MK7227 Postgraduate Dissertation

Student Number : 1447167

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A critical analysis of customer loyalty and customer satisfaction – a case study on Tesco Club Card

A dissertation submitted in partial fulfilment of the requirements of the School of Business and Law, University of East London for the degree of **[Masters of Science in International Business Management]**

[May 2016]

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RESEARCH TITLE: A critical analysis of customer loyalty and customer satisfaction - a case study on Tesco Club Card

Abstract

Purpose: The purpose of the research was investigating the relationship between customer loyalty and customer satisfaction in Tesco, UK. Research objectives are (1) to investigate current customer satisfaction and customer loyalty levels of Tesco, (2) to analyse the factors influencing customer satisfaction and customer loyalty in Tesco, (3) to scrutinize the relationship between customer satisfaction and customer loyalty in Tesco, and (4) to discover the ways in which 'club card system' increases customer loyalty of Tesco. The research is conducted based on secondary data. Secondary data for the research is collected from different secondary sources including books, journals, websites, articles, newspapers, blogs and websites.

Findings: The major findings of the research are: Tesco is suffering from low customer satisfaction level in UK retail industry. Tesco has the lowest level of customer loyalty in UK retail market compared to its nearest competitors. Customer satisfaction of Tesco is influenced by service qualities, product qualities, pricing efficiency and store attributes. Customer satisfaction of Tesco is also influenced by organizational behavior and customer perception, reliability, credibility, security, assurance, attractiveness, quality, communication, accessibility and image. Customer loyalty is significantly controlled by the customer satisfaction of Tesco as high level of customer satisfaction produces high level of customer loyalty whereas low level of customer satisfaction reduces customer loyalty. Product quality, service quality and price fairness are the strongest factors to control customer loyalty level of Tesco in UK market. There is a strong relationship between customer satisfaction and customer loyalty of Tesco as high level of customer satisfaction can lead to high customer loyalty in Tesco and lower level of customer satisfaction can lead to decreased customer loyalty level.

Implications: Club card has a significant impact on customer satisfaction level of Tesco as it helps organizations to identify and meet customer needs efficiently, establish positive relationship with targeted customers, produce and place proper product for customers, deliver efficient customer services, and efficient pricing strategy. Customer loyalty of Tesco is positively influenced by its club card system as it enhances satisfaction, trust, commitment, emotional attachment and passion among customers, therefore, contributes to increase customer loyalty. Although club card was efficient to increase customer loyalty of Tesco from overall point of view, the concept of club card's effectiveness to increase customer loyalty was dimly supported by the direct investigation among customers. Club card has helped Tesco to collect valuable customer data and information about customer preference, customer behaviour, spending nature and purchase pattern, therefore, empowered the organization to take efficient strategic decisions to make and keep customers loyal successfully. Some findings have revealed that although the customer loyalty of Tesco is mainly influenced by quality of products and services, and price efficiency, club card has significant impact to increase customer loyalty towards Tesco. There are different inefficiencies in club card program of Tesco have reduced the effectiveness of the marketing tool to improve customer loyalty. The major inefficiencies are inadaptability with the demands of new generation customers, time consuming process and vulnerable security system of club card system.

Research limitation: Limited time to conduct the research was the major limitation of the research as for the successful completion of such research required huge time, which was not possible to manage within tighten academic schedule. The research operation requires large amount of money to be spent that was tough to manage with self-financing option for the researchers. As the research was conducted based on secondary data, it has limited the sufficient data collection ability of the researcher. Insufficient previous experiences and skills of the researchers is another major limited of the research.

Acknowledgement:

This dissertation consummates my Master of Science degree of International business Management at University of East London. I would like to express my deepest appreciation to my respected supervisor Dr Ayantunji Gbadamosi who' s valuable advice and feedback always give me the motivation to hard work and research improvement. Without his guidance and persistent help it would not even possible for me to finish this dissertation.

London 15 -May-2016

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CHAPTER- ONE: INTRODUCTION

1.1 Introduction

 The research was prepared to understand the relationship between the customer satisfaction and customer loyalty from the perspective of UK retail industry. The organizational ground for the research is Tesco, the leading retailer in UK retail industry. More specifically, the research has investigated club card as the valuable determinant for generating customer satisfaction and loyalty of Tesco. In this chapter, the background, problems statement, questions, aim and objectives, methodology, significance and limitations of the research were detailed and justified.

1.2 Research Background

The modern retail industry is continuously a growing concern towards satisfying customer's expectation. Now the industry moves into a deeper area such as loyalty to make sure that the company is serving their best up to the demand level of the customers. This research aims to explore customer loyalty and satisfaction in the retail sector. A theoretical and methodological concept has been scrutinised here on the concept of loyalty where Tesco club card and Tesco itself have been evaluated. In the UK, Tesco, the leading retailer, serves millions of customers and dominates the market share of 30.1%, which is almost twice than that of its nearest competitor (Tesco PLC, 2011). Competition in UK retail industry is being cutthroat as most of global leading retailers are operating their business in the market. In this industry, Tesco is also facing intense competition to retain its customers. Recently, it is revealed that customer loyalty of Tesco is reducing as a huge number of customers of the organization have switched to other brands, therefore, Tesco has lost more than 7% market share since 2011 (McCaig, 2015). It is claimed that continuous reduction of customer satisfaction is responsible for the reduction of Tesco's customer loyalty and market share (This Is Money, 2015). However, it is not justified from the practical perspective of Tesco that there is a strong correlation between customer satisfaction and customer loyalty. Additionally, it is no clear that how reduce customer satisfaction level can reduce customer loyalty level of Tesco. The research was conducted to identify the impact of customer satisfaction on customer loyalty of Tesco. The major focus of the research was made in the research that whether Club Card can influence the customer loyalty level of Tesco in UK retail industry.

1.3 Problem Statement

One of the important research areas in modern business environment is customer satisfaction and customer loyalty. However, to explore the relationship between customer loyalty and satisfaction, researchers have not paid a considerable attention. According to Shahin *et al.,* (2011), it is possible to convert customers into loyal customers if the companies can make those customers satisfied by providing quality products and services, an instance of an extraordinary research. However, the relationship between customer loyalty and satisfaction is criticised over the years. For example, Storbacka and Lehtinen (2001) have shown that loyalty is not necessarily guaranteed by the satisfaction of customers. According to them, although approximately 75% of customers were 'very satisfied' or 'satisfied' with their previous retail companies, they have changed their companies just only to feel the different service tastes. For that reason, it is a burning controversy whether customer satisfaction influence the level of customer loyalty level of an organization. The controversy was justified from the context of UK retail industry by evaluating whether there is a relationship between customer satisfaction and customer loyalty in UK retail industry on not. The research has also evaluated how marketing tool like Club Card on Tesco can impact of customer loyalty level in the industry. The practical organizational context was the leading retailer in UK retail industry, Tesco.

1.4 Research questions

The research has focused on two types of questions including principle question and subordinate questions. The principle question of the research was:

"How does customer satisfaction influences customer loyalty of Tesco?"

The subordinate questions of the research were:

1. What are current customer satisfaction and loyalty levels of Tesco?
2. What is the relationship between customer satisfaction and brand loyalty in Tesco?
3. What are the typical influential factors of customer loyalty in Tesco stores?
4. How does Club Card influence customer loyalty in Tesco?
5. What are the major inefficiencies of Tesco's club card system?
6. How to improve the efficiency of Tesco's club card system?

1.5 Research aim and objectives

The aim of the research was to investigate the relationship between customer loyalty and customer satisfaction in Tesco, UK. The objectives of the research were like following:

1. To analyse the factors influencing customer satisfaction and customer loyalty in Tesco.
2. To scrutinize the relationship between customer satisfaction and customer loyalty in Tesco.
3. To discover the ways in which 'club card system' increases customer satisfaction and loyalty of Tesco.
4. To indentify the inefficiencies of club card system of Tesco.
5. To recommend ways to improve the performance of Tesco's club card.

1.6 Research methodology

The research was conducted based secondary data available in different secondary sources. For the collection data, different previously gather data regarding customer satisfaction and loyalty of Tesco club card were gathered, analysed and used. The major sources were used to collect research data, different statistics, data base, journals, newspapers, articles, websites and books.

1.7 Significance of the study

The research has mainly focused on two major issues. The first issues was the investigation of the relationship between customer satisfaction and customer loyalty from the perspective of UK retail industry where Tesco was taken as the representative of UK retail industry and specific organizational ground. The second one was to track down the impact of Club Card of Tesco on increase customer loyalty. The research is very important for Tesco as the organization is suffering from customer loyalty problem whereas the research has investigated the correlation between the loyalty problem and diminishing level of customer satisfaction of the organization. Additionally, the research has showed in which extent improved customer satisfaction can improve customer loyalty. Furthermore, the research has revealed the impact of Club Card on customer loyalty of Tesco. The information regarding the issues will significantly facilitate the successful strategic decisions regarding customer satisfaction and customer loyalty. The research will give a clear idea to other organizations in UK retail industry about the extent to which customer satisfaction influences customer loyalty of them that will facilitate their strategic decisions to increase customer loyalty and

customer satisfaction. Additionally, the research will give a thorough idea to the organizations about how their loyalty cards influence the level of customer loyalty.

1.8 Limitations of the study

Due to the subjective approach of the research project, there were some unavoidable constraints to complete the project. These were considered as research limitations and these limitations have been listed below. Limited time to conduct the research was the major limitation of the research as for the successful completion of such research required huge time, which was not possible to manage within tighten academic schedule. The research operation requires large amount of money to be spent that was tough to manage with self-financing option for the researchers. As the research was conducted based on secondary data, it has limited the sufficient data collection ability of the researcher. Insufficient previous experiences and skills of the researchers is another major limited of the research.

1.9 Dissertation outlines

The research comprises of five major chapters including introduction, literature review, methodology, results, analysis and discussion, and conclusion and recommendation. Introduction chapter includes research background, problem statement, research questions, research aim and objectives, brief research methodology, significance of the study, and research limitations. Literature review involves the theoretical and conceptual analysis of previous studies regarding current research topic. The methodology chapter details the methods, strategies and techniques applied to conduct the research and their justifications. In chapter four, data collected from different sources has been analysed and presented to produce research findings. Additionally, the findings were also compared to findings from literature review chapter to generate final research findings. In chapter five, the research has been concluded according to the research objectives and findings. Additionally, some recommendations were developed in this chapter.

1.9 Chapter Summary

In this chapter, the background and problem statement of the research were developed. After that, the research questions, aim and objectives were developed based on the research background and problem statement. At the end of the research, the rationale, brief methodology, limitations and outlines of the research were included.

CHAPTER-TWO: LITERATURE REVIEW

2.1 <u>Introduction</u>

Literature review is the study of previous literatures regarding current research topic. The main purpose to produce literature review is to develop research benchmarks. However, these benchmarks are used to collect research data and evaluate research findings. In the research, a literature review has been developed by analysing previous studies regarding customer satisfaction and customer loyalty mainly. These are considered as the two major variables of the research where customer satisfaction is the independent variable and customer loyalty is the dependent variable. The literature review has been developed in two major sections. In the beginning section, the theoretical framework has been developed whereas in second section a conceptual framework has been developed. The literature review has been developed based on funnel approach where discussion and evaluation have been made from broader perspective to specific perspective.

