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Diploma Thesis

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

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DECLARATION

I declare that I have worked on my diploma thesis titled "A STUDY OF CUSTOMER LOYALTY OF SUPERMARKETS IN HANOI" by myself and I have used only the sources mentioned at the end of the thesis. As the author of the diploma thesis, I declare that the thesis does not break copyrights of any third person.

In Prague on 31/03/2015

Vu Thanh Binh

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STUDIE LOAJALITY ZÁKAZNÍKŮ SUPERMARKETŮ V HANOJI

A STUDY OF CUSTOMER LOYALTY OF SUPERMARKETS IN HANOI

SOUHRN

Tento výzkum zkoumá věrnost, tedy loajalitu zákazníků, hlavní téma v podnikání po celá desetiletí, v případové studii supermarketů v Hanoji. Cílem tohoto výzkumu je přezkoumat hlavní faktory loajality zákazníků (tj. hodnotový marketing, kvalitu služeb a spokojenost zákazníků), jakož i vztahy mezi těmito faktory a loajalitou zákazníků prostřednictvím empirického pozorování. Na základě zjištění je určen nejdůležitější faktor, který ovlivňuje loajalitu zákazníků supermarketů v Hanoji, a jsou učiněna doporučení pro supermarketky v Hanoji s cílem zvýšit loajalitu jejich zákazníků. Skrze kvalitativní přístup, s pomocí dotazníkového šetření dodávky-a-sběru a elektronického dotazníku, jsou shromážděna primární data. Ta jsou posléze analyzována statistickým softwarem, aby byla zjištěna souvztažnost mezi danými faktory a loajalitou zákazníků supermarketů v Hanoji. Výsledek ukazuje, že kvalita služeb a spokojenost zákazníků mají vysoce pozitivní korelace, zatímco hodnotový marketing má slabě pozitivní vliv na loajalitu zákazníků supermarketů v Hanoji. Dále poukazuje na skutečnost, že spokojenost zákazníka je nejvíce ovlivňujícím faktorem. V neposlední řadě, jsou pro zvýšení úrovně loajality zákazníků supermarketů v Hanoji navrženy aspekty jako nabídka přiměřené ceny zboží, modernizace věrnostního programu a vylepšení kvality služeb se zaměřením na celkové pohodlí zákazníka.

Klíčová slova: loajalita zákazníků, hodnotový marketing, spokojenost zákazníků, kvalita služeb, supermarketky náklady na změnu, Hanoj

SUMMARY

This research investigates 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. 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. Adopting qualitative approach, primary data is collected via delivery-and-collection and electronic questionnaire. Then, the collected data is analysed by statistical software to figure out the correlation between these factors to customer loyalty of supermarkets in Hanoi. The result demonstrates that service quality and customer satisfaction have high positive correlations whereas customer perceived value has medium positive influence to the loyalty of supermarket customers in Hanoi. It also points out that customer satisfaction is the most affecting factor. Finally, offering better price/value for money, improving service quality, focusing on customer convenience and upgrading loyalty program are suggested to increase the level of customer loyalty of supermarkets in Hanoi.

Keywords: customer loyalty, customer perceived value, customer satisfaction, service quality, supermarkets, switching cost, Hanoi.

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LIST OF ABBREVIATIONS

Ministry of Industry and Trade [MoIT]
Vietnam General Statistics Office [VGSO]
European Customer Satisfaction Index [ECSI]

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CHAPTER 1: INTRODUCTION

1.1 Motivation

Nowadays, many companies set their principal objective as to create and maintain customer loyalty. Regis McKenna asserted that “Changes in the market environment can quickly alter prices and technologies, but close relationship can last a lifetime” (as cited in Butscher, 2002, p.1). Building strong relationship with customers can be seen as the key factor for company to build the long-term protection against competition (Butscher, 2002) and to drive profitability and growth (Heskett, et al., 1994). Moreover, customer loyalty also helps cut down company costs as attracting a new customer may cost five times higher than retaining an existing one (Wills, 2009) These can be explained as the loyal customers would choose the services or products from the loyal brand instead of the other competitors, they are willing to pay more for the products or services of the brand (Oliver, 1999), and they have high possibilities to rebuy the products or services in the future (Wills, 2009). Therefore, winning customer loyalty is increasingly vital in business as it is one of the key determinants in customers’ decision making.

Additionally, a number of researchers have paid attention to the related factors of customer loyalty, whereas the most commonly discussed are service quality, product quality (Sivadas & Baker-Prewitt, 2000), customer value, customer satisfaction, switching cost (Yang & Peterson, 2004), store images and attitudes toward store (Bloemer & Odekerken-Schroder, 2002). These factors are seen as significant determinants of customer loyalty by a number of researchers, which makes understanding of these factors and their relationships with customer loyalty crucial.

While this issue has been concerned 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 modern retail in Hanoi. Traditional shopping habit of Vietnamese consumers and strong competitions between domestic and international retailers are challenges for supermarkets to maintain the market share and attract new customers in Vietnam. The problems addressed that researching and development of customer loyalty and the related factors are very important in doing supermarket business. In the previous studies of customer loyalty, the qualitative method and descriptive

approaches are used to collect and analyse data. However, rarely studies have used survey and statistical software as a quantitative method for collection and justify the data (Maruyama & Le, 2007). Hence, previous researches often focused in Ho Chi Minh City, where the supermarket system is most advanced in Vietnam; the factors of the customer loyalty of supermarket in Hanoi even seldom highlighted. Therefore, the research is carried out in order to improve the understanding of the important factors of customer loyalty of supermarkets in Hanoi.

1.2 Research background

1.2.1 Vietnam's supermarket system

A supermarket is often understood as a self-service store or independent retail market provides a wide range of foods and household items. Supermarket is also thought as a modern store with variety of related goods or non –related good; however, the good has to be guarantee before selling. In Vietnam, the Ministry of Industry and Trade [MoIT] (2004) defines supermarket as “a modern store with variety of related goods or non –related good, which provides a wide range of guaranteed products with convenient services to satisfy the customers.” It also emphasizes that supermarket should meet certain requirements relating to business area, technique, management and business organization.

Before 1993, modern format of retailing such as supermarket or hypermarket did not exist in Vietnam (Maruyama & Le, 2007). Vietnamese consumers are historically familiar with traditional distribution in wet markets or street markets. By the end of 1995, Vietnam had only 10 supermarkets in six provinces and city all over the country. Then, during the last decades, modern retailing is growing fast in the country. There are approximately 385 supermarkets nationwide in 2005, and this number has a huge leap to 724 supermarkets in 2013 (Vietnam General Statistics Office [VGSO], 2014b). Nowadays, the modern channel holds about 20 percent of retailing distribution in Vietnam, and it is expected to expand to 40 percent by 2020 (MoIT, 2012).

Even so, modern retail is only concentrated in large cities of Vietnam. According to VGSO (2014b), the cities having the highest number of supermarkets in 2013 are Ho Chi Minh City with 185 supermarkets, Hanoi with 94 supermarkets and Da Nang with 39 supermarkets. Meanwhile, there is only 01 supermarket in each province such as Lao Cai,

Phu Yen or Ca Mau. These figures reflect the fact that supermarkets are only appealing primarily to the high class in urban areas; it is not familiar in the countryside, is seen as expensive retailers and cannot replace the traditional market. Nielsen (2012) calculates that there is only 09 modern retail stores over 01 million people in Vietnam in 2011. This figure is critically low in comparison with that of traditional grocery stores or other Asian countries (see more at Figure 1 below).

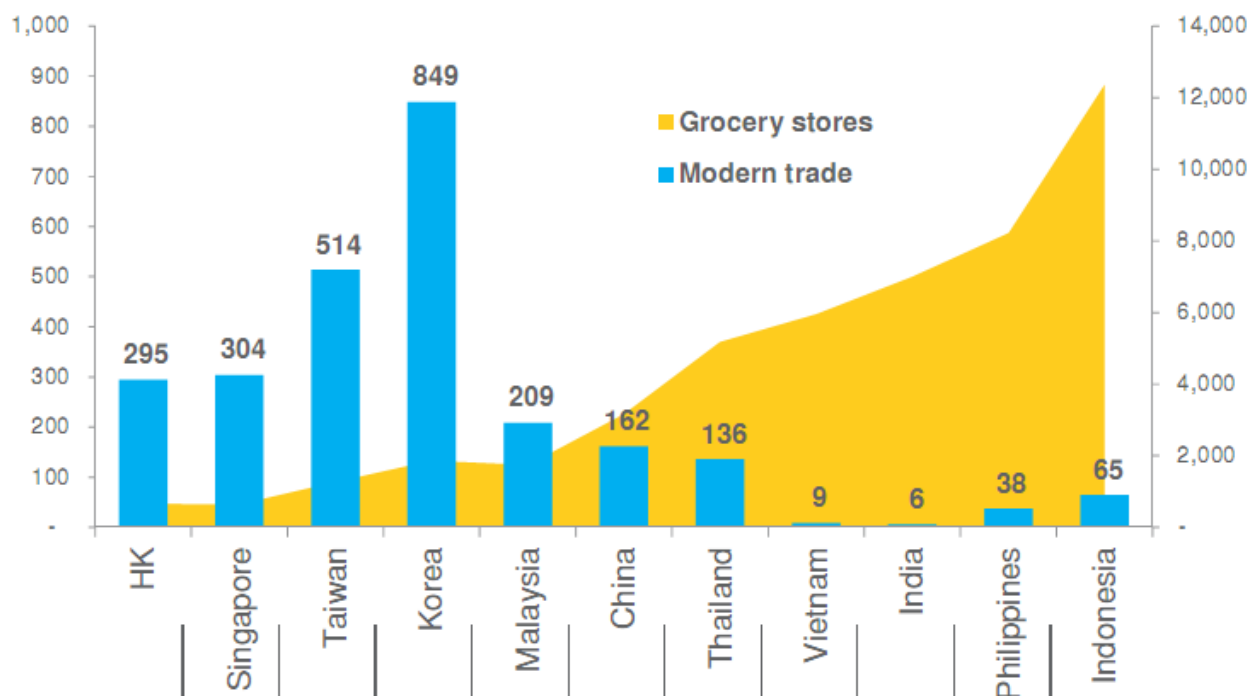


Figure 1. Retail store density analysis (Number of stores per million populations) in selected Asian countries in 2011

Source: (Nielsen, 2012)

Therefore, Vietnam’s retail market is typically featured by the traditional trading system throughout the country. There are around 8,600 traditional markets currently operating in Vietnam in 2013 (VGSO, 2014c).

