



Consumer defection in Turkish food retailing

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Received 2 July 2009, accepted 10 October 2009.

Abstract

In this study, the reasons of customer defection of supermarket chains, where a significant part of retail food sales are performed, were analyzed. The data analyzed in this study are collected via face-to-face questionnaires applied to 400 consumers who shop at national and local supermarkets in the centre of Antalya province. It was found out in this study that the "change in supermarket choice" of consumers in one year of market period is 34.5%. Instability in the product and service quality, high prices and opening of new supermarket closer to the residence of consumers are found out as the primary reasons of "change in supermarket choice" of consumers. In the study, findings obtained via chi-square analysis revealed that there is a statistical correlation between the number of supermarkets, monthly supermarket expenditure amounts and the rate of "change in supermarket choice".

Key words: Food retailing, supermarkets, consumer defection, Turkey.

Introduction

Transition from traditional approach to modern approach (organized, professional, and institutionalized) in Turkish retailing sector closely affects the society and the whole economy. In retailing sector which has nearly USD 137 billion global turnover, the largest portion belongs to food retailing sector with USD 72.3 billion sales value and 52.8% rate. The portion of modern retailing sector, which includes hypermarket, supermarket and local chains, shows an upward trend with its level of USD 16 billion in food retailing sector. Especially in the recent five years, there has been a remarkable rise in the number of supermarkets and discount stores in Turkey. Currently, supermarkets have reached a 24.2% market share².

It is observed that marketing strategies implemented in retailing food sector within the global competitive environment mainly focus on gaining new markets and customers. It is seen that retailers who focus on gaining new customers face significant difficulties in understanding changing needs and expectations of current customers and this neglecting issue leads to increase in customer defection¹¹. Certainly consumers are -when compared with the past- more educated, more careful in buying goods and spending money and they want to be compensated for what they have bought⁷. It is certain that gaining new customers in retailing market has a higher cost than keeping current customer. Besides according to Harvard Business Review, it is described that gaining new customers is a process that is 5-10 times more expensive than keeping the current ones. In a research carried out by Michigan University it is explained that, while every 1 dollar spent for gaining new customers creates 5 dollar value, every 1 dollar spent for current customers returns as 60 dollar income to the business. According to a research made by a world-wide consultancy firm Bain, it is suggested that a 5% increase in the rate of current

customers can increase the profit of the retailer with 25%. This result is the evidence of the potential power of keeping current customers in the hand in terms of increasing sales. However, retailing enterprises focus on the strategy of gaining new customers when they are in regression in terms of the sales. In such case, only 5% chance of the retailer in gaining new customers is ignored³.

Customer defection or customer defection rate in food retailing provides important information about the value and the activities offered by retailers to their customers. Customer defection analysis serves as a guide in detecting mistakes that were made in different departments of modern retailing enterprises, detailed precautions that should be taken on this issue and precautions that can be taken to prevent repetition of similar problems and in developing efficient strategies. Steps taken in this way also constitute the groundwork for efforts of retailers in terms of developing customer loyalty⁴. In the light of expressed evaluations with this study it is aimed to search the factors causing customer defection in the national and local supermarket chains, where the important portion of retail food sales is carried out, are searched within the scope of a sample based on urban districts of Antalya.

Materials and Methods

The main material of this study was based on the original data obtained from the questionnaires applied by face-to-face survey with consumers in the center of Antalya province in Turkey. In addition, relevant literature was also used. Antalya province is situated in the south of Turkey and it is the most important city in Turkey in terms of tourism and agriculture indicators. Therefore, Antalya province is the potential area for food retailing. Sample number sufficient for the representation of the research is

considered as 400 questionnaires with 95% confidence interval and 5% margin of error¹³. In the formula stated below n is sample volume, t is confidence interval (95%), P is realization probability of examined unit in the population (50%), Q is non-realization chance of examined unit in the population (50%) and e is error margin (5%). In the study P (the rate of customers shopping from supermarkets) and Q (the rate of customers who are not shopping from supermarkets) values are accepted as 0.50 so as to achieve maximum sample volume.

