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# Improving Customer Satisfaction and Customer Service Levels

## Case: Nakumatt Mega City Supermarket

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## Improving customer satisfaction and customer service levels

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The purpose of this thesis was to analyze the current customer satisfaction and service levels of the Nakumatt mega city Supermarket through an efficient customer satisfaction survey. It is important for a company to work towards satisfying customers' needs and expectations in order to flourish.

The main objective of the study was to discover solutions to improve customer satisfaction and to increase the level of Nakumatt customer services in order to retain and attract new customers. Another purpose was to investigate whether Nakumatt has been successful in maintaining a good level of customer satisfaction level. The case study company is Nakumatt Mega City Supermarket, which is a leading retail company in Kenya and whose main business lines is selling consumer goods and services to their customers. Nakumatt operates in Kenya, Uganda and Rwanda.

In the theoretical section, the ways satisfaction can be achieved are analyzed and discussed using relevant literature on customer satisfaction and service principles to help provide solutions for Nakumatt to reduce the number of discontented customers. The empirical research material was collected through questionnaires, with a survey directed at the customers of Nakumatt Supermarket to get clear responses on the present customer satisfaction and services at the Supermarket. The research revealed that the customers were unhappy with the services they received and indicated that there are still demands that need to be fulfilled. In conclusion, valuing customers' demands needs to be clearly understood by the management and with the support of good customer satisfaction principles the company will be able to flourish, increasing profitability and maintaining the present customer loyalty levels.

**Key words**

Customer satisfaction, value, loyalty, dissatisfaction, service

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## 1 Introduction

Building a successful business and retaining customers in the business world of today can be exceedingly difficult. Pleasing the customer is crucial to the success of any business because the customers are the people that buy the products and services that the business is offering. Customers expect quality because they want to feel that their needs and wants are well catered for by the products and services that are being offered by the retailer. Kotler and Armstrong emphasize paying careful attention to the customer makes them feel valuable and they encourage them to patronize the products and services of the business. Consequently, retailers need to utilize all their resources to ensure that they retain, attract and make the customers feel happy and valuable. This gives the business a chance to flourish successfully, enhance profitability and increase the number of customers. (Kotler and Armstrong, 2007).

Many retailers and business entrepreneurs are under a lot of pressure to improve their ways of doing business with the customers, because their changing needs and wants are very diverse and have led to insufficient levels of customer service being offered to the customers. In order to improve customer satisfaction and service, retailers can offer quality products and services that will exceed their customers' expectations and continuously increase the perceived value to make them happy and satisfied. If positive expectations are sufficiently exceeded this will make the customer a good candidate for repeat business. Good customer service needs to be considered an essential tool for every business as a part of effective customer relationship management. This will result in increased customer loyalty and a longer lasting relationship between the customer and the retailer, because they will believe that it is in their best interest to buy from the retailer.

Retail managers need to be aware that it is important to get involved with the customers so that they can win on service and not only on low price. Poor service makes customers feel neglected and angry, while good service will make customers feel happier and more comfortable because they will be satisfied. This will also help to advertise the business and its products to other potential customers who might be interested in the same product that the retailer is offering.

Nakumatt Company has been a successful retail business and for this reason it makes an interesting choice of study for the author who is a shareholder of the firm. The research is worthwhile because as to the author's knowledge there have not been any customer satisfaction surveys carried out for the firm, which also makes it difficult to make any similar comparisons with previous research.

## 1.1 The purpose of the thesis

This section includes the background and choice of study, research problem, objectives of the study and the delimitations of the research. The background and choice of study explains why the topic was chosen by the author, and the research problem presents the research parts and question. The aims of the study is to provide suggestions for improvements for Nakumatt supermarket that will be able to ensure that the business successfully achieves its customer satisfaction goals, while the delimitation will explain the limits of the study that the author will undertake in the research.

Nakumatt mega City Supermarket is one of the most successful retail companies in Kenya industries and the author will use the company as a case study to improve the customer satisfaction, customer service levels, and consumer protection and provide ideas that they can use to retain their customers without the expense of a customer management structure. The author will indicate that not only should companies strive to provide quality products to attract and satisfy customers but also suggest that an excellent structure for customer management needs to be developed so that it can increase the business sales and profits.

Nakumatt will achieve the organizational goals and company objectives by using the findings from this research as a way to develop their customer satisfaction and retention. This will be beneficial for the business because it will be able to retain customers, expand its growth and increase profits.

## 1.2 The research problem

There is a lot of competition in retail industry on ways to satisfy customers and some of these customers tend to shift to other competitors if their needs are not sufficiently met and it has led to some companies losing profits. This research will seek to establish some of the barriers that hinder effective customer service and this will involve some of the issues related to customer satisfaction and customer service. With the support of this, the company will be able to achieve improved customer service and successful customer satisfaction. The research will seek to answers some of the questions such as what determines customer satisfaction, the effects of customer satisfaction, and how the company can be able to win on customers by satisfying them and also retain them. In addition to the research questions was also how does customer service improve retention.

All the findings from this research will be handed to Nakumatt management to enable the company to understand and learn the ways they can improve the performance of the company

by providing an excellent customer management that will be able to meet and cater their customer demands and this will highly improve the overall operations.

The topic of the thesis was chosen and concluded to concentrate on customer satisfaction and customer service because it will not be possible to study all the areas of the retail business and together with the research questions, the author will be able to correspond with the theoretical background. The research will be carried out confidentially for Nakumatt supermarket and the author will find out the present relationship of Nakumatt supermarket and the customers. Apart from that the author will also get theoretical support from books, journals, and online articles that are related to the research, company websites in order to provide answers needed for the research.

For any company to accomplish its organizational goals, quality of service and the customer relationship management play a huge role in order to retain the customers, ultimately increase sales and profits. The success also is attainable if there is a high level of customer satisfaction that will reduce the chances of losing customers to the competitors and also an effective quality service that will differentiate the business in the market environment, this will influence and create stronger competition that wins beyond price in the hyper competitive market and make the business to outshine the other competitors.

### 1.3 Planned Research Method

The collection of data in the study will be mainly through qualitative research methods chosen in the writing of this thesis which will be used to gain understanding into people's attitudes, behaviors, motivations, concerns, and lifestyle. The study will present the findings and conclusions from the questionnaires that will be used in the research and with these findings the author will be able to find out and understand the opinions and attitudes of the respondents.

### 1.4 Delimitations of the research

The research will be delimited on how Nakumatt can carry out an effective customer satisfaction and customer service to be able to retain its customers using theory resources for customer satisfaction and quality customer service. This study as presented earlier seeks to investigate the current customer satisfaction and customer service levels, the research will be analyzed with the support of customer relationship management methodologies that can be implemented to develop Nakumatt customer management and stimulate growth of the company.



The study has been limited to focus strictly on customers of Nakumatt because they will be vital in providing information on the said topic about the supermarket since the idea of the thesis is to improve the customer satisfaction and customer service levels at Nakumatt and the target population will take into account all the customers who visit the supermarket in the city of Nairobi since it has the highest number of clients to provide necessary information and this will be done by randomly picking customers coming in and out of the supermarket to answer questionnaires that they will be used to draw up the conclusions.

### 1.5 Framework of the thesis

The structure has six parts and the first part has the introduction that explains the background of the research topic and explanations that describe why the title was selected for the research. The second part presents a brief description of the company and the third part seeks to emphasize the theories that will be used to support the topic, the factors that are important to the research problem and will point out all the aspects of customer satisfaction and customer service that are important in a company to provide better relationships between the company and the customers.

The fourth part explains the examples of research methodologies and the selected approach that will be used for the research study. The author will carry out the research so that it can establish the answers to the research questions and to explain the importance of valuing the customers who are the main factors that drive the business, importance of customer satisfaction and customer service as a determinant to increase profitability of the business. The information will be collected using different methods of collecting data that will be used to summarize the research. The fifth part will have illustrations of the data and the data will be interpreted using Microsoft excel program and qualitative methods and the sixth part will highlight the recommendations and summarize the research.

The questionnaire will be used to accumulate the data and the researcher will consider valid and reliable information is collected to make the research reliable and ensure that valid conclusions are obtained through secondary sources for instance articles that relate to customer satisfaction and service of the company, internet sources, books and journals that will be combined with the primary sources to enable better understanding of the research.

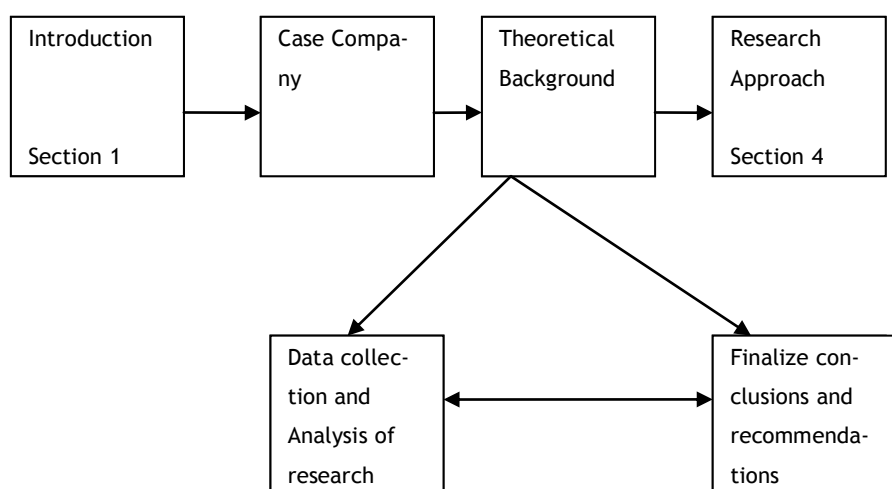


Figure 1: Framework of the Thesis

## 2 Description of the Case Company: Nakumatt Mega City Supermarket

Nakumatt supermarket is East Africa's best retail market running in Kenyan industry, Uganda, Rwanda. The company was founded in 1987 and it was a retail chain that was run by an Indian and his family which was intended to grow and provide customers with products that provide quality, value for their money, and excellent services. The Supermarket introduced 24hrs of shopping to customers who don't have time during the day to shop and it delivered an exciting experience to customers all over the regions. Nakumatt has a variety of supermarkets that are convenient stores and supermarkets and also hypermarkets which are big malls that have very many shops that sell over 50,000 different kinds of products from local to international brands that will fulfill the desires of the customers and it is able to get profits from the sales totals of 350 billion Kenya shillings every year. (Business daily Africa, 2011)

Nakumatt supermarket always maintains its operations despite its many business activities so that it can have an influence on the development projects that are organized to help societies such as health projects, sports projects such as offering sporting equipments for young athletes, education projects such as building schools for the needy children. Nakumatt is committed to improve the development in the economy by obtaining world class retail store management standards to enhance the company's success. (Nakumatt holdings, 2011)

Nakumatt is also determined to provide quality products and great services to customers at affordable prices so that the customers can be able to purchase the products that they are offering for sale because if they offer the products expensively it will be difficult for the cus-

tomer to enjoy the products. Nakumatt is committed to trade freely so that they can be able to have a good interaction with the products they are offering to the customers in the market by practicing good business ethics, better relationships with the employees, society, health and environment as well. (Nakumatt holdings, 2011)

### 3 Consumer Protection Laws

Consumer is defined as someone who purchases goods and services for his own needs.

There are laws that are created to provide information that if of truth in the market place and these laws guarantee the consumers that there is fair trade and competition. The businesses are inhibited from practices such as fraud and also prevent ways that business can be deceitful to gain advantage over the competitors. Consumers are also protected by these laws because sometimes they are easily tricked into wrong information, and it enables them to file lawsuits to get compensation for damages. The Retail managers and the employees need to make sure that they are well informed about the consumer protection laws that are applicable for the business so that it can protect the business from consumer protection cases and lawsuits. (The consumer Protection Act 2004, 3)

#### 3.1 Overview of the consumer Protection Laws

Consumers need to be protected from unfair business practices to prevent them from being deceived and an example of some of the practices that are prohibited include factors such as:

Advertising practices: it is against the law to create deceptive advertisement that will mislead the consumer or even if it does not have the intention to deceive anyone, the creators of the adverts are subjected to having criminal intent because they provide information that is not truthful. Retailers must have a good advertiser who will run truthful advertisements and that are shown to the consumers because the implications can be costly and bring damage to the company especially if there are customers who might have bought a product on a false advert which led him or her to make wrong purchasing decisions.