1.2.2 Hanoi’s supermarket system

Hanoi, the capital city of Vietnam, is the home city of about 7 million people (VGSO, 2014d). It has been ranked as the third most targeted city for retail expansion in 2014 amongst Asia Pacific cities, after China’s Beijing and Shanghai (Deloitte, 2014). The

number of modern retail outlets in Hanoi, typically supermarket, has almost doubled in nine years from 2005-2013 (see Figure 2 below). According to Ministry of Industry and Trade (2012), Hanoi is expected to have from 188 to 200 supermarkets by 2020, and raise the number of commercial centres from 13 (in 2012) to 28 by 2020.

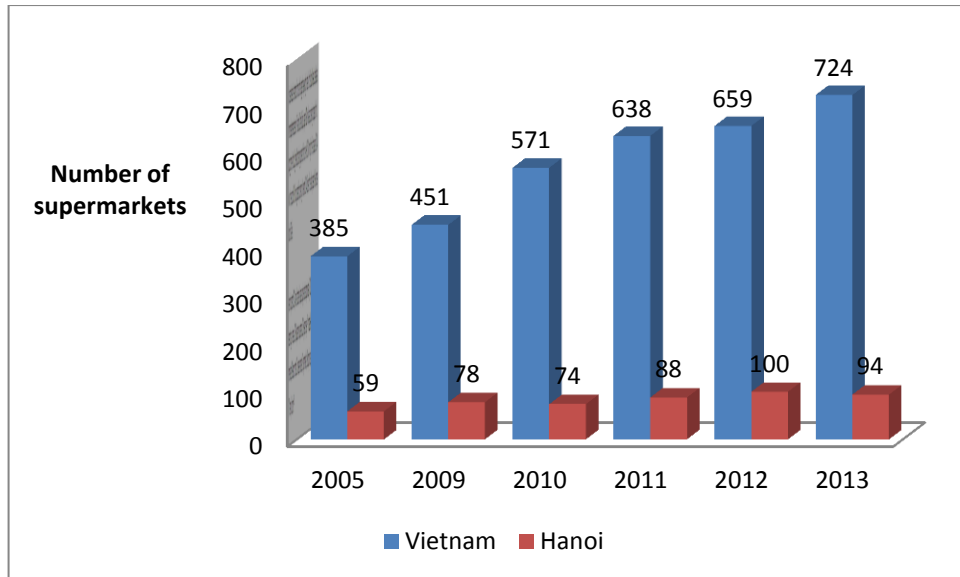


Figure 2. The number of supermarkets in Vietnam and Hanoi from 2005-2013.

Source: (Vietnam General Statistics Office, 2014b)

Since Vietnam joined the World Trade Organization in 2007, Vietnam is open for foreign investors, leading to stronger competition between domestic and international players in retailing. With a large market size of 89.7 million people in 2013 (VGSO, 2014a), Vietnam has been an attractive destination for foreign investments in many fields, including the retailing industry. Vietnam's retail market is growing in double digits of about 10% year-on-year in 2013 (Deloitte, 2014) and it is ranked at the 28th position in the top 30 attractive developing countries for retail investment by A.T. Kearney in 2014 (A.T. Kearney, 2014). Following the trend, some of the biggest in retail such as South Korea's Lotte Mart and Robinsons, Japan's AEON mall also entered the Hanoi market in the past few years.

Table 1 below shows the biggest retailers in Hanoi, which are Big C (from France), Fivimart and Hapro (from Vietnam), and Metro Cash and Carry (from Thailand) with the key retail type is supermarket (Deloitte, 2014).

Table 1. Key retailer outlets in Hanoi.

No	Main players	Brands origin	Retail type	No. of outlets	Year of entrance
1	Big C	France	Supermarket	4	2005
2	Fivimart	Vietnam	Supermarket	19	1997
3	Hapro	Vietnam	Supermarket	6	2006
4	Metro Cash & Carry	Thailand	Wholesale	2	2003
5	Ocean Mart*	Vietnam	Supermarket	6	2013
6	Parkson	Malaysia	Department store	2	2008
7	Vincom*	Vietnam	Shopping center	4	2004

Source: (Deloitte, 2014)

* In 10/2014, Ocean Mart is acquired by Vingroup (owner of Vincom). After the procedure of M&A, Ocean Mart system is renamed to Vinmart, in accordance with the supermarket system of Vincom (Kien Khang, 2014).

1.2.3 Retail shopping habits of Vietnamese customers

In a report of retail in Vietnam, Deloitte (2014) highlighted that “Vietnamese consumers, and especially the older generation, prefer to shop in traditional trade outlets such as wet markets and grocery stores”. The average frequency of Vietnamese consumers going to supermarkets per month in 2012 is only 3.2, but to wet markets is 24.2 (Nielsen, 2012). For example, a relatively small percentage of Vietnamese consumers use modern trading format as their ‘main’ source of fruit and vegetables, mostly just buy ‘some’ (Nielsen, 2009). This can be explained by shopping habits of Vietnamese consumers in retails (see more in Table 2).

Table 2. Shopping habits of Vietnamese consumers.

	Traditional retail format (Wet markets and grocery stores)	Modern retail format (Supermarkets or hypermarkets)
Frequency	- Daily	- Once a week
Companion	- Alone	- With kids or family members
Time	- Early morning: 6am-8am - Late afternoon after work: 4pm-6pm	- Evening: 6pm-8pm
Duration of shopping trip	- Short: 15-30 minutes ⇒ More convenient	- Long: 1-2 hours ⇒ Time-consuming
Location	- Close to home: 5-10 minutes walking	- Far from home: 10-20 minutes driving
Convenience of transportation	- Mostly no parking - By foot, bicycle, motorbike	- Have to park - May have to pay parking fee - By foot, bicycle, motorbike, car
Perception of goods	- Fresh foods - Trust in regular vendors	- Not fresh but hygiene foods with expiry date - Guaranteed quality
Price	- Cheaper - Ability to bargain	- Higher price - No bargain - Good price in sales and promotions
Most frequent shopping commodities	- Meat - Fruit - Vegetables - Spices - Seafoods	- Processed foods - Fruit - Beverages - Dairy - Bakery products
Shopping quantity	- Small and use in day - Enough for 1-2 day usage	- Bigger amount and stocked - Enough for 2-3 day usage

Sources: Adapted from (Nielsen, 2012), (W&S Group, 2012), and (Anh, 2014)

Vietnamese often go to traditional trading places on daily basis, buy in small quantity, and have short shopping trip (15-30 minutes per trip) in the early morning or in the late afternoon after work without companion. The places are very close to home (5-10 minutes walking) and no need to park vehicles (stop and go market). Besides, the price of commodities in traditional market is thought to be cheaper than in supermarkets as consumers trust in their regular vendors and they are able to bargain the price. Meanwhile, supermarkets are often far from home (10-20 minutes driving); customers have to park vehicles and may also have to pay parking fee; the price is set and products are thought to have guaranteed quality. Another important feature is that fresh food is very important to Vietnamese consumers, and foods in supermarkets are habitually believed as not fresh or being processed with expiry date. Therefore, modern option are merely selected for special occasion shopping or monthly shopping for large quantity and diversified goods, and/or for extraordinary products that customers could not find easily in wet markets; and they can spend long time each shopping trip (1-2 hours) with kids or family members.

Nevertheless, both Nielsen (2012) and Deloitte (2014) in their retailing report of Vietnam confirm that Vietnamese consumers are moving from wet markets to supermarkets for the hygienic, convenient and friendly shopping environments; and the modern retail is expected to play a critical role in the future growth.

1.3 Aim and objectives of the research

The main aim of this study is to examine the behaviour and attitude of customers in Hanoi toward their loyalty of supermarkets.

The research has the following objectives:

1. To identify the important factors of customer loyalty and their relationships with customer loyalty
2. To figure out the most critical factor affecting the customer loyalty of supermarkets in Hanoi
3. To give recommendations for supermarkets in Hanoi to increase customer loyalty.

Upon the objectives mentioned above, the relevant hypothesis 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.

1.4 Structure of the research

The first chapter introduces the 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 methodologies 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.

CHAPTER 2: LITERATURE REVIEW

This chapter is going to discuss customer loyalty and its related factors in previous studies. Based on that, research hypothesis are proposed.

2.1 Customer loyalty

Customer loyalty had been discussed in many researches and studies; however, authors were failed to reach to a final share definition of customer loyalty. Marketing literature suggests that loyalty is “whether an attitude or combination of attitude and behaviour” (Akin, 2012).

First, according to the approach based on attitude, an individual’s overall attachment to a product, service, or organization is created by different feelings, which defines the individual’s degree of loyalty (Fornier, 1994, as cited in Hallowell, 1996).

The second approach is behaviour approach, in which loyalty is defined by criteria including the share in consumption, consumption probability, probability to consume the product again, repeated consumption behavior, and multidirectional consumption behaviors (Kumar and Shah, 2008, as cited in Akin, 2012).

