

IMPACT OF CUSTOMER EXPERIENCE MANAGEMENT TO CUSTOMER LOYALTY SHOPPING IN SUPERMARKET IN THE MEKONG DELTA

Abstract

This study focused on the impact of customer experience management to customer loyalty when they were shopping at supermarkets in the Mekong Delta. 321 correspondents were interviewed by questionnaire at the supermarkets in the Mekong Delta. The descriptive statistics, factor analysis, Cronbach's Alpha, structural equation method and multi-group structural analysis methods were used in this study. The results showed that the component of customer experience management included six components such as brand name, space, commodity, staff, parking lot and the presence of other stores in supermarkets. In particular, the commodity composition had the strongest impact on customer experience management and satisfaction and directly influence loyalty. In addition, elements of customer experience management affects loyalty indirectly through sensory experience, social experience and satisfaction. On the other hand, the results of multivariate analysis showed that age group, spending per shopping at supermarkets and marital status of the client does not change the relationships in the research model. Meanwhile, the relationship of the different models of the client group income, gender, education, occupation and supermarket customers often different.

1. INTRODUCTION

Supermarket in the Mekong Delta Vietnam is changing rapidly and expressed as a retail market's potential. In 2010, the entire region had 17 supermarkets; however, until 2014 modern retail system was more competition in 13 provinces and cities in the region with about 30 local and foreign supermarkets. To succeed and survive in the competition environment, supermarket managers need to design strategies to improve satisfaction and

maintain customer loyalty better than competitors. Most companies recognize the benefits of customer loyalty. The previous study showed that the cost to entice a new customer typically 9 -10 times higher than the cost of retaining existing customers and decreased 5% loss rate, increased 25-100% profit (Reichheld et al, 2000). Therefore, the construction of the loyalty of existing customers is essential to the supermarket in the Mekong Delta. However, to obtain a long-term commitment from the client side, supermarket managers need to identify factors affecting their customer loyalty. A new approach to building loyalty of customer is a customer experience management (CEM) approach. To create a positive experience, it is important to identify and understand the components of strategic CEM. Due to different cultural environment, consumers in each country may have different perceptions about the various components that make the experience for them. Moreover, most of the research on CEM and customer experience are carried out in developed countries. So it is essential to conduct a research related to "The impact of CEM and loyalty of customers shopping in the supermarket in the Mekong Delta". The objective of this study was to: (1) Identify the components of CEM in supermarkets in the Mekong Delta region; (2) Develop and test the relationship between CEM, customer experience, satisfaction and loyalty; (3) Analysis of the differences in the relationships between the research model with different customer groups on consumer characteristics and personal characteristics; and (4) Propose a number of solutions to improve customers experience and maintain customer loyalty to supermarkets.

2. THEORY AND HYPOTHESIS

2.1 Customer satisfaction and loyalty

Customer satisfaction is the emotional response / feeling of customer with service providers base on comparing the difference between what they received and expectations (Oliver, 1997). According Sirdeshmukh et al. (2002), the loyalty in the context of marketing is an intention to carry out a diverse set of behaviors signal, a motivation to

maintain the relationship with the organization, including higher payment for a specific service provider, has a positive effect to the intention worth of mouth and repeat purchase. Loyalty is also defined as the commitment of customers, who would purchase products or services preferred (Chaudhuri, 1999), will give priority to buy products from a certain brand (Yoo et al, 2000) in the future. In addition, acceptable buying at higher prices also are mentioned by Shen & Zhao (2005) as an expression of loyalty to the client.

2.2. Customer experience management (CEM)

With the aim of understanding, monitoring, supervision and organization of all interactions between customer and business, the term CEM has been mentioned by many scholars. First, customer experience is defined as the sum of all experiences that a customer has with a supplier/services provider. It can also be used as a personal experience rather than a transaction (Pine & Gilmore, 1998). Smith & Wheeler (2002) has asserted that CEM is evaluating the valuable experience from the customer's satisfaction with their people, processes and products/services. Schmitt (2003) emphasized that CEM is a process of strategically entire customer experience with a product or a company. According to Bernd Schmitt, the term CEM is also a set of techniques, methods and processes used to manage a comprehensive channel exposure, interaction with business customers, and commercial product performance or service.