Questionnaire forms developed and tested according to the aim of research were applied to the consumers who reside in the center of Antalya province, who shop from national and local supermarket chains and are chosen by convenient sampling method. Encoding and transferring the questionnaire data of computer environment and analysis and evaluation of these data are made with SPSS program. In the study, the reasons why consumers change (leave) the supermarket where they do shopping, and the rate of change (leave of the supermarket) were found in correlation with gender, age and educational factors. Besides, hypothesis "*H1: There is a relation between customer leaving and supermarket expenditure*", and "*H2: There is relation between customer leaving and the number of supermarkets shopped from*" were tested with chi-square analysis.

Results

Supermarket chains (sample) consumer profile: In the study some demographic and economic indications of consumers, to whom the questionnaires were applied to as a sample of customer population of national and local supermarket chains, were examined. The data relevant to the subject is helpful in retailing, especially in leading market segmentation studies by identifying target customer group and guiding development of efficient marketing strategies. According to the research findings of 400 consumers who have participated in the research, 52% were females and 48% males, respectively, and 29.5% of questionnaire participants was between 20 and 30 years old, 55.0% was between 31 and 50 years old and 15.5% either 51 years or older. In terms of the distribution on educational level, 26.3% of consumers represent low (primary-secondary), 40.6% middle (high school) and 33.1% high educational level (college, university). The marital status of 74.5% was married, 21.4% of them were single and 4.1% divorced or widow. When we take a look into occupational grouping of participants, we see that 33.9% worked for public or private sector, 33.4% were craftsman or self-employed and 32.8% of them constituted the group of unemployed people including housewives and retired people. In the study, average household size was 3.40 people. The single person households rate was 4.3%, the rate of two-person households composed of spouses 18.0%, the rate of household composed of 3-4 people 64.9% and the rate of households consisting of more than 5 people was 12.9%. The results obtained for household income distribution were as follows: monthly income <1001 YTL is 43.0%, between 1001-2000 YTL 42.1% and more than 2000 YTL and above 14.9%. In the study, average money amount allocated from the budget of customers to be spent in supermarket chain was 284.140 YTL. With reference to the grouping of monthly expenditures made in the supermarkets, there was a revenue transfer of < 151 YTL at 26.9% of the consumer market, 150-300 YTL at 46.0% of the market and 300 YTL and above at 27.1%.

Problems encountered in supermarket chains: Competitive positive margins of marketing components should be considered with reference to the best under the claim that "marketing relies on difference". Not only goods or services, price, distribution and promotion but also their presentation as a whole to retailers is important. In other words, they should be reached mutually, all in one. The main principle of enterprises is "zero complaint and lifelong consumer/customer satisfaction"¹². However, it is a reality that in the implementation, firms experience customer migration and defection with changing rates according to the sectors.

Customer migration is defined as the silent decline of relations with the enterprise without leaving the current enterprise or seller⁸. In this situation, customers haven't left his/her enterprise entirely but there is a mood of reluctance, unwillingness and possibility to breakaway at any time⁴. Besides, according to many studies conducted while only 4% of customers express their complaints, 96% of the customers make no complaints and 9.1% of them do not express their complaints with the belief that nothing would change. In this respect, it is understood that people who make complaints intent to make business with the enterprise when compared with those who don't make any complaint. It is stated that majority of customers who complain can continue shopping from that enterprise if their complaints are solved (54-70%). It is also clear that customers who are satisfied or whose problems are solved will tell their experiences at least to 3-5 people. Accordingly, it is necessary to satisfy 3-4 more customer should be satisfied for every customer who is not satisfied⁷.

The process of improvement of customer satisfaction and loyalty in food retailing is closely related with the rapid and objective detection of the problems of retailing and the performance of correcting these problems. In this perspective, it is stated that the most important three problems that customers encounter in supermarket shopping are "*long waiting time in the cash desk, non-existence of department staff who could inform in case of need and non-existence of preferred brand in the selves*". Nonetheless, 12.5% of customers stated that there is disorder in price labels in supermarkets, 11.8% stated that cashier is careless and have slow actions, 11.5% stated that they have problems in parking due to the inadequate park places. On the other hand, it was found out in the consumer evaluation that 9 customers out of every 100 customers have complaints about the inconsistency of department and cash desk labels and selling of goods whose shelf-life is close to expire and 8 customers have complaints about disinterest and formality of personnel (Fig. 1). These results show that the problems and negativities which cause consumer dissatisfaction in supermarket chains focus on the category and human resources management.