Displaying wrong prices: this comes about when the retailers offer false low prices from the original price. This makes the prices misleading to the customer because they think that they are buying that products at a good offer and yet the prices are not the actual prices. It is important that the retailer sets his prices similarly according to other retailers in the market.

The consumer protection laws provides the customers' with benefits in some cases whereby the products has poor quality, if it damaged or it is not safe according to its standards when being manufactured or distributed. Some of the customers' protection rights are listed below

The goods provided to the consumers need to be approved that they are safe for use or consumption and this is to prevent the customers from experiencing health risks, damages or death and customers need to be compensated for damages.

Right to correct information needs to be available for the customers when they purchase the products and this are safety labels and manuals for the items purchased to show the procedures on how they can use the products, or how they can dispose hazardous products.

The customers have the rights to a receipt after every purchase to assist in instances whereby the customer is not satisfied with the product for example if the product is faulty so that it can verify that the customer really purchased it. A receipt must have the sellers' details, description of the item, addresses of the seller, dates of purchase; the amount paid for the product and registration numbers.

In case the delivery of the goods did not arrive soon enough on the agreed delivery time, the retailers have a right to compensate the consumer and if he is not able to give a valid reason as to why the delivery was not on time.

When the customer has a faulty product that requires immediate repair, it is the responsibility of the retailer to assist the customer to repair the item if the customer signed an agreement which has not specified any expiry period. Some retailers expect that the customer to pay for repair services but it is not a requirement.

When the customers purchase a product and they discover that the product is not functioning properly they are entitled to a new one or a compensation of the products actual price when they return it to the seller. (The consumer Protection Act 2004, 3)

## 4 Theoretical background

The main aspects in this thesis is to work with the customers of the case company which is Nakumatt because they are critical in the foundation of the retail business and it is important to provide a successful customer relationship strategy and quality service to build long lasting relationships that will retain the existing relationships and make the customers come back for repeat business. Successful business economies largely depend on quality service and customer satisfaction to be successful and differentiate itself from other competitors in the market.

An increase in technology has also enabled customers to easily seek information on the products that they are willing to purchase and today's customers are well educated, informed, expect variety of goods, creativity and value for their time because they know what they want and retail businesses need to fulfill these critical aspects in order to retain customers in the market. The cost of an unsatisfied customer can be a great threat to the business and therefore they tarnish the business reputation to another third party making them prone to the business competitors and also the good will of existing satisfied customers that the firm cannot recover. It is an important step for the retail business managers to make sure that the physical attributes of the products and services exceed the customers' expectations and give a good impression to the customers so that they can also recommend the business products or services to other customers and even though it is not possible to satisfy every customer because every customer has different reasons it is still an important role for the managers to be focused on their customers' needs and wants.

### 4.1 Definition and overview of Customer Satisfaction

According to (Nigel Hill, John and Rob Mac Dougall, 2003) define customer relationship as a measure of how the organizations total product performs in relation to a set of customer requirements. Therefore a retail business should ensure that the customers get the satisfaction they want and the requirements are satisfied also the output performance of the services offered exceed the customers' expectations.

According to (Oliver, 1997) define Satisfaction is the consumers' fulfillment response. Meaning that a customer is content with his needs if they are fulfilled and for this needs to be met, they can be an under fulfillment if they tend to give less expectations or an over fulfillment if they exceed the customers' expectations of a product or service.

Another definition is "a customer is satisfied once his or her needs are fulfilled." It is a huge benefit for retailer to have a satisfied customer because he will be loyal to the company and

stimulate the company's growth by increasing the profits. A displeased customer will tarnish the business reputation and will turn to other retailers to get the service or product that he wants so that he can fulfill his needs but some customers do not bother or complain at all, they still continue the business.

#### 4.2 Importance of Customer Satisfaction

Customer satisfaction is an important requirement to the success of the company and it has many benefits if implemented properly for example:

**Increased customer loyalty and retention:** a company needs to focus on customer satisfaction so that it can increase customer loyalty and retain the customers, it is very easy to maintain the existing customers and make them loyal to the business compared to attracting new customers. The future of the business is more promising if the retailers achieve to have a good loyalty and retention strategy that will satisfy the customers because without the customers there is no business or profits for the company and competitors will welcome such opportunities.

The diagram below illustrates customer relationship, customer loyalty and profitability. It explains that customer relationship is related to customer loyalty which results into profitability and if it is carefully considered and applied by the company's management then there is a good chance of improving the effectiveness and performance of the business.



Figure 2: Service Profit Chain (Hallowell, 1996, 27).

**Increase in company revenue:** a company needs to realize valuing customer is very important because they are the factors that drive the business in the first place. The company should seek to ensure that their wishes are fulfilled and exceeded so that they can remain loyal to the business and improve the sales of the company by coming back for repeat business.

**Growth in Market sales:** companies can attain more customers in the competitive marketplace if it accomplishes to focus on customers' satisfaction and this can be achieved if the

company uses its resources to conduct adverts for the various products that they offer so that they can become known. Retailers should maximize their efforts to make sure that the customers experience value on the items that they seek to purchase so that they can receive satisfaction.

**Promote and advertise the Company:** once the customers are satisfied they will want to share their experiences with other customers and it will be a great way to market and build a good reputation for the company and get additional customers who will want to experience the same kind of fulfillment and on the other hand an unsatisfied customer will equally share their bad experiences with other potential customers and the company will lose a number of customer, profits and opportunity to market the company.

#### 4.3 Benefits of Customer satisfaction in retail business

Retail companies target to receive good profits so that it can impact the performance and success of the company, the company ensures that they achieve their objectives so that the customers can come back for repeat business and consider remaining loyal with the company. The retailer must take note that many customers want to experience pleasure and avoid bad experiences and this will encourage the customer to want to continue doing business with the company that has fulfilled their expectations and they tend to turn away from the companies that ignore or pay attention to their wishes. An added advantage of customer satisfaction is that it provides better sales and profits because the customers will have an opportunity to make repeat purchases all the time (Hill and Alexander 2006, 19-21)

There is a link between customer satisfaction and employee satisfaction and it can be seen that employee satisfaction influences customer satisfaction because this are the key people that interact with the customers and as a result they feel happy to work productively in an business environment that they feel pleased with. In addition to this, the company will gain more financial returns because of customer retention influenced by employee satisfaction. (Hill & Alexander 2007, 20)

Another benefit is that the existing customers in the company will feel less sensitive to the products or service costs that the company is rendering to them, because they appreciate and feel satisfied with the value of the products and this will prevent the customers from shifting to competitors and instead they will make recommendations to other potential customers to come and experience the same kind of satisfaction they got. Retailers need to make sure that the customer is involved in the selling process so that they can provide them with enough information to help them make purchasing decisions.

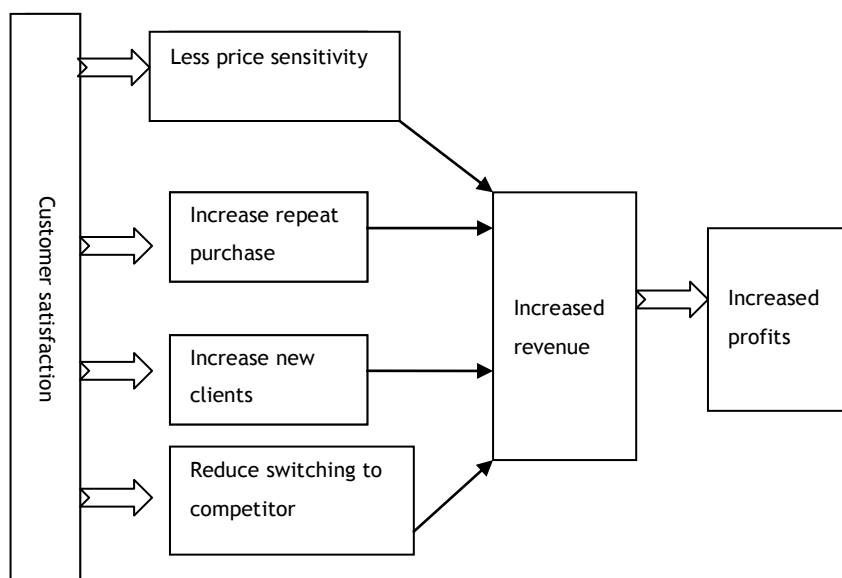


Figure 3: Benefits of customer satisfaction and customer service

#### 4.4 Benefits of Customer oriented retail companies

The retail companies such as Nakumatt need to have the ability to operate effectively in the competitive markets. They need to strategize ways that will enable the company to improve the way it interacts with the customers so that it can help them retain them. The company needs to make sure that the customers' needs always come first. This will definitely increase the number of customers and improve the reputation of the company because they have experienced the commitment of the company to practice customer focused policies. (Cook 2002, 2)

When the company has an outstanding customer service, it is an advantage because it helps the company distinguish itself from other competitors in the market. This enables the company to grow and have increased profits. In addition, a better customer service will also improve the company's brand and image because the customers feel satisfied to have quality in the products and services that are offered to them based on all the levels of customer satisfaction that will profit the business. (Cook 2002, 2)

The retail business that has an excellent customer service will objectively carry out delivery of products and services to their clients on time, request made by the customer will be handled swiftly not to cause any feedback delays that will annoy the customer, this will be beneficial because the company will try to maintain its customer care policies and the company objectives. (Cook 2002, 2)

Excellent service also enables a business to bring about improvements to the operations of the company so that the company can be able to achieve success. (Cook 2002, 2)



Having a good customer oriented organization will encourage the employees to work productively and encourage the employees to have the drive to offer the best customer service which will create a good status for the company to other customers as well. (Cook 2002, 2)

#### 4.4.1 Keys to ensure successful customer service

A definition of good service is meeting customers' expectations. Excellent service is exceeding customers' expectations (Cook 2002, 32).

Many companies and business in today's competitive economy strive for an excellent service for the customers and the growing demand to implement quality service is quite high according to the author because every successful business wants to develop a strategy that will be able to increase customer satisfaction and retain customers also gain competitive advantage. For a retail business to be able to ensure that there is excellent service, the following factors need to be considered.

Effective communication: (Thomas 1992, 15) points out that a customer service employee's work is involved with communication. For an effective communication the author stresses that it is not only communicating with customers, co workers, other departments and vendors who operate outside the company. According to the author she proposes the customer perceives the customer service employee through the work and skills to communicate effectively.

(Thomas 1992, 16) has also classified 5 ways of possible communication breakdown between two people which are Emotions, nonverbal clues, role expectations and choice of words. Emotions such as anger are negative feelings and hinder effective communication which leads to misunderstandings with the customers and will lead the customer to express unhappiness, disappointment because he did not deal with the appropriate customer service and it will be the demise of the business because the customer will leave. Also conveying a negative attitude will affect the customers listening since the customer will not pay attention but instead concentrate on the attitude and not the response. Nonverbal communication is also a powerful way of communication than voice or words because the nonverbal behaviors such as talk, react, eye contact can send very strong messages. Portraying nonverbal clues that are not connected with the verbal will tend to produce a sense of disinterest towards the customers and this will affect the expectations and impressions that the customer had for the customer service worker. Choosing the correct choice of words will enable effective communication and great outcome when it comes to sales. Word choices can easily stress the customer especially if they appear to sound negative and can also break or make a sale.

According to (Thomas 1992, 18), another essential step for a successful service is for the customer service personnel when communicating with a customer both verbally and non-verbally should greet the customer warmly to start off the transactional meeting on a good start and allowing the customer to feel comfortable and appreciated, the verbal communication should be precise, detailed and accurate. The customer service employer can reach out to the customer to confirm if the information is clear enough for better understanding and letting the customer ask questions can be a good way to open up and make him feel confident and relaxed. The author also suggests that it is good to think before speaking so that the customer can speak without being interrupted and gives the customer service provider room to think and listen to the problems without risk of misunderstandings occurring.

Listening: (Thomas 1992, 19) emphasizes that listening is an important part of communication and for the customer service worker to develop excellent listening skills and response they need to listen to the facts and feelings so that when they are faced with a situation they can be able to respond efficiently and serve the customer properly with valuable information. Becoming actively involved in the conversation is also an effective way of improving the listening skills and it will show the customer that the customer service provider is showing interest on his problems and it will also help the provider deal with any problems because he has got enough information while interacting with the customer. If the customer provider is distracted for instance by other phone calls or things going on around while working the customer will be able to tell that there is no concentration at all and the service provider is bound to miss important points. (Marian 1992, 18)

Trust: Successful customer service only happens as a direct result of maintaining the existing relationship so that the customer can establish trust because many customers accomplish business transactions with the people that they trust. The customers trust is built by the experiences that come about when doing business and also other recommendations from other customers because they fear being taken advantage.