Then, there stands in between the combination of attitude and behaviour approach, which see loyalty “is a form of repeat purchasing behavior reflecting a conscious decision to continue buying the same brand, for brand loyalty to exist, a pattern of repeat purchase must be accompanied by an underlying positive attitude towards the brand” (Solomon et al., 2006, as cited in Akin, 2012).

These approaches show many sights of customer loyalty. The first one reflects the abstract side of loyalty, which is very difficult to measure. The second one tries to simplify the concept into predictable behaviour and make it accesible to managers. Meanwhile, the third one includes not only the past purchasing behaviors and tendencies but also customer attitude and value systems (Akin, 2012).

However, relating to measurement of customer loyalty, behavioral approach is seen as more practical. Being one of the pioneer in researching this matter, Zeithaml (1996)

structured loyalty of five favourable behavioral-intentions items: saying positive things about the company, recommending the company to others, encouraging friends and relatives to do business with the company, considering the company the first choice from which to buy services, and do more business with the company in the next few years. Later on, European experts have developed European Customer Satisfaction Index (ECSI), a Pan-European customer satisfaction measurement instrument, which was implemented in 12 European countries for pilot studies in 1999 (Gronholdt, Martensen, & Kristensen, 2000). According to ECSI, customer loyalty is measured based on four indicators: the customer's intention to repurchase; intention of cross-buying (buy another product from the same company); intention to switch to a competitor (price tolerance); and intention to recommend the brand/company to other consumers. The measurement of customer loyalty of supermarkets in Hanoi is consistent with the ECSI as it is more applicable with supermarkets industry (high shopping frequency, often buy various products in one shopping, easy to switch to other competitors) and Vietnamese shopping habits (trust in acquaintance's recommendations).

2.2 Factors related to customer loyalty

A number of researches have proven that there is a strong theoretical supporting the relationship among customer loyalty and the factors such as customer perceived value, service quality, customer satisfaction, and switching cost. Therefore, this part is going to discuss these conceptions and their linkage to customer loyalty.

2.2.1 Customer perceived value

Customers always care about the value of products or services they purchase. This is such a broad topic that the concept of customer perceived value varies in the history of marketing. In 1988, Zeithaml developed the definition of perceived value as "customer's overall assessment of the utility of a product based on perceptions of what is received and what is given" (Zeithaml, 1988). Meanwhile, Heskett et al. (1994) defines "value means the results customer receive in relation to the total costs (both the price and other costs to customers incurred in acquiring the service)". Similarly, according to Bolton and Lemon (1999, as cited in Yang & Peterson, 2004), perceived value is the customer assessment whether the perceived cost of the offering is fair, right or deserved. The authors also stated that perceived cost includes both monetary payments and nonmonetary sacrifices. From

the definitions, it can be clearly seen that customer perceived value is based on a comparison between benefits and sacrifices. However, it is quite difficult to consider all sacrifices, especially the nonmonetary sacrifices (time, effort, risk), as well as to assess subjectively the benefits. Therefore, when considering value of a product or service, customers often take into consideration available competitors' offerings (Yang & Peterson, 2004). Kotler (2000) also confirms that customers will select the offer which they perceive that having the highest customer value.

There is another approach, which terms customer perceived value as a multidimensional construct (for example Woodruff, 1997; Sweeney and Soutar, 2001). This approach not only examines perceived value on economic and cognitive aspects, but focus on integrative aspects of value. According to Sheth et al. (1991), customer perceived value consists of five dimensions: social value, emotional value, functional value, epistemic value, and conditional value. Then, based on the research of Sheth et al. (1991), Sweeney and Soutar (2001) find perceived value is constructed of functional dimension, social dimension and emotional dimension, whereas functional dimension include price versus value for money and performance versus quality. The authors also developed a scale termed PERVAL to measure customer perceived value with 19 items to get responses in Likert scale from "Strongly Disagree" to "Strongly Agree".

Table 3. PERVAL scale.

Dimension	Description	Item
Functional value - Price/value for money	"the utility derived from the product due to the reduction of its perceived short term and longer term costs"	is reasonably priced offers value for money is a good product for the price would be economical

- Performance/ quality	“the utility derived from the perceived quality and expected performance of the product”	has consistent quality is well made has an acceptable standard of quality has poor workmanship (*) would <i>not</i> last a long time (*) would perform consistently (*) reverse scored
Social value	“the utility derived from the product’s ability to enhance social self-concept”	would help me to feel acceptable would improve the way I am perceived would make a good impression on other people would give its owner social approval
Emotional value	“the utility derived from the feelings or affective states that a product generates”	is one that I would enjoy would make me want to use it is one that I would feel relaxed about using would make me feel good would give me pleasure

Source: (Sweeney & Soutar, 2001)

As the scale was originally formed and tested in the retail industry, it is going to be used as a guidance to measure customer perceived value in the empirical study of this research.

2.2.2 Customer perceived service quality

Customer perceived service quality or service quality has been researched for a long time. Lewis and Booms (1983) defined service quality as a measure of how well the service level delivered matches customer expectations (as cited in Parasuraman, Zeithaml, & Berry, 1985). This definition was then developed in later research of Parasuraman, Zeithaml, & Berry (1988) as “the degree of discrepancy between customers’ normative expectations for the service and their perceptions of the service performance”. In general, service quality is seen as the customers’ comparison between their expectations and their perception of a delivered service.

Basically, the measurement of service quality is based on comparisons of expectation and performance. However, from the customers' viewpoint, expectations vary from time-to-time, and the true performance of the delivered services may not be assessed objectively. Besides, service quality is intangible (service is not an object), heterogeneous (performances are different among producers, customers and times) and inseparable (with production and consumption). Therefore, it is very difficult to measure service quality precisely. In the attempt to measure service quality, Parasuraman et al. (1988) developed a scale termed SERVQUAL, in which five dimensions of service quality were defined: tangibles, reliability, responsiveness, assurance and empathy. The scale has been empirically tested and widely acknowledged in many fields (for example, health care, banking, fast food restaurants) (Siu & Cheung, 2001); however, it has not been successfully adapted to and validated in retail store environment (Dabholkar, Thorpe, & Rentz, 1996). Dabholkar et al. (1996) later on developed a scale titled Retail Service Quality Scale to measure retail service quality. They contain five dimensions, which are as following:

- *Physical aspects*: Store appearance and convenience of store layout
- *Reliability*: Retailer keeps its promises and “does things right”.
- *Personal interaction*: Associates are courteous, helpful and they inspire confidence and trust from the customer.
- *Problem solving*: Associates are trained to handle potential problems, such as customer complaints, returns and exchanges.
- *Policy*: Operating hours, payment options, store charge cards, parking and so forth.

(as cited in Siu & Cheung, 2001)

In this research, the Retail Service Quality Scale is going to be used for empirical test.

2.2.3 Customer satisfaction

Since customer satisfaction was first defined by Cardozo in 1965 (Bei & Chiao, 2001), the concept has been considered as a central concept in the marketing literature (Bloemer & Odekerken-Schroder, 2002). There are various definitions of customer satisfaction, some of them even diverge from one another. Primarily, customer satisfaction can be perceived as post-consumption evaluation or “a pleasurable level of consumption-related

fulfillment” (Oliver, 1997, as cited in Bloemer & Odekerken-Schroder, 2002). However, according to Yang & Peterson (2004), customer satisfaction is commonly defined based on transaction-specific approach or overall satisfaction approach. On the one hand, transaction-specific approach describes customer satisfaction as an emotional response by the consumer to the most recent transactional experience with an organization. On the other hand, the later approach views customer satisfaction as the overall satisfaction that customers have after cumulative evaluation of specific products and various aspects of the firms. Meanwhile, Zeithaml and Bitner (2003) termed customer satisfaction as “the customers’ evaluation of a product or service in terms of whether that product or service has met their needs and expectations”. In this research, the definition of customer satisfaction is consistent with the overall satisfaction approach as it may better be measured, and then therefore predict better the loyalty of the customers (Yang & Peterson, 2004).

To measure customer satisfaction, Ryan, Buzas, & Ramaswamy (1995) advocated that multiple-item scales can provide greater accuracy than using single-item measure. The authors suggested to measure three indicators, which are observed by answering three questions:

- The first one is to measure overall satisfaction through the response to a question such as “In general, how satisfied are you with Company (or Product, or Brand) X?” on a scale ranging from "completely dissatisfied" to "completely satisfied”.
- The second one is to ask the question “ How well did Company (or Product, or Brand) X meet your expectations?” on a scale from “did not meet my expectations” to “exceeded my expectations”.
- The third one is an ideal-point scale asking. "When thinking of your ideal company, how well does Company (or Product, or Brand) X compare?" on a scale from "very far away" to "very close to my ideal."

Then, the weighted average of scores from the three scales is calculated to indicate customer satisfaction index. The researcher is going to adopt the approach as it is empirically supported in studies of Fornell & Cha (1994); Fornell et al. (1996); Ryan et al. (1995) (as cited in Gronholdt et al., 2000).

2.2.4 The relationships among customer loyalty and its related factors.

A number of researches have been taken on the relationship between customer loyalty and customer perceived value. In the research of financial services, Roig, García, & Tena (2009) claim that customer loyalty is affected both directly and indirectly by perceived value. The direct influence was proven in studies of Bolton and Drew (1991), Chang and Wildt (1994) and Sirdeshmukh et al. (2002) and the indirect influence was discussed in Patterson and Spreng (1997), Yang and Peterson (2004) (as cited in Roig et al., 2009). Considering a study on hypermarket's customer, the indirect relationship is shown as customer value contributes to customer satisfaction which in turn creates customer loyalty (Sugiati, Thoyib, Hadiwidjono, & Setiawan, 2013). This is agreed by Yang et al. (2004) as they concludes that higher value of product/service can generate customer loyalty through higher customer satisfaction.