Vehoef et al (2009) suggested that CEM is the factors that control the customer experience for developing a model and create experiences in the retail environment. In which the authors emphasized that the retailer can control the elements of the business such as social environment, services, atmosphere and characteristic of supermarkets, etc. to make the good experience and differentiate to the customers. Moreover, Grewal et al. (2009) also mentioned that promotion, pricing, merchandise and location are all factors which can create a great feeling to the customers. On the other hand, Kamaladevi (2010) reinforced the view of Vehoef et al (2009) and pointed out that the customer experience is

formed from a variety of channels retail environments such as brand, price, supported sales program, location, advertising, packaging and labeling services, and the atmosphere. The study also showed that the macro factors not only impact the customer experience, but also can affect the loyalty of consumers to the enterprise. Recently, Songsak & Teera (2012) found a direct relationship between the components of management experience with loyalty. In particular, the components of customer experience management is a causal factor and the loyalty is the result factor. From the above statement, the hypothesis H1, H2 and H6 are as following:

H₁: The components of customer experience management have positive influence to sensory experience of customer.

H₂: The components of customer experience management have positive influence to social experience of customer..

H₆: The components of customer experience management have positive influence to the loyalty of customer.

To illustrate the affect of CEM components to customer experience, Kamaladevi study (2010) also pointed out that the more customer experience, the more customer satisfaction is. Besides, Ceribeli et al. (2012) provided evidence that customer satisfaction is dominated by experience in the procurement process. In turn, satisfaction is closely linked to loyalty. Rust et al. (1993) found a link between satisfaction and loyalty in the case of banking and hotel industries. Fornell et al. (1996) suggested that increase satisfaction will enhance loyalty and repeat purchase rates. The hypothesis H3, H4, H5 are set as following:

H₃: Social experience has positive influence to customer satisfaction.

H₄: Sensory experience has positive influence to customer satisfaction.

H₅: Customer satisfaction has positive influence to customer loyalty.

