

International Comparative Analysis of Customer Satisfaction with Discount Stores

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A growing number of firms are expecting more of their profits to be derived from international sales (Topol and Sherman, 1994). But moving into foreign markets does not necessarily guarantee greater profitability. In fact it may guarantee more headaches for marketing managers (Singhapakdi, Rawwas, Marta and Ahmed, 1999). It is difficult for marketing managers to satisfy dissimilar local customers' needs, which could result in a lower level of satisfaction. Customer satisfaction is one measure of evaluating the performance of the multinational corporation. Satisfied customers tend to be loyal patrons who also encourage other potential customers to do business with the firm, which leads to better performance (Fisher, Garrett, Arnold and Ferris 1999). The extent to which the business firm is able to satisfy its customers is an indication of its general health and prospects for the future, because it has a direct impact on the primary source of future revenue streams for most companies (Fornell 1992). Customer satisfaction is also less sensitive to seasonal fluctuations, changes in costs or changes in accounting practices and reduces price elasticity (Kotler 1988). In the face of slow growth and highly growth and highly competitive markets, customer retention is critical. (Fornell 1992). One way to protect products and markets from competitive inroads is to have highly satisfied customers which minimize customer turn over, given certain cost constraints (Fornell and Wernerfelt 1988). Thus customer satisfaction is increasingly becoming a corporate goal (Bitner and Hubbert 1994). In the retail business in particular, satisfaction is crucial in assessing retailer performance and mapping retail strategy.

The Korean market of discount stores is the fastest growing field in the Korean retail business. After opening the retail market, some multinational discount store retailers entered the market and compete with domestic firms in order to share more markets. Comparing customer satisfaction with discount stores in Korea and America will reveal the relative performance of them, and provide strategic implication to the multinational firms which entered or intends to enter the Korean market as well as domestic firms which are already doing business in the market. Strategic determinants for a comparative analysis of international customers are used in multinational business. Although there are some studies concerning store or retail satisfaction, international comparative research on customer satisfactions of retail outlets is relatively rare.

Therefore, the purpose of this paper is to compare customer satisfaction between American and Korean discount stores. To achieve this goal, variables that contribute to customer satisfaction for retail outlets are compared in the United States and Korean markets. Variables that determine total customer satisfaction in each market are also examined.

Retail Satisfaction

The concept of satisfaction can be divided into four categories. First, satisfaction is viewed as a cognitive concept to be rewarded for the consumers' payment (Howard and Sheth 1969). Secondly, it is regarded as an evaluation on the accord of prior expectation with alternatives of the selection (Czepiel and Rosenberg 1976; Hunt 1977; Engel and Blackwell 1982). Third, satisfaction is defined as an affective response after purchase (Westbrook and Reilly 1983; Tse and Wilton 1988; Spreng, MacKenzie and Olshavsky 1996; Babin and Griffin 1988). Fourth, consumer satisfaction demonstrates that satisfaction judgments are influenced by both emotional responses and cognitive disconfirmation.(Oliver 1993b;Oliver 1997).

Another approach to define the concept of satisfaction derives from two factors; 'outcome' and 'process'. The former approach emphasizes the results from the consuming experience. The latter one extended to the notion that satisfaction involves states that are not limited to mere satiation and can be described as a process (Oliver 1993a).

The customer satisfaction research has been performed, based on two points of view. The first view is the transaction-specific customer satisfaction, which judges satisfaction by comparing the performance and expectation of each transaction. The second view is the cumulative customer satisfaction, which determines satisfaction by the comprehensive evaluation on the cumulative experience of the specific transaction (Anderson,Fornell, & Lehmann 1994).

From these several points of view, customer satisfaction with a retail establishment maybe viewed as an individual's emotional and cognitive reaction to his or her evaluation of the total set of experiences realized from patronizing the retailer. The varied customer experiences in connection with retail patronage may be usefully categorized into two broad types: (1) experiences related to consuming the products and services obtained from the retailer and (2) experiences related to being in the store itself and dealing with the organization (Westbrook 1981). Customers derive satisfaction both from the experiences in the store and use of each product and service purchased from the store. Thus, overall sentiment of satisfaction is composed of several evaluation items on their experiences. As for evaluating the former type experiences, the literature suggests that