The relationship between service quality and customer loyalty has been tested in a number of researches. Parasuraman, Zeithaml, & Berry (1994) stated that high service quality encourages customers to repeat purchases. Service quality is also found to have positive and significant impact on customers' willingness to recommend the service provider (Zeithaml, Berry, & Parasuraman, 1996). The findings of an research on home delivery services in Taiwan by Chou & Lu (2009) are consistent with the above mentioned relations. Therefore, high service quality is seen to bring high customer loyalty. However, some further researches and studies have shown that service quality has no directly significant influence, but indirectly impact on customer loyalty through customer satisfaction (Athanasopoulos 2000; Cronin, Brady, & Hult, 2000; McDougall & Levesque 2000, as cited in Bei & Chiao, 2001). Many similar conclusions can be found in other studies in this field. For instance, study of Bei & Chiao (2001) on car industry in Taiwan emphasized that service quality is an important determinant of consumer satisfaction, and consumers establish higher loyalty toward a service when they are more satisfied. This is also supported by another research on library customer loyalty in Indonesia (Bakti & Sumaedi, 2013).

About the relationship between customer satisfaction and customer loyalty, it can be said that customer satisfaction is a key determinant of customer loyalty. Kotler (2000) stated that "a highly satisfied customer generally stays loyal longer, buys more as the company

introduces new products and upgrade existing products, talk favorably about the company and its product, pay less attention to competing brands, and is less sensitive to price, offers product or service ideas to the company, and costs less than new customers because transaction is routine”. This is consistent with the prior study of Zeithaml et al. (1996), which concluded that highly satisfied customers not only keeps purchasing the products or services but also recommend them for others. Jones Thomas and Sasser Eark (1995) even confirmed that the more satisfied customers are, the higher level of loyalty company will get. However, it is not always right that the dissatisfied customers will not continue to use the products or services. For example, in the case study of China mobile network, many dissatisfy customers will not change their network provider (Deng, Lu, Wei, & Zhang, 2010). Besides, Neal (1999) argued that the level of acceptable satisfaction does not result in positive increase of customer loyalty.

The relationships among customer loyalty and its related factors including customer perceived value, service quality and customer satisfaction are described in Figure 3 below.

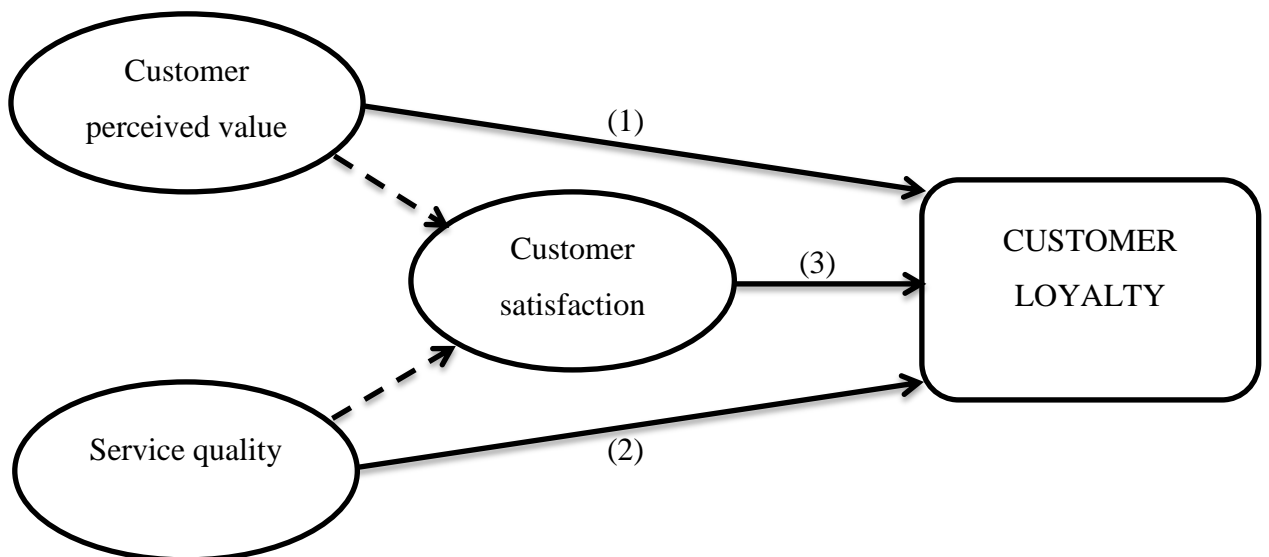


Figure 3. The relationships among customer perceived value, service quality, customer satisfaction, and customer loyalty

Source: Author’s generated from literature review.

Based on the above theoretical and empirical review, the following hypotheses are created to be tested in the case study of supermarkets in Hanoi:

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.

CHAPTER 3: RESEARCH METHODOLOGY

3.1 Research approach and strategy

Snieder and Larner (2009) asserted that “The deductive approach follows the path of logic most closely. The reasoning starts with a theory and leads to a new hypothesis. This hypothesis is put to the test by confronting it with observations that either lead to a confirmation or a rejection of the hypothesis” (as in Figure 4). As adopting deductive approach, in the research, existing theory and concept of customer loyalty are reviewed as the research framework, and 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.

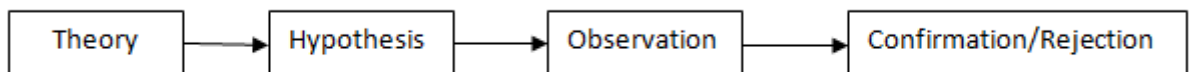


Figure 4. Deductive approach.

Source: (Snieder & Larner, 2009)

Next, qualitative or quantitative method is considered to be applied in this research. Qualitative method brings about understanding of meanings, opinions, or experiences from participants while quantitative method investigates the empirical phenomena via statistical analysis. This research wants identify factors of customer loyalty and figure out which factor has most influence to customer loyalty of supermarkets in Hanoi. In order to achieve these objectives, the relationship between each factor to customer loyalty should be measured. Besides, it is necessary to obtain basic attitude of customers to the supermarkets so that recommendations to improving customer loyalty of supermarkets in Hanoi would be more reliable. Therefore, quantitative method in form of questionnaire survey is chosen for following reasons. Firstly, the questionnaire with predetermined questions enables the researchers to collect data in desired format as well as to have an overview of the relationship between the variables. Besides, a few qualitative questions can be easily added in to get a deeper understanding of customers’ opinion. Moreover, survey allows

collecting a large amount of data in a highly economical way. Then, the data collected can be analysis by statistic tools to get the results that reflect the correlation of variables.

3.2 Data collection

Both primary and secondary data are collected in the research. Secondary data related to research background is used in this research for deeper understanding of the research findings. The sources of secondary data are available reports and data that the researcher can find online.

The instrument to get primary data for this research is questionnaire. The combination of internet and delivery and collection methods is used. About delivery and collection questionnaire, a number of participants, who were shopping in some supermarkets in Hanoi, are asked to answer the questionnaire directly. Doing this brings about high accuracy of the response as the author can explain or clarify the questions for respondents; however, it is limited by time and location. About electronic questionnaire, the questionnaire is created in free online website, and then sends to participants through emails and social network media. The electronic survey gives more convenience for both the researcher and participants in location and time. It also has the advantage of time-saving as the researcher can ask respondents to forward the questionnaire to their friends. However, the response rate is lower than delivery and collection questionnaire, as potential respondents ignore the survey; and the accurateness is lower, as respondents may misunderstand the questions.

The following contents are going into details the procedure of collecting primary data for the research.

3.2.1 Sampling

As it is impossible to obtain data from the whole population, sampling is essential to achieve the research objectives. The key point is how to get a relevant sample that can be representative for the population. As Fink (2003) confirmed that a reliable sample is a smaller size of the population. This research is going to apply the four-step procedure to draw a sample by Churchill and Lacobucci (2002) as following:

- Step 1: Define the target population

First of all, the target population of the research is supermarket customers in Hanoi. They are the people who live or work in Hanoi and go to supermarkets for shopping at least one time in the last 12 months. The target population is divided into three groups to cover all ages of the population: the young generation (under 25 years old), the middle-age generation (from 25-55 years old) and the old generation (over 55 years old).

- Step 2: Identify the sampling frame

Sampling frame is “a complete list of all the cases in the population from which your sample will be drawn” (Saunders, Lewis, & Thornhill, 2009). Given the nature of the research problem, it is impossible to have a complete list of all customers of supermarkets in Hanoi.

- Step 3: Select a sampling method

In term of sampling methods, there are two basic options: probability sampling and non-probability sampling. According to Saunders et al. (2009), the chance of each case being selected from the population is known and usually equal for all cases with probability sampling. As sampling frame is not available, the non-probability method, in which the probability of each case being selected from the total population is not known, is more relevant with the characteristic of the research. In particular, the research used the combination of judgement sampling, snowball sampling and self-selection sampling:

- Judgement sampling is interpreted as participants are selected at the evaluation of the researcher. This is applied for delivery and collection questionnaire, in which the researcher chose the customers who were shopping in some certain supermarkets in Hanoi to be respondents. The questionnaire is distributed in the supermarkets to ensure that the respondents are the customers of supermarkets.
- Snowball sampling is used for electronic questionnaire. This means that when participants are asked to fill in the questionnaire, they would be recommended to distribute to further members of the population.

- Self-selection is also used for electronic questionnaire. The questionnaire is publicized on the researcher's social network (Facebook) to ask people to take part in. Then the data is collected from those who respond.

These techniques are used as it allows generating a large sample, in which participants are difficult to obtain. However, they have the disadvantage the sample is likely to be low representative. Therefore, it is necessary to choose participants, who are interested in the research topic to increase the survey quality.

- Step 4: Determine the sample size.