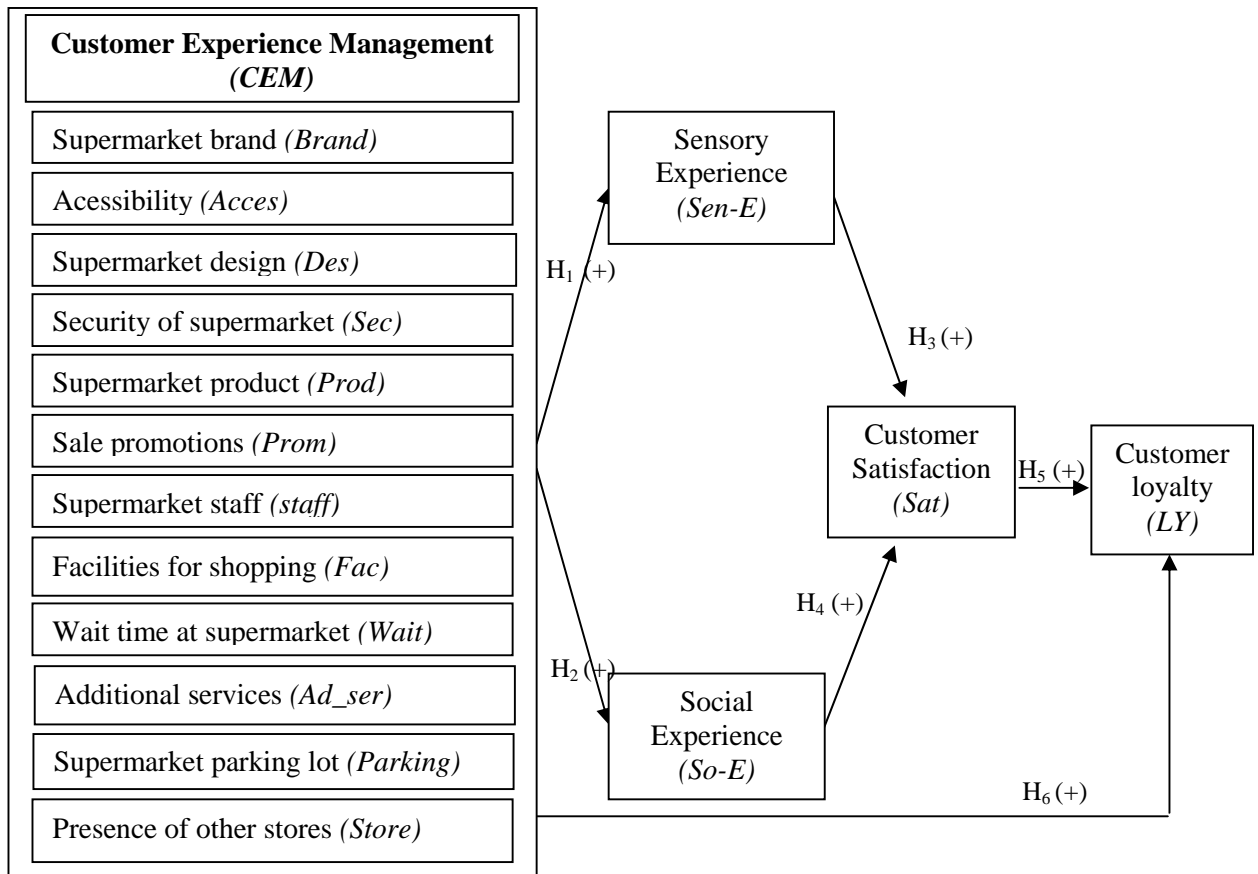


Figure 1: Research model

This study was carried out through two steps: explorative and quantitative research methods. 20 respondents were interviewed and divided into group of four to six interviewee in the first step. The main purpose of this step is to clarify the discussion issues, edit and revise questionnaire. In the second step, 321 respondents who were shopping in the following supermarkets: Co.opmart, Metro, Vinatex, Maximark, Big C, and Citimart, were selected by convenience sampling method and conducted interview directly. These supermarkets are located in Cantho city (Ninh Kieu and Cai Rang District), Bac Lieu, Long Xuyen, Rach Gia, Vinh Long and Tra Vinh cities. All scales in this study were five-point Likert scale with 1: Strongly Disagree and 5: Strongly agree. Descriptive statistics, Cronbach's Alpha, explorative factor analysis (EFA), confirmative factor analysis (CFA) and structural equation model (SEM) were used in this study.

4. FINDINGS AND DISCUSSION

4.1 Cronbach's alpha testing

Cronbach's alpha was used to test the reliability of data. The results showed that eight observed variables were dropped out. On the other hand, components easy accessibility (Acces) variable with Cronbach's alpha is less than the permitted level ($0.554 < 0.6$), so all the elements of this scale will be disqualified. After eliminate unsatisfactory variables, the components of CEM, sensory experience, social experience, satisfaction and loyalty variables are satisfactory Cronbach's alpha reliability testing (from 0.687 to 0.819). The remaining 72 observed variables were used to performance next step of EFA.

- Explorative factor analysis (EFA)

+ CEM variable: there are 33 observed variables which had loading factor coefficient of less than 0.5 should be removed from the model. The final EFA results found that there were 6 factors extracted within 21 observed variables, with $KMO = 0.797$, $sig = 0.000$, the total variance extracted was 50.6%. After factor analysis, 6 scale components of CEM without disruption observed variables between components, so called primary components remain the same.

+ The four remaining variables: in EFA process, the variables LY1, LY2, and LY3 of less than 0.5 should release out the model. After analyzing EFA, the loading factor coefficient did not have the disturbance observed variables, the KMO coefficient, significant, and the total variance explained were extracted to be satisfactory, ready to conduct CFA.

4.2 Confirmative factors analysis (CFA)

+ *CEM variable*: after processing data, the results showed that CEM consists of 6 components with 21 observed variables. CFA showed the model is consistent with market data and satisfied condition of CFA ($\text{Chi-squared} = 324.359$, $p = 0.000$ value, degree of

freedom of 173, Chi-square / df = 1,875 < 2, CFI = 0.928, TLI = 0.912, RMSEA = 0.052).

The weight (λ_i) satisfied with greater 0.5 and statistically significant p-values are equal 0.000. The correlation coefficient between the components are less than 0.9.

+ *Sensory experience, social experience, satisfaction and loyalty variables:*

Similarly the results showed that this model fit the market data and satisfied condition of CFA (Chi - squared = 174.399, TLI = 0.911, CFI = 0.930, RMSEA = 0.067). The weights of the four scales are satisfactory and statistically significant ($p = 0.000$).