The reasons of customer defection in supermarket chains: For the successful implementation of CRM (Customer Relations Management) in retailing, enterprises should firstly learn who their customers are, where they are and why they purchase. Thereafter, they should make various categorizations and find out how they can build good relations in relation with each department. Enterprises could design and present their goods or services by listening customers and understanding their

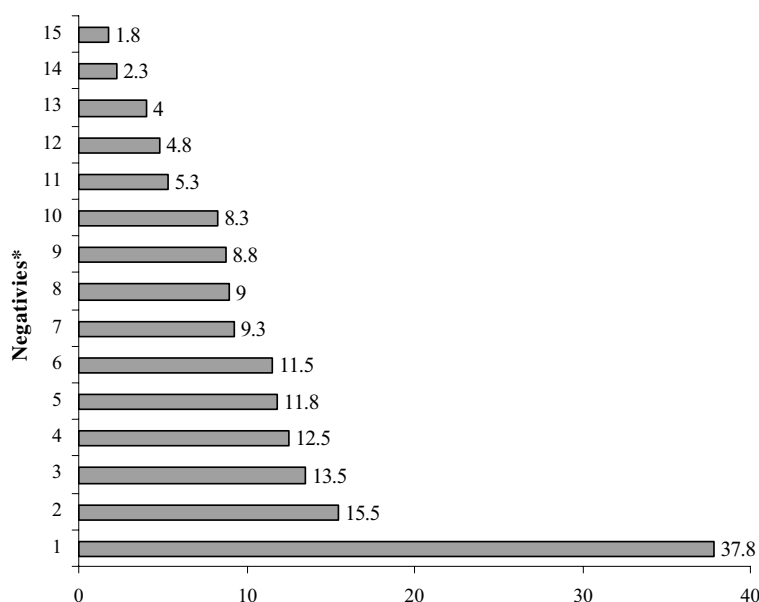


Figure 1. Problems observed in the supermarket chains (%).

Note: Multiple Responses Accepted.

1. *Long waiting time in cash desk.
2. Inexistence of department staff who could inform the customer in case of need.
3. Inexistence of preferred brands.
4. Disorder of price labels.
5. Careless and slow actions of cashier.
6. Parking problem.
7. Inconsistency of department and cashier labels (prices).
8. Selling of goods whose shelf-life is close to expire.
9. Not selling the goods wanted.
10. Disinterest and formality of personnel.
11. Spoilt goods.
12. Goods with expired shelf-life.
13. Non-clean and non-hygienic store.
14. Not taking complaints and proposals of customers into the consideration.
15. Negative situation in case of the restitution of goods.

preferences¹⁴. In addition, it is necessary that enterprises should listen to their customers and understand what kind of goods/services customers expect and how these goods/services are expected to be presented to them. A CRM strategy implemented efficiently can bring higher customer value and minimize the customer defection¹.

It is stated that generally 10 to 30% of customers leave the enterprises annually¹⁶. Leave of customer means that customer leaves the goods or services he/she purchases or the enterprise or seller that he/she makes shopping from and purchase other goods/services or makes shopping from other enterprises or sellers. Leave of customer does not occur abruptly but slowly and throughout time. In this process, enterprises can't realize the change in the attitudes and behaviours of customers thus they are mistaken⁴.

Generally the reason which leads the customer to leave the enterprise is the sense of dissatisfaction of customer. At the end, customer feels that this dissatisfaction feeling he/she puts up with causes a higher cost and leaves the enterprise or the seller concerned. The rate of the customers leaving an enterprise without an exact reason is about 68%⁹. It is doubtless that dissatisfaction is the result of misunderstanding of the enterprise about what is important for customers. In such a case, although general customer

needs are fulfilled, the priorities of the customer were misunderstood or were not met even if understood⁴. In many of the researches conducted, the reasons for the leave of customers^{5, 15, 20}; the effect of product quality and customer satisfaction on the leave of customer¹⁷; the process of re-gaining customer (of loyal customers) continuity by solving the customer problems^{10, 19} are examined.