As statistical analysis is going to be undertaken on the sample, the sample size is calculated based on the expected confidence level and margin of error. The population of Hanoi is about 7 million. According to Saunders et al. (2009), with the confidence level of 95% and margin of error of 5%, the suitable sample size is 384 samples. Besides, using the Sample Size Calculator tool provided by National Statistical Service of Australian Bureau of Statistics¹, the sample size for 7 million population at a 95 confidence level is calculated as in the table below:

Table 4. Sample sizes for 7 million population at a 95 confidence level (assuming data are collected from all cases in the sample)

	Margin of error				
	9%	8%	7%	6%	5%
Sample size	119	151	196	267	385

Source: Author's calculation with Sample Size Calculator tool.

Therefore, with the response rate expected to be 40%, 500 questionnaires were sent, in which 240 questionnaires were sent at 3 supermarkets in Hanoi (Vinmart, Fivimart and Big C) and 260 electronic questionnaires were sent via emails and social network media (Facebook).

¹ See more at <http://www.nss.gov.au/nss/home.nsf/pages/Sample+size+calculator>

3.2.2 Questionnaire design

The questionnaire was constructed in order to meet the research objectives, containing six main sections as following:

- The first section has five questions about background information of respondents including gender, age, living and working location, and frequency of shopping at supermarkets.
- The second section is consisted of four questions to measure customer perceived value of shopping at supermarkets in Hanoi through functional value (Price/value for money and Performance/ quality), social value, and emotional value.
- The third section is to measure service quality of supermarkets in Hanoi with five questions related to physical aspects, reliability, personal interaction, problem solving and policy
- The fourth section involves three questions to measure customer satisfaction.
- The fifth section is made of four questions to get information about customer loyalty.
- The last section has three more questions to ask for customers' opinion on how to increase their loyalty to supermarkets.

Questions in the first section are category questions, while questions in the next four sections are in form of rating question according to five-point Likert-style scale from “1-strongly disagreed” to “5-strongly agreed”. In total, 24 questions are designed in the questionnaire.

3.2.3 Pilot test

Saunders et al. (2009) recommended that the questionnaire should be pilot tested before using to refine the questions. Pilot testing makes sure that the questions is understandable without the explanations of the researcher (Bryman & Bell, 2007), therefore, it helps to assess the questions' validity and the reliability of the collected data. According to Fink (2003, as cited in Saunders et al., 2009), the minimum number for pilot test for student questionnaire is 10. Therefore, 12 questionnaires were pretested; each target group of population had 4 pilot tests.

For the target group of less than 25 years old, four university students were asked to take part in the survey. They are all friends of the researcher. For the group of customers from 25-55 years old, four office employers answered the questionnaire. For the group of customers over 55 years old, the researcher's parents and neighbours, who are all retired, participated in the pilot test. All participants were acknowledged the purpose and main content of the questionnaire before filling in, and they all showed their interest in the survey.

Each participant was given maximum ten minutes to complete the questionnaire. During this time, respondents were not allowed to ask the researcher to clarify the questions. After finishing, the researcher and the respondents discussed to figure out difficulties in understanding and answering the questions. The result of the pilot test was quite positive as following:

- The questionnaire has good design, easy to understand, the participants felt comfortable doing the questionnaire as it does not require much time to answer.
- The expression of question number 7, 14 and 17 should be changed to make it closer to Vietnamese thinking.

After being revised and improved, the questionnaire is distributed to respondents as described in the above part of Sampling.

3.2.4 Data collection result

500 questionnaires were distributed in December 2014 for this research, in which 240 questionnaires were sent out at three supermarkets in Hanoi (i.e. Fivimart, Vinmart and Big C; each supermarket had 80 questionnaires) whereas 260 questionnaires were sent online through email and social network media. The total responses that the researcher collected are only 169 questionnaires as following:

- 43 responses getting in Fivimart, 31 responses getting in Big C, and only 19 responses getting in Vinmart. This means that a total of 93 responses were collected by delivery and collection method.
- 76 responses getting through online survey.

However, 31 responses were not valid because of the reasons that the respondents do not live or work frequently in Hanoi in the last 12 months, or they skipped too many questions. Therefore, there are only 138 valid responses which will be used in the research analysis.

According to Saunders et al. (2009), the total response rate is calculated as following:

$$\text{total response rate} = \frac{\text{total number of responses}}{\text{total number in sample} - \text{ineligible}}$$

Hence, based on the formulas, the total response rate of this survey is: $\frac{169}{500-31} = 36\%$

3.3 Ethical issues

Before filling in the questionnaire, all participants are introduced the purpose of the research. The participants have free will to take part in the survey or not. Besides, no sensitive or private question such as name, address or telephone number is collected in the survey. All collected data is guaranteed to be used for the research only and not given to any third party.

3.4 Research limitations

The first limitation of the research is the questionnaire design. The questions in the questionnaire are built based on the researcher's ideas getting from academic readings and practical experience. Therefore, it is unavoidable to be subjective or insufficient. Besides, limited time and budget could not allow the researcher to implement interviewer-administered questionnaire; only self-administered questionnaire was taken by internet and delivery and collection method. Therefore, respondents may not answer the questions seriously or correctly, the reliability and validity of the questionnaire would be influenced.

The second limitation is the method of sampling. The non-probability method of sampling may be less accurate than probability method, especially in case of statistical analysis is applied. Then, the total response rate is lower than expected. It makes the sample size of the research is small, which can influence to the accuracy of the findings.

3.5 Conclusion

To sum up, the research is consistent with deductive approach to achieve the research goals. Quantitative method is applied and primary data is collected by 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 for statistical analysis in the next chapter.

CHAPTER 4: FINDINGS AND DISCUSSION

This chapter is going to present the findings and discussion, which is statistically analysed from 138 valid questionnaires, to test the proposed hypotheses and to answering the research questions.

4.1 Demographic characteristics of respondents

In this section, the background information of respondents about gender, age and the frequency of going shopping at supermarkets will be described to give better understanding of the questionnaire result.

According to Table 5 below, there are 43 male respondents (31.5%) and 95 female respondents (68.5%) in the current sample. This can be easily explained by the roles of man and woman in Vietnamese family. Mostly, Vietnamese women are responsible for taking care of family and housework; therefore, they often go shopping for foods and goods. Consequently, men are not interested in the topic of supermarkets so that the number of men participated in the survey is much lower than women. According to Anh (2014), going shopping at supermarkets is even annoying to Vietnamese men as they perceive this activity as “not manly”.

The majority of respondents are in the 25-55 years old group (63.75%) as they hold the main source of family income and supermarkets are not preferable by the older generation (Deloitte, 2014). Besides, the products at supermarkets often are not suitable for the youth’s needs, styles and earnings.

Related to the frequency of shopping at supermarkets, 56.96% of respondents said that they go shopping at supermarkets a few times a month; 36.71% respondents choose supermarkets a few times a year; while only 6.33% respondents going to supermarkets on weekly basic. 84 respondents specified the average number of times per month that they go shopping at supermarkets. The calculated mean result describes that in general, the customers go to supermarket only 2.84 times per month.

Table 5. Descriptive statistic of respondents' background information

Item	Percentage	Frequency
Gender		
Male	31.50	43
Female	68.50	95
<i>Total</i>	<i>100.00</i>	<i>138</i>
Age		
Under 25 years old	22.75	31
25-55 years old	63.75	88
Over 55 years old	13.50	19
<i>Total</i>	<i>100.00</i>	<i>138</i>
Frequency of shopping at supermarkets		
A few times a year	36.71	51
A few times a month	56.96	79
A few times a week	6.33	9
<i>Total</i>	<i>100.00</i>	<i>138</i>
Choosing supermarket habit		
Going to the same supermarket	81.25	112
Not going to the same supermarket	18.75	26
<i>Total</i>	<i>100.00</i>	<i>138</i>

Source: Author's own computation from survey.

Surprisingly that up to 81.25% of respondents often goes to the same supermarket. 71 respondents listed their favourite supermarkets, in which Fivimart, Big C, and Vinmart are the most mentioned. This is very easy to understand as these three supermarkets are the biggest supermarkets in Hanoi now (mentioned in the first chapter of the research).

4.2 Customer loyalty and its related factors

4.2.1 Customer loyalty

To measure customer loyalty, four questions (number 18-21), which are based on the customer loyalty indicators of ECSI, were asked to get the answer in form of 5-point

Likert-rating-scale (1-Strongly disagree; 2-Disagree; 3-Neutral; 4-Agree; 5-Strongly agree). Then, the averaged point from these four answers of each respondent is calculated as the customer loyalty point of the respondent for statistical analysis.

Table 6. Descriptive statistic of respondents' customer loyalty.

		Strongly disagree	Disagree	Neutral	Agree	Strongly agree	Total	Weighted Average
		(1)	(2)	(3)	(4)	(5)		
18. Do you intend to repurchase products from the supermarkets?	Percentage	0.00%	1.30%	7.79%	85.71%	5.19%	100%	3.95
	Frequency	0	2	11	118	7	138	
19. Do you intend to buy another product from the same supermarkets?	Percentage	0.00%	5.13%	33.33%	55.13%	6.41%	100%	3.63
	Frequency	0	7	46	76	9	138	
20. Will you keep buying at supermarkets when the price of products in the supermarkets is getting higher?	Percentage	8.97%	62.82%	19.23%	8.97%	0.00%	100%	2.28
	Frequency	12	87	27	12	0	138	
21. Will you recommend the supermarket to others?	Percentage	0.00%	3.85%	43.59%	44.87%	7.69%	100%	3.56
	Frequency	0	5	60	62	11	138	
AVERAGED POINT								3.36

Source: Author's own computation from survey.

