by delivering questionnaires at the gate of supermarkets, and interviewing customers randomly. The geographical scope of the research is in China, Wuhan, an almost ten million populated big city, with multilevel-ownership supermarket exist, such as state-owned, foreign invested, private owned, and shareowner invested supermarket. Research design and investigation include three stages: personal interview, preliminary research and formal research. On the basis of literature review, we derived 45 indicators and thus designed questionnaires to assess customer experience in preliminary research. There are two parts of this questionnaire: one is 45 assessment indicators related to customer experience, this part uses 7-scale Likert form to evaluate. Another part is respondents' demographic characteristics, including gender, age, education and average monthly income. In the stage of preliminary research, 70 questionnaires were delivered and 62 effective questionnaires were returned. Through exploratory factor analysis, we finally identified 27 assessment indicators related to customer experience. Consequently, questionnaire for formal research is determined. In the stage of formal research, 170 questionnaires were delivered and 140 effective questionnaires were returned. Effective responding rate is 82.4%.

5 Statistical Analysis

This research analyzed data by using spss13.0. Statistical method includes reliability analysis, validity analysis, and correlation analysis.

5.1 Validity analysis and reliability analysis of customer experience

This research did factor analysis using the principal component analysis and varimax orthogonal rotation, intercepting date with characteristic value of 1 for standard. $KOM=0.742$. It is significant by Bartlett Test of Sphericity ($P<0.000$), so data is fit for factor analysis. The analytical outcome is illustrated in Table 1.

Table 1 Rotated Component Matrix (a)

		Component						
		1	2	3	4	5	6	7
Service	Complete after-sale service	.893	.108	-.026	.070	.050	.091	.063
	Handle complaints timely	.779	.116	-.091	.111	.083	.095	.038
	Convenient to complain friendly and trustworthy attitude	.722	.037	.072	.070	-.088	.061	.066
	Employees have good professional skills, can provide effective services	.681	.029	-.046	-.035	.095	-.098	.006
	Service response time within acceptable limitation	.661	.060	-.091	.004	.206	.117	-.058
Price	Feel the expected value	.189	.878	.028	.002	.041	.215	.122
	This supermarket supplies discount goods or bargain	.134	.816	-.014	-.030	-.012	.199	.015
	Compared with other retailer, it has price competitiveness	.169	.733	.056	.027	.011	.076	.179
	Price is reasonable	.007	.724	.101	.207	.317	.093	.061
	Advertising for sales promotion	-.006	.631	.168	.186	.222	.017	-.072
Convenience	Convenient to ride bus	-.075	.058	.902	.002	.162	.097	.094
	Toilet clean and easy to find	.018	.036	.878	.058	.092	.113	-.069
	Clean facilities for rest	-.080	.039	.791	-.010	.154	.181	.182
	Have convenient facilities such as parking lot	-.047	.130	.695	.209	.010	-.086	-.075
Product	Sufficient supply, never out of stock	.088	.145	.115	.912	.031	.156	.120
	Offer a variety of options to each commodity	.059	.122	.198	.856	-.075	.104	.101
	Complete goods	.086	.012	-.047	.836	.121	.178	-.041
Store atmosphere	Fresh air	.159	.145	.131	.031	.819	.186	.109
	Smell comfortable	.231	.112	.030	-.042	.804	.121	.034
	Retail atmosphere is warm	.002	.088	.279	-.022	.577	.218	.373
	Suitable temperature, environment clean	.091	.157	.256	.202	.570	-.011	.333
Brand Image	Enterprise has a good reputation, and provide guarantee for its product	.150	.218	.063	.188	.171	.881	.029
	Enterprise values its social responsibility	.020	.142	.166	.111	.070	.810	.130
	Distinctive brand logo	.130	.196	.060	.188	.192	.801	-.041
Relationship	The identity of VIP is helpful in getting preferential information	.029	.145	.005	.144	.142	-.061	.845
	The identity of VIP is helpful in getting price concessions	.143	.052	.034	-.008	.195	.147	.812

Because the above mentioned assessment factors of the questionnaire are based on existing research and practice outcomes, we could think it has good Content validity. From the outcome of factor analysis, 7 factors are extracted, and the 7 factors explain 70.992% of population variance. Rotated component matrix is shown as above. According to the relationship between assessment items and factors we can believe that factor 1 is service, factor 2 is price, factor 3 is convenience, factor 4 is product, factors 5 is store atmosphere, factor 6 is brand image and factor 7 is relationship. All the items are integrated into corresponding factors, and all loading coefficient are greater than 0.5, so the structure validity is well.