In retailing food sector, the development in the store format and density is in favor of customer. This process eases the access to goods by increasing the choice opportunities of the customers on one hand and provides more flexibility to the customer on the other. In the increased market competition, the cost of gaining new customers, keeping the current customers and making them loyal increases. Various measurable and immeasurable variables can be considered on the customer decision to leave the store. According to the research findings, 68.3% of the reasons of changing the supermarket is the instability in the quality of goods, 47% is the prices offered higher than the other supermarkets, 20.8% is the decrease in the service quality and 18.5% is the opening of new supermarket closer to own residence. Besides, nearly 16 out of every 100 people leave the supermarket they are shopping from due to the disinterest and formality of the sales personnel, 15 of them due to the price reduction and promotion offers of other supermarkets, 6 of them due to unsolved problems and complaints and 3 of them due to the negative situations faced during the restitution of goods (Fig. 2). In the light of this information, we can conclude that service-product concept is effective on the leave of customers by 89.1% and economic factors by 62.0%.

In the study, the reasons of changing the supermarket and rates of customer defection are associated with gender, age and educational factors. According to data obtained, in a one-year period, it is found out that nearly 345 out of every 1000 customers in the urban area of Antalya province leave the supermarket chain that he/she goes or change it due to various reasons. According to this, it can be stated that in the supermarket market 34.5% of customers are reactive and have a flexible approach. In a study carried out in England, it is stated that the annual rate of changing supermarket by the customers is about 20-25%⁵. A close relation between the increase in modern retailing density and store changing rate in a residence area can be mentioned. Thus, in a city in USA, after the number of supermarkets doubled, the measured supermarket changing rate in one month has been about 50%¹⁸.

According to consumer findings, customer leaving rate is higher for women. It is found out that according to age groups, supermarket changing rate is relatively high in teenagers consisted of people in age of 20-30 years. Similarly, in a study carried out in England it is stated that supermarket changing rate is lower in the old age group with high loyalty⁵. It is found out that customer leaving rate is the highest with 44.3% for the people graduated from college or university, according to educational factor (Table 1). According to these data, we can say that customer defection rate in a national and local supermarket chain is in a negative relation with age and positive relation with education.

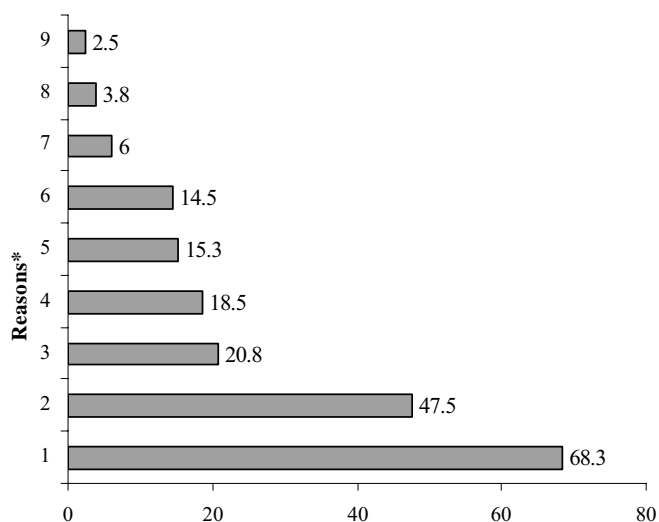


Figure 2. The reasons of supermarket leaving of consumers (%).
Note: Multiple Responses Accepted.

1. *Decrease in the quality of products.
2. Relatively more rise in the prices compared to other supermarkets.
3. Decrease in the service quality.
4. New supermarket opened in a closer neighbourhood.
5. Negativities resulting from the personnel (apathy, discussion).
6. Promotions and price reduction offers of other supermarkets.
7. Failure to consider problems and complaints.
8. Opening of new supermarket which renders better service.
9. Having problems in the restitution of goods.

Table 1. The reasons for and rates of supermarket change according to demographic variables (%).

Reason	Gender		Age, years			Education**		
	Female	Male	20-30	31-50	≥51	Low	Middle	High
1	74.5	61.5	66.1	67.7	74.2	59.0	69.8	74.2
2	48.6	46.4	48.3	47.7	45.2	52.4	47.0	45.2
3	17.3	24.5	16.9	21.4	25.8	14.8	19.0	28.8
4	16.8	20.3	23.7	15.9	17.7	20.8	22.8	11.4
5	16.3	14.1	12.7	17.3	12.9	19.0	13.6	14.4
6	8.7	20.8	10.2	15.9	17.7	19.1	18.1	6.1
7	8.7	3.1	7.6	6.4	1.6	4.8	6.1	6.8
8	3.4	4.2	3.4	4.1	3.2	1.9	3.1	6.1
9	2.4	2.6	3.4	2.3	1.6	1.2	1.9	4.5
CLR*	38.3	30.9	35.9	35.2	31.1	22.1	35.4	44.3
	34.5							

*CLR The rate of consumers to have changed the supermarket he/she is shopping from in the last one year (Customer leaving rate). **Low Primary-Secondary, Middle High school, High University.