2.2 Theoretical Framework: Customer Satisfaction and Customer Loyalty

2.2.1 Customer satisfaction

Customer satisfaction is a widely used marketing term, which is very significant for the success of any business in customer oriented global market. It is a major variable for the literature review. According to Kotler and Keller (2012), customer satisfaction is a frequently used marketing term that can be defined as the extent to which a product or service offered by an organization can meet or surpass the customer needs. In other ways; customer satisfaction is the degree of satisfaction provided by goods or services of a company as measured by the number of repeat customers. More clearly, Kotler and Keller (2006) defined customer satisfaction is the person's feelings of pleasure or disappointment which resulted from comparing a product's perceived performance or outcomes against his/her expectations. Ireland et al (2009) defined customer satisfaction as feelings of disappointment or pleasure of customers and this is resulted from the products/services performances to the customers. Rai (2008) defines the customer satisfaction term through following formula.

Customer satisfaction=Customer perception of the service or product received-Customer's expectation of customer service or product.

From the above discussion, it can be said that customer satisfaction is the marketing term expresses the extent to which a customer gets satisfied after using the value or utility of a product or services based on their expected satisfaction standard.

2.2.2 Categories of customer satisfaction

It is necessary to understand different categories of customer satisfaction for achieving an in-depth understanding regarding customer satisfaction. In this section of literature review, different customer satisfaction categories have been identified and analysed. Different authors have tried to classify customer satisfaction in different ways. However, Hayes (2008) has categorized customer satisfaction in following three categories :

Figure 1 : Classification of customer satisfaction

Hayes (2008) argues that customers have expectation before purchase or consumption of a product. The expectation is used as standard for measuring satisfaction of customers. After having the product, customers define whether the expected satisfaction level achieved or not by consuming the product or services. The first classification of customer satisfaction is negative disconfirmation (Fornell *et al.*, 2010). Negative disconfirmation happens when an organization cannot sufficiently satisfy customers' minimum expectations by their product or services. The second one is positive disconfirmation. The type of customer satisfaction is achieve only when customers get satisfaction from a product or service that successfully exceed or surpass the previous expectations of customers (Kotler and Keller, 2006). The last type of customer satisfaction is simple disconfirmation. The type of customer satisfaction happens when satisfaction from a product or service exactly triggers or matches the customers' expectation. In three types of customer satisfaction, positive and simple disconfirmation can support organizational success whereas negative disconfirmation destroy customers' positive impression regarding an organization and most frequently, makes switch to another organizations (Hayes, 2008). From the above analysis, it has been revealed that customer satisfaction can be classified in three major categories: negative disconfirmation, positive disconfirmation and simple disconfirmation

2.2.3 <u>Significance of customer satisfaction</u>

Although it is believed that customer satisfaction is one of the most crucial critical success factors for an organization. However, it is necessary to understand logically how customer satisfaction influences organizational success and growth does. Here, the significance of customer satisfaction has been detailed.

Kerin (2012) argues that the issue customer satisfaction is a highly important issue for the success and growth of an organization. There are different reasons behind the justification. The success and growth of an organization is mainly dependent on the customer repurchase and new purchase from new customers. High level of customer satisfaction drives customers to come in a certain organization again and again. However, the repeat purchase behaviour continuously keeps organizational sales and profitability at the desired state. In contrast, when customers become dissatisfied to an organization, they avoid the organization to make repeat purchase. As a result, the organization loses its sales, profitability and growth (Fornell *et al.,* 2010).

Nguyen and Mutum (2012) describe that in the competitive global market, all the organizations are fighting for achieving larger number of customers as it is directly linked with the profitability and growth of the organization. However, customers select a specific brand to purchase based on common criteria, differentiation. When customers get possible reason to consider a brand as different from its competitors, then, they purchase from the organization (Turel and Serenko 2006). Customer satisfaction is a source of brand differentiation. When customers feel that an organization is not different from its competitors, the organizational ability to attract the customer become very low. For that it can be said that high level of customer satisfaction ensures brand differentiation, which is one of the major variable for organization success and growth (Agbor, 2011).

As said by Turel and Serenko (2006), to enhance and execute the relationship marketing, the first key element, customer service plays the vital role. Customer satisfaction is the key driver for the success of business and organizational profitability. In addition, customers who are satisfied to a particular organization may be motivated to re-purchase and sometimes they may refer others to purchase from that particular company. And, this conducts the least pricing strategy to keep those existing customers rather than to the customers who comparably new competitors (Bowhill, 2008).

According to Bae (2012), the survival of an organisation ultimately depends on the satisfactory level of the customers as this remains the most concerning issue in the modern business world. Different variables can influence the customer satisfaction such as reliability, lead time, responsiveness, product/service price etc. as the satisfaction of customers remain as subjective approach (Rai, 2008).

Consistent with the study of Fornell *et al.,* (2010), the more an organization loses its customers, the more the organization loses its competitive position in the market and profitability. For that reason, it is necessary for every organization to retain its customers by reducing customer churn and increasing customers' lifetime value. However, high level of customer satisfaction increases customers' lifetime value and decreases customer churn. In this way; customer satisfaction helps to retain customers and carry out organizational profitability and growth (Heskett and Sasser, 2010).

Agbor (2011) revealed that for the desired growth and success, it is necessary for an organization to achieve desired level of sales capacity, which means ability of an organization sale its products to new customers. High level of customer satisfaction helps to increase sales capacity of an organization whereas low level of customer satisfaction reduces sales capacity of the organization (Mosahab *et al,* 2010). The reason behind it is that high level of customer satisfaction stimulates customers to produce positive word of mouth, which attracts new customers efficiently and cheaply. In contrast, when customers of an organization produce negative word of mouth, it destroys the image of the organization and discourages new customers to purchase from the organization (Hutchinsona *et al,* 2009).

2.2.4 Factors influence customer satisfaction

Mosahab *et al,* (2010) described that in high competitive customer driven global market, customer satisfaction is considered as a critical success factor for any organization. However, to achieve desired success in formulating customer satisfaction strategies, it is necessary to understand which factors influence customer satisfaction level of an organization. There are different factors that directly and indirectly influence the customer satisfaction level of an organization (Vuuren *et al,* 2012).

Christine (2011) explained that customer satisfaction of an organization is significantly dependent on the department wise capability of the organization. The reason behind it is that if an organization can successfully engage its departments to deliver efficient products and services, customers will get maximum values, which will make and keep them satisfied. If an

organization fails to ensure proper collaboration of every department, it will be not being able to deliver desired value to the customers in case of different bottlenecks.

Based on the study of Ndubisi *et al.,* (2009) it has been revealed that the needs of customers are not static at all as they are changing by time. The organization can efficiently cope with the changing nature of customers and deliver the best product and services according to their changed needs can achieve desired success and growth. In contrast, if an organization fails to understand changing mode of customers' needs and deliver desired products according to the changed needs, the organization cannot achieve customer satisfaction. As a result, customers become dissatisfied, disloyal, therefore switch to other brands (Ibrahim and Najjar, 2008).

As explained in Mosahab *et al,* (2010), quality is another significant factor, which directly influences that customer satisfaction level. High quality product and services enhances customer satisfaction level whereas low quality of customer satisfaction leads poor level of customer satisfaction level. Different customers like different products and services, or different product features. For that reason, to satisfy wide variety of customers, it is necessary to diversify the products and services. High diversity of product and product features positively influence customer satisfaction level (Vuuren *et al,* 2012). Price reasonability is another factor influences customer satisfaction of customers as customers become satisfied when they get product within competitive and reasonable prices. In contrast, when customers are offer unreasonable price for a product become dissatisfied (Hu *et al.*, 2009).

Du Plessis (2010) support that customer service is a significant factor directly influences customer satisfaction level before, during and after purchase. If customers get sufficient information support to make their purchase decision before, during and after purchase, they become highly satisfied. In contrast, if customers do not get sufficient services before, during and after purchase, they become dissatisfied. Efficient complaints management is very important for customer satisfaction as high efficiency to manage customer complaints can increase customer satisfaction where low capability to manage customer complaint significantly reduces customer satisfaction (Bae, 2012)).

As supported by Hutchinsona *et al,* (2009), performance and efficiency of product to satisfy customer needs, and organizational image significantly influences customer satisfaction level. If the products performance and efficiency are high customer satisfaction will be high

whereas, if the product performance and efficiency levels are poor, customer satisfaction level goes down. Customer satisfaction also influenced by customer relationship management ability of an organization as efficient customer relationship management can successfully influence customer satisfaction level positively whereas inefficient customer relationship management can negatively influences customer satisfaction level of an organization (Sorensen, 2012).

2.2.5 <u>Dimensions of customer Satisfaction</u>

Edwards (2009) explained that for the analysis of customer satisfaction, it is necessary for defining customer satisfaction dimensions as the dimensions will help to measure customer satisfaction level. There are four major dimensions of customer satisfaction including the emotional dimension, loyalty dimension, cognitive dimension and behavioural dimension.

Emotional dimension of customer satisfaction expresses that opinion and experience of customers after having a product or service form an organization. Emotional dimension is assessed and analyzed based on the customer perception of an organization regarding a product or service quality. The quality perception of customers of an organization covers the customer perception regarding overall quality, perceived reliability and aptitude to fulfil clients' needs (Kerin, 2012).

Loyalty dimension of customer satisfaction is the extent to which a client is loyal to a product or service or a brand. For the measurement of the loyalty dimension, it is necessary to understand some specific issues. For the first time, the overall satisfaction level of customers regarding a product or services or a brand, the continuous intension to purchase and consume the product, and the frequency the customers refer the product or service or the brand to their friends, family members and colleagues (Kotler and Keller, 2006).

Cognitive dimension is the judgment of customers that measures the usefulness of product and services, the extent to which a product or service meets or accedes the situation's requirement, and what was the important part of the overall customer experience with product/service or organization. Judgments are often specific to the intended use and context in which the product was purchased, regardless if this use was current or incorrect (Munusamy et al., 2010).

Behavioural dimension is the extent to which customers believe purchasing a product would be a good choice or they will be happy to repurchase this product. It also reflects the

customers' past experience with the customer service. Behaviour of customers is influenced by the word of mouth or messages of social networks. Most importantly, the dimension measures to extent to which a customer will repurchase a product or service regularly. It is a significant parameter to determine customer satisfaction (Ibrahim and Najjar, 2008).

Edwards (2009) has further detailed that from the simplified forms of customer satisfaction measurement dimensions, which are the quality, relationships, price performance and need satisfaction. If an organization can deliver the high quality of products and services, they will be satisfied whereas if the organization fails to deliver desired quality of product or services, they will not be able to achieve desired level of customer satisfaction. Customer satisfaction is defined by the ongoing relationship between customers and organizations. The customer satisfaction level is high when customers are in continuous touch with organization (Fornell *et al.,* 2010). When customers are not in touch with the continuous touch of the organization, then, they are likely to dissatisfy with the organization. Customers' perceptions regarding price reasonability or appropriateness is another major dimension for customer satisfaction. If customers believe that organizations are offering appropriate price for the value delivered by their products or services, they remain satisfied whereas if customers believe that organizations are charging unreasonable or extra price on their products or services, they become dissatisfied (Bowhill, 2008). Customers purchase products or services with a standard expectation. If customers feel that organizations are offering values, which meet or exceed their standard expectation level, they become satisfied. In contrast, when customers do not acknowledge that they are getting desired level of values from a product or service of an organization, it expresses they are not satisfied with the organization (Kerin, 2012).