Table 1: Summary of the results

Variable	Components	Number variables	Reliability	Total variance extracted (%)	Value (convergence and discrimination)
			Cronbach		
Customer experience management	<i>Brand</i>	4	0,687	0,36	satisfy
	<i>Design</i>	2	0,780	0,70	satisfy
	<i>Product</i>	3	0,703	0,46	satisfy
	<i>Staff</i>	3	0,819	0,61	satisfy
	<i>Parking lot</i>	4	0,812	0,52	satisfy
	<i>Other stores</i>	5	0,781	0,40	satisfy
Sensory experience		3	0,811	0,60	satisfy
Social experience		4	0,734	0,41	satisfy
Satisfaction		4	0,789	0,49	satisfy
Loyalty		3	0,688	0,43	satisfy

(Source: The results from survey 2014)

4.2 Structural equation model

The first result of SEM showed the relationship between the customer experience managing with loyalty is not statistically significant at the 95% confidence level for p -value > 0.05 . This relationship will be excluded from the model in order to find a better model. The final SEM achieved compatibility with market data: 446 degrees of freedom; chi-square / df = 1,738 < 2 ; TLI = .892; CFI = 0.903 and RMSEA = 0.048 < 0.05 . Figure 2 showed the results of SEM.

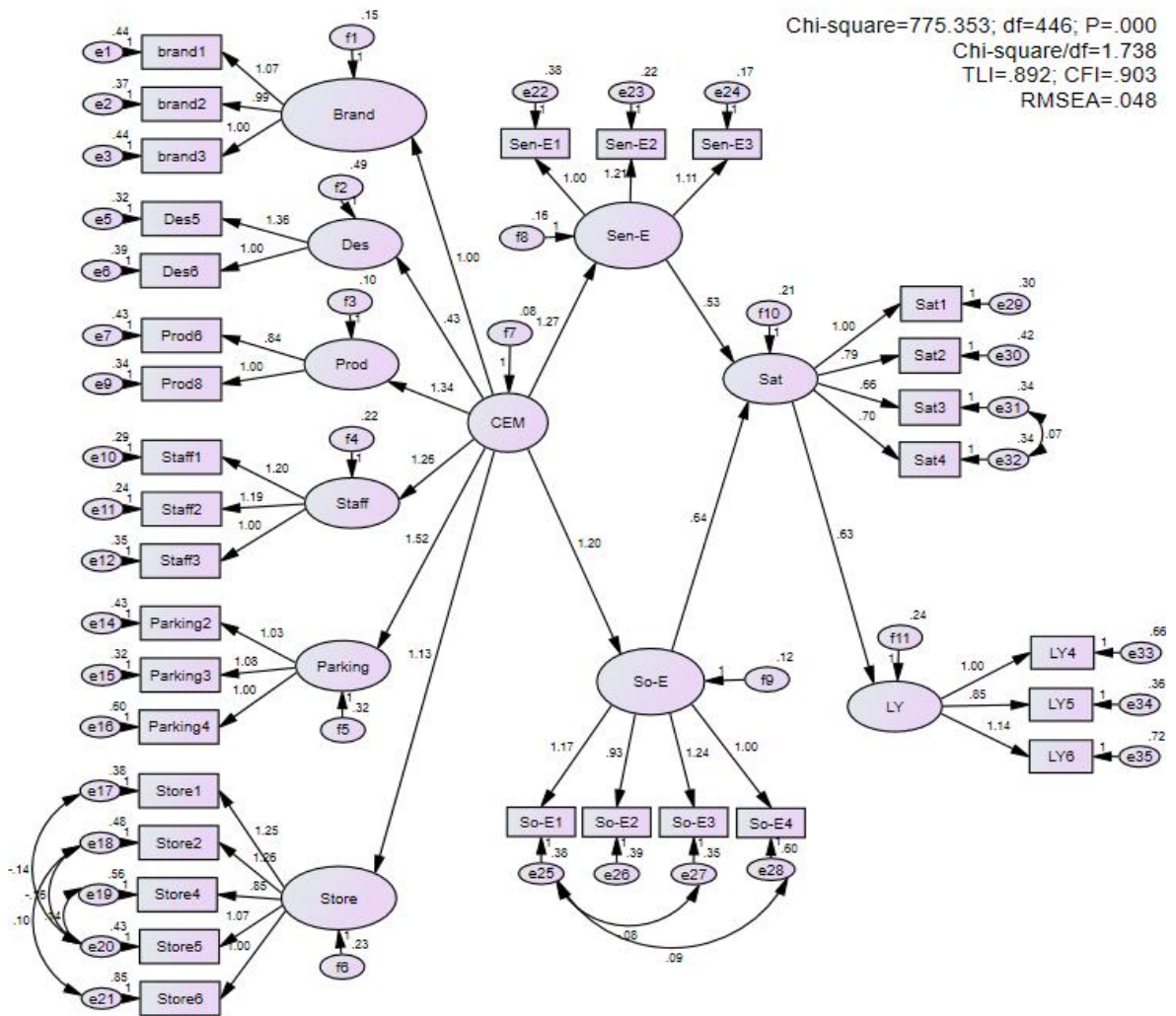


Figure 2: The results of SEM

(Source: The results from survey 2014)

