

CZECH UNIVERSITY OF LIFE SCIENCES PRAGUE

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Diploma Thesis

**A STUDY OF CUSTOMER LOYALTY OF
SUPERMARKETS IN HANOI**

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ABSTRACT

According to Vietnam Grocery Report (Nielsen, 2012), Vietnam's retail sector is growing fast and considered as an attractive destination for foreign investors. The revenue of the Vietnam retail sector is approximately 20 billion USD per year and supermarkets currently occupies only 10% in overall. As traditional markets dominate this country's retail system for a long time, supermarkets are not so familiar with Vietnamese consumers and seem to be preferred only by the high standard class in urban. Nevertheless, modern markets are expanding rapidly; and consumers are moving from wet markets to supermarkets.

Customer loyalty is considered as the key feature of a company to build the long-term relationship with their customer and increase their profit. While this issue has been mentioned for a long time in developed countries, a lack of attention has been paid to the market of developing countries such as Vietnam; and especially to the new growing market like supermarkets in this country.

In the previous studies of customer loyalty, the qualitative method and descriptive approaches are used to collect and analyze data. However, rarely studies have used survey and statistical software as a quantitative method for collection and justify the data. Hence, the factor of the customer loyalty of supermarket in Hanoi even seldom highlighted.

Aims, objectives and hypotheses of the research

The purpose of this research is to investigate customer loyalty, a major topic in business for decades, in the case study of supermarkets in Hanoi. The objectives of this research are to examine the main factors of customer loyalty (namely customer perceived value, service quality, and customer satisfaction) as well as the relationships between these factors and customer loyalty through the empirical observation. Then, based on the findings, the most critical factor affecting the customer loyalty of supermarkets in Hanoi is figured out; and recommendations are made for supermarkets in Hanoi to increase their customer loyalty.

Upon the objectives mentioned above, the relevant hypotheses will be tested to measure the influence of each factor to customer loyalty:

- *H1: There is a positive influence of customer perceived value on customer loyalty.*
- *H2: Service quality has directly positive effect on customer loyalty.*
- *H3: Customer satisfaction impacts positively on customer loyalty.*

Research methodology

About methodology, the research is consisted with deductive approach; whereby, existing theory and concept of customer loyalty are reviewed as the research framework, then hypotheses are formulated to be tested. Based on empirical observation in the specific research context of customer loyalty of supermarkets in Hanoi, the study is going to prove the formulated hypotheses are right or wrong. As adopting qualitative method, primary data is collected via delivery-and-collection and electronic questionnaire. Non-probability sampling method is selected and the respondents are divided into three groups: the young generation (under 25 years old), the middle-age generation (25-55 years old), and the old generation (over 55 years old). The questionnaire includes 24 questions, which is distributed to participants at three supermarkets in Hanoi and online via email and social network media. 169 responses are collected, in which 138 responses are valid and eligible. Then, the collected data is analysed by statistical software (IBM SPSS Statistics) to figure out the correlation between these factors to customer loyalty of supermarkets in Hanoi.

Research structure

The thesis consists of five chapters as decribed bellowed:

- The first chapter introduces the motivation, background, aims and objectives, and structure of the research. In this chapter, the current situation of supermarket environment in Vietnam and in Hanoi, along with the shopping habits of Vietnamese customers will be mentioned to find out the aims and objectives of the research and to support the research findings and discussion. Following is the overview structure of the research.
- The next chapter is the literature review, in which a wide range of concepts and theories about the customer loyalty and the related factors (namely customer perceived value, service quality, and customer satisfaction) is discussed. Based on that, the hypotheses are formulated. The first objective of the research will be achieved in this chapter.
- In the third chapter, the methodology of the research will be provided. At first, the research approach and strategy are explained, which will be followed by the data collection, with details of primary data collecting procedures (sampling, questionnaire design, pilot test and data collection result). This chapter will also mention the ethical considerations as well as limitations of the research.
- Next is the chapter which presents the research findings and discussions. The collected data will be analysed with the support of statistical software to test the created hypothesis. Moreover, the knowledge of supermarket environment and customers' shopping habits is also

used to justify these data and results. Based on the final analysed results, the most important factors and the relationship between each factor and customer loyalty are identified. Then, recommendations for supermarkets in Hanoi to increase their customer loyalty are also given.

- The final chapter draws conclusions, research limitations and recommendations for further research.

Main result and conclusion

The result demonstrates that customer perceived value has weak positive influence and service quality is strongly and positively correlated to customer loyalty. Meanwhile, customer satisfaction has very strong and positive correlation to the loyalty of supermarket customers in Hanoi. Based on the result, all of the hypotheses are accepted. It also points out that customer satisfaction is the most affecting factor.

In general, customers of supermarkets in Hanoi are loyalty to their favourite supermarket (as they often choose the same supermarket) but they have medium level of loyalty to the modern retail method. To increase the level of customer loyalty of supermarkets in Hanoi, it is necessary to improve the overall satisfaction of customers through offering better price/value for money (sales), improving service quality and paying attention to customers' convenience. In addition, currently applied loyal program of supermarkets should be revised and upgraded to better reward loyal customers.

Selected resources

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