Table 6 above presents the general result of respondents about customer loyalty. Relating to customer's intention to repurchase, 85.71% of respondents agreed and 5.19% of respondents strongly agreed that they will continue to buy products from supermarkets; weighted average point for this item is 3.95. This is a very high rate and point, which indicates a positive attitude of customers to supermarkets. When asking about the intention of cross-buying, the rate of 'agree' answer decreased to 55.13%, however, it is still a good figure for supermarkets. Meanwhile, only 44.87% of respondents agreed and 7.69% strongly agreed to recommend the supermarkets to other consumers and a total of 71.79%

of respondents will not continue buying if the supermarkets' price is getting higher (see more in Table 6). This shows that the majority of supermarket customers in Hanoi are sensitive to price of products. In general, the averaged point of customer loyalty of the whole 138 respondents is 3.36. However, there are 112 of 138 respondents said that they often went to the same supermarkets when answering question number 5 (see in Table 5). As such, it is possible to assess that the customers have high loyalty to their favourite supermarkets, but they have medium level of loyalty to the modern retailing method.

4.2.2 Customer perceived value

Customer perceived value is measured through three dimensions: functional value (price/value for money and quality/performance), social value and emotional value according to PERVAL scale. In the questionnaire, these dimensions are reflected in questions number 6-9. The respondents were asked to evaluate these items on 5-point Likert-typing scale. The results are described as in the following table:

Table 7. Descriptive statistic of respondents' perceived value

		Strongly disagree	Disagree	Neutral	Agree	Strongly agree	Total	Weighted Average
		(1)	(2)	(3)	(4)	(5)		
6. Products at supermarkets is reasonably priced	Percentage	1.28%	16.67%	23.08%	51.28%	7.69%	100%	3.47
	Frequency	2	23	32	71	10	138	
7. The quality of products at supermarkets is at acceptable standard	Percentage	0.00%	12.82%	10.26%	67.95%	8.97%	100%	3.73
	Frequency	0	18	14	94	12	138	
8. Shopping at supermarkets makes other people perceive you have high living standard	Percentage	11.54%	50.00%	23.08%	14.10%	1.28%	100%	2.44
	Frequency	16	69	32	19	2	138	
9. You feel comfortable and relaxed when going shopping at supermarkets	Percentage	1.28%	10.26%	28.21%	51.28%	8.97%	100%	3.56
	Frequency	2	14	39	71	12	138	
AVERAGED POINT								3.30

Source: Author's own computation from survey.

71 respondents agreed and 11 respondents strongly agreed that products at supermarkets have reasonable price, which accounts for nearly 60% of the valid response. In addition, a total of 76.92% of respondents agreed that product quality is at acceptable standard. Besides, weighted average of emotional value is 3.56, with 60.25% of respondents confirmed their comfortable and relaxed shopping experience at supermarkets. Conversely, social value is not widely and seriously acknowledged by customers as only 15.38% of respondents agreed and strongly agreed that shopping at supermarkets improves their social image. Overall, the averaged point of customer perceived value of supermarket customers in Hanoi is 3.30. Through the collected results, it is undoubtedly that product quality is the most important to supermarket customers; whereas dimensions of price/value for money and emotional value are equally rated.

4.2.3 Customer perceived service quality.

Adopting Retail Service Quality Scale developed by Dabholkar et al. (1996), five questions (number 10-14) were designed to measure five dimensions of service quality, including physical aspects, reliability, personal interaction, problem solving and policy. Table 8 below summarizes the important figures of the collected result.

It can be seen from the table that most of the customers satisfied with the physical aspects and policy of supermarkets as the weighted average of the two items are quite high: 3.82 and 3.60. However, the elements of personal interaction and problem solving are needed to improve in order to increase the overall perceived service quality of the customers in Hanoi. Specifically, a total of 73.07% respondents do not think that supermarkets can solve their complaints and problems well; meanwhile, less than half of the respondents perceive that the supermarkets' staffs are friendly and helpful. Positively, there are 74 out of 138 valid responses agreed and strongly agreed with the reliability of supermarkets. Hence, service quality of supermarkets is averagely weighted at 3.44, reflecting that customers of supermarkets in Hanoi perceive the overall service quality of supermarkets as acceptable or slightly good.

Table 8. Descriptive statistic of respondents' service quality

		Strongly disagree	Disagree	Neutral	Agree	Strongly agree	Total	Weighted Average
		(1)	(2)	(3)	(4)	(5)		
10. Products at supermarkets are well arranged and convenient for searching	Percentage	1.27%	5.06%	18.99%	59.49%	15.19%	100%	3.82
	Frequency	2	7	26	82	21	138	
11. The overall service quality of the supermarkets is as good as they 'said'.	Percentage	0.00%	12.99%	33.77%	50.65%	2.60%	100%	3.43
	Frequency	0	18	47	69	4	138	
12. Supermarkets' staff are friendly and helpful	Percentage	1.27%	16.46%	37.97%	41.77%	2.53%	100%	3.28
	Frequency	2	23	52	58	3	138	
13. Supermarkets can solve your complaints or problems relating products well.	Percentage	1.28%	14.10%	57.69%	24.36%	2.56%	100%	3.13
	Frequency	2	19	80	33	4	138	
14. Supermarkets' services are convenient for you (for example: delivery service, parking services...)	Percentage	1.30%	9.09%	25.97%	55.84%	7.79%	100%	3.60
	Frequency	2	13	35	77	11	138	
AVERAGED POINT								3.45

Source: Author's own computation from survey.

4.2.4 Customer satisfaction

Based on the measure suggested by Ryan et al. (1995), question numbers 15-17 were asked to measure customer satisfaction. The response is also in form of 5-point Likert-rating scale. The averaged point of the three questions is used as customer satisfaction index for each response. Table 9 describes the percentage and frequency of answers collected, in which the averaged point of customer satisfaction of the whole respondents is 3.39. In general, about 80% of respondents agreed and strongly agreed that they are satisfied with

supermarkets. However, relating to customers' expectations, one-third of the responses said that supermarkets do not meet their expectations or they cannot confirm that supermarkets are able to meet their expectations. Besides, a very small proportion of respondents think that supermarkets are close to their ideal ones. Therefore, the averaged point of customer satisfaction just stays at medium level.

Table 9. Descriptive statistic of respondents' customer satisfaction

	Rated points					Total	Weighted Average
	(1)	(2)	(3)	(4)	(5)		
15. In general, how satisfied are you with the supermarket?	0.00%	0.00%	19.48%	75.32%	5.19%	100%	3.86
	0	0	27	104	7	138	
16. How well did the supermarket meet your expectations?	0.00%	11.54%	21.79%	61.54%	5.13%	100%	3.6
	0	16	30	85	7	138	
17. When thinking of your ideal supermarket, how well does the supermarket compare?	1.28%	38.46%	50.00%	8.97%	1.28%	100%	2.71
	2	53	69	12	2	138	
AVERAGED POINT							3.39

Source: Author's own computation from survey.

4.2.5 The relationship between customer loyalty and its related factors

In the literature review, the relationship between customer loyalty, customer perceived value, service quality and customer satisfaction are described. In the case study of supermarket customers in Hanoi, collected data from the survey is statistically analysed by using the software IBM SPSS to figure out the relationship among these variables.

First, the Pearson correlation coefficients are calculated to measure the relationship between each pair of variables. It is denoted by r and is by design constrained as $-1 \leq r \leq 1$, in which the sign (+/-) indicates the direction and the absolute value of coefficient measure the strength of the correlation. The coefficient of determination (r^2) represents how well the data fit the statistical model.

According to Evans (1996), the strength of correlation can be described as follows:

Strength	r	r²
very weak	0 - 0.19	0 to 4%
weak	0.20 - 0.39	4 to 16%
moderate	0.40 - 0.59	16 to 36%
strong	0.60 - 0.79	36% to 64%
very strong	0.80 - 1.00	64% to 100%

The calculation of Pearson correlation coefficient requires the data holding these assumptions: scale of measurement should be interval or ratio, variables should be approximately normally distributed, the association should be linear and there should be no outliers in the data². Table 10 shows that the collected data in the research is in number format, normally distributed, and has no outliers.

Table 10. Descriptive statistics of variables

	Mean	Std. Deviation	N
Perceived Value	3.2953	.50021	138
Service Quality	3.4478	.44725	138
Customer Satisfaction	3.3865	.48751	138
Customer Loyalty	3.3406	.42282	138

Sources: IBM SPSS Statistic calculation from collected data.

Besides, the following figures showing that there should be linear between each variable (perceived value, service quality, customer satisfaction) with customer loyalty:

² See more at <http://www.socscistatistics.com/tests/pearson/>

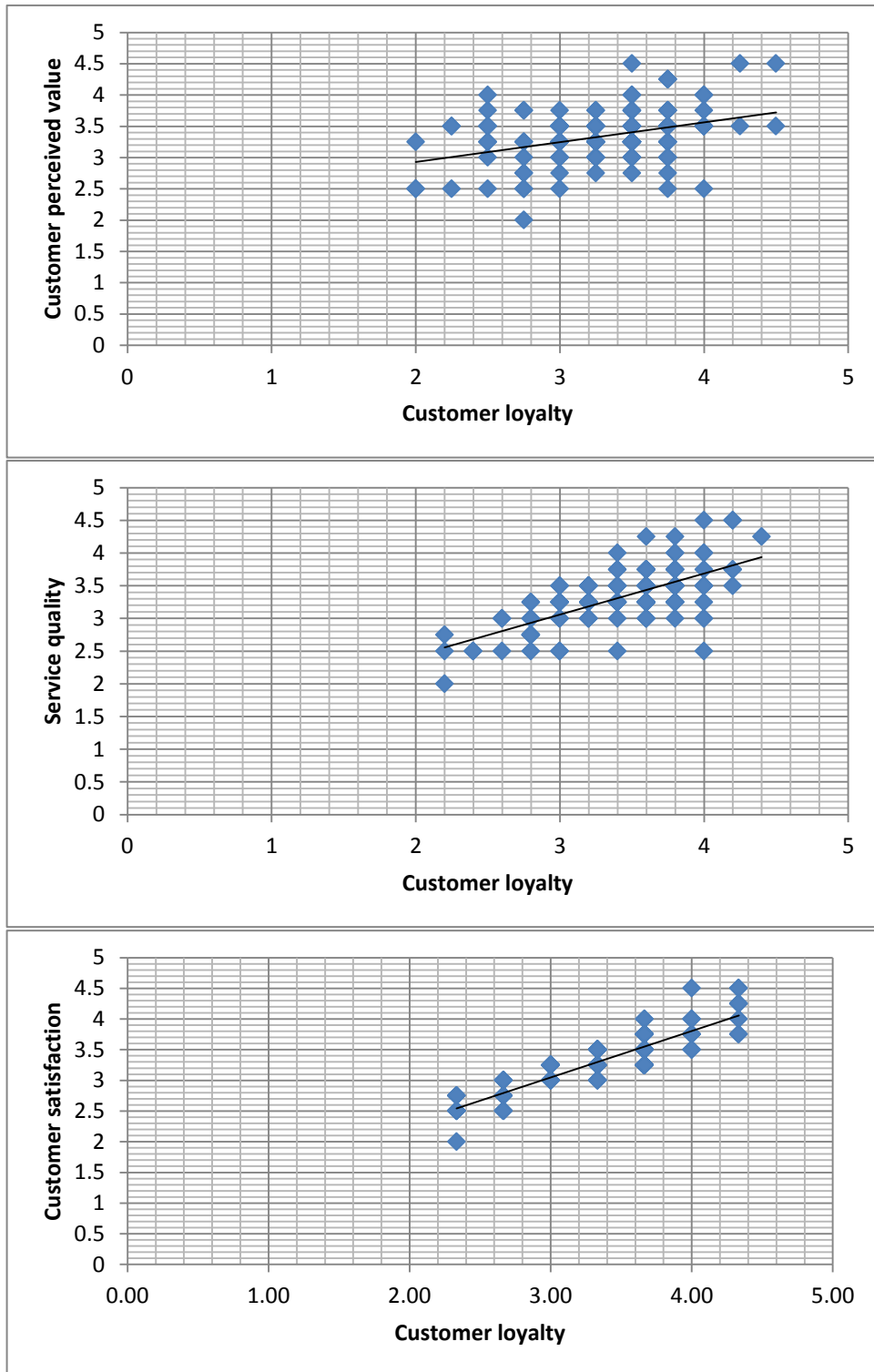


Figure 5. Scatterplot showing relationship between customer perceived value and customer loyalty, service quality and customer loyalty, customer satisfaction and customer loyalty with line of best fit

Source: Generated from collected data.

Therefore, the collected data is qualified to use calculation of Pearson correlation coefficient.

Then, the following table generated all Pearson correlation coefficient that can be calculated in the research:

Table 11. Correlations between customer loyalty and its related factors

		Perceived Value	Service Quality	Customer Satisfaction	Customer Loyalty
Perceived Value	Pearson Correlation	1	.344**	.387**	.373**
	Sig. (2-tailed)		.000	.000	.000
	N	138	138	138	138
Service Quality	Pearson Correlation	.344**	1	.721**	.664**
	Sig. (2-tailed)	.000		.000	.000
	N	138	138	138	138
Customer Satisfaction	Pearson Correlation	.387**	.721**	1	.871**
	Sig. (2-tailed)	.000	.000		.000
	N	138	138	138	138
Customer Loyalty	Pearson Correlation	.373**	.664**	.871**	1
	Sig. (2-tailed)	.000	.000	.000	
	N	138	138	138	138
**. Correlation is significant at the 0.01 level (2-tailed).					

Sources: IBM SPSS Statistic calculation from collected data.

****H1: There is a positive influence of customer perceived value on customer loyalty. ACCEPTED.***

As shown in the Table 11, there is a positive correlation between customer perceived value and customer loyalty ($r = 0.373$; $p < 0.01$). According to Evans (1996), the correlation is

weak. The coefficient of determination $r^2 = 0.1391$ indicates that only 13.91% of the change in customer loyalty is interpreted by customer perceived value, while the rest 86,09% is explained by other variables. However, the result still confirms that the first hypothesis can be accepted. The finding is consisted with previous study of Bolton and Drew (1991), Chang and Wildt (1994) and Sirdeshmukh et al. (2002).

****H2: Service quality has directly positive effect on customer loyalty. ACCEPTED.***

The Pearson correlation coefficient calculated between service quality and customer loyalty is $r = 0.664$, as $p < 0.01$, the correlation is significant. This interpretes that service quality has strong correlation with customer loyalty and 44.08% change of customer loyalty (as $r^2 = 0.4408$) can be explained by service quality. The sign of coefficient is +, which means that a positive change in service quality results in a positive change in customer loyalty. Therefore, the second hypothesis is accepted. Previous studies of Parasuraman et al. (1994), Zeithaml et al. (1996) and Chou & Lu (2009) are also supported the result.

****H3: Customer satisfaction impacts positively on customer loyalty. ACCEPTED.***

With the correlation coefficient of 0.871 ($p < 0.01$), it can be seen that customer satisfaction and customer loyalty has very strong correlation with each other. This also indicates that customer satisfaction impacts on customer loyalty in the same direction: higher customer satisfaction leading to higher customer loyalty. As the coefficient of determination $r^2 = 0.7586$, 75.86% of change in customer loyalty is interpreted by customer satisfaction. Hence, the third hypothesis is highly approved. The result is consistent with previous study of Kotler (2000), Zeithaml et al. (1996), and Jones Thomas and Sasser Eark (1995).

However, it should be noticed that customer perceived value and service quality also have correlations with customer satisfaction. Customer perceived value has weak correlation ($r = 0.387$, $r^2 = 14.97\%$) while service quality has strong correlation ($r = 0.721$; $r^2 = 51.98\%$) with customer satisfaction. This means that customer perceived value and service quality are two factors affecting customer satisfaction of supermarkets in Hanoi. In this case, customer perceived value and service quality not only influence directly to customer loyalty, but also indirectly through customer satisfaction. Once again, the result in previous

study of Patterson and Spreng (1997), Yang and Peterson (2004), Bei & Chiao (2001), and (Bakti & Sumaedi, 2013) is empirically supported.

***The most important factor of customer loyalty: Customer satisfaction.**

Based on the findings mentioned above, the most important factor of customer loyalty in the case study of supermarkets in Hanoi can be identified as customer satisfaction. Statistical analysis is also correspondent with the descriptive result getting from question number 22 as 49.37% of respondents select customer satisfaction as the most important factor influencing to their decisions on shopping at supermarkets.

4.3 Recommendations for supermarkets in Hanoi

The findings suggests that supermarkets in Hanoi should focus on improving overall customer satisfaction, as it is the most important factor, in order to increase the level of customer loyalty. However, as customer perceived value and service quality are two determinants of customer satisfaction, in which service quality affects up to 52% of customer satisfaction and 15% change of customer satisfaction is explained by customer perceived value, it is necessary to pay attention to these two factors also.

In the case studies of supermarket customers in Hanoi, when answering two open questions number 23 and 24 on how to improve their shopping experience and loyalty at/to supermarkets, a lot of respondents suggests that supermarkets should improve their service quality relating to:

- Physical aspects: the customers should be allowed to take products from the shelves (without locks or asking supermarkets' staff), better display of promotion boots, more logical arrangement of products with clear instruction signs, and the products should be more diversified.
- Reliability: supermarkets should be able to guarantee the origin and quality of the products; the products on sales should not be out of stock before the closing date of the sales.
- Personal interaction: about half of the suggestion is that supermarkets should train their staff to have more friendly, polite, and helpful attitude to customers (a respondent even mentioned that the supermarkets staff are supposed to greet

and thank the customer, which is considered as minimum courtesy in many countries).

- Problem solving: the averaged point for the answers of question relating to problem solving is the lowest among all dimensions of service quality. As a result, many respondents suggest that supermarkets should improve their ability to deal fast and efficiently the customers' complaints and problems, especially when the supermarkets are crowded.
- Policy: payments should be made fast and conveniently (more payment method such as self-check-out, more cashier, better payment software); free delivery service for big purchase (as cars is not popular in Vietnam); offering online shopping.

Besides, about half of the suggestions are related to customer perceived value, which said that supermarkets should have more sales and offer better product prices so that the customers can go shopping at the supermarkets more often. This is in line with the price/value for money dimension of functional value in customer perceived value. Apparently, supermarkets' customers in Hanoi have low price tolerance; they can easily switch to shopping at traditional retail places for lower price products.

To increase customer satisfaction, respondents also point out that supermarkets should improve the overall convenience for customers when shopping at supermarkets, for examples: creating resting zones, no need to deposit bags and packages before entering supermarkets (as most of supermarkets in Hanoi do not have CCTV systems to supervise customers), allowing to push trolleys to parking places, clean and free toilets for customers, offering ready-made foods to eat in supermarkets.

Finally, a number of respondents mentioned about the loyalty programs currently offered at supermarkets. They suggest that loyal customers should be rewarded with better discount rate and received better customer care (such as greetings on birthdays). According to Berman (2006), there are four types of loyalty program as in Table 12.

Currently, Big C and Fivimart, which are the most popular supermarkets in Hanoi, are implementing the third type of loyalty program: any customer can become member of the program; members receive points based on cumulative purchases, then, they will be

rewarded coupon when they spend enough; they may benefits from certain added service such as free parking, small discount (3%) if paying in cash.

However, most of the respondents complain that the reward is too small; it is difficult to track their purchases, so that they do not know when they can receive the coupon. Besides, customers prefer discounting on their bills than receiving coupon.