The weights are normalized positive which demonstrated positive relationships (see Table 2). The concept of CEM explained 45% of the variation of sensory experience with standardized weight gain was 0.67 and explained 49% of the variability of social experience with standardized weights 0.7. Sensory experience and social experience explained 56% of the variation of satisfaction with standardized weights are 0.42 and 0.46 respectively; Satisfaction concepts explained 45% of variance of customer loyalty with importance of standardization reached 0.67.

Table 2: Testing results the relationship among variables and components

Relationship			Estimate	S.E	C.R	P
SenE	←-	CEM	0.671	0.125	5.374	0.000
SoE	←-	CEM	0.703	0.141	4.971	0.000
Sat	←-	SoE	0.457	0.087	5.276	0.000
Sat	←-	SenE	0.417	0.075	5.591	0.000
LY	←-	Sat	0.668	0.089	7.496	0.000
Brand	←-	CEM	0.604			
Des	←-	CEM	0.173	0.088	1.966	0.049
Prod	←-	CEM	0.777	0.147	5.304	0.000
Staff	←-	CEM	0.608	0.115	5.283	0.000
Parking	←-	CEM	0.616	0.119	5.206	0.000
Store	←-	CEM	0.557	0.122	4.583	0.000

(Source: The results from survey 2014)

On the other hand, SEM results also illustrated that all 6 major components of CEM are positive which demonstrate the impact of these components in the same direction

with the customer experience expectations. The factor has the greatest impact to the CEM is commodity (0.78), followed by parking lot respectively (0.62); Staff (0.61); Brands (0.6); The presence of other stores within supermarkets (0.56) and finally the supermarket space and design (0.17).

Although SEM results in Figure 2 showed that there is no direct link between the components of CEM and loyalty. However, the indirect relationship between these two concepts exist. By analyzing the results of a causal relationship of the variables in the model shown in Table 3, the study found that:

(1) *Direct impact:* Customer loyalty is directly influenced by customer satisfaction with standardized coefficients of effects is 0.67.

(2) *Indirect impact:* Loyalty is influenced indirectly by the CEM, social experience and sensory experience with standardized coefficients of effects respectively 0.40, 0.31 and 0.28. In particular, the impact of CEM to loyalty factor is greater than 1.3 times (0.40 / 0.31) to social experience and greater than 1.4 times to the sensory experience.

Table 3: Results of causal relationships between the factors in theoretical models

	CEM			SoE			SenE			Sat		
	TE	IE	DE	TE	IE	DE	TE	IE	DE	TE	IE	DE
SoE	0.703	-	0.703	-	-	-	-	-	-	-	-	-
SenE	0.671	-	0.671	-	-	-	-	-	-	-	-	-
Sat	0.601	0.601	-	0.457	-	0.457	0.417	-	0.417	-	-	-
LY	0.401	0.401	-	0.305	0.305	-	0.278	0.278	-	0.668	-	0.668

(Source: the survey results in 2014)

Note: TE: total effect, IE: indirect effect, DE: Direct effect

In addition, at the 5% significance level, and sensory experience and social experience directly affected by the CEM at the 0.70 and 0.67. Customer satisfaction is directly influenced by sensory experience and social experience at 0.46 and 0.42 and indirectly affected by the CEM via variables: social experience and sensory experience with the standardized coefficient is 0.60.

In short, CEM does not directly affect the customer loyalty that indirect effects through sensory experience, social experience and satisfaction. Therefore, the hypothesis H1, H2, H3, H4, H5 are accepted and rejected hypothesis H6.

- **Bootstrap testing:** This study used a repeated pattern number of 500 samples. The results showed the estimation results are acceptable and trusted.