Table 2. Test of Hypothesis 1 and 2.

Variables	Customer leaving (%)	Chi-square test
Number of supermarkets where consumers do shopping		<i>Hypothesis 1:</i> The relation between customer leaving and the number of supermarkets where consumers do shopping
1	16.7	
2	34.9	Pearson chi-square 20.221
3	47.1	df 3
4	57.1	Asymp.sig. 0.000
Supermarket expenditure (month)		<i>Hypothesis 2:</i> The relation between customer leaving and supermarket expenditure
>151 YTL	23.6	Pearson chi-square 8.203
151-300 YTL	36.9	df 2
301 YTL +	40.1	Asymp.sig. 0.017

When the reasons of supermarket leaving of customers are examined in terms of gender, age and educational factors, clear differences are noticed. According to the data retrieved, women reaction to the factors such as decline in product quality, increase in the prices, the negative and unconcerned attitude of the personnel and failure to consider the problems and complaints is relatively higher. However, it is found out that men are more sensible to issues such as service quality, closeness of the supermarket, level of price reduction and promotional offers of other supermarkets and product restitution. When we look at the reasons of customer defection of supermarkets in terms of age; for the people between 20-30 years higher increase in the prices compared to other markets, a store opened at a closer distance and failure of the supermarket to consider the problems and complaints in product restitution are the reasons of changing the supermarket; while for people between 31-50 years the reasons are negative attitudes of personnel and opening of new supermarket which renders a better service and for people who are 51 years and above the reasons are instability in prices and quality, advantageous of prices reduction and promotional sales of other supermarkets. When we consider educational factor, the effect of economic and personnel factors have higher rate in store change for the low-educated consumer group. However, for the highly-educated group, sensibility to product and the total service quality of the supermarket is relatively high (Table 1).

For the testing of hypothesis of research chi-square analysis have been carried out. According to the results of this analysis, Pearson chi-square value has been estimated as 20.221 for the number of supermarkets with degrees of freedom 3 and level of significance as 0.000. Accordingly, the hypothesis suggesting that "there is a relation between customer leaving and supermarket number" is not rejected. Since the Pearson chi-square calculated for the monthly supermarket expenditures of consumers is 8.203 with degrees of freedom 2 and level of significance as 0.017, the hypothesis suggesting that "there is a relation between customer leaving and supermarket expenditure" is also not rejected (Table 2). These results indicate that there is a statistical relation between the number of supermarkets where consumers do shopping, monthly total shopping amount and shopping change rate. If we accept the number of supermarkets where shopping is done regularly as a sign of the level of customer loyalty, a positive relation arises between store loyalty level and supermarket change rate. However, it is seen that there is customer leaving in absolute store loyalty as well. Thus, in the study the annual supermarket change for the consumers who make shopping from a unique supermarket chain is at the level of 16.7%.

Discussion and Conclusions

According to results of study in which we have examined the reasons of customer defection were examined in supermarket chains in food retailing, reasons like inefficiency and negligence in rendering services or products by retailers affect customer satisfaction negatively, thus consumer tends to shop at alternative stores. The primary issues to which consumers react are the waiting time in front of the cash desk, inexistence of personnel which can give information and inexistence of preferred products in the shelves. The reasons which lead consumers to change the supermarket choice are instability of product and service quality and the sensibility to rise in prices. These results reveal the need of efficient category and human resources management in retailing. Zero customer defection is unlikely to be achieved due to reasons such as the stores opened at a closer distance to residence area or the change of supermarket due to the change of residence area. Then, the success of the supermarket chains will be the minimization of customer defection. In this respect, it is suggested that customer satisfaction and continuity programs should be implemented by the retailers. With the assumption that one of the most important ways of successful competition is to go beyond the customer expectations, it shouldn't be ignored that supermarket chains can keep their customers only if they continuously follow and understand the changing needs and sensibilities of target customer market and fulfil these needs in a better way than their opponents.

Acknowledgements

This paper was supported by the Scientific Research Projects Administration Unit of Akdeniz University.

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