From the Table 2, it can be seen that every factor's Cronbach's Alpha Coefficient are greater than 0.7, so these factors have a high degree of consistency, and the internal structure is good.

Table 2 Reliability Statistics

Factor	N of Items	N of Samples	Cronbach's Alpha
Service	6	140	0.842
Price	5	140	0.853
Convenience	4	140	0.860
product	3	140	0.888
Store atmosphere	4	140	0.803
Brand image	3	140	0.882
Relationship	2	140	0.748

5.2 Validity analysis and reliability analysis of customer satisfaction

This research did factor analysis using the principal component analysis and varimax orthogonal rotation, intercepting date with characteristic value of 1 for standard. KOM=0.826, it was significant by Bartlett Test of Sphericity ($P<0.000$), so data is fit for factor analysis. The outcome is analyzed in Table 3.

From the outcome of factor analysis, only one factor is extracted, and this factor explains 63.329% of population variance of the samples. The matrix can't rotate, so component matrix is shown as follow. All the items are integrated into one factor, and all loading coefficient are greater than 0.7, so the structure validity is well.

Table 3 Component Matrix (a)

	Component
	1
Generally speaking, you are satisfied with this retailer	.904
This shopping experience is very pleasant	.859
You believe choosing this supermarket is a correct decision	.824
You are satisfied with its product	.705
You are satisfied with its service	.660

From the Table 4, it can be seen that the Cronbach's Alpha Coefficient of customer satisfaction is 0.849, so the degree of consistency is high, and the internal structure is good.

Table 4 Reliability Statistics

Factor	N of Items	N of Samples	Cronbach's Alpha
customer satisfaction	5	140	0.849

5.3 Correlation analysis of customer experience and customer satisfaction

Correlation analysis is a statistic mind used to analyze closeness of relationship among variables, which is described by correlation coefficient. In this research we use Pearson Correlation Analysis.

Table 5 Correlation Analysis of Customer Experience and Customer Satisfaction

	Price	Convenience	Product	Store atmosphere	Brand image	Service	Relationship
Customer Satisfaction Pearson Correlation	0.237**	0.030	0.150	0.259**	0.303**	0.304**	0.140
Sig. (2-tailed)	0.005	0.727	0.076	0.002	0.000	0.000	0.079
N	140	140	140	140	140	140	140

(* $p<0.05$, ** $p<0.01$)

From the result of correlation analysis, we can see that although customer's perceived difference in term of convenience, product and relationship is not significant ($p<0.05$). customer's perceived difference in terms of price, store atmosphere, brand image and service is significant ($p<0.01$). In other

word, customer's perceived level of price, store atmosphere, brand image and service is positive to customer satisfaction. This tells that to create and promote customer experience is helpful for promoting customer satisfaction.

6 Conclusions

According to this research we could get conclusions as following:

- (1) Customer experience is decomposable. In retail industry, it can be decomposed into service, price, convenience, product, store atmosphere, brand image and relationship;
- (2) There are several key influencing factors of different customer experience dimension;
- (3) Feeling level of customer experience is positive to customer satisfaction in some extent.

Thus, as retailers seeking measures to create competitive advantage, a new service mode and brand image, which is different from others should be build. Customer experience management (CEM) is right an efficient strategy. Retailers may take following practical measures to improve promote customer experience.

(1) Retailers could focus on the key factors which influence customer experience. Take Product for example, the key factors that influence customer's product experience are: sufficient supply, complete goods, and a variety of options to each commodity. Except these, although there are other many factors have impact on product, but they are not the key points.

(2) Retailers should construct a complete and systemic CEM model based on customer experience dimensions, and provide right experience to customers correctly.

One thing that needs to claim is that: different customer will have different perception for the same experience because of different customer's requirement level, personality preference, psychological features, education, and income level.

Future research will focus on how to measure customer experience and how to conduct CEM systematically in retail industry in China.

References

- [1] B. Joseph Pine II, James H. Gilmore. *The Experience Economy: Work is Theatre & Every Business is a Stage*[M]. Boston: Harvard Business School Press, 1999
- [2] Bernd H. Schmitt. *Customer Experience Management: A Revolutionary Approach to Connecting with Your Customers*[M]. New York: John Wiley & Sons, 2003
- [3] Bernd H. Schmitt. *Experiential Marketing*[J]. *Journal of Marketing Management*,1999(15):53-67
- [4] Sampson Lee, *Focusing on Limit Recourse, Design Win-Win Experience*[J]. *The Journal of China Computer Users*,2005,(43):40-41 (In Chinese)