Table 4: Results of Testing the reliability of estimates by Bootstrap

Relationship	Estimate ML		Estimate by Bootstrap					cr
	ML	se	Mean	se	se(se)	Bias	se-bs	
SenE <--- CEM	0.671	0.125	0.662	0.080	0.003	-0.009	0.004	-2.25
SoE <--- CEM	0.703	0.141	0.699	0.088	0.003	-0.003	0.004	-0.75
Sat <--- SoE	0.457	0.087	0.467	0.100	0.003	0.009	0.004	2.25
Sat <--- SenE	0.417	0.075	0.406	0.095	0.003	-0.011	0.004	-2.75
LY <--- Sat	0.668	0.089	0.665	0.064	0.002	-0.003	0.003	-1.00
Brand <--- CEM	0.604	0.000	0.608	0.094	0.003	0.004	0.004	1.00
Des <--- CEM	0.173	0.088	0.180	0.080	0.003	0.006	0.004	1.50
Prod <--- CEM	0.777	0.147	0.774	0.073	0.002	-0.002	0.003	-0.67
Staff <--- CEM	0.608	0.115	0.602	0.063	0.002	-0.006	0.003	-2.00
Parking <--- CEM	0.616	0.119	0.615	0.066	0.002	-0.001	0.003	-0.33
Store <--- CEM	0.557	0.122	0.550	0.078	0.002	-0.007	0.003	-2.33

(Source: The results of survey in 2014)

Note: Se: standard error; bs: bias

4.3 Structural multi-groups analysis

Structural multi-group analysis was performed to study the model according to the group of qualitative variables such as gender, income, expenditure, age, education, occupation and supermarkets. Results of Chi-squared test between the two models are presented in Table 5.

Table 5: The results of Chi-squared test between two models

Variable	Variable model		Invariant model		difference		p - value
	Chi - square	df	Chi - square	df	Chi - square	df	
Age	1,496.275	892	1,499.416	897	3.141	5	0.678
Income	1,473.036	892	1,492.270	897	19.234	5	0.002
Gender	1,470.175	892	1,483.862	897	13.687	5	0.018
Spending	1,379.217	892	1,380.798	897	1.581	5	0.904
Marital status	1,431.442	892	1,441.671	897	10.229	5	0.069
Education	1,463.490	892	1,482.708	897	19.218	5	0.002
Occupation	1,440.292	892	1,455.596	897	15.304	5	0.009
Supermarket shopping	1,546.181	892	1,559.939	897	13.758	5	0.017

(Source: The results of survey in 2014)

The results showed that age, spending for shopping at supermarkets and marital status of the client does not change the relationships in the research model. Therefore, these factors would not be considered in setting up CEM program. Besides that, the characteristics of income, gender, education, occupation and shopping at different supermarkets could affect the relationships in the model. So the CEM program needs to

pay attention to these differences in order to see whether or not to invest any element to satisfy customers without wasting resources. Differences is discussed detail as following:

Comparison by income group

The main difference of the two groups of customers with different income was affected in the relationship between the CEM and sensory experience; between sensory experience and satisfaction. For the income group of between two million dong / month or more, the relationship is significant ($p < 0.05$) but not significant in the group of customers with incomes below 2 million / month ($p > 0.05$). Results also indicated that while supermarket staff, parking lot and the presence of other types of stores inside supermarkets do not impact on the experience of customer whose income less than 2 million / month when shopping at the supermarket, the factors that affect the experience of other groups.

Comparison by gender

The results found that the main differences of the two groups of men and women are affected in the relationship between supermarket design and space and CEM. This relationship is significantly ($p < 0.1$) for men but not significant in the case of women group.

Comparison by education level

The results presented that the main difference of these two different groups of educated customers impact to the relationship between supermarket design and space and CEM. For the group with college degrees, this relationship is significantly ($p < 0.05$) but it is not significant for the group without college degrees ($p = 0.834 > 0.05$). In addition, when customer satisfied for shopping at the supermarket, the group of customer without college degrees would have a higher level of loyalty compared with other groups. This has important implications as the clients with college degree is quite hard to serve them and should pay more attention on this group. They paid special attention to the commodities,

supermarket brand and parking lot. Additionally, the understanding in some aspects of social experience for this group should be review by the managers.