perceived service quality, perceived product quality and perceived product price are antecedents of customer satisfaction (Zeithaml, Berry and Parasuraman, 1996). For the latter type, store environment and merchandising are regarded as components to measure retail satisfaction (Westbrook 1981). Thus it includes both consumers' perception of store characteristics and subjective evaluations of those characteristics, which is broader concept than store image. Previous research efforts have identified store characteristics which affect the store patronage (Hansen and Deutscher 1977-1978; Lindquist 1974-1975). Lindquist (1974-1975) suggested nine items as a store characteristics as follows: merchandising, service, clientele, physical facilities, convenience, promotion, store atmosphere, institutional factors and past transaction. Among these, product related considerations appeared to be the most important areas. Some studies also indicated that these retail attributes and shopping cost are two main determinants to maximize customer satisfaction (Kim and Jin 2001).

In this study, we define retail satisfaction as the comprehensive affective response on the cumulative experience from patronizing the retailer.

Method

Source of data and measurement

A mall-intercept interview was conducted with four discount stores, two American discount stores in USA (Wal-mart USA and Target) and two discount stores in Korea (Wal-mart Korea and E-mart, a leading discount store in Korea). 404 American customers in the Sacramento area (CA USA) and 414 Korean customers in Seoul area (Korea) who had shopped and purchased merchandise from these stores were used as samples. Refusal rates for this survey were low-less than 10% of those approached. Those questionnaires which are regarded as faulty were screened and removed.

The questionnaire was based on the items which were used in the Westbrook's study, because this is one of the few scales which showed a high reliability among several customer satisfaction scales to represent retail satisfaction (Westbrook 1981). And this scale uses the DT (Delightful and Terrible) which is expected to supplement the problem of skewness for the indicators of the satisfaction construct, even though every research does not prove it (Michalos 1986; Oliver 1981; Peterson and Wilson 1992; Hayes 1998). The problem of skewness could be partly handled by extending the typical number of scale points as well as using a multiple-indicator approach (Fornell 1992).

Table 1 shows 20 items used to measure customers' satisfaction with retail outlets in each country.

Table 1

Items to measure customers' satisfaction with retail outlet

Helpfulness of sales person
Friendliness
Number of Salespeople
Politeness
Store layout
Ease in finding things
Cleanliness
Assortment of department
Quality level
Merchandise selection
Fashionableness
Willing to exchange
Fairness of adjustment
Credit and Charge account
Value for money
Price level
Special sales
Advertising
Location
Other store customers

Analysis and Result

Two analyses were made by using both multiple regression analysis (Analysis I) and step wise multiple discriminant analysis (Analysis II)

Analysis I

In case of Analysis I (multiple regression analysis), we try to find out variables to affect the overall satisfaction in each market. In order to secure reliability and validity of the measurement scale, factor analysis and reliability test by alpha coefficient were performed. Two factor analyses were separately made: one is with response data of Korean customers and the other is with those of American customers, using the principal components factor analysis with varimax rotation (See Table 2). For each market, the analysis presents the same five factors. The KMO measure of sampling is .86 and .83 each in American and Korean data, which are good for the factor analysis. The result of Bartlett tests were significant. The five factors were labeled as Satisfaction with Perceived Merchandise Value (SPMV), Satisfaction with Salespeople (SS), Satisfaction

with Store Environment (SSE), Satisfaction with Management Service (SMS) Satisfaction with Location and Advertisement (SLA). Components of each factor are shown in Table 2.

Table 2

Factor Loadings and Scale Reliabilities (USA and Korea each)

	SS	SSE	SPMV	SMS	SLA	α
Helpfulness	.842(.783)					
Friendliness	.897(.811)					.866(.774)
Number	.725(.632)					
Politeness	.775(.675)					
Store layout		.735(.623)				
Finding things		.769(.647)				
Cleanliness		.721(.415)				.869(.784)
Assortment		.524(.699)				
Fashionableness		.570(.512)				
Quality level			.612(.493)			
Selection			.679(.588)			
Value for money			.826(.699)			.832(.770)
Price level			.828(.763)			
Special sales			.481(.616)			
Exchange				.883(.787)		
Adjustment				.853(.797)		.896(.813)
Credit account				.741(.730)		
Advertising					.765(.728)	
Location					.817(.736)	.730(.675)
Other customers					.576(.507)	
Eigen Value						
%Variation	15.55	16.02	15.63	12.68	11.33	
Explained	(12.79)	(13.27)	(12.79)	(12.59)	(10.16)	

() => Korean customer data

For the results of the Analysis I, the following analyses focus on the prediction of retail satisfaction. Table 3 summarizes the results of regressing overall retail satisfaction American consumers on factor variables. The beta statistics reveal that the most influential components of retail satisfaction are (1) SPMV ($\beta=.649$) and (2) SLA ($\beta=.342$). SMS variable was not included in the regression.