Figure 2 : Customer satisfaction dimension
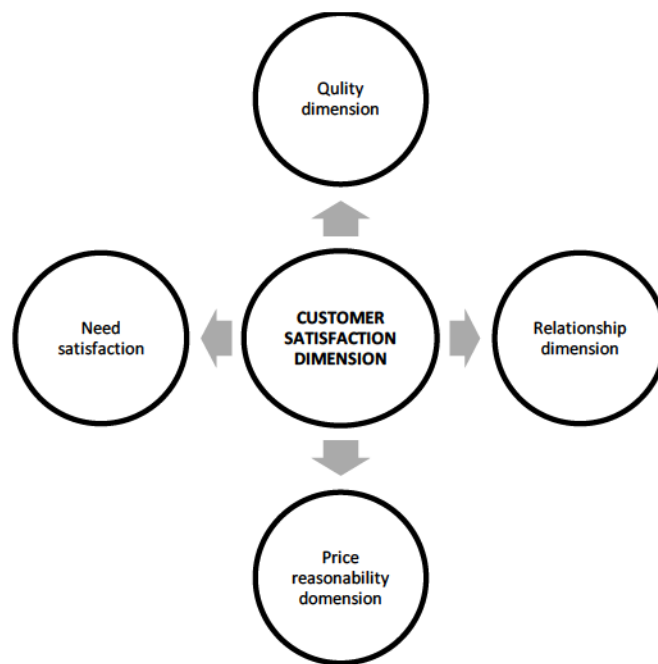
Source: Kerin, 2012

2.2.6 <u>Process of customer satisfaction</u>

Kotler and Keller (2012) have urged that the development of satisfaction among the customers is a crucial focus for every organizatins allover the world. However, the customer satisfaction development maintains a systematic process like foloowing:

Figure 3 : How customer can become loyal
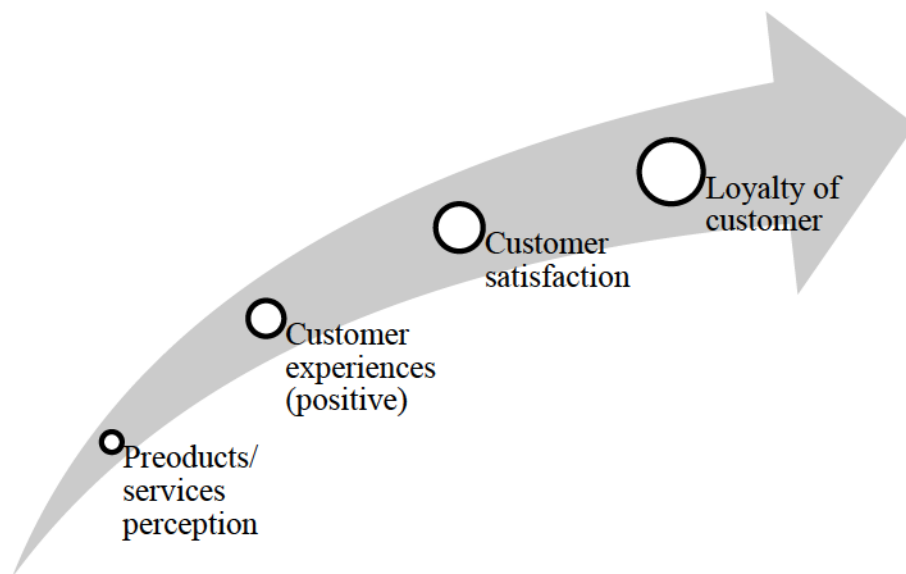
Source: Kotler and Keller (2012)

Kotler and Keller (2012) have further detailed that when an organization offers products and services according to the needs and expectations of customers, they feel positive impression in mind to the organization. The positive impression leads customer satisfaction. When the organization offers products and services, which continuously satisfy customers, it keeps customers continuously satisfied. The long-term customer satisfaction leads customer loyalty (Munusamy *et al.,* 2010). In contrast, when an organization cannot offer products and services according to the needs and expectations of customers, they feel negative impression in mind to the organization. The negative impression leads customer dissatisfaction. When the organization offers products and services, which continuously dissatisfy customers, it keeps customers continuously dissatisfied. The long-term customer dissatisfaction leads customer disloyalty (Akbari, 2013).

Macro Model for customer satisfaction: The model describes how does customer satisfaction develops in customer mind. According to the model, customer satisfaction feelings develop from basic two issues including perceived performance and comparison standard. The perception and comparison standards regarding products and services from an organization leads to perceived disconfirmation, which is the evaluation of perceived performance according to one or more comparison standards. The perceived disconfirmation leads to the satisfaction and the satisfaction feeling controls repurchase intension and spread of word of mouth (Angelova and Zekiri, 2011)

Figure 4: Macro-model for customer satisfaction
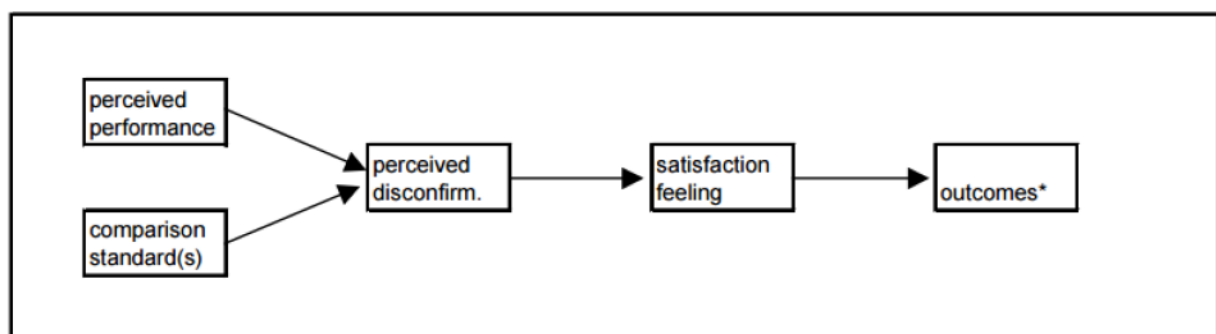
Source: Angelova and Zekiri, (2011)

According to the macro-model of customer satisfaction, if the perceive performance of a product or organization is high along with positive comparative standards; the organization enjoys positive perceived disconfirmation. The positive perceived disconfirmation leads positive customer feelings that produce outcomes including repurchase and spread of positive word of mouth. In contrast, when an organization experiences suffers from negative perceived performance and poor comparison standard, the organization suffers from low perceived disconfirmation, which leads poor customer satisfaction level. As a result, the organization suffers from customers' avoidance and negative word of mouth (Angelova and Zekiri, 2011).

Value chain model for customer satisfaction: According to the model, customer satisfaction is developed based on value delivered to the customers in different stages of customer consumption. In primary stage, customer satisfaction is created from the product attribute. If product attributes offer higher value to customer it creates customer satisfaction. But, if the product attributes cannot offer expected values to customers, it produces negative customer satisfaction. In second, the customers develop feeling regarding the consequence of a product after having it. If the consequence of product consumption is better, it positively influences customer satisfaction level whereas if the product consequence is unsatisfactory, customers develop dissatisfaction. If end state of customer mind is better, it creates positive impression among customer that leads customer satisfaction whereas if customers' feelings after having a product or service, it will negatively impact on customer satisfaction level (Kotler and Keller 2012).

3C model of customer satisfaction-Consistency, consistency and consistency: According to Akbari (2013), for the development desired level of customer satisfaction, it is necessary to maintain three basic types of consistency- journey consistency, emotional consistency, and communication consistency.

Figure 5 : Three C model of customer satisfaction
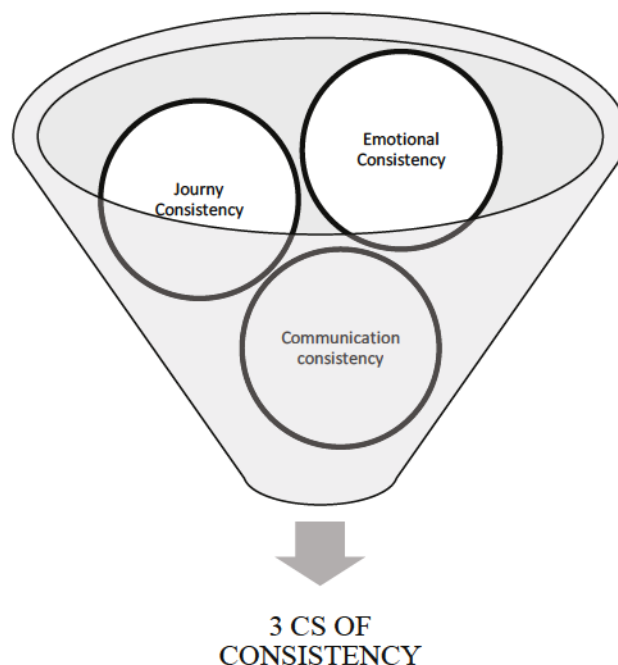
Source: Akbari (2013)

Akbari (2013) further revealed that it is necessary to maintain consistent journey with customers to produce customer satisfaction as customers feel positive impression regarding an organization, which maintain continuous interaction with them. That's why; it is suggested that business organizations need to have clear polices, rules and supporting mechanisms to ensure every interaction they have with a customer is consistent (Kotler and Keller, 2012). For the successful achievement of customer satisfaction goal, an organization should ensure positive emotional influence on customers. For achieving emotional consistency to achieve desired customer satisfaction level an organization should build trust and confidence among the customers (Edwards 2009). If an organization fails to ensure trust and confidence among customers, it fails to maintain emotional consistency among customers, therefore, suffers poor customer satisfaction level. Continuous communication develops positive relationship with customers that are significant factor directly and indirectly influence customer satisfaction level. Consistent communication creates customer satisfaction whereas communication gap between organization and customers can lead customer dissatisfaction (Kursunluoglu, 2011).

2.2.7 <u>Measurement of customer satisfaction</u>

Bowhill, (2008) describes that in modern business, there is a wider use of customer satisfaction measurement. In context of sales target and profitability, a core measure reflex the improved satisfaction level of customers. In order to measure the satisfaction level, a significant role has been played by the customer relationship management (CRM). In accordance with customer satisfaction, the measurement tool, CRM has some advantages which can lead towards customer loyalty such as: A minimum number of three customers can be brought by the satisfied customers and based on the supplier's performance; the sales rate can be escalated with improved satisfaction and reliance (Johnson et al., 2008). Price sensitivity will be less for the regular customer than the newer one etc.

According to Hu *et al,* (2009), organisation can consider the following role to measure the satisfaction level of customers: customer behavioural nature of re-purchasing and being loyal to the company and market research such as interviews, surveys, questionnaires etc. can be conducted to measure a customer's satisfaction level on specific products or services. Organizations are currently offering value-for –money which is mainly based on the perception of their customers and the experience of the shoppers (Du Plessis, 2010). Price, quality, range or service are the main factors which can positively or negatively influence customer buying experience. Based on this, if customer has good experience then they

become loyal to the organizations and may influence others to purchase from them. At the same time they will become repeated customer for the company (Verbeke, 2013).

According to François *et al.*, (2007), SERVQUAL is an important model which can help to measure the satisfaction level of customers. The model can be reviewed to critically investigate the relationship between customer loyalty and customer satisfaction. According to them, SERVQUAL model can be helpful to assess the gap between customer expectations and customer perceptions, and this can reflect both customer loyalty and satisfaction. The service perception that is delivered by the company itself can evaluate the service quality (Verbeke, 2013).