Furthermore, when trust is present in the business, it will be an essential part that will be able to generate more sales and hold the business to customer relationship together and as a matter of fact the more trust the business expresses to the customer, the easier it is for the customers to tell about their needs. (Thomas 1992, 18)

Well informed: A good service provider or sales representative should exhibit enough knowledge and keep the clients well informed of the developments of the business to the customers because giving the right information will keep the customers from having any doubts or uncertainties, moreover it is important to make them feel motivated, educated and also informed so that it can be easy to resolve their major concerns and to deliver more profits per customer. (Thomas 1992, 18)

**Efficiency:** an effective customer service is a key foundation to retaining customers who already exist in the business. Previous studies have shown that attracting new customers is more expensive than retaining the old customers and this makes customer service a very critical issue where the company cannot afford to have an inefficient customer care service. Customers who reach out to companies always try to hear positive feedbacks from other customers and also the company's overall customer service performance so that they can also have positive experiences. (Thomas 1992, 18)

**Friendly:** Without the customers there will be no business profits or the business operation will be bankrupt. It is important for the service provider to treat the customers in a friendly manner because first encounters really make a good or bad impression to the customer who comes to the company for the first time. The service provider can be friendly, smile, cheery and provide excellent service so that the customer can feel at ease than to greet the customers in a rude way and provide poor service which will lead the customer to feel angry and feel less important. As long as there is a great customer service offered by the employees, sales representatives or manager the customers will always look forward to keep contacts and come back for more business hence more sales for the company and the customers are served with positive experiences. (Thomas 1992, 18)

**Courteous:** The service providers must always try and be polite towards the customers so that they can feel more valued and make them know that they can get help in solving their worries and concerns. Customers will always come back for the same courteous customer service because they will know that their needs were well taken into account accordingly.

**Promptness:** Being prompt and accurate always leads to referrals to other potential customers and therefore it is good for the staff to be more empowered to make quick decisions and attend promptly to the needs of the customers. Also it is necessary for the service providers to note that putting a customer's request on hold is rude because it might be an urgent phone call that needs to be handled immediately. (Thomas 1992, 18)

**Under promise and over deliver:** It is fundamentally wrong to keep promises that will not be delivered and still best to under promise and deliver because the idea is to keep the customer expectations low and frequently exceed them

Extend services: Another important factor is providing the customer with services that are beyond the actual standard procedures set for the company so that they can feel value for the money that they are paying for the services. For instance opening doors for the elderly people, lead customers to their seats, it could be helping with bags if the customer has extra weight on them. This will make the business to thrive and deliver excellent customer care services.

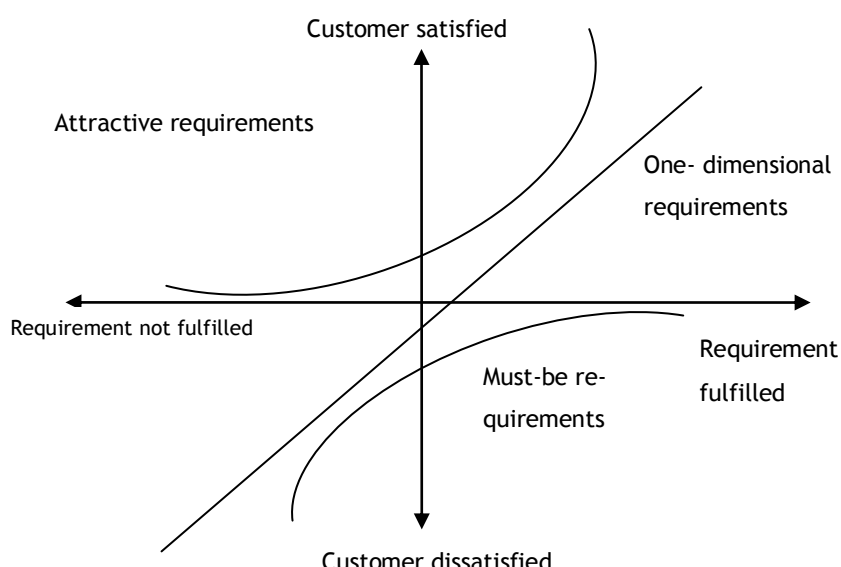


Figure 4: Kano Model of customer satisfaction (Berger et al., 1993)

#### 4.5 Kano Model of Customer satisfaction

The Japanese professor Kano (Kano, 1984) uses Kano Model as a useful tool to distinguish between three types of product requirements to capture customer needs and understand the influence it has on customer satisfaction. It differentiates ways that meet to be able to achieve customer satisfaction and also a marketing technique that is used to measure customer satisfaction. The model consists of three categories:

**Must-be requirements:** if the features that the customer expects to find in the product are not satisfying to the customers' needs they become displeased and they stay neutral even when the feature is available. This is important for retailer to know that even if the store has got a variety of products, it is exceedingly difficult to convince a customer to buy the product. (Satisfaction analysis in different customer groups, 2008.)

**One dimensional requirement:** this is a requirement whereby a customers' needs when they are fulfilled they result in customer satisfaction and if the requirement are not fulfilled they result in dissatisfaction. This means that the feature has the desired quality and it is in de-

mand because it corresponds to the customers' needs and it increases satisfaction. Most companies need to be competitive at this stage because customers want to have features that will make them come back for business or they else turn to competitors, for example, a selection of electronics in a supermarket with more than two years of warranty or perhaps trendy clothing will attract the customers even more because this are some of the things the customers enjoy. (Satisfaction analysis in different customer groups, 2008.)

Attractive requirements: This attractive requirement is an important attribute that results to increased customer satisfaction and helps the company to differentiate itself from the competitors. The requirements are never expected and they intend to bring excitement to the customer. For example, giving out free candy at the end of a shopping transaction will bring excitement to the customer because he did not expect candy. However, if they are not met they do not result in any dissatisfaction because they are not expected by the customer. (Satisfaction analysis in different customer groups, 2008.)

#### 4.5.1 What determines customer satisfaction

Service quality influences customer satisfaction because with an excellent service provided to the customers, their needs and expectations are met and as a result it improves customer satisfaction.

Customer perception of price would also determine satisfaction. Customers' wants to feel value for what they purchase and that also includes fair prices hence it would result to an amount of satisfaction. If a company increases the prices, the customers will feel like they treated unfairly by the seller.

Product quality and features also influence customers' satisfaction because the customers are always after specific features to be satisfied. They expect the products offered to be able to meet their expected needs and overall exceed to be able to be satisfied with the supermarket shopping experience.

Excellent customer service is also a major determinant of customer satisfaction because it helps create a good image of the company and bring positive reactions to potential customers mind since they expect excellent treatment if they incur problems while shopping.

Other customers' experiences influences customer satisfaction because sharing positive experiences will result to new customers wanting to experience the same experiences and would lead to satisfaction.

#### 4.5.2 How does customer satisfaction improve customer retention

Excellent customer service and overall satisfaction with the product performance will lead to customer retention once a customer is satisfied with the service they receive from a company.

Service providers would ensure that they have a control and a program that helps to balance new and potential customers so that it can help manage customers' details and needs in order to help in retaining valuable customers who are beneficial to the business.

Planning customer surveys and customer feedbacks can help the service provider know what is better and what areas need to be improved for the customer so as to be able to satisfy to his or her needs. As a result of this, the customers will feel that the customer service is there to listen to their desires and hence more retention

Improving on the ways the customer service can make the customers happy can help improve customer retention by providing extra services to their orders like giving out thank you cards that are hand signed by the company can make the customers create a strong commitment with the company and make them feel happy with the services.

Interacting with the customers plays a major part in customer service, in order to improve customer retention through service it is important to focus on helping customers in resolving problems in timely manner so that the customers can be able to tell that the service provider is trying their best to help. This will help them establish a strong relationship and retain themselves with the company and expect to have the same treatment in future. (Business knowledge source, 2003-2010)

Customer service can help improve customer retention if the company finds ways on how they can motivate customers to purchase the products offered to them. This can be enabled by providing promotions that will motivate them to buy the products and they may expect the seller to have smaller promotions with fair price and make them feel better as they save some money when making their purchases. (Business knowledge source, 2003-2010)

#### 4.5.3 Barriers to excellent customer service

According to (Elaine K. Harris 2006, 15), many factors stand in the way of the delivery of excellent customer service and this include common barriers like management philosophy; making it difficult for customers with a problem to contact the company or the person who can really help; unreliable equipment; restrictive company policies; difficulty to understand warranties or owners' manuals; out of date procedures or a lack of understanding of the value of service. This makes it difficult for the customer service provider beyond her control but some barriers are within his or her control if a little effort is put to do his or her best. Some of the most common barriers to excellent service are mentioned below:

**Laziness:** Many customers want to work with an organization or department which has an active customer service because they expect consistent quality of customer service whenever they intend to do business with the company. The managers need to ensure that their customer service providers are carrying out excellent interactions with the customers and need to keep track of employees who have low morale when it comes to achieving small tasks to avoid negative employee behavior or slow down a productive job oriented atmosphere. (Harris 2006, 15)

**Poor Communication Skills:** inappropriate communication skills often lead to the loss of customers and the betterment of the company will decrease if there are no repeat customers. Managers need to influence customer service providers with effective communication skills so that when they interact with the customers, they can be able to know that their concerns are well listened to this include factors such as speaking clearly and active listening. ( Harris 2006, 15)

**Poor time Management:** Ability in managing and prioritizing time when offering service to customers' leads to customers feeling respected because their time has not been wasted. Therefore Service providers should establish quick ways when handling decisions and time should be managed effectively so that it can be effective.

**Attitude:** Service providers should exceptionally show the best attitude to the customer because it portrays the entire business and how the customers will perceive the company. A good attitude whilst providing service enables the service provider exceed the customers' expectations and will also help in creating more customers within a short period of time and winning them for good. Offering a smile is more efficient, or using their name can make them feel very important and they will feel more welcomed. (Harris 2006, 15)

**Moodiness:** moods are always changing and customer service providers should never show weak personality traits, they must recognize that the customer is an important asset to the company and they need to be treated nicely or they might have negative perceptions leading to dissatisfaction. Therefore it is important to control moods because first impressions always count and they tend to give clear information on what they expect. The customer will not care how reasonable the prices are, chances are he or she might never come back again and the business will suffer huge amount of loss because of negative behavior that could be controllable. (Harris 2006, 15)

**Lack of adequate training:** lack of adequate training of staff will promote poor customer satisfaction and bad reputations of the company especially if the customer service and front desk representatives are not well trained, well groomed or communicate with customers properly. Their roles are very critical to how successful a business can be able to flourish because they are in the frontline. The retail managers need to manage their staff into doing their best by taking up training courses in customer service skills with a positive attitude to help customers satisfy their needs. (Harris 2006, 15)

**Inability to handle stress:** All customer service providers should have the ability to handle the amount of work loads and stress while at work.

**Insufficient Authority:** lack of sufficient empowerment or authority will result in decreased customer satisfaction, decreased employee satisfaction, and decreased production. If authority is implemented effectively across the business, the employees will dedicate themselves into learning and sharing information that will contribute to the performance of the business and it will be successful. (Harris 2006, 15)

**Inadequate Staffing:** inadequate staffing leads to aggression from unhappy customers because they not feel satisfied with the customer service if they have long waiting times, long queuing times.

#### 4.6 Measuring Customer Satisfaction

Customer satisfaction measurement is used to identify the problems that the customers are facing so that the company can help to determine, plan and monitor the appropriate strategies to meet both their customers' demands and suppliers' performance, For instance offering quality products or delivery of products on time to enable them to make room for future improvements on services. (Hill and Alexander. 2006, 3-4). The main purpose to measure customer satisfaction enables the managers to achieve correct data or information that is



needed to make decisions that will enable them to focus on their resources to improve areas which will lead to increased customer satisfaction and result also in customer retention.