Table 3

Multiple Regression of Factor Variables (American respondents)

Factor	β	t	Sig.
(Constant)	-1.211	-4.998	.000
SPMV	.649	11.971	.000
SLA	.342	8.211	.000
SS	.295	7.358	.000
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R ²		.636	
F		232.075	
Df		3,401	

Table 4 summarizes the results of regressing overall retail satisfaction of Korean customer customers on factor scores. The beta statistics reveal that the most influential components of retail satisfaction are (1) SPMV ($\beta=.501$) and (2) SLA ($\beta=.366$). The remaining components have some weaker or insignificant relationship to retail satisfaction. SMS and SSE were not included in the equation.

Table 4

Multiple Regression of Factor Variables (Korean Respondents)

Factor	β	t	Sig.
(constant)	-.491	-1.606	.109
SPMV	.501	7.539	.000
SLA	.366	6.961	.000
SS	.203	3.497	.001
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R ²		.309	
F		87.32	
Df		3,413	

According to the results of two multiple regression analyses, the determinant variables to predict total consumer satisfaction are almost the same in both countries. This means that main motivation to visit discount store channel lies on the low price and convenience of location as the meaning of discount store implies. Service factor is relatively less important than merchandise factor.

Analysis II

In Analysis II, we try to find out the difference level of satisfaction between two markets, using multiple discriminant analysis as well as between individual discount stores in both markets using MANOVA. The principal components factor analysis with varimax rotation provided five factors, using total response data of American and Korean customers (See Table 5). The KMO measure of sampling is .89, which is good for the factor analysis. The result of Bartlett test was significant. These factors were used as the basis for comparing the differences of satisfaction level between American and Korean customers as well as finding out variables to discriminate two consumer groups.

Table 5
Factor Loadings and Scale Reliabilities (USA and Korea both)

	SS	SSE	SPMV	SMS	SLA	α
Helpfulness	.807					
Friendliness	.853					.829
Number	.712					
Politeness	.741					
Store layout		.642				
Finding things		.648				
Cleanliness		.713				.810
Assortment		.506				
Fashionableness		.670				
Quality level			.545			
Selection			.624			
Value for money			.772			.835
Price level			.779			
Special sales			.580			
Exchange				.865		
Adjustment				.847		.866
Credit account				.723		
Advertising					.743	

Location					.777	.718
Other customers					.383	
Eigen value						
%Variation Explained	14.09	16.27	14.08	12.44	10.07	

For the results of the Analysis II, the mean rating scale scores for Korean and American respondents are presented in Table 6. Three factors (SPMV, SMS and SLA) of five factors revealed statistically significant difference between two groups. In case of SS and SSE, there are no differences between two customers' group.

Table 6

Mean satisfaction ratings on three factors
For American and Korean customers

Factor	Mean rating		F
	USA	Korea	
SS	4.32	4.28	.339
SSE	4.69	4.58	3.04
SPMV	5.18	4.57	101.31 ^a
SMS	5.23	4.41	128.65 ^a
SLA	4.80	4.04	94.95 ^a

^ap<.001

The Stepwise multiple discriminant analyses between Korean and American respondents yielded the results shown in Table 7, entering SMS into the analysis as the first variable. Three variables were included in the set of successful discriminators. As the coefficient of the SMS factor is the highest, this variable is the most influential in this discriminant function. The discriminant function successfully classified 72 percent of the respondents.

Thus support can be claimed that American consumers are more satisfied with management service, merchandise value and location & Ad. than Korean customers. In case of salespeople service and store environment, there are no differences between two customers' groups.

In terms of absolute level of satisfaction rating, the variables of salespeople service and store environment were the lowest in satisfaction to American customers and salespeople service and location & Ad. to Korean customers each (see Table 6).