SERVQUAL Model: Akbari (2013) has stated that the model can be used to assess customer satisfaction. The model contained 10 factors previously. However, the 10 factors have been collapsed into 5 factors; therefore, the model has been named as RATER. The five factors in the RATER are Responsiveness, Assurance, Tangibles, Empathy, and Reliability.

Responsiveness is a significant factor to measure customer satisfaction that means the willingness to help customers and provide prompt services. If organizations response efficiently to the needs of customers, they become satisfied whereas if organizations response insufficiently to the customers, they become dissatisfied. For the measurement of customer satisfaction, the responsiveness of an organization can be analyzed and assessed from the point of view of customers (Ndubisi *et al,* 2009).

The second factor of RATER model to assess customer satisfaction is the Assurance, which means employee knowledge and curtsey and ability to convey trust and confidence of customers. Sufficient employee knowledge and curtsey and ability to convey trust and confidence of customers lead high level of customer satisfaction whereas insufficient employee knowledge and courtesy and ability to convey trust and confidence of customers lead low level of customer satisfaction. To measure customer satisfaction, it is necessary to measure to which extent an organization can ensure assurance to the customers (Rai, 2008).

Tangibility is another major factor in the model to assess customer satisfaction as customers are more satisfied when they found the organization, its product or services are more tangible, which sufficient quality. Tangibility can be defined as the appearance of physical facilities, equipments, personnel and communication materials (Storbacka and Lehtinen, 2001).

Empathy significantly influences customer satisfaction level as high level of empathy enhances customer satisfaction level whereas the low level of empathy reduces customer satisfaction level. The concept of empathy can be defined as the care and individual attention of organizations to its customers. To measure the customer satisfaction level, empathy is a major determinant as it expresses how efficiently an organization can care its customers and offers individualized attention, which is directly linked with the satisfaction level of customer (Vuuren *et al.,* 2012).

Reliability is the ability to perform the promised services dependability and accurately. The dependable and accurate performance of an organization can maximize customer satisfaction as customers want their favoured organization will offer timely services and accurate services according to their needs. If an organization fails to offer reliable services, the organization cannot achieve desired level of customer satisfaction. To measure customer satisfaction, it is necessary to measure to which extent an organization is reliable to deliver product or services to its customers (Hayes, 2008).

2.2.8 Customer loyalty

Kotler and Keller (2012) explained that today's market is more competitive than ever before and organisations pay significant attention to the demands of the consumers. The most critical part of the organisation is creating loyal customers for them. Although, loyalty refers to the unselfishness, but in context of supermarket perspective, the definition of loyalty has more explanation. Customer loyalty occurs if people choose to use particular shops or buy one particular product, rather than use other shops or buy products made by other companies. When they consistently purchase a certain product or brand over an extended period of time is considered as customer loyalty (Hayes, 2008).

Ireland *et al.,* (2009) detailed that in accordance with the particular brand category, products, store and services, consumer consistence refers to the customer loyalty. Customer loyalty refers to the complex inter-relationships between customers and suppliers. In addition, in terms of behaviour, attitude and commitment, loyalty refers to the retention of customers. The customer loyalty is expressed by customer through exposing likelihood of previous customers

to continue to buy from a specific organization and organizations in customer driven global market are highly concerned about marketing and customer services to retain current customers by increasing customer loyalty (Kerin, 2012).

2.2.9 Dimension of customer loyalty

As the customer loyalty concept is one of the major variables for the research, it is necessary to understand the dimension or classification of customer loyalty. There are two different type of loyalty such as attitudinal and behavioural loyalty (Vuuren *et al,* 2012).

Behavioural loyalty: Brand loyalty is referred by the behavioural loyalty where purchases are made more frequently. Purchase scope is increased here as customers go for re-purchase to have same kind of products or services. The definition of behavioural loyalty of customers relies on customers' actual conduct, irrespective of the attitudes or preferences that underlie that conduct (Kerin, 2012). The behavioural definition emphasize mainly on repurchase as the definition says that if a customer purchase from an organization continuously, the customer will be considered as loyalty to the organization. According to the behavioural concept, loyalty is not a cause but a result of brand preference (Mosahab *et al,* 2010). For the successful increase of customer loyalty, it is necessary to focus on whatever tactics will in fact increase the amount of repurchase behaviour-tactics that can easily include without being limited to improve brand preference, product quality or customer satisfaction (Kotler and Keller, 2006).

Attitudinal loyalty: According to Kotler and Keller (2012), a tendency to have specific products or services can be outlined as attitudinal loyalty where customers have individual feelings. According to the attitudinal loyalty, it is believed that loyalty is the state of mind and a customer is loyal to a brand or a company if he/she has a positive, preferential attitude towards. In this type of loyalty, customers like organization, its products or its brand. Attitudinally, attitudinally loyal customers prefers from to purchase form the organization rather than from the competitors of the organization (Mittal and Frennea, 2010). From the economical point of view, attitudinal customer loyalty mean that someone who is willing to pay a premium for a brand over other brand, even when the products they present are virtually equivalent, is loyalty to the brand. From the attitudinal perspective, customer preference is virtually equivalent to the customer loyalty as it is closely tied to customer satisfaction and any company wanting to increase loyalty will concentrate on improving its

products, its image or other elements customer experience, relative to the competitors (Edwards, 2009).

2.2.10 Tesco Club Card

According to Jones (2013), Tesco is the leading retailer in UK retail industry having more than 28% market shares. The organization has been established by Jack Cohen in 1919. Over the last century, the organization has experienced significant growth. However, the organization has become the largest retailer in UK retail market in 1995 by defeating the leading retailer Sainsbury's and holding the prestige still now. However, the strategic tool has made Tesco the leader in the industry is named as "Tesco Club Card" (Ma *et al.,* 2010). It is a marketing tool to reward customers based on their purchase amount. Although most of the retailers are now using this type of cards or schemes, club card is the most effective marketing tool in UK retail industry to reward customers till now (Mollah, 2014).

Law (2008:22) have detailed that Tesco has introduced its club card program in 1995 as the UK's first supermarket reward program to understand the customers' shopping and spending habit and piloted in twelve stores in UK. Primarily, customers got 1 point for every £5 spent and under the new scheme; customers get 1 point for every £1 spent on goods in-store, online, on Tesco Petrol forecourts, Tesco personal finance products and Tesco telecoms. The introduction of club card increased market share of Tesco from 15% to 18% within six month period. Within less than 12 months of club card launch, Tesco achieved about 8 million club card holders, who spent more than 200 million in Tesco stores (Ma *et al.,* 2010). According to Virgin Atlantic (2016), Tesco club card points reach 150; the customers receive vouchers, which they can use for purchasing products or services. In this way; customers get club card points in every transaction with Tesco that becomes deposited in their club card account continuously. Therefore, club card points become vouchers, which are usable by the customers to make further purchase from the organization.

According to Mollah (2014), the club card system works in three stages. When customers registered them to club card system can earn points in exchange of spending money. The points are converted into vouchers. However, the vouchers can be used for purchasing products from the organization. The points become matured to be converted as voucher every next quarter. Tesco club card points are distributed as following:

Figure 6 : Tesco Club card distribution

Per week spending	£20	£30	£40	£50	£100
Points for per quarter	250	375	500	625	1250
Redemption for per quarter	£2.50	£3.75	£5.00	£6.25	£12.50

Source: Mollah (2014:29)

Mollah (2014:29) detailed that Tesco gives 250 points to the club card holder for £20 spending for per quarter. In contrast, the 250 point is converted as £2.50 voucher, which can be used by the customers for further purchase. The customer spends £30 per quarter gets 275 points convertible into a voucher of £3.75. In the same way; when a customer will purchase from Tesco £100 will get 1250 points convertible into £12.50 voucher. The organization sells huge number of products and services every day and provides a great deal of points to its customers. The club card of Tesco is very efficient than that of most other organizational loyalty schemes in UK retail industry (Fischer and Luansagul, 2011).

Zakaria et al., (2014) explained that club card made significant surge in customer attraction when it was introduced first and still now it is considered as one of the efficient marketing tool of Tesco to deliver customer satisfaction and produce customer loyalty. It is believed that it was impossible for Tesco to reach at the leading position and securing the position for long time without loyalty card. The club card has established a significant communication and constant relationship with customers that leaded customer satisfaction and loyalty by developing and managing long term customer relations efficiently. Fischer and Luansagul, (2011) revealed that Tesco club card significantly helps the organization to remain competitive in UK retail market by achieving high level of customer satisfaction and loyalty. The reason behind it is that it has helped to reward customers to attract them and promote organizational products and services efficiently (Mollah, 2014). Not only that but also club card system has helped the organization to gather customer information regarding their spending trend, preference and actual needs and demands. Thus, it has given competitive edge to the organization to formulate most efficient organizational strategies to achieve new

customers and retain existing customers, therefore, experienced significant growth in sales, revenues, profitability and growth over the last decade (Ma *et al.,* 2010).

2.3 <u>Conceptual Framework</u>: Impact of Customer Satisfaction and Customer Loyalty

According to Shahin *et al.,* (2011) there is a significant relationship between customer satisfaction and customer loyalty. They have found that traditionally, customer satisfaction and customer loyalty are closely linked. They have showed that continuous customer satisfaction leads customers to be loyal to an organization whereas continuous dissatisfaction leads to customer disloyalty. Tweneboah-Koduah and Farley (2016) have revealed that customer satisfaction consists of tangibility, reliability, responsiveness, assurance and empathy, which contributes on customer loyalty level. Therefore, high level of customer satisfaction ensures high tangibility, reliability, responsiveness, assurance and empathy, which produce higher customer loyalty whereas low level of customer satisfaction leads to tangibility, reliability, responsiveness, assurance and empathy, which reduces customer loyalty.

According to Khan (2012), customers need to develop a differentiated and competitive view towards an organization and its products and services over available alternatives in the market to be loyalty. The organization can make it and its products and services different to its customers over its competitors; the organization can achieve larger number of loyal customers. In contrast, when organization cannot differentiate itself from its competitors, it cannot generate desired extent of loyalty among customers.

Wong *et al.,* (2013), revealed that customer satisfaction has strong positive impact on customer loyalty as customer satisfaction improves customer loyalty level. They have justified that customer satisfaction positively influences the brand preferences of customers that influence customer loyalty. Not only that but also, customer satisfaction influences switching cost which influences customer loyalty.

According to Mohsan *et al.,* (2010), although customer satisfaction is an important determinant for customer loyalty, only customer satisfaction cannot produce and maintain customer loyalty. They have justified that customer satisfaction is the critical scale of how well a customer's needs and demands are met while customer loyalty is a measure of how likely a customer is to repeat the purchase and engage in relationship activities. Customer satisfaction is not an accurate indicator of loyalty as satisfied customers can also switch, which is a fundamental factor for customer loyalty. As a result, they have concluded that

satisfaction is essential but not a sufficient condition of loyalty. More clearly, although an organization can have customer satisfaction without loyalty, it is hard to or even impossible to have loyalty without satisfaction.

2.4 Chapter Summary

The chapter is prepared based on the analysis and evaluation of the theories and concepts of customer satisfaction and loyalty. In the beginning of this chapter, the theories of customer satisfaction and loyalty from previous studies are analysed and evaluated to produce a theoretical ground for the research. The second part of the chapter produced a conceptual ground for the research based on the analysis of the relationship between customer satisfaction and loyalty. The findings from literature review shows that there is a significant co-relation between customer satisfaction and loyalty.