#### 4.6.1 Why Measure Customer Satisfaction

Only through measuring customer satisfaction will help managers determine the best way to meet, exceed their customers' expectations and develop adequate understanding of their requirements in order to help organize the business to meet those demands and to make improvements to enhance customer satisfaction. Measuring customer satisfaction is very important to any company that selling products and services because it predicts customer retention, loyalty and repurchasing of products. According to (Hill, 2006, 5) the average business loses between 10 to 30 per cent of the customers every year but they do not know which customers they have lost, when they were lost, why they were lost or how much sales revenue and profit this loss has cost them.

Hill has created three reasons as to why we measure Customer satisfaction which are listed below:

#### 4.6.2 Customer Decay

Many business managers invest all their efforts on winning new customers even when they are losing old customers. Instead of concentration on how they can also help retain the old customers and fix the situation they devote their resources on gaining more new customers into the company

#### 4.6.3 Service Gaps

The fundamental reason for customer decay is customer dissatisfaction and from the above explanation, customers are affected either way with the service provided. The main reason that creates this dissatisfaction is the gap between the expectations of the service and the expectations or experience when the service is being delivered which consists of several service gaps that lead to dissatisfaction which include:

#### 4.6.4 The Promotional Gap

This often happens when the service provider fails to fulfill the expectations created in the minds of the customers making them look forward to false expectations on the service that is

offered leading to disappointment. An important note for companies to remember is that it is best to promise what the company can deliver because overpromising will lead to dissatisfaction since the customers' expectations are raised too high. This gap results from the difference between the customers' expectations of the services rendered to them and the company understanding of the expectations.

#### 4.6.5 The Understanding Gap

This occurs due to inaccuracy of the managers when understanding the customers' needs and priorities when it comes to service quality. If they do not know what is very important to their customers, it will be difficult to satisfy their needs and this gap is comes about if the managers pay much attention to service and quality instead of giving the necessary attention to the customers to give them the required service.

#### 4.6.6 The procedural Gap

Assuming that the company does not have a full understanding of matters that mean most to the customers it will still fail to deliver customers satisfaction if it has not translated customers' expectations into appropriate operating procedures and systems meaning that the procedural gap tends to explain the customer expectations into appropriate standards or designs that should be enabled by sufficient resources such as people or technology.

#### 4.6.7 The Behavioral Gap

Sometimes companies have clear procedures which are well matched to customers' needs and priorities but do not achieve a consistently high level of customer satisfaction because staff is insufficiently trained and the best way to decrease this kind of gap is to consistently train and monitor the staff progress to achieve a better performance.

#### 4.6.8 The Perception Gap

The above gap is caused if the customer has had a bad perception of the company service and the overall experience turns out to be disappointing. As a result of this unhelpful service the customer forms a bad reputation about the company being uncaring. And it may take time and much experience to be able to modify the perception of the customer. The above five gaps arise if the customers service expectations do not match with the experience that they intend to receive from the company. Most companies intend to provide good customer service

but failure in any of the above gaps could result in poor service quality. All companies should have regular customer satisfaction measurements to diminish these gaps. (Nigel Hill, 2006, 6-10). From the figure 5 below, it is clearly illustrated where some of the situations where service problems and the gaps occur.

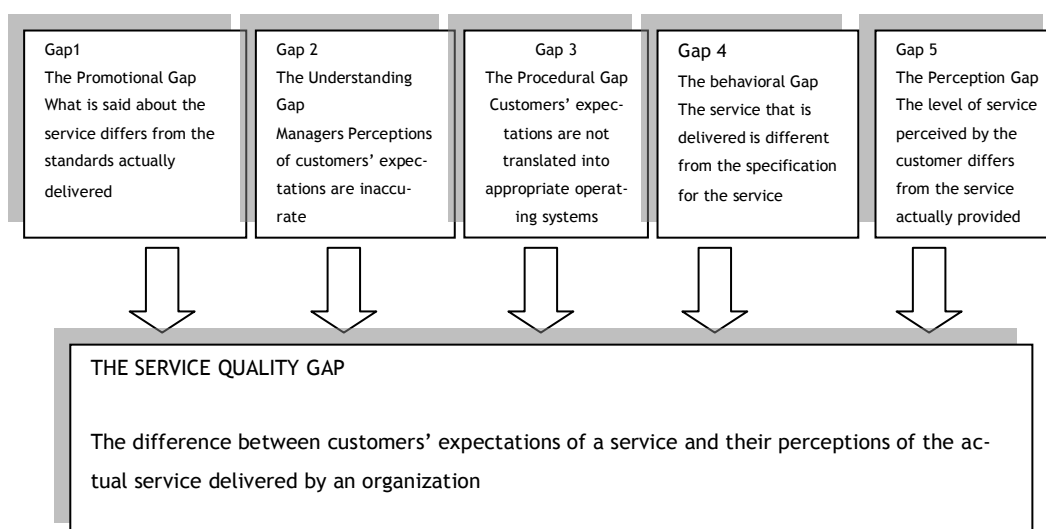


Figure 5: Service Quality Gap (Hill, 2006, 6)

#### 4.6.9 Customer Retention

It is a fact that companies have always had a daunting task to retain customers for a longer period of time because the customers are quick to leave in favor of the competitor because of a fault. Customer retention is obviously highly valued and companies are always ready to work harder to retain customers because the cost of attracting new customers is expensive and it might cost five times as much to attract new ones. In order for a retailing company to be successful, keeping existing customers is very profitable and one of the most important factors to achieve customer retention is to have the best customer satisfaction schemes to increase loyalty. A satisfied customer will be loyal to a company and will buy more products and services without thinking twice about the prices. He or she will also have positive experiences to share with others and will have fewer intentions to buy from the competitors brands.

Retailing companies should have enough resources to be able to meet and satisfy all their needs and wants of their customers so as to build a longer and lasting relationship. Rewarding a customer for maintaining a long relationship could be implemented by customer loyalty schemes, sales promotions and customer clubs which will provide a much better improvement on customer retention and investments. (Francis Buttle 2004, 308-313)

#### 4.6.10 Loyalty Schemes

These are effective ways that can be used by a company to reward customers so that they can make repeat purchases by offering them reduced price offers and discounts on products to the regular loyal customers. This can be beneficial to the retail business because they can create new relationships with potential customers and also strengthen the old customers' relationships. The rewards can be given if the customer is a frequent buyer, length of relationship is long or the customer buys the goods in large quantities. It has been suggested that successful schemes delivers five types of value to participants:

Cash Value: which is compared to the to the rewards worth in cash and how much was spent to obtain it.

Redemption Value: how wide a range of products is offered

Aspirational Value: how much does the customer want the reward

Relevance value: how achievable are the rewards

Convenience Value: how easy is it to collect the credits and redeem them for the reward

Loyalty schemes could be very expensive to manage in spite of possessing these values. (Buttle 2004, 308-313).

#### 4.6.11 Sales Promotions

Sales promotions offer the shortest form of customer value added scheme whereby a company advertises various products with offers such as buying a product and getting an extra free and this makes the customer make repeat purchases of the same product on offer to get the special gift. These promotions are mainly used to acquire customers who are looking for low prices, excellent value or increase the customers' interest to buy a product but it does not make them loyal customers. (Francis Buttle 2004, 308-313)

#### 4.6.12 Customer Clubs

These are clubs that are established to attract and retain most of the customers who are accountable for the large amount of spending. The customers are required by the company to register their personal details so that the company could find a way to develop services for the customers. Clubs can succeed with the help of customer benefits. For instance, if you

become a BMW member, you can get various offers on free car services, full access to the latest car accessories and rallies. (Buttle, 309-313).

#### 4.7 Importance of Customer Service

Providing excellent customer service can be a never ending task for many retailing companies but its rewards are huge in terms of job satisfaction, motivated staff and increased profits. Providing excellent service cannot be consistently easy because people deliver customer services, people make products and provide service and people are imperfect and all this affect the way to handle customers. Company managers need to provide guidelines and rules to help the staff minimize problems and perform better in a manner that will satisfy customers. Providing a good customer service is important because the benefits include:

- Increased revenue
- Increased efficiency
- Less waste
- Improved staff morale and confidence
- Reduction in staff turnover and absenteeism
- Saves money
- Enables individuals to take responsibility and saves time
- Increased customer confidence
- Gives employees a sense of pride in the company- increased motivation
- Increased profits
- Happier shareholders
- Less bad publicity, more good publicity which in turn brings in more customers

#### 4.8 Managing Customer Complaints

When customers complain to the company about the products or services that they receive it benefits the company because it offers them a chance to correct problems immediately and as a result, they provide new ideas on how they can improve on their services, products and their marketing. Customers are always satisfied if the company has effective solutions for resolving complaints and also if the company has taken its time to ask how they can solve a complaint because they feel that the company has played an important part in finding a resolution to their complaints and disappointments fairly. This will make them feel valued and they will want to have more commitment with the company.

The following points are some important steps when handling a customer complaint

- Employees should ensure that they do their very best to listen very carefully to the customer in order to get the correct information when they are upset. So that he or she can know that he is on the same page with the service provider.
- The service provider can try to apologize without blaming to diffuse the situation and carry on to solving the complaint responsibly and in a professional way so that the customer can feel that he or she is sincerely sorry and would return for repeat business.
- Saying sorry is a positive move a service provider can do to make the customer feel better so that whenever a problem arises he can feel confident to lay across any complaints. For instance, the company can write a small note or face to face to say sorry or and thank him for laying down the problems.
- The service provider can ask the customer for any recommendations. This will help in dealing with the situation if the ideas are important.
- Before making quick decisions, the service provider should collect all information all the necessary information and keep contacts in case the solution is to be decided upon a later date.
- A company must follow up after the complaints are resolved, they need to make sure that the customers leave as happy customers, and also follow up through phone calls, emails to make them feel important.

In addition to the above, the company must also ensure that they strategize on how they can prevent the same mistakes from occurring again so that they can make the company ensure that they improve on the ways of dealing with complaints and keep them competitive in the market.

#### 4.9 Customer Loyalty

Customer loyalty is an emotional and attitude-based preference resulting in the behavior of spontaneous personal recommendation and/or purchase. (Robinson et al 2006, 5)

Acquiring customers and keeping them coming is the most difficult task in a business and the ability to win customers and to keep them coming back are indeed extremely precious attributes. With the increasingly competitive marketplace requires an organization to find ways to establish relationships with customers that make individual business stand out from the crowd. Customer retention can be accomplished by effective customer satisfaction that result in better customer loyalty and developed business relationships (Kotler et al 2003, 22; Robinson et al 2006, 5)

#### 4.9.1 Customer Loyalty Levels

Customer loyalty has different levels of loyalty and companies need to focus much on targeting the customers whose loyalty levels can be further developed on to the next levels of customer loyalty. Below is a figure of the customer loyalty pyramid that represents the different levels of customer loyalty. (Hill and Alexander 2006, 16)

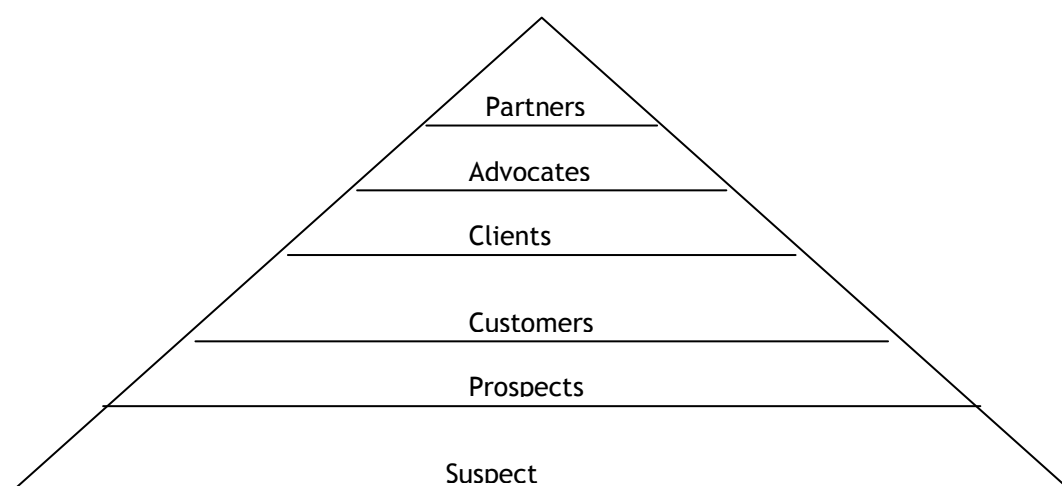


Figure 6: Loyalty Pyramid (Hill and Alexander 2006, 16)

Suspects are customers who are likely to buy from the supermarket or company but they are not well informed of the products or services offered and the company needs to utilize some of its resources into some form of promotions or advertising just to create enough information and knowledge for the suspect buyers. Prospects are usually interested in the companies' products or services after they have taken part in a promotion and companies experience difficulty when trying to change the prospects to become committed customers. A customer is a person who has made purchases from the company and they can be repeat or first time customers and companies need to ensure that they need to be valued and offered the best customer treatment.