Table 7

Step wise discriminant analysis for five factors
between American and Korean customers

Discriminant analysis

Standardized Discriminant Coefficient

SMS	.647
SPMV	.604
SLA	.586

Canonical correlation	.52
Wilks' lambda	.72
Chi-square	259.73 ^a

Percent predicted membership

Actual group	USA	Korea
USA	70	30
Korea	26	74

Correctly classified 72%

^ad.f. = 3, $p < 0.001$.

In order to find the strength and weakness of individual companies in Korea and America, MANOVA test were executed.

According to the Table 8, Target customers are more satisfied with store environment and location & ad than the Wal-mart while there were no differences on the satisfaction with salespeople, management service and merchandise value.

Table 8

Mean satisfaction ratings and Univariate Fs on five factors
For American customers

Factor	Mean rating		F
	Wal-USA	Target	
SS	4.27	4.37	.960
SSE	4.37	5.02	51.302 ^a
SPMV	5.15	5.21	.490
SMS	5.29	5.15	1.893
SLA	4.41	5.19	59.014 ^a

^ap<.001

In case of Korea, while Wal-mart Korea is superior in management service, E-mart provides better satisfaction of store environment and location & ad with customers than Wal-mart Korea.

Table 9

Mean satisfaction ratings on three factors
For Korean customers

Factor	Mean rating		F
	Wal-Korea	E-mart	
SS	4.26	4.21	.132
SSE	4.41	4.69	7.196 ^a
SPMV	4.53	4.53	.005
SMS	4.53	4.28	3.784 ^b
SLA	3.70	4.28	20.466 ^a

^ap<.001

^bp<0.05

Managerial Implication

Satisfaction is a good antecedent of performance and store loyalty (Oliva, Oliver and Mac Millan 1992; Goldman 1992; Dick and Basu 1994; Spriggs 1994). Thus, information on

customer satisfaction can contribute to measuring performance and making strategy. Customer satisfaction is one of the most important managerial philosophy of the Wal-mart (Walton 1992). However, Wal-mart's reputation does not guarantee its overseas business success. When Wal-mart entered the Korean Market in 1996, Korean retailers were worried about its tremendous amount of capital, managerial know-how, well-known physical distribution system, and so on (Joongdong Newspaper,1998). But Wal-mart has not performed as anticipated. Wal-mart's sales per square feet of the store, an important indicator of the performance of a retail store, was less than half of the E-mart which is the leading discount store in Korea (The Korean Economic Daily 1999).

By comparing the sources of consumer satisfaction of American market with Korean market, the strength and weakness of both retailers became apparent. This analysis helps to clarify future strategies.

First of all, customers in both countries are mainly affected by the merchandise value and location & ad factors. Therefore, discount stores in both countries should try to level up these variables.

Secondly, customers of Korean discount stores are relatively less satisfied than American consumers in management service such as refund and adjustment for the problem of purchase as well as merchandise value. Therefore, Korean discount stores would build up system to provide better management service, increase its merchandise value.

Third , in order to catch up the leadership of the Korean market, Wal-mart Korea should increase its numbers of branches which is expected to provide better location satisfaction. In addition, it should improve environment of the store which is better fitted to Korean customers. Furthermore, Wal-mart Korea does not keep same merchandise value as Wal-mart USA does in the American market. That is supposed to be the one of the main reason that the multinational Wal-mart is behind domestic discount stores in the Korean market. For the E-mart, as mention earlier, it should improve management service.

In the American market, Wal-mart USA should try to increase customer satisfaction in the store environment and location & ad field which are inferior to Target.

Finally, in term of absolute level of satisfaction rating, satisfaction with salespeople is the lowest variable in both markets.

The limitation of this research lies on cultural difference of the meaning of variable tested in this study. Even though careful interpretation of the questionnaire was made through cross checking by the expert of both countries, there could be gaps in the transferring the exactly synonymous meaning to the customers in both countries. And satisfaction scale also has some correlation with the level of customers' life satisfaction, which might bring about some errors in comparing the one to one satisfaction ratings between two countries (Peterson and William 1992). Some studies showed that DT scale has some correlation with that (Brockman 1998). Finally, negative skewness of satisfaction data should be carefully handled in the future research.

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