CHAPTER-THREE: RESEARCH METHODOLOGY

3.1 <u>Introduction</u>

Kallet (2004) defines research methodology as

"The selection of specific procedure or techniques used to identify, select and analyze information applied to understand research problem, thereby, allowing the reader to critically evaluate a study's overall validity and reliability. Two specific questions are answered through methodology-how was the data collected or generated? And, how was it analyzed."

The chapter of the research contains the critical evaluation of the methods, strategies and techniques applied to conduct the research. Present research is a secondary research and solely operated based on the secondary data and information. The research design, construction of method and process to conduct the research have been discussed, evaluated and justified.

3.2 <u>Choice of design</u>

A research can be conducted based on two types of data, primary and secondary. The research has been conducted with the use of secondary data, which can be defined as the data that was collected by someone other than user and the common sources of secondary data for social research includes censuses, information collected by government departments, organization records and data that was originally collected for other research purpose (ESRC, 2015). Crouch *et al.,* (2003) have defined secondary research as the summary, collection and/or synthesis of existing research rather than primary research, where data is collected from, for example, research subjects or experiment.

The research has been conducted based on secondary data as the use of secondary data has helped to produce high quality of data because secondary data usually very extensive and covers a large spectrum of issues, from where researchers can gather and use the most valid and reliable data only (Mertens and McLaughlin, 2004).). In other way, there are a significant number of literatures can sufficiently support to describe the current project topic and produce desired quality and quantity of data to achieve focused research aim and objectives.

The research has been conducted based on the secondary data as the given academic time for completing the research was very limited. In this limited time, secondary research was best choice as it was not possible to collect primary data to conduct a research. Additionally, for conducting the research, there were limited resources, which can successfully support the completion of a secondary research as a primary research operation costing huge resources may not be possible to manage. The choice has been supported by Kasi (2009) as usually time and cost required to collect secondary data is less than efforts required to collect primary data and secondary data is available freely or at far leaser cost through secondary sources.

For the successful operation of the research, it required to make a multidimensional analysis and evaluation based different theories regarding customer satisfaction and customer loyalty. It was tough to cover all the theories to be analyzed with the limited time given based on a primary research. In contrast, the topic is well-studied and various sources are available to generate desired secondary research data to operate it. The literatures and studies available regarding the topic can produce a critical review, analysis and evaluation regarding the research topic with significant validity and credibility. The view has been supported by Blaxter *et al.,* (2006) as they have said that the secondary analysis offers large number of established views and opinions within a given research area that enable authors to produce a critical understanding regarding a study area.

Academic books and journals were the major sources of data in the research. The reason to emphasize on academic books and journals was that they are very significant for a secondary research like the current project. The issue has been supported by Saunders *et al.,* (2007) as they have said that academic books and journals are significant textual data sources for conducting a secondary. The information from the books has provided theoretical underpinning regarding the research topic that has helped to generate relevant, credible and accountable reference based theoretical background do the research and also sufficient justification to generate less bias data and information to make research findings more credible and valid. Additionally, most books used in the research as secondary sources offered data and information collected from primary sources and added authors' in-depth analysis as, therefore, books are considered as the ideal alternatives of primary sources (Murname and Willett, 2011).

In the research, most of the data has been collected from journals because journals are the sources, which provides most updated information based on the data gathered from original sources. As a result, journals offered the newest views and studies regarding the research

topic. The use of journals has been supported by Saunders *et al.,* (2007) as they have said that journals are considered very reliable and credible sources of secondary data because data offered in journals s generated from in-depth assessment of their quality and sustainability. They have further said that journals provide most possible unbiased data with deeper understanding of the topic.

Primary research are conducted based on primary research data, which is collected from original sources or sample population. These types of researches do not require new questions to be solved and it is tough to collect primary data from widely scattered sample population (Cooper and Schindler, 2006). Current research has been conducted in such an area which has been studied before and these studies can sufficiently produce desired amount of research data and information.

3.3 Construction of design

The research was dependent on the secondary data collected from different secondary sources relevant to the topic. However, the validity of secondary data is directly linked with the validity and reliability of research outcomes. In contrast, the validity of secondary data is deponent on the validity of the sources from where the secondary data was collected (Sekaran and Bougie, 2010). For that reason, maintaining validity of the secondary sources or literatures from where data and information were collected has been carefully and efficiently managed. For justifying and managing the validity of the secondary sources or resources used to collect data and information, some specific validity criteria have been applied like following:

Table -1 : Assessment Criteria

ASSESSMENT CRITERIA	
Author's Quality	For determining the author's quality, biasness of literatures was carefully checked first. After that source variety and references was checked. Not only that but also, it has been justified that whether the references applied by the researchers are credible and reliable. Most importantly, the quality of author's writing was evaluated painstakingly.
Study Purpose	The literatures reviewed for data collection was justified based on the criteria that whether they are relative to the current research topic or not. If there was relativity between the literature and purpose of current study, the literatures were taken under consideration.
Data collection method	For determining the validity of data sources used in the research, the method applied by the authors to produce the piece of work was evaluated. Here, it has been confirmed that the used literature was produced in the valid and logical methodology, which fits with the purpose of the literature.
Clear identification and definition of used theory	Before selecting a piece of work as the data source for the research, it was justified that to which extent the author was successful to identify and use the key theories related to the work and how efficiently they were defined to produce conclusion with sufficient significance. It has also been justified that whether these theories are used in narrow or broader sense and whether the theories were appropriate regarding the context to which the research has been conducted.
Author's Claim	It has been clearly defined that whether the author of a study intended to be used in the research was sufficiently accountable and responsible. To understand the criteria, it was confirmed that author's claims were produced based on proper justification and evaluation.
	Additionally, it was considered carefully that was the author of a study has produced convincing argument. For doing that logical flow, justification and theoretical underpinning in the work were evaluated.
Consistency	It has been analyzed that whether a specific study is relevant to other

	such types of studies. For doing that cross-sectional analysis has been made that has justified interlink between the literatures used in the research.
Conclusion	It has been justified that whether conclusion of a work has been logically made or not. Additionally, it has been checked that whether an article has achieved its desired aim and objectives.

Source: Tjalsma and Rombouts (2011), Trueman (2016), Saunders *et al.,* (2007) and Kasi (2009)

3.4 Sampling

Sampling is an important thing for the collection of data in a research as it makes the data collection approach more specific rather taking all the cases into account. In case of secondary research, sampling is significant as it prevents research operation to be specific within a theoretical ground and collect data from a specific group of works. In the selection of sample secondary sources to collect research data, snowball sampling method was used where snowball sampling method is a non-probability sampling technique where existing study subjects recruit future subjects from their logical sequence or relevance (Cohen *et al.,* 2007).

However, for determining sample sources of the research, an inclusion/exclusion matrix was used :

Table- 2 : Inclusion / exclusion matrix

Issues	Inclusion Criteria	Exclusion Criteria
Publication Year (Journals)	In the research, the journals used were not published no longer than 10 years time period as the market has changed significantly since last 10 years.	Although some journals published before 10 years to now were relevant to the research, they have been excluded to use in the research as market has experienced a different context before 10 years than now
Publication Year (Books)	The books used in the	The books which are relevant

	research were published within last 20 years as theories in business studies have been changed significantly in this time period.	to the topic but older than 20 years have been avoided in the research to be included or used. However, some classic works have been taken under consideration although these were published before 20 years.
Findings	The findings developed in a research operated through a valid methodology have been included in the research. The findings have met the research aim and objectives have been considered to be included in the research. Findings which were accurately justified have been used in the research.	The findings developed in a research operated through a poor methodology have been avoided. The findings have not met the research aim and objectives have been avoided to be included in the research. Findings which were not accurately justified have been avoided in the research.

3.5 Procedure

The sample sources of data has been selected and gathered based on snowball sampling methods. Here, the resources have been investigated based on some key words like following.

Table-3: Key words

Customer Satisfaction	Customer Loyalty
Club card system	Tesco

3.6 Chapter Summary

The research is conducted within a secondary methodology, which is detailed and evaluated in this chapter of the research. The chapter illustrates which type of data was collected, in which ways data was collected and how the data sources were selected and used in data collection.

CHAPTER-FOUR: DATA ANALYSIS AND INTERPRETATION

4.1 <u>Introduction</u>

For conducting the research, secondary data regarding customer satisfaction and loyalty of Tesco was collected and analysed in this chapter. The data gathered to conduct the research was analysed and interpreted under the research objectives to achieve the research aim. Chapter has produced findings for achieving research purpose and the findings are sued to produce conclusion and recommendations in next chapter.

4.2 <u>Data analysis and interpretation regarding research objective one:</u> To analyse the factors influencing customer satisfaction and customer loyalty in Tesco.

4.2.1 <u>Current customer satisfaction level of Tesco</u>

According to Victor (2015) the results of a retail customer satisfaction survey conducted among 7000 customers from UK retail industry. In the survey, the customer satisfaction levels of 10 largest retailers of UK retail market have been assessed. According to the survey results, the customer satisfaction level of Tesco is low compared to the majority of its competitors based on supermarket rating. Tesco acquired ninth position having customer satisfaction score of 60%. In contrast, Waitrose scored the maximum 73% points and became the top of retail customer choice based on supermarket rating. Based on the supermarket rating by customers, other retailers including ALDI, Iceland, Marks & Spencer, Morrisons, Sainsbury's and ASDA acquired more customer points than that of Tesco by having 72%, 69%, 69%, 69%, 63%, 63% and 62% scores respectively.

Figure-7: Retail satisfaction rating, UK (Store Based)

	SUPERMARKETS RATED	Customer service	Pricing	Quality of own-label products	Quality of fresh products	Store environment	Filling your trolley	CUSTOMER SCORE
1	WAITROSE (638)	★★★★★	★★★	★★★★★	★★★★★	★★★★★	★★★★	73%
2	ALDI (641)	★★	★★★★★	★★★★	★★★★	★★	★★★	72%
3	ICELAND (647)	★★★★	★★★★★	★★★	★★★	★★★★	★★★★	69%
=	LIDL (644)	★★	★★★★★	★★★★	★★★★	★★	★★★	69%
=	MARKS & SPENCER (646)	★★★★	★★★	★★★★★	★★★★★	★★★★	★★★	69%
6	MORRISONS (637)	★★★	★★★★	★★★	★★★★	★★★	★★★	63%
=	SAINSBURY'S (636)	★★★★	★★★	★★★★	★★★★	★★★★	★★★	63%
8	ASDA (639)	★★★★	★★★★	★★★	★★★★	★★★	★★★	62%
9	TESCO (643)	★★★	★★★	★★★	★★★★	★★★	★★★	60%
10	THE CO-OPERATIVE (642)	★★	★★	★★	★★★	★★	★★	49%

Source: Victor (2015)

Tesco was failed to achieve highest customer rating regarding any of its customer satisfaction dimensions including customer services, pricing quality, product quality, store environment and buying convince. So, customers are lowly satisfied with the Tesco's supermarkets than that of its major competitors. Based online supermarket rating, Tesco was at the fourth position of customers' choice having 66% customer scores. In this segment, Ocado, Iceland and Waitrose achieved more points from customer rating. Therefore, Tesco has lower level of customer satisfaction at its online stores compared to its immediate competitors.