Clients are the next customers on the level of the loyalty ladder and they are repeat customers who buy from the business and they need to be treated well because they are profitable and so that they can be able to feel that the company notices their needs. Advocates are clients who and recommend the company to buyers and they show support to the company and therefore the company needs to ensure that the newly acquired customers need to be valued and important just like the advocate who introduced them to the company.

Partners form the strongest customer-supplier relationship which is sustained because both the parties feel the partnership is mutually beneficial because it involves more than just the customer purchasing or returning to buy the products offered. This demonstrates levels of loyalty between the customer and the supplier because the customer feels the supplier meets his needs or his products benefit him and also the supplier considers the customer loyal. (Hill and Alexander 2006, 16)

#### 4.10 Managerial Implications

To sum up, various implications were obtained from the empirical findings and they presented substantial implications that could have an effect on the management of Nakumatt. One implication that was observed was the understanding of customer service and what it means. Customer service is an important factor that should reflect on the strategies that the managers use to improve customer satisfaction and the quality of service so that it can fulfill the needs of the customers and also provide solutions whenever there are problems that arise when customers are unsatisfied. This will result to customers having the confidence to choose Nakumatt for their next shopping experience and it will prevent them from shifting to other competitors.

Another implication revealed that the management of Nakumatt needed to consider proper training of the customer service personnel who had the responsibilities to present good personnel skills in customer service which will help to minimize some of the challenges that occur when there is poor customer service. Therefore, Nakumatt managers need to ensure that they use their resources into training the personnel to educate and improve their skills so that they could use their expertise to improve Nakumatt services. From the findings, this is demonstrated by the opinions of the customers who were not happy with the customer service and the company needs to direct attention to some of these matters to fix this problems. For instance, a member from the personnel team could be chosen to follow up customers and see that they are doing okay maybe by asking simple questions like, “hello, how are you or even can I help you with anything?”. Customers notice such small gestures and they feel that the company is concerned with their interests which are a good benefit to the company’s image and result in customer loyalty.

Finally, another implication obtained from the findings pointed out the measurement of the customer satisfaction as a tool to meet the demands of Nakumatt Customers and improve the present customer services and their customer satisfaction. This approach could be used regularly to minimize the some of the service quality gaps that result when there are no positive experiences or expectations from customers. On the other hand, the management of Naku-



matt will find this helpful because they will be able to attract more customers and also allow them to understand the needs of the customers more.

## 5 Summary of the Theoretical Background

Customer satisfaction is clearly defined in the theoretical section, important reasons for having a good customer satisfaction and also its benefit in the retail business to ensure smooth running of the company. Kano model of satisfaction has also been introduced provide theoretical knowledge on the managers of Nakumatt to provide understanding on how certain product requirement or features impact the customer satisfaction and the perception of customers. They gain insight on how the use of these products helps them to differentiate from other competitors in the market.

Customer Loyalty is briefly explained and it is accompanied by a loyalty pyramid that has the levels of customer loyalty. When the company is approaching a target market it needs to determine how it can attract customers gradually move them from suspect buyers to partners in a company in order to create a long term relationship that will be profitable to the business by committing to cater to their needs. The service quality Gap model, gives details on how these gaps have an effect on the service if the customers' expectations are not exceeded, the company needs to use this service quality gaps to improve the quality of service rendered to the customers.

In conclusion, the theoretical part was to explore the important aspects of customer satisfaction and quality service lead to the success of a company and some issues pointed out how they can hinder customer retention and profitability of the business if they are not managed properly. The customers are an important asset to the company and they need to be valued so that they can be loyal to the company and improve the image of the company by building a good reputation to other important clients as well.

## 6 Theoretical Framework



Figure 7: Theoretical Framework

## 7 Research Approach

The research methods used in the data collection of the research will be secondary sources and primary sources whereby the primary data can be either qualitative or quantitative which will be used to seek information that will give insights on the issues that are being re-searched.

### 7.1 Quantitative Research Method

Quantitative research contains numbers and statistics that are gathered from a large survey and they are used to explain variables, quantify attitudes using graphs to analyze results. Quantitative methodology is carried out through questionnaires that in most cases have pre determined answers. (Business Dictionary, 2011)

### 7.2 Qualitative Research Method

The objective of the research is to analyze the present customer satisfaction and service levels presently at Nakumatt Supermarket using information that will be obtained through questionnaires with the Supermarkets customers and from articles and Journals that have discussed issues relating to the research. The author will use secondary data in the form of textbooks to support the theories that will be used in the theoretical section and the internet to retrieve extra information for this study to enable the company to make future improvements.

Qualitative research method is a method that is used to gain insight on people's attitudes on their experiences, circumstances and situations using in depth interviews or focus groups, observations. The researcher collects the data and analyzes in forms of words, or illustrations. (Hesse-Biber & Leavy 2011, 3- 4).

The research was conducted in July and the questionnaires were handed out to customers who were visiting the supermarket during July 11th - 24th and the two week period was long enough to collect reliable results because the sample used for this study was large and represented variety of customers. The questionnaires were being issued at certain times of the day like morning, sometimes in the afternoon or evenings so as to get different types of customers.

#### 7.2.1 Population

The target population will take into account all the customers of Nakumatt that visit the supermarket in the city of Nairobi who will be useful in providing vital information and the population is expected to provide adequate information that will be used to draw up conclusions.

### 7.2.2 Sample Technique

Sampling is the process of selecting units for example people or organizations from a population of interest so that by studying the sample we may fairly generalize our results back to the population from which they were chosen. (Trochim, 2006)

Probability sampling technique was used in this study to pick respondents answering the questionnaires that were sent. The technique was used by the researcher because it was able to pick customers from a random population from the huge number of customers who shop from Nakumatt supermarket without being unfair or choose beforehand a group of respondents. Probability sampling was chosen in this study because it provided each person in the total population an equal chance for an interview to be included in the final sampling. (Pervez & Kjell 2005, 148-150)

### 7.2.3 Research Design

Research design relates to the choice of strategy to collect the data needed to answer the research problems. This means that the researcher has to relate the research problem to the practical research by providing a collection of data and finally analyze the data. The forms of research can be in different forms which include descriptive, explorative or casual but the researcher selected both descriptive and explorative research design to collect data with reverence to the variables that are involved in this circumstances. (Pervez & Kjell 2005, 31)

The research design chosen involves surveying a field that comprises a population of interest to the research study, the aim is to ensure that the data that is collected is not manipulated and is non Intrusive and the researcher has no control of the results being studied. (Saunders 2009, 194)

In the research design, the significant literature will be reviewed and the data collection process will begin by doing the necessary pilot work such as making revisions where necessary and other aspects such as how to gain access to respondents. Designing the samples, selection of the people to be approached and carrying out the field work will be the practical work to be embarked. Finally the preparation of data, statistical analysis will be prepared and drawing the conclusions of the research study. (Oppenheim 1992, 8)

#### 7.2.4 Data collection

In this study the primary data will be used whereby data that will be collected using questionnaires and the purpose of the questionnaires that will be presented is to explain much further the replies that will be given by the respondents during the interview to increase the reliability of the research. Open ended questions will also be asked to those respondents who will agree to give information of the said topic that may seem important. The information retrieved from the questionnaires will represent the qualitative approach in the research because it seeks to explore the study topic.

#### 7.2.5 Research Procedure

The primary data will be collected using the questionnaires and the analysis of the research will be presented by the researcher using the appropriate research methods to analyze the results which will be included in the final conclusions of the study.

#### 7.2.6 Data Analysis

Ms excel will be used to enter all the data retrieved from the field study by analyzing different questions whereby all the data will be evaluated and results of the different queries will be portrayed by means of graphs, histograms and pie charts.

#### 7.2.7 Data Cleaning

Data cleaning refers to the process of identification and fixing errors in the research data, the errors may be identified during the process of data entry. Data cleaning forms an important part of information management because the data will be cleaned to improve its accuracy and the questionnaires that have not been answered appropriately will be excluded. (Chapman, 2005)

#### 7.2.8 Output Presentation

Data will be presented in the research with the use of pie charts, graphs and histograms correctly so that the data analyzed can be clear and understandable this will depend on how the data collected will be analyzed.

### 7.2.9 Ethical Requirements

The respondents participating will be well informed that all information will be used to carry out a study to improve customer satisfaction and service levels at Nakumatt supermarket. The respondents are assured of truthful presentation of the information they have provided and it is important for the researcher to maintain ethics when carrying out the research by ensuring that the data is presented clearly and correctly without tampering with the facts as they were presented. (Pervez & Kjell 2005, 20).

### 7.2.10 Reliability and Validity

According to (Crowther & Lancaster 2005, 79-80) explains that validity is the extent to which data collection methods measure what is expected to be measured. Meaning a researcher must study what is supposed to be researched and if there are no objectives for the study then he or she might end up researching on wrong issues and this result to variables and issues that will not be clearly defined to be valid or rather lead to meaningless data for the research at hand.

The research was carried out to improve customer satisfaction and customer service levels at Nakumatt Mega city supermarket customers and since the information was collected from these customers, it means that the data was a true reflection of what the customers felt and hence the reliability of the information gathered. This was also the first customer survey made in the Nakumatt stores in the Central business district and so there are no previous examples.

## 8 Data Sources

The research will use primary and secondary sources, primary sources will be the information carried out by the researcher herself for the study while the secondary data sources will enable the researcher to come up with conclusions for the research. (Pervez & Kjell 2005, 94)

Even though data was collected through the questionnaires, some of the information was collected through journals and articles on the mentioned topic.

## 9 Analyses and Interpretation of Data

The questionnaires were sent to a population of two hundred people but only 120 responses were able to be acquired and used in the research. The questionnaires were handed out to the customers of Nakumatt as they left the shopping mall and it was easier to get appropriate answers if some questions had not been answered appropriately. The number of respondents who were able to answer the questionnaires was 60% of the respondents expected by the researcher and this makes it easier to get valid results and make final conclusions that can be effectively used to improve the customer management at Nakumatt. The questionnaires were used to collect data from the Nakumatt and the data has been used to complete the research, the questionnaires that were chosen for data analysis were those that were at least 80% complete. The overall response from the total sample was 60% which was a good response rate to be used in concluding the research. Another important feature was data consistency and other applications of data analysis such as tabulation, data classification, organization and also coding.

#### 10 Empirical study

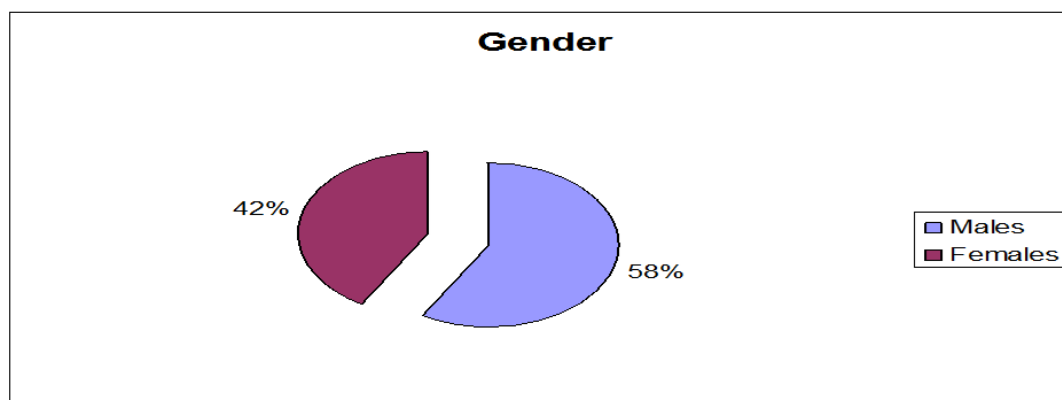


Figure 8: Gender

The first question in the survey asked about the gender of the respondents and the researcher was able to receive information from more males than from females. As shown in the chart above, the males had a representation of 58% of the total questionnaires returned and the female respondents had a representation of 42%, this made the research gender sensitive meaning the research was not biased on one gender, due to this the researcher can conclude that the research findings include opinions of every customer regardless of the gender.