Table 12. A typology of loyalty program types

Program Type	Characteristics of Program	Example
Type 1: Members receive additional discount at register	<ul style="list-style-type: none"> • Membership open to all customers • Clerk will swipe discount card if member forgets or does not have card • Each member receives the same discount regardless of purchase history • Firm has no information base on customer name, demographics, or purchase history • There is no targeted communications directed at members 	Supermarket programs
Type 2: Members receive 1 free when they purchase n units	<ul style="list-style-type: none"> • Membership open to all customers • Firm does not maintain a customer database linking purchases to specific customers 	Local car wash, nail salon, SuperCuts, Airport FastPark, PETCO
Type 3: Members receive rebates or points based on cumulative purchases	<ul style="list-style-type: none"> • Seeks to get members to spend enough to receive qualifying discount 	Airlines, hotels, credit card programs, Staples, Office Depot
Type 4: Members receive targeted offers and mailings	<ul style="list-style-type: none"> • Members are divided into segments based on their purchase history • Requires a comprehensive customer database of customer demographics and purchase history 	Tesco, Dorothy Lane Markets, Wakefern's ShopRite, Giant Eagle Supermarkets, Harris Teeter, Winn-Dixie, Harrah's, Hallmark

Source: (Berman, 2006)

Therefore, these supermarkets should consider implementing the type 4 of loyalty program, in which members are divided into segments; the more loyal customers will receive the better offers. Both type 3 and type 4 enable retailers to precisely target specialized group of customers; however, type 4 can provide the highest level of marketing information system capability and the greatest opportunity for data mining (Berman, 2006).

4.4 Conclusion

To sum up, the majority of the respondents in the survey are women from 25 to 55 years old; they often go shopping at supermarkets a few times a month (averaged is 2.84 times per month).

It can be evaluated that customers of supermarkets in Hanoi are loyal to their favourite supermarket (as they often choose the same supermarket) but they have a medium level of loyalty to the modern retail method. High percentage (85%) of customers will continue to repurchase in supermarkets, but just more than half of the customers have intention of cross-buying and recommending. The supermarkets' customers in Hanoi are sensitive to price, therefore, price/value for money is one of the most important elements that supermarkets should consider to increase customer loyalty.

Towards customer perceived value, functional value and emotional value of supermarkets are highly scored, while social value is not highly acknowledged. 77% of the customers agreed that quality of products at supermarkets is at acceptable standard, whereas 60% of customers confirmed that the products price is reasonably priced and their shopping at supermarkets is comfortable.

Service quality of supermarkets in Hanoi is evaluated to be quite good at physical aspects, reliability and policy. However, personal interaction and problem solving need to be improved in order to get better service quality.

In general, customers satisfy with supermarkets and supermarkets mainly meet their expectations. However, most of the customers do not think that the supermarkets are close to their ideal supermarkets, which means that there still are things needed to be done.

Statistical analysis of collected data confirms that there are positive correlation between customer perceived value and customer loyalty, however, the strength of correlation is weak. Service quality has strong and positive correlation with customer loyalty, and customer satisfaction influences very strongly and positively to customer loyalty. In addition, the result also suggests that customer perceived value and service quality indirectly influences customer loyalty through customer satisfaction. Therefore, the most important factor of customer loyalty in the case study of supermarkets in Hanoi is identified as customer satisfaction. As a result, the three proposed hypotheses are accepted.

Finally, recommendations for supermarkets to increase their customer loyalty are made. 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.

CHAPTER 5: CONCLUSION

5.1 Research summary

The thesis consists of five chapters including introduction, literature review, methodology, findings and discussion, and conclusion.

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 is mentioned to find out the aims and objectives of the research and to support the research findings and discussion. The research aims 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. Following part of the first chapter 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. Then, based on prior studies, the relationship between customer loyalty and these factors are described. In this part, the hypotheses of the research are formulated as below:

- *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.*

The first objective of the research is achieved in this chapter.

In the third chapter, the methodology of the research is 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). The research is consisted with deductive approach; whereby, existing theory and concept of customer loyalty are reviewed as the research framework, and 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 dividing into six main sections: basic information, customer perceived value, service quality, customer satisfaction, customer loyalty and recommendations. Before sending to potential participants, the questionnaire is pre-tested by 12 respondents to check the clarity level of the questions. Then, the questionnaire is revised and 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. This chapter also mentions the ethical considerations as well as limitations in questionnaire design and total response rate of the research.

Next is the chapter which presents the research findings and discussions. Descriptive analysis of respondents' demographics, customer loyalty, customer perceived value, service quality and customer satisfaction are made. Then the collected data is analysed by IBM SPSS Statistics to measure the Pearson correlation coefficient of customer loyalty and its related factors. The correlation coefficient of customer perceived value, service quality and customer satisfaction to customer loyalty consequently is 0.373, 0.664, and 0.871. 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. Then, recommendations for supermarkets to increase their customer loyalty are made. 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.

Finally, research summary, research limitations and recommendations for further research are described in the conclusion

5.2. Research limitations

The first limitation of the research is the questionnaire design. The questions in the questionnaire are built based on the researcher's ideas getting from academic readings and practical experience. Therefore, it is unavoidable to be subjective or insufficient. Besides, limited time and budget could not allow the researcher to implement interviewer-administered questionnaire; only self-administered questionnaire was taken by internet and delivery and collection method. Therefore, respondents may not answer the questions seriously or correctly, the reliability and validity of the questionnaire would be influenced.

The second limitation is the method of sampling. The non-probability method of sampling may be less accurate than probability method, especially in case of statistical analysis is applied. Then, the total response rate is lower than expected. It makes the sample size of the research is small, only 138 valid responses is collected, which can influence to the accuracy of the findings.

Third, the target population is divided in three groups (under 25 years old, 25-55 years old, and over 55 years old), however, the respondents are distributed unequally. Majority of the respondents are female in the second group. Therefore, the results may not representative enough for the whole population.

5.3. Recommendations for further research

The prospect of this research is currently appropriate for supermarket system in Hanoi. However, it should be taken into account for further research as Vietnam retail market is evaluated to strongly develop in the near future; especially when the modern retail method of supermarket is expected to hold key roles.

First, similar research can be applied to other cities in Vietnam. Supermarkets are now mainly developed in big cities, in which Ho Chi Minh City and Hanoi are the most concentrated. Da Nang and Vinh are the next potential cities for supermarkets to bloom up in the next decades. Therefore, researches on customer loyalty should be taken into consideration. Hence, a larger sample and more supported findings can be used for a better understanding of supermarket.

Second, recommendation is given to the method of data collection. Interviewer-administrated questionnaire should be applied. Besides, qualitative method can also be used to support the finding.

Third, more factors can be analysed in related to customer loyalty as this research has to omit factors such as switching cost, perceived price fairness, perceived products, customer perceived brand image in this study because of limitation in times and budgets.

Finally, customer loyalty can be an interesting topic for studies of traditional retail method too. As the new methods of retailing emerging quickly, traditional retailing in turns will face with a lot of difficulties in the future. Maintaining the old wet markets is necessary, as it is not simply a place for trading but also the culture of Vietnamese.

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APPENDIX 1: QUESTIONNAIRE IN ENGLISH

1. What is your gender? Male Female
2. What is your age? under 25 25-55 over 55
3. Do you frequently live or work in Hanoi in the last 12 months? Yes No
4. How often do you go shopping at supermarkets?

Few times a year Few times a month Few times a week

(Please specify the average number of times per MONTH you go shopping at supermarkets.)

5. Do you often go to the same supermarket? Yes No

(Please write down the name of your most frequent supermarket

.....)

Thinking of the supermarket that you often go to, please evaluate the following items by selecting the appropriate answer.

Customer perceived value

6. Products at supermarkets is reasonably priced

Strongly disagreed Disagree General Agree Strongly agree

7. The quality of products at supermarkets is at acceptable standard

Strongly disagreed Disagree General Agree Strongly agree

8. Shopping at supermarkets makes other people perceive you have high living standard

Strongly disagreed Disagree General Agree Strongly agree

9. You feel comfortable and relaxed when going shopping at supermarkets

Strongly disagreed Disagree General Agree Strongly agree

Service quality

10. Products at supermarkets are well arranged and convenient for searching

Strongly disagreed Disagree General Agree Strongly agree

11. The overall service quality of the supermarkets is as good as they 'said'.

Strongly disagreed Disagree General Agree Strongly agree

12. Supermarkets' staffs are friendly and helpful

Strongly disagreed Disagree General Agree Strongly agree

13. Supermarkets can solve your complaints or problems relating products well.

Strongly disagreed Disagree General Agree Strongly agree

14. Supermarkets' services are convenient for you (for example: delivery service, parking services...)

Strongly disagreed Disagree General Agree Strongly agree

Customer satisfaction

15. In general, how satisfied are you with the supermarket?

Completely dissatisfied Dissatisfied General Satisfy Completely satisfied

16. How well did the supermarket meet your expectations?

Completely did not meet my expectation

Did not meet my expectation

General

Meet my expectation

Completely exceed my expectation.

17. When thinking of your ideal supermarket, how well does the supermarket compare?

- Completely far away
- A little bit far away
- General
- Close to my ideal
- Very close to my ideal

Customer loyalty

18. Do you intend to repurchase products from the supermarkets?

- Strongly disagreed Disagree General Agree Strongly agree

19. Do you intend to buy another product from the same supermarkets?

- Strongly disagreed Disagree General Agree Strongly agree

20. Will you keep buying at the supermarket when the price of products in the supermarket is getting higher?

- Strongly disagreed Disagree General Agree Strongly agree

21. Will you recommend the supermarket to others?

- Strongly disagreed Disagree General Agree Strongly agree

22. Which is the most important factor influencing your decision of shopping at the supermarket?

- Customer value Service quality Customer satisfaction

23. What should the supermarket do to improve your shopping experience at the supermarket?

.....

24. What should the supermarket do to make you go shopping at the supermarket more frequently?

.....