Figure-8: Retail satisfaction Rating, UK(Online)

	ONLINE SUPERMARKETS RATED	Substitutions	Delivery	Pricing	Placing order	Fresh products quality	Driver's service	Own-label quality	CUSTOMER SCORE
1	OCADO (249)	★★★	★★★★	★★★	★★★★★	★★★★	★★★★★	★★★★★	72%
2	ICELAND (244)	★★	★★★	★★★★	★★★	★★★	★★★★	★★★	71%
3	WAITROSE (230)	★★★★	★★★★★	★★★	★★★★	★★★★	★★★★★	★★★★★	70%
4	MORRISONS (235)	★★★	★★★	★★★	★★★	★★★	★★★	★★★	66%
=	TESCO (1,229)	★★★	★★★★	★★★	★★★★	★★★	★★★★	★★★★	66%
6	SAINSBURY'S (749)	★★★	★★★	★★	★★★	★★★	★★★★	★★★★	65%
7	ASDA (819)	★★	★★★	★★★	★★★	★★★	★★★	★★★	63%

Source: Victor (2015)

Ward (2015) has indicated that Tesco is losing its customer satisfaction level, for which the organization has experienced £6.4bn loss. In the article of Ward (2015), the chief executive of Tesco, Dave Lewis has been agreed that the organization has lost its significant level of competitiveness for low level of customer satisfaction. Additionally, the competitors of Tesco are doing well in the market as their customer satisfaction levels are increasing.

According to Goldfingle (2014), a survey shows that the largest retail brand in UK retail industry is losing its business in case of increasing customer dissatisfaction. The survey has been conducted by advisory firm Lazarus and covered 200 customers. The survey concludes that Tesco had the lowest customer satisfaction metrics across the grocer industry.

From the above analysis, it can be concluded that Tesco is suffering from low customer satisfaction level in UK retail industry. If the organization wants to be back to its former trend of success in UK market, it needs to improve customer satisfaction.

4.2.2 Current customer loyalty level of Tesco

The report by KANTAR WORLDPANEL (2016) revealed that Tesco is continuously losing its loyal customers as it is continuously losing its market share. According to the report, the retail market share of Tesco in UK was reduced from 30.3% to 29.6% in 2014. By the year of 2015, the organization has lost its market share by 0.5%. From 2015 to 2016, the market share of Tesco is reduced from 29.1% to 28.3%. In last 3 months in 2016, Tesco has lost its 0.2% market share in UK retail market. From 2013 to now, Tesco has lost about 2.2% market share in UK retail industry. The statistics clearly indicates that customers are leaving Tesco and Tesco is obviously losing its loyal customers continuously. That concludes that Tesco is facing decreasing customer loyalty level in UK retail market.

Figure-9: Market share loss of Tasco
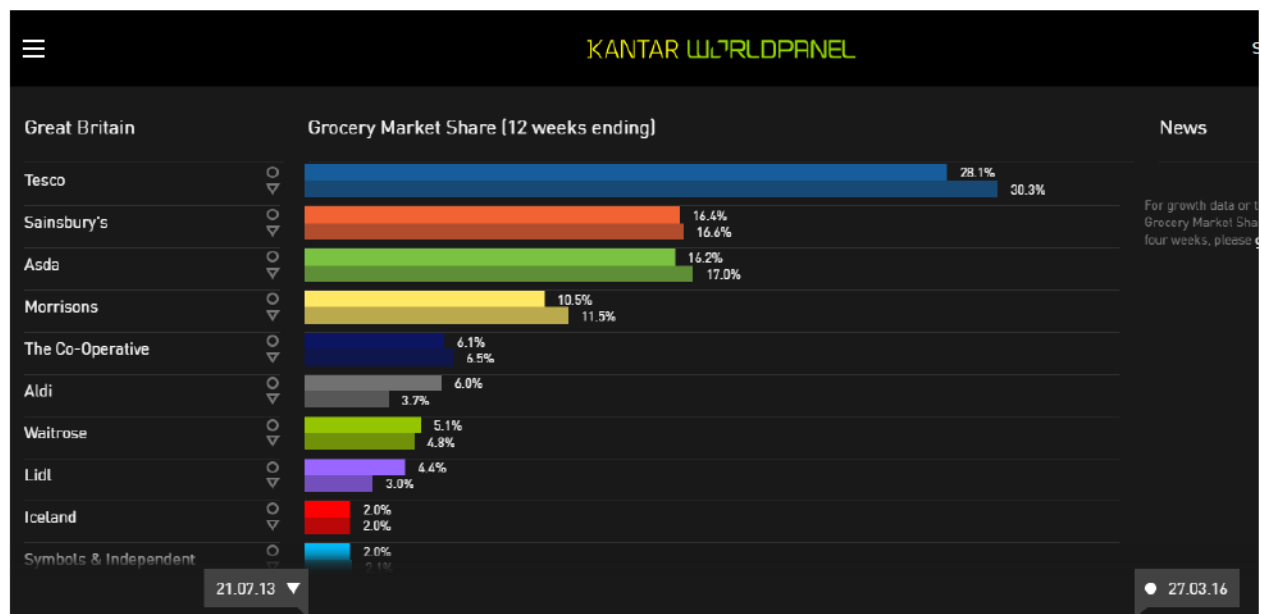
Source: KANTAR WORLDPANEL (2016)

An article by Davidson (2015) published in The Telegraph has referred a survey conducted among 6800 customers from UK retail industry to assess the customer loyalty levels of different retails. According to the survey, Tesco has the lowest customer satisfaction level compared to that of other seven UK retailers. From the context of customer loyalty level, Tesco ranked at the bottom of the list of eight retailers that include, in ascending order, the Co-operative, Asda, Morrisons, Sainsbury's, Aldi, Marks & Spencer and Waitrose in the top spot.

Figure-10: Loyalty index of grocers, UK
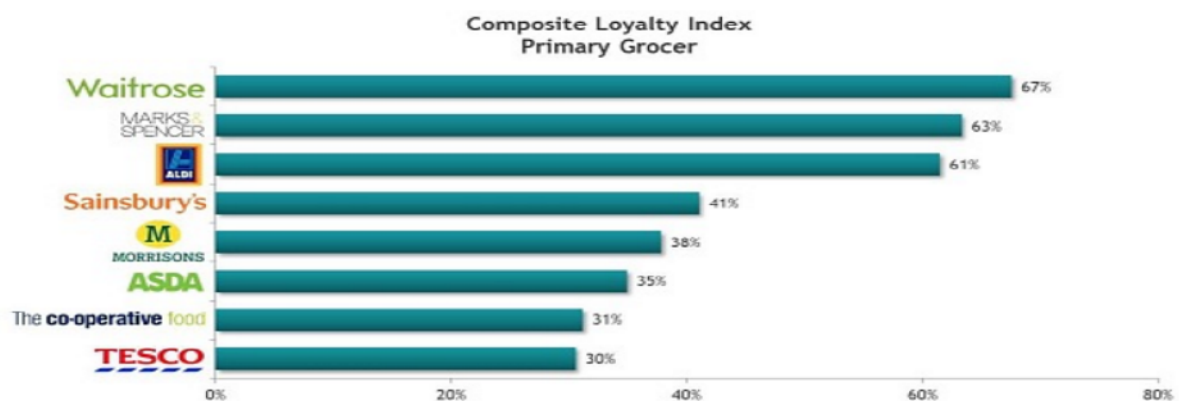
Source: Davidson (2015)

The survey result shows that Tesco has customer loyalty index of 30%, where Co-operative has loyalty index of 31%, Asda has loyalty index of 35%, Morrisons has loyalty index of 38%, Sainsbury's has loyalty index of 41%, Aldi has loyalty index of 61%, Marks & Spencer has loyalty index of 63% and Waitrose has loyalty index of 67%. In the survey, Tesco was also rated into the bottom three across all six categories in questions, including availability of items, checkout speed, cashier courtesy, ability to find items and specialty services.

Figure-11: Comparative loyalty index of UK retailers

CASHIER COURTESY (43%)	
Primary Grocer Recent Visit	Top Box Score
Waitrose	73%
ALDI	53%
Marks & Spencer	53%
The Co-operative	45%
Sainsbury's	45%
ASDA	41%
Morrisons	40%
Tesco	34%

STORE CLEANLINESS (39%)	
Primary Grocer Recent Visit	Top Box Score
Waitrose	71%
Marks & Spencer	57%
Sainsbury's	47%
The Co-operative	45%
Morrisons	40%
ALDI	36%
ASDA	34%
Tesco	32%

ABILITY TO FIND ITEMS (37%)	
Primary Grocer Recent Visit	Top Box Score
Waitrose	53%
Marks & Spencer	47%
ALDI	43%
Sainsbury's	41%
Morrisons	38%
ASDA	36%
Tesco	32%
The Co-operative	25%

CHECKOUT SPEED (34%)	
Primary Grocer Recent Visit	Top Box Score
ALDI	52%
Waitrose	51%
Marks & Spencer	34%
Sainsbury's	33%
The Co-operative	33%
Tesco	32%
ASDA	29%
Morrisons	23%

AVAILABILITY OF ITEMS (33%)	
Primary Grocer Recent Visit	Top Box Score
Waitrose	46%
Marks & Spencer	42%
Sainsbury's	37%
ALDI	34%
ASDA	33%
Morrisons	32%
Tesco	30%
The Co-operative	18%

SPECIALTY DEPT SERVICE (28%)	
Primary Grocer Recent Visit	Top Box Score
Waitrose	60%
Marks & Spencer	45%
Morrisons	36%
Sainsbury's	32%
ASDA	26%
Tesco	23%
ALDI	20%
The Co-operative	19%

Source: Davidson (2015)

From this analysis it can be concluded that Tesco has the lowest level of customer loyalty in UK retail market compared to its nearest competitors. In this context, the organization needs to improve its customer loyalty level.

4.2.3 Factors influencing customer satisfaction of Tesco

Islam (2013:16) has investigated 100 customers to determine the factors contribute customer satisfaction of Tesco. According to the findings of the investigation, customer satisfaction of Tesco is controlled by some factors, which are quality of products and services, organizational behavior and customer perception. The major factors influencing customer satisfaction are reliability, credibility, security, assurance, attractiveness, quality, communication, accessibility and image. According to the findings of the study by Rahman *et al,* (2014), it has been revealed that the satisfaction of retail customers are influenced by four major factors including service quality, product quality, price strategy and store attributes. High quality services and product, reasonable price and better store attributes increases

customer satisfaction of retail organizations whereas poor service and product quality, inappropriate pricing strategy and poor store attributes reduce customer satisfaction level. According to the research result, service quality dimensions of retail customer satisfaction are courteousness, product warranty or guaranty, sales personnel's skill, and range of product offer; product quality dimensions of retail customer satisfaction are different qualities product offer, product durability, quality of food product offer, accurate product information, range of product offer and innovation in product offer; pricing strategy dimensions of retail customer satisfaction are price discount, price reasonability, promotional price on various product, product variety offer at different prices and quantity discount on product purchase; and store attribute dimensions of retail customer satisfaction are store arrangement, car parking facilities, cleanliness and freshness, store decoration and store location. From this context, it can be concluded that customer satisfaction of Tesco is influenced by service qualities including courteousness, product warranty or guaranty, sales personnel's skill, and range of product offer; product qualities including different qualities product offer, product durability, quality of food product offer, accurate product information, range of product offer and innovation in product offer; pricing qualities including price discount, price reasonability, promotional price on various product, product variety offer at different prices and quantity discount on product purchase; and store attributes including store arrangement, car parking facilities, cleanliness and freshness, store decoration and store location.