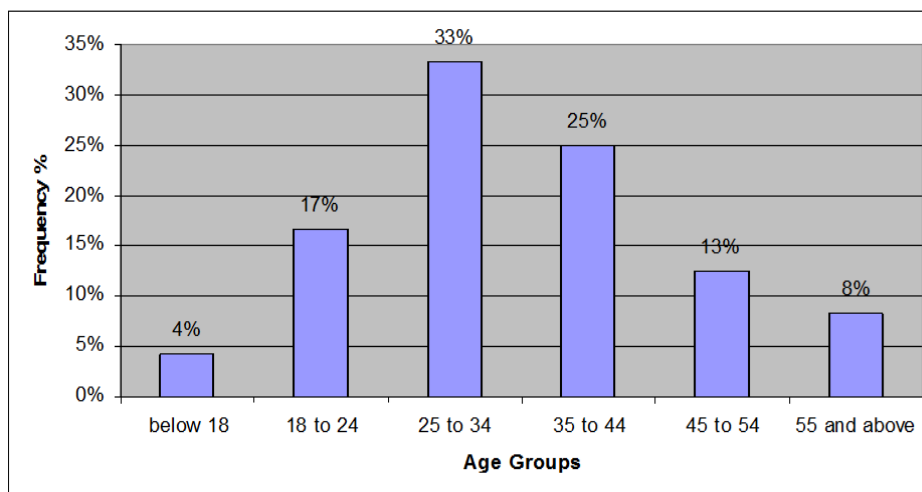


Figure 9: Age group distribution

The second question in the survey (see Figure 9) asked about the ages of the respondents giving them five choices to choose from. The low percentage of the respondents was below 18 years and the reason for this is because most respondents consist of high school students and adolescents who did not participate that much in the study.

It also illustrates that there were different age groups that buy Nakumatt products and services as 33% of the age group are between 25 to 34 years, The figure reveals that respondents above 55 years of age are represented with a low percentage of 10% because they are mostly from the rural areas where they do not carry out shopping activities that much and some of them are in their retirement ages.

The respondents between 25 - 45 years presents the youth and working groups and their age group division shows that they tend to carry out most of their shopping duties all the time and would make frequent visits to the Supermarket. They are also the active respondents because they work a lot; this is reflected by percentages of 33%, 25% and 13% respectively.

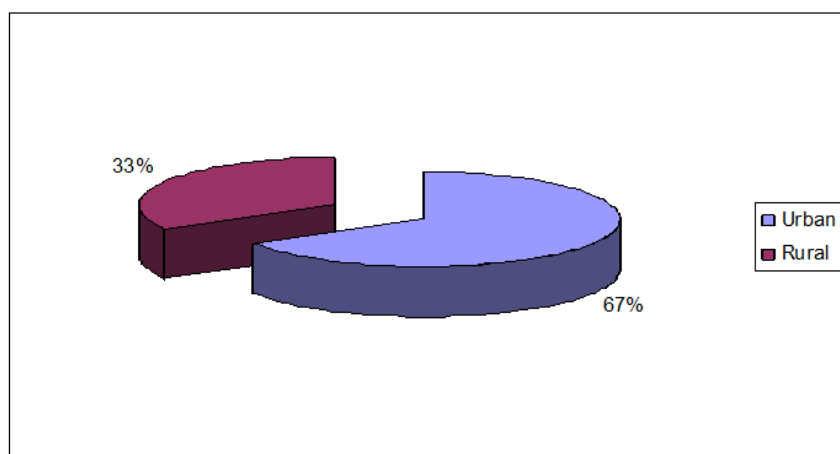


Figure 10: Area of Residency

The third question in the survey asked about the place of residency and it had two choices to choose from (see figure 10) urban or rural. And in order to get clear results for the research, the researcher had to target customers from both urban and rural areas so that important customers' views could be represented. Though the response rate from the rural areas was low with a percentage of 33%, the urban areas had the most customers who took their time to participate in the research with an outstanding 67%. This is because many of the people who resided in the urban areas are more of the working groups, families with children and the other respondents from the rural areas are mostly the old people who happen to visit the city sometimes.

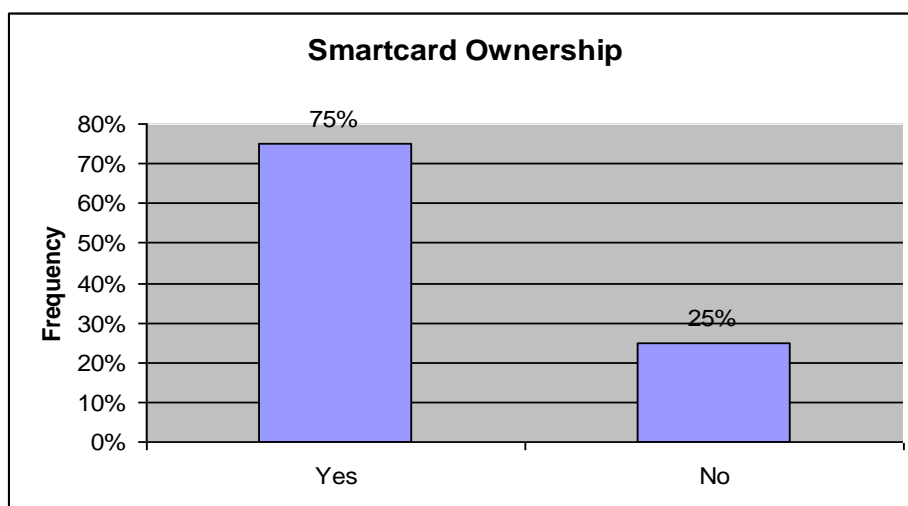


Figure 11: Smartcard Ownership

The fourth research question in the survey focused on the ownership of the Nakumatt Smart card holders amongst the customers of Nakumatt and 75% of the customers own a smartcard while 25% do not own one. The ownership of the smartcards helps to explain that the customers are good stake holders of the supermarket and they get to store their value which is more



important and they can easily receive discounts on goods and services on every purchase. Therefore, the Supermarket needs to be providing customers with proper customer relationship management and service to get loyal customers.

The fifth question in the survey asked 'How often do you shop at Nakumatt?' the question had five choices 'Daily', 'Weekly', 'Monthly', 'Occasionally' and for those who did not know how many times they visited the supermarket. From the figure below, it is clear that out of 120 respondents surveyed, 54% of them purchase mostly at the end of the month, 17% purchase weekly, 13% of them regularly purchase occasionally, 8% of them purchase daily and another 8% do not actually know when they carry out their shopping. However, it is clearly describing that the frequency to purchase by the consumers is very high with many respondents who make regular visits to the store weekly and monthly and in this case they represented added value to the store.

The majority of customers who purchased monthly were because some of them had their monthly incomes paid at the end of the month and making it impossible to frequent stores all the time, some mentioned that it saved them money by shopping once in a month because when they purchase often they end up buying more things that they do not necessarily need.

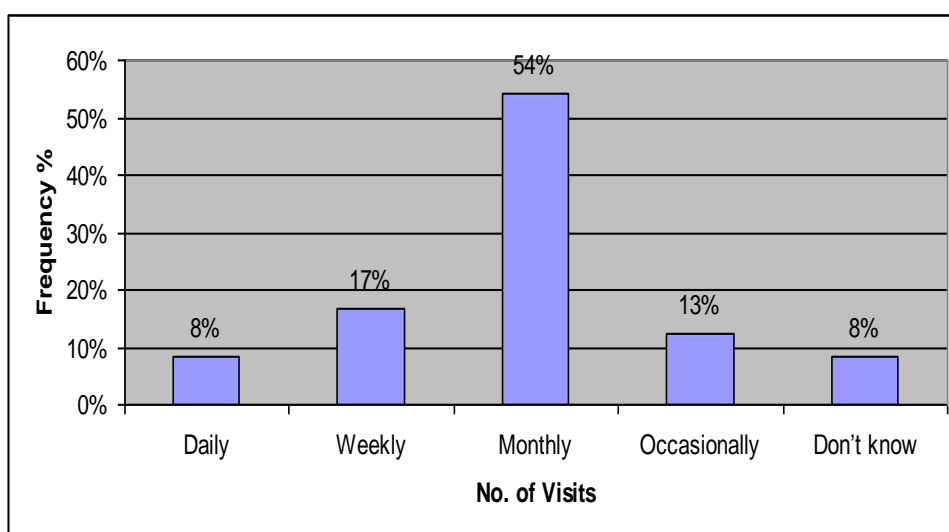


Figure 12: Number of Visits

The Sixth question in the survey asked the respondents to comment on the supermarket environment by circling the appropriate alternative that were on a scale of 1 to 4, 'very poor', 'Fair', 'Good', 'Excellent'. The three questions focused on the availability of goods, cleanliness of the store and location of the store. Question one revealed that majority which was 50% of the respondents are happy with the availability of a wide range of merchandise and it is the main reason as to why they shop at the store because it meets their needs and provides for them the availability and the convenience. The next question was to find out what the

customers thought about the general outlook of the store when cleanliness is concerned and 33% of the respondents ranked poor, 22% ranked fairly clean, 17% of them ranked good and 21% of the respondents said that it was excellent. The respondents who were not satisfied were of the opinion that the store had empty boxes lying around some of the aisles, presence of dirty floors and dust on the product shelves. It is important that Nakumatt Management know that cleanliness has a direct impact on customer satisfaction and perception because they are always sensitive and this needs to be developed because the customers will seek other places to get the satisfaction that they desire and also affect the performance of the company. 67% of the respondents were happy with the location of the supermarket because it was very accessible within the central business district and it was also close to the transport points.

Question seven in the survey asked, 'how likely would you buy from Nakumatt in the future?' and 'How likely would you recommend Nakumatt to a friend?' this was to help in finding out

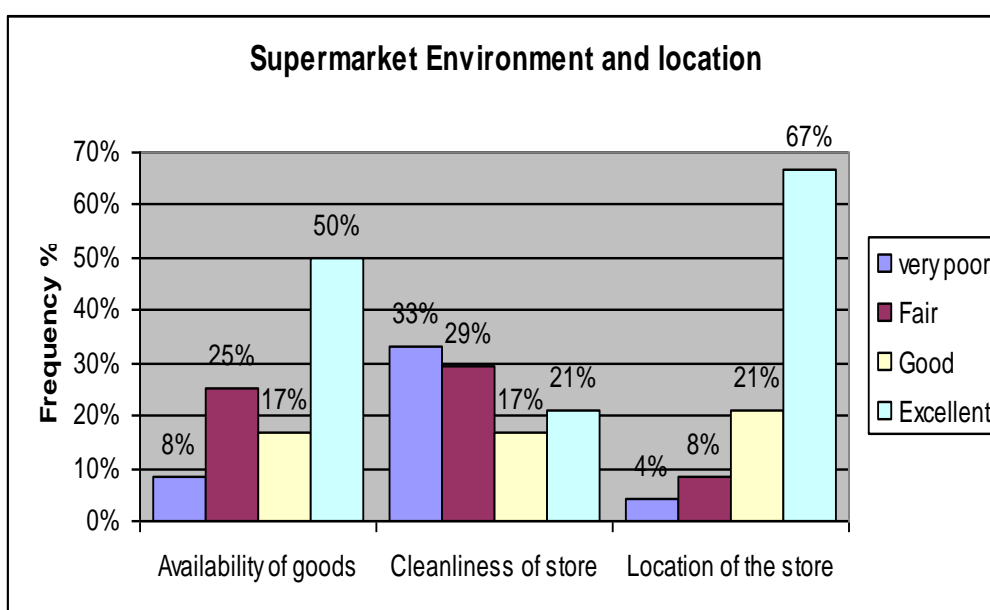


Figure 13: Supermarket Environment and Location

from the customers views if they would continue to come back for repeat purchases at Nakumatt and 61% said that they would definitely continue and this was beneficial for the company. 25% said that they are still going to purchase and another 14% said they are not likely going to buy again from Nakumatt. Another 67% of the respondents said that they are going to recommend the supermarket to other people which will be very good to the company in achieving its business objectives. 29% said it is possible for them to recommend Nakumatt and another 4% ranked and said that they are not likely to recommend and its explained by their bad experiences at the supermarket.