Comparison by occupation

The results showed that difference occupation impact to the relationship between sensory experience and satisfaction. To the business group, civil servants, workers and employees groups, this relationship is significantly ($p < 0.05$) but not significant in the case of student group and other professions ($p > 0.05$). In the components of the CEM, there is no difference between the two groups. While supermarket commodity is an important factor in creating customer experience for business groups, civil servants, workers and employees, the impact of this factor to group of students, vocational students and others is not significant ($p > 0.05$). For the group of students, vocational students and others, supermarket staff is an important factor that makes the experience for these groups.

5. CONCLUSION

Nowadays it is not easy to be differentiation, where similar products, prices and services are becoming ever more regulations. Differentiation will appear in the customer's mind on the basis of brand identity, perceptions and feelings about the company. All will be managed and delivered through the customer experience. The customer experience will make a differentiation to the company, build loyalty and ultimately lead to growth and the rising profits. With such practical significance, CEM is becoming a new wave of management activities in order to build customer loyalty. Theoretically, this study contributed and enrich the research on CEM in the case of supermarket industry in the Mekong Delta. The results of this study showed that CEM in the supermarket sector in the Mekong Delta consisted of six components: (1) supermarket brand, (2) supermarkets space and design, (3) supermarket commodities, (4) supermarket staff, (5) car parking lot and (6) the presence of different types of stores inside the supermarket. The results also illustrated that customer loyalty is directly positive affected by customer satisfaction. Although the

component of the CEM are not directly affected loyalty, they indirectly influenced to loyalty through direct effects of customer experience and satisfaction. Thus, to maintain customer loyalty, supermarkets need solutions to improve the level of customer experience and satisfaction, and social experience should be considered as well.

References

- Ceribeli, H. B., Merlo, E. M., Senesi, S. & Palau, H., 2012. A comparative analysis of consumer experience in Brazil and Argentina. *Revista Alcance - Electronic*, 19(2), pp. 259 - 272.
- Chaudhuri, 1999. "The Effects of Brand Attitudes and Brand Loyalty on Brand Performance. *European Advances in Consumer Research* , Volume 4.
- Fornell, C. et al., 1996. The American customer satisfaction index: nature, purpose, and findings. *Journal of Marketing*, Volume 60, pp. 7-18.
- Grewal, D., Levy, M. & Kumar, V., 2009. Customer Experience Management: An Organizing Framework. *Journal of Retailing*, 85(1), pp. 1 - 14.
- Kamaladevi B., 2010. Customer Experience Management In Retailing. *Business Intelligence Journal*, 3(1), pp. 37 - 54.
- Oliver, R. L., 1997. *Satisfaction: A behavioral perspective on the consumer*. New York: McGraw – Hill.
- Oliver, R. L., 1999. "Whence consumer loyalty". *Journal of Marketing Research*, 63(Special Issue), pp. 33 - 44.
- Pine, B. J. I. & Gilmore, J., 1998. *Welcome to the Experience Economy*. Harvard Business Review.
- Reichheld, F. F., Markey, R. G. J. & Hopton, C., 2000. The loyalty effect: the relationship between loyalty & profits.. *European Business Journal*, 12(3), p. 134.

- Rust, R. & Zahorik, A., 1993. Customer Satisfaction, Customer Retention, and Market Share. *Journal of Retailing*, 69(2), pp. 193-215.
- Schmitt, B.H., 2003. *Customer Experience Management: A Revolutionary Approach to Connecting with Your Customer*. New Jersey: Wiley and Sons.
- Shen, Y. & Zhao, P., 2005. A Comparative Research on Consumer Complaint Behavior. *Acta Psychological Sinica*, 37(3), pp. 397 - 402.
- Sirdeshmukh, D., Singh, J. & Sabol, B., 2002. Consumer trust, value, and loyalty in relational exchanges. *Journal of Marketing*, 66(1), pp. 15 - 37.
- Smith, S. & Wheeler, J., 2002. *Managing the Customer Experience*. London: Prentice Hall.
- Verhoef, P. C. et al., 2009. Customer Experience Creation: Determinants, Dynamics. *Journal of Retailing* 85, Volume 85, pp. 31 - 41.
- Wijaithammarit, S. & Taechamaneestit, T., 2012. Customer Experience Management Influences Customer Loyalty: Case Study of Supercenters in Thailand. *International Proceedings of Economics Development & Research*, Volume 50, pp. 47 - 52.
- Yoo, B., Donthu, N. & Lee, S., 2000. An examination of selected Marketing mix elements and brand equity. *Journal of the Academy of Marketing Science*, 28(2), pp. 195 - 211.