4.2.4 Factors influencing customer loyalty of Tesco

A research by Mollah (2014) has revealed a group of factors influence customer loyalty and controls customer switch of Tesco. In UK market, customer loyalty of Tesco is dependent on quality of product, customer services, price charge, discount option, store location and parking facility. The factors improve customer loyalty are high quality, customer service excellence, proper pricing, increased number of discount options, convenient store location and available parking facilities. In contrast, customer switch is influenced by the bad quality product, lack of customer services, charging unfair price, lower availability of customer discount, distance of store and lack of parking facility. However, product quality, service quality and price fairness are the strongest factors to control customer loyalty level of Tesco in UK market.

Rahman *et al*, (2014) have conducted a research from the context of Malaysian retail market to determine the factors of customer loyalty. The research has revealed that customer loyalty

is controlled by the customer satisfaction. The findings have established that high level of customer satisfaction produces high level of customer loyalty whereas low level of customer satisfaction reduces customer loyalty. From this context, it can be concluded that customer satisfaction is the factor strongly influence customer loyalty of Tesco. Mahajar and Yunus (2010) have revealed that customer loyalty in retail industry is influenced by customer loyalty programs, attitudes, satisfaction, trust and commitment. According to the research findings, increased number of customer loyalty programs, positive attitudes of customers, and high customer satisfaction, trust and commitment can produce high level of customer loyalty in retail industry whereas insufficient customer loyalty programs, negative customer attitudes, and low customer satisfaction, trust and commitment can lead to low level of customer loyalty in the industry. From this context, it can be concluded that customer loyalty of Tesco in UK retail market is influenced by loyalty programs and customer attitude, satisfaction, trust and commitment.

4.3 Data analysis and interpretation regarding research objective two: To scrutinize the relationship between customer satisfaction and customer loyalty in Tesco.

Zakaria *et al.,* (2014) revealed that there is a significant positive relationship between customer satisfaction and loyalty in retail industry as increased customer satisfaction can increase customer loyalty whereas low customer satisfaction can decrease customer loyalty. Rahman *et al.,* (2014) has revealed from retail industrial perspective that customer satisfaction of an organization is controlled by product quality, service quality, pricing strategies and store attributes. According to the findings of the research, high quality product and service, reasonable price and quality store environment enhances customer satisfaction of retail customers whereas increased customer satisfaction enhances customer loyalty. In contrast, poor product and service quality, inefficient pricing strategy and poor store environment lead to customer dissatisfaction, which decreases customer satisfaction level. Shahin *et al.,* (2011) have explained that traditionally, customer satisfaction and customer loyalty are closely linked. They have showed that continuous customer satisfaction leads customers to be loyal to an organization whereas continuous dissatisfaction leads to customer disloyalty. As a result, if an organization wants to increase customer loyalty, the organization needs to ensure continuous satisfaction among customers. Based on the findings, it can be concluded that there is a strong relationship between customer satisfaction and customer loyalty of Tesco as high level of customer satisfaction can lead to high customer loyalty in Tesco and lower level of customer satisfaction can lead to decreased customer loyalty level.

The research findings by Tweneboah-Koduah and Farley (2016) have revealed that customer satisfaction consists of tangibility, reliability, responsiveness, assurance and empathy. Tangibility can be referred as the physical facilities, equipment and appearance of personnel, which have a positive and significant impact on customer loyalty formation among retail customers. The ability to perform promised services and deliver promised products dependability is considered as the reliability, which significantly impact on customer loyalty in retail industry. Responsiveness is the significant determinant of customer satisfaction and can be defined as the willingness to help customers and provide prompt services. Responsiveness has significant positive impact on customer loyalty of retail customers. The knowledge and courtesy of employees and their ability to inspire trust and confidence is assurance, which is considered as a crucial determinant of customer satisfaction and significantly influence the customer loyalty level of retail customers. Customer care and personalization of products and services encompasses the empathy, a constituent of customer satisfaction positively influences customer loyalty formation in retail industry. From this context, it can be concluded that there is a significant relationship between the customer satisfaction and customer loyalty of Tesco as the major elements of customer satisfaction of Tesco including tangibility, reliability, responsiveness, assurance and empathy can significant influence its customer loyalty.

Odunlami and Crowther (2015:64) have conducted an investigation among 200 customers to define the impact of customer satisfaction on customer loyalty from the context of bank retailing industry of Nigeria. The research findings established that there is a significant impact of customer satisfaction to form customer loyalty as customer satisfaction increases customer loyalty. The research has concluded that for the shift of 1% customer satisfaction can cause shift of 61.7% customer loyalty. More clearly, the 1% increase in customer satisfaction can increase 61.7% customer loyalty whereas 1% decrease in customer satisfaction can decrease 61.7% customer loyalty. As a result, the research has concluded that customer loyalty is a function of customer satisfaction. Therefore, if an organization wants to increase customer loyalty, the organization should increase customer loyalty. From these findings, it can be concluded that there is a strong impact of customer satisfaction on customer loyalty of Tesco as customer satisfaction is the basic function to produce customer loyalty. To increase customer loyalty level Tesco should increase customer satisfaction level.

Khan (2012) have detailed that customers need to develop a differentiated and competitive view towards an organization and its products and services over available alternatives in the

market to be loyalty. The organization can make it and its products and services different to its customers over its competitors; the organization can achieve larger number of loyal customers. In contrast, when organization cannot differentiate itself from its competitors, it cannot generate desired extent of loyalty among customers. Khan (2012) has further detailed customer satisfaction is the fundamental condition can generate differentiated and competitive view among customers regarding an organization and its products and services. In this way; customer satisfaction contributes to improve customer loyalty of an organization. Based on the context, it can be concluded that customer satisfaction can increase customer loyalty of Tesco by differentiating it and its products to customers compared to its competitors in the market.

The findings from the research by Wong *et al.,* (2013), it has been revealed that customer satisfaction has strong positive impact on customer loyalty as customer satisfaction improves customer loyalty level. They have justified that customer satisfaction positively influences the brand preferences of customers that influence customer loyalty. Not only that but also, customer satisfaction influences switching cost which influences customer loyalty. From this context, it can be concluded that customer loyalty is strongly influenced by customer satisfaction as it influences brand preference and switching cost of customers. From this context, it can be concluded that customer satisfaction strongly influences customer loyalty level of Tesco by influencing customers' brand preference and switching cost.

According to the study findings by Mohsan *et al.,* (2010), although customer satisfaction is an important determinant for customer loyalty, only customer satisfaction cannot produce and maintain customer loyalty. In the investigation, a group of 120 customers were investigated to define the impact of customer satisfaction on customer loyalty. They have justified that customer satisfaction is the critical scale of how well a customer's needs and demands are met while customer loyalty is a measure of how likely a customer is to repeat the purchase and engage in relationship activities. Customer satisfaction is not an accurate indicator of loyalty as satisfied customers can also switch, which is a fundamental factor for customer loyalty. As a result, they have concluded that satisfaction is essential but not a sufficient condition of loyalty. More clearly, although an organization can have customer satisfaction without loyalty, it is hard to or even impossible to have loyalty without satisfaction. From this context, the finding can be produced as the customer satisfaction of Tesco is an essential condition for forming customer loyalty, but it is not the sufficient condition for achieve customer loyalty. In other way, Tesco can produce customer satisfaction without customer

loyalty. But, Tesco cannot produce customer loyalty without customer satisfaction as it one of the critical factor for producing customer satisfaction.

4.4 <u>Data analysis and interpretation regarding research objective three:</u> To discover the ways in which 'club card system' increases customer satisfaction and loyalty of Tesco.

In the study of Fischer and Luansagul (2011), it has been revealed that an overwhelming amount of customers is satisfied with the club card of Tesco. They have also found that club card strongly influence the customer satisfaction level of the organization. The trend show in their finding explained that customers become happy to register as a member of a club card of Tesco. They have also demanded that the club card also contributes on the customer loyalty. According to their study, club card has helped Tesco to reduce the customer defection. Not only that but also club card has significant impact on the customer loyalty. From their study it can be found that club card of Tesco contributes significantly to increase customer satisfaction and customer loyalty.

Ma *et al.,* (2010) club curd is a significant tool for Tesco to manage multifaceted relationship with customers. They have specified that customer satisfaction of Tesco is significantly influenced by its club card scheme as it helped the organization to trace and understand customers' trend, and to establish positive communication with their customers. It has enabled organization to keep customer satisfaction by assessing and meeting their needs. Hassan and Parves (2013) have found that customer satisfaction of Tesco is significantly increased by club card as it has enabled the organization to ensure efficient communication and promotion with targeted customers, provide desired customer services, defense against competitors' activities, locate right products in right place and time, and ensure power negotiation between customers and suppliers. From this context, it has been revealed club card has a significant impact on customer satisfaction level of Tesco as it helps organizations to identify and meet customer needs efficiently, establish positive relationship with targeted customers, produce and place proper product for customers, deliver efficient customer services, and efficient pricing strategy.

Turner (2011) has conducted a research about customer loyalty and club card of Tesco where he has investigated about 600 retail customers. According to the findings of the research,

there is a significant impact on club card system of Tesco on its customer satisfaction and loyalty. In the research, it has been revealed that club cards of Tesco contributes to increase satisfaction, develop trust and commitment and enhance emotional attachment and passion of customers that positively contribute to increase customer loyalty. From this study results, it can be found that customer satisfaction and loyalty of Tesco is positively influenced by its club card system as it enhances satisfaction, trust, commitment, emotional attachment and passion among customers, therefore, contributes to increase customer loyalty.

The research conducted by Law (2008:75) had revealed that Tesco's club card has no direct impact on customer loyalty of the organization as 75% of the respondents have confirmed that the collection of points did not influenced them to increase their expenditure or to buy specific alternative/promotional product. The research had also found that Tesco club card has failed to create customer loyalty and generate an increase in sales. However, about 6% of the respondents investigated by Law has been agreed that they club card has increased their loyalty to the organization and their spending on Tesco stores. He has considered it as a significant portion and concluded that a significant number of customers were influenced to be loyal to Tesco in case of their involvement in club curd system. Law (2008) was agreed that club card has helped Tesco indirectly, but importantly, to increase its ability to make customers satisfied and loyal, therefore, helped the organization to remain competitive and successful in the market. He has justified that the club card system has given Tesco the opportunity to understand customers by providing data about individual customer taste, preferences and spending habits. The data regarding customer taste, preferences and spending habits have enabled Tesco to meet customer needs successfully and keep them satisfied for long time, therefore, make customers loyal to it. From the findings, it was revealed that although the concept of club card's effectiveness to increase customer loyalty of Tesco was dimly supported by the direct investigation among customers, club card was efficient to increase customer loyalty of Tesco from overall point of view as it has empowered the organization to take efficient strategic decisions to make and keep customers loyal.

Mollah (2014) has conducted a research on 100 customers of Tesco to analyze its customer loyalty. He has said that customer loyalty is function of repeat purchase. More clearly, if a customer purchases repeatedly from an organization, it shows the customer is loyal to the organization. Mollah (2014:43) has found that customer loyalty of Tesco is mostly influenced by its quality of products and services as about 100% customers were agreed with the conclusion. The second most important factor influencing loyalty of Tesco was price that was

supported by about 98% respondents. However, about 25% of the respondents have stated that their loyalty to Tesco is significantly influenced by club card program that was noteworthy amount to produce a positive view. From this finding, it can be concluded that although the customer loyalty of Tesco is mainly influenced by quality of products and services, and price efficiency, club card has significant impact to increase customer loyalty towards Tesco.