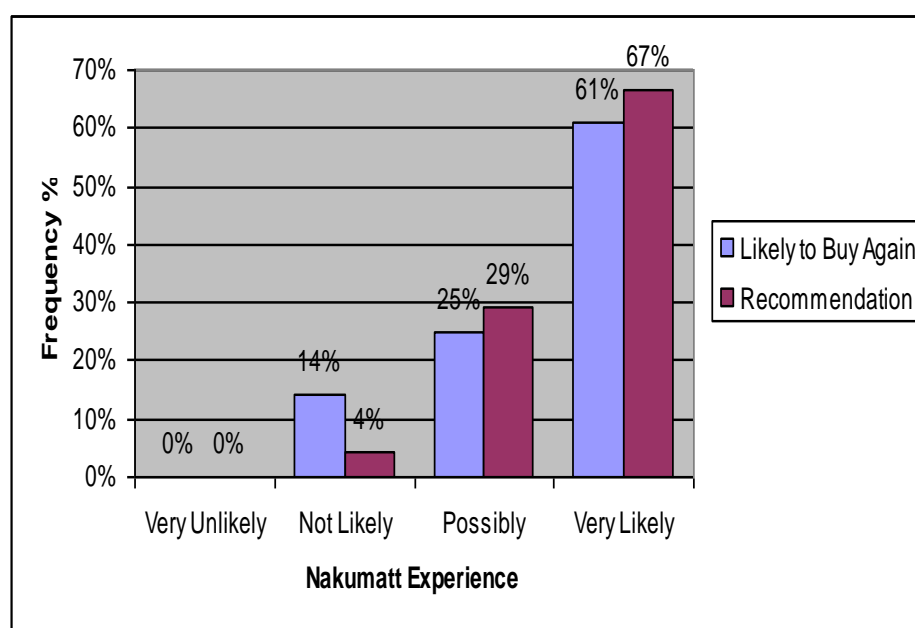


Figure 14: Nakumatt Experience

The eighth question in the survey asked, 'which product assortment were you happy with?' by circling the appropriate alternative that were on a scale of 1 to 4, 'very poor', 'Fair', 'Good', 'Excellent'. In the given categories of product assortment, the bakery section had very poor responses and 53% were not satisfied with the products and they mentioned that the bakery section needed to improve the products to be more fresh, 27% ranked excellent it shows that there perception was exceeded even though some customers were not pleased. The respondents mentioned that there should be more staff members to minimize the slow service that lead to the long waiting queues however the bakery had an overall outlook that was great. 67% ranked the chilled category as good and 46% ranked good for the meat products which revealed that the customers were experiencing satisfaction with this two product categories because they were very well stocked and they were always fresh.

The research also was used to seek how the well the customers felt about the household goods, 33% ranked the products to be poor and according to their opinions, they said that it was difficult for them to purchase these products because they lacked durability. The customers In the clothing category, when the respondents were judging the clothing section 33% ranked excellent, 8 % ranked good, 7% ranked fair and 52% ranked poor while 33% ranked the dairy products excellent, 13% thought the products were good and majority of the respondents who were 54% ranked the dairy products poor. In the toiletries section 18% said it was excellent, 42% ranked the toiletries good, 40% ranked the toiletries fair, and no answers were ranked for poor.

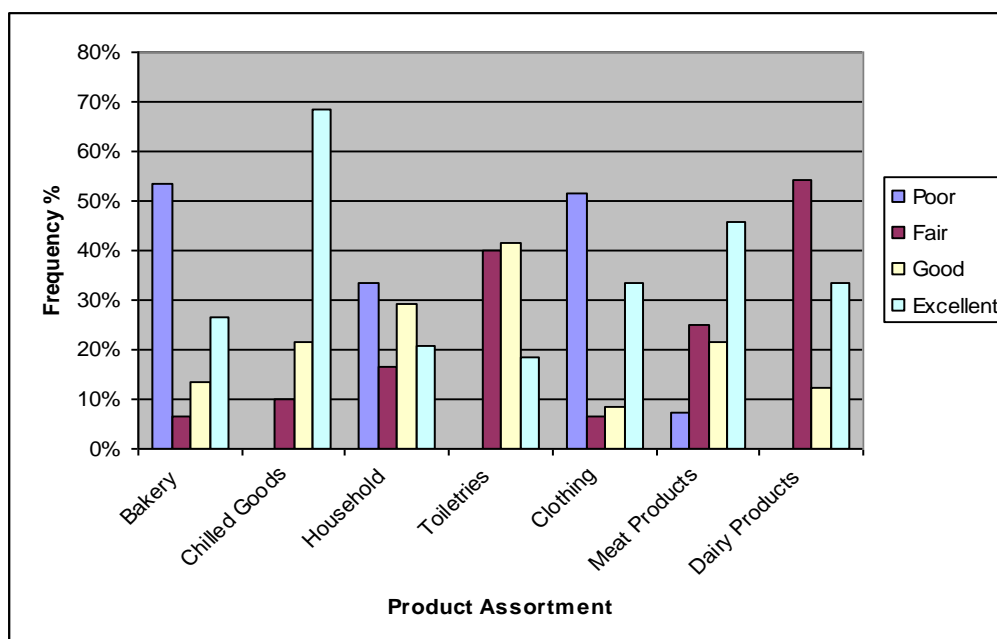


Figure 15: Product Assortment

The ninth question in the survey asked 'How did you find the pricing of the various groups of products in your decision to purchase our products?'. A high number of respondents ranked the pricing of the products as excellent because they felt that most of these products' prices are reasonable and they can be able to afford. 66% ranked excellent, 22% of the respondents ranked the pricing as good, 13% thought it was fair and none ranked for poor. 47% ranked excellent on the chilled goods, 27% of the respondents ranked good, 20% said fair and 7% poor. Household products had the following rankings after, 53% excellent, 21% ranked good, 25% fair and 2% ranked poor. Toiletries section had a whopping 82% who ranked the pricing as excellent, 14% said it was good, 4% ranked fair and none had rankings for poor. The meat section also had remarkable responses with a number of respondents ranking 49% excellent, 27% ranked good, 19% said the pricing was fair and only 5% for poor. On the Dairy product sections, 48% said it was excellent, 35% ranked the pricing good, 16% fair and 2% said it was poor. Only 54% ranked poor for clothing and 23% felt it was excellent, this was because the prices were too high for clothing and because some customers felt that the clothes from certain brands needed to be reduced. This is a good indication for Nakumatt because they would likely win more customers because of their better prices and lessen the risk of customers changing their shopping behaviors or reduced number of customers making fewer trips to the store.

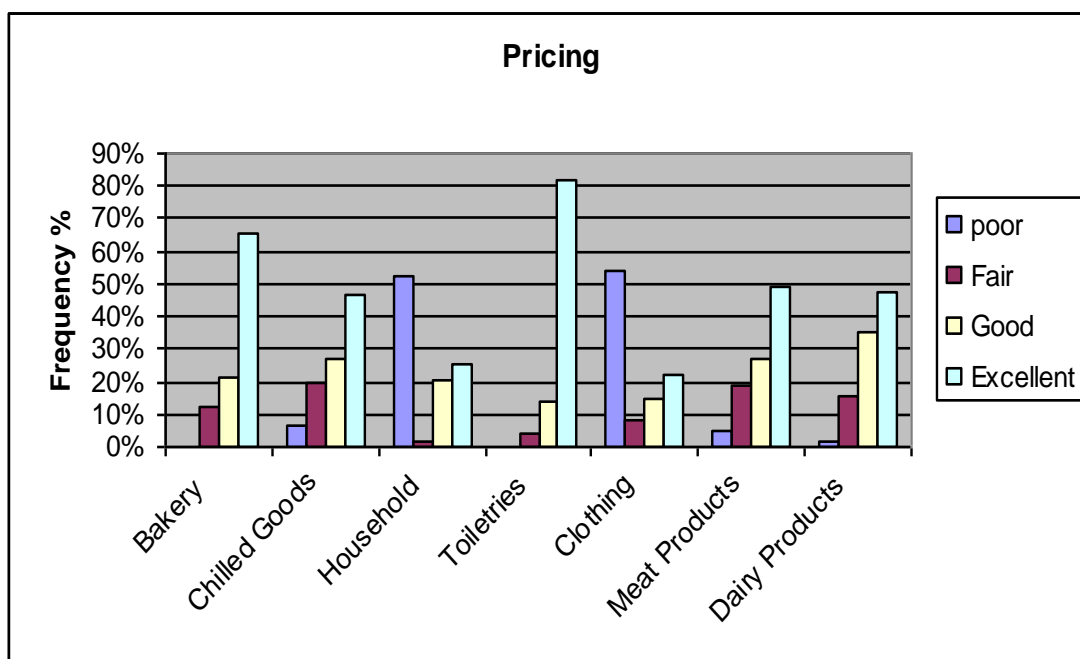


Figure 16: Pricing

The tenth question asked ‘ How happy were you with the Customer Service personnel?’ by circling the appropriate alternative that were on a scale of 1 to 4, ‘very poor’, ‘Fair’, ‘Good’, ‘Excellent’. The research also sorts to know the customer service personnel attributes according to the customers’ perspective and out of the 120 respondents, who answered the questionnaire, 73% of them ranked excellent and this would be very impressive for Nakumatt because it had had the least unsatisfactory responses, 21% of the respondents believed that the personnel are very good when it comes to being helpful and 7% said that the service was fair. The graph below also reveals that customer service responsiveness was 46% and this was a clear indication that it needed to be improved. 47% of the respondents ranked poor promptness in customer service response and another 52% were not happy with the time they spent queuing at the counter lines. Professionalism had a rank of 31% which expressed dissatisfaction and some of the people received fairly good customer service but it did not prevent the researcher from indicating the high levels of customers who were dissatisfied with the services. An efficient and flexible customer service not available for this customers and it is important that it is noted by the managers of Nakumatt Supermarket that customers make their buying decisions based on the levels of customer services that they receive and if they are the best services, they will be willing to pay more for the services without feeling any price sensitivity or shift to other retailers to buy the same products.

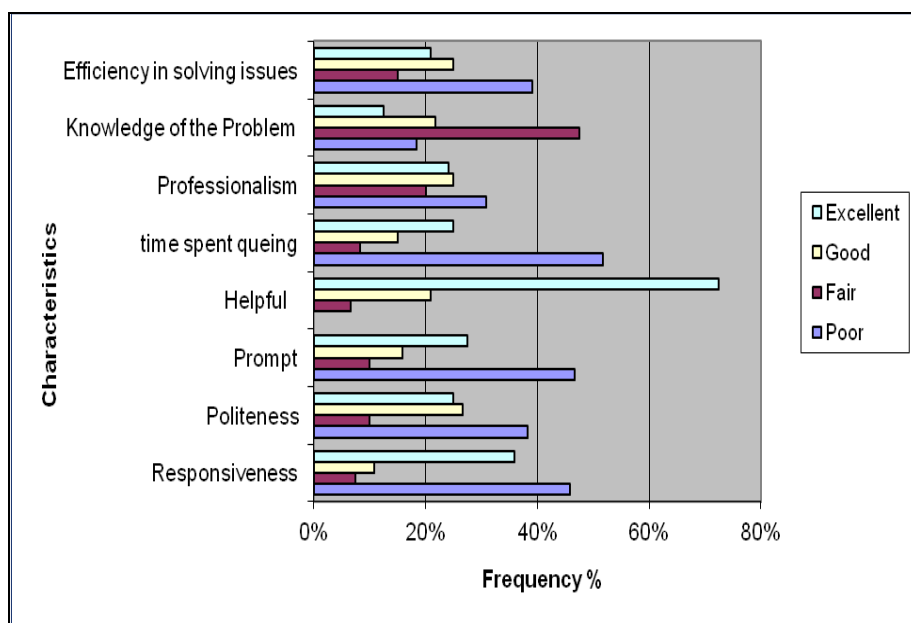


Figure 17: Customer service Characteristics

The eleventh question asked the respondents if they had any ideas that could develop the performance and they had a variety of issues that they wanted to acknowledge to bring about better changes that will be implemented toward the supermarket and seven customers who were confident to raise their opinions had a few issues which the supermarket could use for enhancing the way it interacts with the customers.

Two respondents mentioned the customer service personnel are not so quick enough to solve some of their problems and they would take hours trying to find feedback for the customers. And other customer service personnel were unresponsive, arrogant and seemed to be very busy and it was difficult for them to address to them their problems. The customers mentioned the counter personnel were not very careful with their items when they were checking out of the supermarket. They handled them roughly when arranging them in their trolleys. There were long queuing lines because the store was not willing to open more checkout counters and it is necessary that the management of Nakumatt looks into these factors that are affecting these customers to minimize the complaints if not eliminating them.

Two other respondents said that the products were not neatly arranged and it was difficult to find some products that they wish to buy. They also added that the directions to the various product isles in the supermarket were not very clearly marked and some of the price tags also were not very clear with some words erased and others were torn.

The last respondents added that the clothing section was very casual and they would love more trendy clothes and make their pricing more reasonable. Another suggested that Nakumatt should have a lot more varieties of meat products, organic foods that could contribute

to healthy lifestyles and the last respondent suggested that the dairy products packaged in clear plastic bottles are not safe because of the when they are next to light they reduce the nutrition level and it increases health risks and so it is better that they are placed in a light free and cool environment because sometimes they could taste the difference in freshness instead they preferred the milk cartons which stored their original tastes.

## 10.1 Nakumatt Mega City Supermarket Services

### Nakumatt Smart Cards

Nakumatt Supermarket is retail companies dedicated to offer customers with the best customer reward programs whereby they can collect points using their smart cards after every purchase made after every shopping experience. With this points collected they can stand a chance to winning various special prizes as rewards for their own benefits such as

- Good for value against points
- Service provider discounts
- Random surprises at occasions i.e., birthday parties
- Double points during off peak
- Redemption points which they can use to redeem on various products at the supermarket
- Back to school promotions for school fees payments

A study for the customer loyalty plan in 2003 revealed that sales accumulated from the Nakumatt smart card accounts over 68% of the sales and the smart card features the customers profiles across 170 nationalities.

### Nakumatt Gift Voucher and gift card

These gifts vouchers allow the customers to shop for whatever they want for the products that they would like to have and they can use the vouchers at any period of time. This is a good strategy for the company to maintain customer satisfaction and improve loyalty so that they can come for repeat purchases. The Nakumatt management can also consider using discounts on the variety of products that they sell so that they can attract more customers in the market. Many customers look forward to receive discounts on the products they purchase because it allows them to save some money and maintain their budgets.

### Nakumatt wedding List

This is a service for the newly married couple that enables them to plan for the gifts that they wish to buy and also plan for those that they already have and on the other hand it helps their customers to have an easier time buy since they know what the couples already have. This has been a good service to wedding couples and the assistants from Nakumatt help them to recognize other products that they can choose from. in addition, cards that have the names of the products will be sent with invitation cards so that anyone who wishes to buy a gift will just visit the supermarket and purchase the gift.

#### Nakumatt visa cards

This is another service where the customers get an extra point for every 100 Kenya shillings equivalent to 1euro that is spent and an additional point for every 500 Kenya shillings spent using the Nakumatt visa card. Customers are motivated to enjoy shopping (Arnold and Reynolds, 2003) but they also need to bear in mind that it is important to manage finances in a responsible way. The Nakumatt visa card has a lot of benefits because they can be used in different places such as hospitals, fuel stations, hotels and it can be used to withdraw money.

Nakumatt visa classic: this credit card helps the customers to be able to manage their finances.

Nakumatt visa gold: this is the most exclusive of all credit cards that is offered to the most valued customers in the company.

#### Nakumatt Travel cards

Nakumatt supermarket and I and M bank group came together and introduced a travel card that is used to enhance and add value to the customers shopping experiences overseas. The travel card has currency in dollars and it assists the user to withdraw money in any machine slot and conduct transactions easier.

### 10.2 Objectives Of the company

- Nakumatt Mega City Supermarket objectives are to create a chain of superstores in strategic locations to provide quality, value, service and lifestyle.
- It aims to supply a wide selection of quality products that are both local and international brands that can be affordable for the customers.
- Nakumatt is committed to use their resources into customer service programs that will train the employees' different skills that they can use to develop their expertise



when interacting with potential customers and to enable them to understand their needs much better.

- The company aims to have a 12 percent increase of 30 billion in revenues by the end of February 2011 and an additional nine stores to be developed across east African countries and also employ over four thousand Africans to give an east African outlook.
- Nakumatt wants to be innovative so that it can assist the company to grow and obtain the best results that will develop the performance of the business.

### 10.3 Competitors

One major competitor for Nakumatt Mega supermarket is Uchumi supermarkets that used to be the largest retail supermarket in Kenya, the name Uchumi itself means economy in Swahili it was founded in 1975, as a public limited liability company by three Kenyan parastatal companies namely Industrial Commercial and Development Corporation, Kenya Wine Agencies Limited and Kenya National Trading Corporation. The aim was to establish outlets that will help deliver fairly the distribution of goods and establish retail outlets for Kenyan manufacturers. The shareholders signed a management contract with Standa SPA, an Italian supermarket chain to help train the Kenyan personnel who would eventually run the new business venture. The first branches were opened in 1976 and Uchumi set low prices to the advantage of all the consumers and also maintain good quality in goods and services which was proved to be successful because of the buying culture of the average Kenyan consumers is very high but due to mismanagement in early 2000 it had to close down because it could not sustain the losses incurred and the stiff competition from Nakumatt that originated from the rapid expansions to areas it had previously operated. The management team had attempted to restructure the company by cutting costs and get rid of unwanted assets but Uchumi was weak to recover. But since January 2011, the company has managed to revive to profitability and has applied to the Capital Markets Authority To re list the companies share on the Nairobi Stock Exchange. Other supermarkets that are also expanding include Tuskys and Woolworth's supermarkets.

## 11 Recommendation and Conclusion

The main objective was to find out the present level of customer satisfaction and improve the customer service level and customer satisfaction in retail business of Nakumatt but we can conclude that the overall customers were not very satisfied with the services and with the premises. The customer service level that is there is very poor and it is the most significant

issue that needs immediate development and there needs to be an improvement because the customers are important assets to the company to bring in good sales, it is very vital for a business to assess the levels of customer satisfaction and maintain customers' expectations or else customers will shift in favor of competitors in the market place and it will affect the profits of the company.

In this research, there were high percentages of unhappy customers but Nakumatt cannot be able to please each and every customer but it is important that they keep minimal dissatisfied customers and the business managers could consider ways to develop the present customer services levels and make them better because it cannot operate as it is doing at the moment. Overall customers were happy with the case company shopping experiences and will definitely make more purchases again concluding from the excellent responses customers gave the company.

Nakumatt should use the customer suggestions as useful details provided to develop the services of Nakumatt offering to its customers so that it can satisfy their desires. They need to insist on customers to present their complaints so that it could be easier for them to see the complaints and concentrate on areas that they need to improve and minimize negative feedbacks.

Nakumatt can perform thorough customer survey sessions every month or once in three months in order to keep track of their customers' desires and know how satisfied they are. Even though Nakumatt has been the leading retail chain supermarket with great success over the years there is still a room to make improvements and the research reveals that there are major alterations that need to be developed.

## 12 Theoretical Linkages

In order to understand the theory covered in this study, a theoretical linkage was used to explain how customer service levels, customer satisfaction and loyalty influenced the profitability of a business. Based on an empirical study of 120 respondents at Nakumatt, linkages among customer satisfaction related to service quality, the impact of employees' on delivering quality service to their customers and profitability were also related as a driving force that influences the overall performance of the business. Our empirical investigation suggests that employee satisfaction is a vital consideration that managers need to bear in mind so that it can improve the service quality and customer satisfaction. Furthermore, the empirical evidence is provided to show that customer satisfaction plays a major role in improving the business.

Also in the theoretical study, the customer satisfaction concept was explained whereby the importance of having a good customer satisfaction and successful customer service from a customer relationship management point of view. The fact that customer satisfaction makes a huge influence on customer loyalty which in turn influences profitability is important that a business knows what kind of factors affect customer satisfaction and that is why issues affecting customer satisfaction were carefully observed. It is crucial to know how customers' expectations and experiences can affect the business satisfaction levels and the objectives for a business is to create long term customers and create special relationships with these customers so that they can be loyal to the business. It is important to know the different ways to attract and retain a potential customer so that he or she can become loyal to the business and in this research, if Nakumatt could have more satisfied customers the bigger their chances to get even more loyal customers.

It is also inevitable for any business not to experience a number unsatisfied customers, the company needs to know what damage an unsatisfied customer can bring to the business and the business should be keen to solve all problems with unhappy customers because it is a good way of learning new things. Dissatisfied customers will be happy to share their negative experiences to other people more easily than what they would do with their positive experiences in the first place. According to this research, the case company had a lot of unhappy customers and only few were satisfied with their experiences and a large number of people had negative feedback towards some of the questions asked.

Customer service has a huge impact on customer satisfaction, it is important that a researcher knows what good customer service is, the keys to ensure excellent customer service and other aspects of customer service. It is important to have excellent staff because they work hand in hand with the success of the business. In this research Nakumatt displayed poor results in the customer service research and only a large number said that the personnel were helpful.

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## Appendices

### Appendix 1. Questionnaire

#### Introduction

My name is Shalotte Salmi Otieno; I am currently a student at Laurea University of applied sciences in Espoo, Finland. I am writing my final thesis and Nakumatt Mega City Supermarket is my case study whereby I will conduct a customer satisfaction survey. Your opinions will help us determine just how good we have performed and will help us to make better service for your next shopping experience

We would like you to participate on our customer satisfaction survey because we would like to know your opinions about the products and services offered to you as a customer by the supermarket. The supermarket identifies its customers and their opinions relating to this activity.

Gender (please tick the correct check box): ☐Male ☐Female

What is Your Age Group? (Please circle the right alternative)

Below 18

18 - 24

25 - 34

35 - 44

45 - 54

55 and above

What is your area of residence? ☐ urban ☐Rural

Do you own a Nakumatt Smart Card? ☐ Yes ☐ No

How often do you shop at Nakumatt? (Please circle one alternative only)

Daily

Weekly

Monthly

Occasionally

Don't Know



Please comment on the supermarket environment by circling the right alternative on each row. The following questions will be answered on a scale of 1 - 4, with one meaning very poor and 4 meaning excellent:

1= very poor    2 = Fair        3 = Good        4=excellent.

Availability of Goods	1	2	3	4
-----------------------	---	---	---	---

Location of the store	1	2	3	4
-----------------------	---	---	---	---

Cleanliness of the Store	1	2	3	4
--------------------------	---	---	---	---

Thinking about your recent Nakumatt experience... (Please circle the correct alternative)

1= Very Likely                      2 = Possibly    3 = Not likely 4= Very unlikely

How likely would you buy from Nakumatt again in future?

1	2	3	4
---	---	---	---

How likely would you recommend Nakumatt to a friend?

1	2	3	4
---	---	---	---

Which product group assortment were you happy with? Please circle the right alternative that best indicates the way you would feel about each product section. (1 being poor and 5 being excellent)

	Poor	Fair	Good	Excellent
Bakery	1	2	3	4
Chilled Goods	1	2	3	4
Household	1	2	3	4
Toiletries	1	2	3	4
Clothing	1	2	3	4
Meat Products	1	2	3	4
Dairy Products	1	2	3	4

How did you find the pricing of the various groups below in your decision to purchase our products? Please rate by circling the following on a scale of 1 - 4 (1 being poor and 5 being excellent)

	Poor	Fair	Good	Excellent
Bakery	1	2	3	4
Chilled Goods	1	2	3	4
Household	1	2	3	4
Toiletries	1	2	3	4
Clothing	1	2	3	4
Meat Products	1	2	3	4
Dairy Products	1	2	3	4

How happy were you with our Customer service personnel .Please circle the right alternative on a scale of 1 - 4 (1 being poor and 5 being excellent)

	Poor	Fair	Good	Excellent
Personnel Responsiveness	1	2	3	4
Politeness	1	2	3	4
Promptness of Personnel	1	2	3	4
Helpful	1	2	3	4
Time spent queuing	1	2	3	4
Professionalism	1	2	3	4
Knowledge of the Problem	1	2	3	4
Efficiency in solving issues	1	2	3	4

Do you have any suggestions for improvements?

Thank You for your time and answers, if you have any more requests or feedbacks feel free to comment.