Mollah (2014) has further recommended that to increase customer satisfaction and loyalty, Tesco should emphasize on its product and service qualities. He has also revealed that the customers of Tesco are not satisfied with its differentiated pricing strategy of Tesco where other competitors are offering lower prices. For that reason, the organization should emphasize more on price reasonability and pricing efficiency to achieve more and more satisfied and loyal customers. Law (2008) has also supported the recommendations by Mollah (2014) and said that an understanding of the 21st century customers will help Tesco to ensure satisfied and loyal customer base. He has strongly recommended that lowering prices shall help Tesco to sustain a competitive advantage within British supermarket industry by improving customer satisfaction and loyalty. From this context, it can be concluded that along with club card scheme, improved product and service qualities, and efficient pricing strategy can significantly help Tesco to improve its customer loyalty.

4.5 <u>Data analysis and interpretation regarding research objective four:</u> To indentify the inefficiencies of club card system of Tesco.

Law (2008) has also found some inefficiency in club card program of Tesco that has reduced the effectiveness of the marketing tool to improve customer loyalty. He has explained that the club card model of Tesco is not well adapted to the new tastes attitudes and demands of the new generation of customers. To increase the effectiveness of club card to increase customer loyalty, the organization should ensure that their club card model evolves to adapt to the new tastes, attitudes and demands of the new generation of customers. Not only that but also Law (2008) has said that the collection of points in club card is a time consuming process and customers feels the club card idea is back dated, therefore, it cannot create desired impact on customer loyalty of Tesco.

In an article by Rao (2013), it was published that police has confirmed the loss of customer voucher and personal information from club curd site that can risk its customers. At the end of the year, the article by Jones (2013) published in The Guardian shows that the club card

system of Tesco is vulnerable to be hacked. Number of customers has complained that their vouchers have been stolen from their club card account. Not only that their personal information has been hacked also. This system vulnerability risks personal information of customers and makes customers lost their earned vouchers. The incident was repeated by 2014 and Tesco acknowledged that the security of club card website was breached; customers have lost their vouchers and personal information (Dos and Nosh, 2014). The frequent security breach of club card system can make a strong dissatisfaction and distrust among customers that can lead to lower effectiveness of the system to achieve desired customer loyalty (Dos and Nosh, 2014).

4.6 Data analysis and interpretation regarding research objective Five: To discover the ways in which 'club card system' increases customer satisfaction and loyalty of Tesco.

Law (2008) to increase the effectiveness of club card to increase customer loyalty, the organization should ensure that their club card model evolves to adapt to the new tastes, attitudes and demands of the new generation of customers. Law has also said that gaining point and using it after long time cannot influence customer satisfaction and loyalty efficient as customers are more responsive to instating payback. For that reason he has recommended that Tesco should ensure significant consideration to give customers an instant rebate at the point and time of scale rather than rewarding them through the collection of points. It will achieve more response from customers to make them satisfied and loyal. Tesco is using club card for a long time without significant diversity that has proved the system back dated and cannot create desired impact to make customers loyal unlike the beginning. For that reason Law (2008) has notified that it is necessary to have a boost restructure in the package to get desired effect on customer satisfaction and loyalty from it. He recommended make revision and re-launch the club card program to give needed boost and help to motivate and excite customers to improve its effectiveness to contribute on increasing customer loyalty. Dos and Nosh (2014) and Jones (2013) have defined that the club card system of Tesco is vulnerable, which can risk personal information and vouchers of customers, therefore, can negatively influence the customer satisfaction and loyalty level. They have recommended that Tesco should ensure sufficient security of club card system that can stop customer information and their earned vouchers and points hacked. Additionally, Dos and Nosh (2014) have recommended that Tesco should educate customers the ways in which their accounts can be saved to be hacked.

4.7 Chapter summary

The chapter includes the analysis and interpretation of data and information collected to achieve research objectives to achieve research purpose. In the beginning of the chapter, the data collected to achieve first research objective is analysed and interpreted, therefore, produced research findings. Sequentially, all data was analysed and interpreted under other objectives to produce research findings. The findings from the chapter are applied to produce research conclusion and recommendations.

CHAPTER-FIVE: CONCLUSION AND RECOMMENDATIONS

5.1 <u>Research conclusion</u>

The purpose of the research was investigating the relationship between customer loyalty and customer satisfaction in Tesco, UK. The research has also investigated the current customer satisfaction and loyalty level of Tesco and the factors influence its customer satisfaction and loyalty along with the impact of club card system on its customer loyalty level. The chapter illustrates the objectives and findings based conclusion of the research. Furthermore, the research has produced some recommendations for Tesco to improve its customer loyalty level. Finally, the chapter generated the further research ground in this area of the research.

The aim of the research was to investigate the relationship between customer loyalty and customer satisfaction in Tesco, UK. The aim of the research was achieved through the objectives of the research including (1) analysing the factors influencing customer satisfaction and customer loyalty in Tesco, (2) scrutinizing the relationship between customer satisfaction and customer loyalty in Tesco, (3) discovering the ways in which 'club card system' increases customer satisfaction and loyalty of Tesco, (4) indentifying the inefficiencies of club card system of Tesco, and (5) recommending ways to improve the performance of Tesco's club card. The first objective of the research was achieved based on the data analysis, presentation and discussion of the data and information defining the factors influencing customer satisfaction and customer loyalty in Tesco, second objective of the research was achieved based on the data analysis, presentation and discussion of the data and information determining the relationship between customer satisfaction and customer loyalty in Tesco, third objective of the research was achieved based on the data analysis, presentation and discussion of the data and information investigating the ways in which 'club card system' increases customer satisfaction and loyalty of Tesco, and fourth and fifth objectives of the research was achieved based on the data analysis, presentation and discussion of the data and information investigating the inefficiencies of club card system of Tesco and finding ways to improve the performance of Tesco's club card. The summary of the research findings are stated bellow.

Tesco is suffering from low customer satisfaction level in UK retail industry. If the organization wants to be back to its former trend of success in UK market, it needs to improve customer satisfaction. Tesco has the lowest level of customer loyalty in UK retail market compared to its nearest competitors. In this context, the organization needs to improve its customer loyalty level to retain its competitive position in UK retail industry.

Customer satisfaction of Tesco is influenced by service qualities including courteousness, product warranty or guaranty, sales personnel's skill, and range of product offer; product qualities including different qualities product offer, product durability, quality of food product offer, accurate product information, range of product offer and innovation in product offer; pricing qualities including price discount, price reasonability, promotional price on various product, product variety offer at different prices and quantity discount on product purchase; and store attributes including store arrangement, car parking facilities, cleanliness and freshness, store decoration and store location. Customer satisfaction of Tesco is also influenced by organizational behavior and customer perception, reliability, credibility, security, assurance, attractiveness, quality, communication, accessibility and image.

Customer loyalty is significantly controlled by the customer satisfaction of Tesco as high level of customer satisfaction produces high level of customer loyalty whereas low level of customer satisfaction reduces customer loyalty. In UK market, customer loyalty of Tesco is dependent on quality of product, customer services, price charge, discount option, store location and parking facility. However, product quality, service quality and price fairness are the strongest factors to control customer loyalty level of Tesco in UK market. Additionally, the customer loyalty of Tesco in UK retail market is also influenced by loyalty programs and customer attitude, satisfaction, trust and commitment. There is a strong relationship between customer satisfaction and customer loyalty of Tesco as high level of customer satisfaction can lead to high customer loyalty in Tesco and lower level of customer satisfaction can lead to decreased customer loyalty level. The customer satisfaction significantly impact on customer loyalty of Tesco as the major elements of customer satisfaction of Tesco including tangibility, reliability, responsiveness, assurance and empathy can significant influence customer loyalty. As the major function of customer loyalty, customer satisfaction increases customer loyalty of Tesco. Customer satisfaction can increase customer loyalty of Tesco by differentiating it and its products to customers compared to its competitors in the market. Customer satisfaction can also contribute on increasing customer loyalty level of Tesco by influencing customers' brand preference and switching cost. Tesco can produce customer satisfaction

without customer loyalty. But, Tesco cannot produce customer loyalty without customer satisfaction as it one of the critical factor for producing customer satisfaction.

Club card strongly influence the customer satisfaction level of the organization as customers become happy to register as a member of a club card of Tesco and club card has helps Tesco to reduce the customer defection. Club card has a significant impact on customer satisfaction level of Tesco as it helps organizations to identify and meet customer needs efficiently, establish positive relationship with targeted customers, produce and place proper product for customers, deliver efficient customer services, and efficient pricing strategy. Customer loyalty of Tesco is positively influenced by its club card system as it enhances satisfaction, trust, commitment, emotional attachment and passion among customers, therefore, contributes to increase customer loyalty. As found in a study, club card was efficient to increase customer loyalty of Tesco from overall point of view although the concept of club card's effectiveness to increase customer loyalty was dimly supported by the direct investigation among customers. It was justified that club card has helped Tesco to collect valuable customer data and information about customer preference, customer behaviour, spending nature and purchase pattern, therefore, empowered the organization to take efficient strategic decisions to make and keep customers loyal successfully. Some findings have revealed that although the customer loyalty of Tesco is mainly influenced by quality of products and services, and price efficiency, club card has significant impact to increase customer loyalty towards Tesco.

According to the findings, there are different inefficiencies in club card program of Tesco have reduced the effectiveness of the marketing tool to improve customer loyalty. The club card model of Tesco is not well adapted to the new tastes attitudes and demands of the new generation of customers. The collection of points in club card is a time consuming process and customers feel the club card idea is back dated; therefore, it cannot create desired impact on customer loyalty of Tesco. The club card system of Tesco is vulnerable, which risks personal information and vouchers of customers, therefore, can negatively influence the customer satisfaction and loyalty level.

5.2 <u>Recommendations</u> :

Inefficiencies in club card program of Tesco have reduced the effectiveness of the marketing tool to improve customer loyalty. The club card model of Tesco is not well adapted to the new tastes attitudes and demands of the new generation of customers. To increase the effectiveness of club card to increase customer loyalty, the organization should ensure that their club card model evolves to adapt to the new tastes, attitudes and demands of the new generation of customers. Additionally, the collection of points in club card is a time consuming process and customers feel the club card idea is back dated; therefore, it cannot create desired impact on customer loyalty of Tesco. For that reason, Tesco should ensure significant consideration to give customers an instant rebate at the point and time of scale rather than rewarding them through the collection of points, and revision and re-launch club card program to give needed boost and help to motivate and excite customers to improve its effectiveness to contribute on increasing customer loyalty. The club card system of Tesco is vulnerable, which can risk personal information and vouchers of customers, therefore, can negatively influence the customer satisfaction and loyalty level. Tesco should ensure sufficient security of club card system that can stop customer information and their earned vouchers and points hacked.

5.3 <u>Further research ground</u> :

The research has invested the current status of customer satisfaction and loyalty in UK retail industry. Additionally, the research has investigated the relationship between customer satisfaction and loyalty of Tesco and impact of club card to increase customer loyalty. Finally, the research has recommended some recommendations to increase customer satisfaction and loyalty of Tesco. Furthermore, the research has also suggested some ways to improve the effectiveness of club card as the marketing tool to increase customer loyalty. However, the research has not investigated the ways in which Tesco can implement the recommendations in the organizational context. The gap has created a fertile future research ground.

5.4 Chapter Summary:

In this chapter, the research is concluded and to produce conclusion, the findings acquired from previous chapter are used. In the beginning of the chapter, a brief introduction is produced. After that the conclusion is produced by detailing research aim and objectives, and summary of research findings. Next, some recommendations are produced for increasing customer satisfaction and loyalty, and improve club card as the tool for improving customer loyalty. Finally, further research ground in this research area is suggested.

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