ABSTRACT: The research investigated among other things why many consumers switch from one retailer to another and effectiveness of customer relationship management as a way of improving consumer switching behavior especially in competitive food retail environment where switching behavior by customers is high. From a phemenological point that lend itself towards qualitative data, the research was conducted in two retail outlets of Iceland Food Stores in the U.K from 2004-2008 over a period of four years using a combination of different techniques that includes shop floor observations and informal discussions. The results of the study points to the fact that this aspect of food retailing is often overlooked or underestimated not by the business organizations but at store levels. Beside this customer relationship management is often misperceived and wrongly implemented and this prevented organizations from enjoying the full benefits that goes with it. The current study identified some significant factors that influenced the switching behaviour of food retail customers. Among them is the desire for bargain by consumers, increased commercials pressure from retailers, availability of choice, poor in-store service standards and delivery, attitude of cashiers and shop floor assistants. Importantly is the extent of service failure, the more serious the service failure the more likely the customer will switch even if the other factors are quite appealing. The current study concludes that these factors as identified should be subjected to a quantitative study in the future.

KEYWORDS – Switching Behavior, Customer Relationship Management (CRM), Discontinued Products, Store Manager, Bargains, Customer Complaints.

INTRODUCTION

Switching behaviour refers to the way customers shift from one supplier to another supplier. In context of this study it is a shift from one food retailer to another food retailer in the same industry. Switching behavior as previous researches have shown is very prominent among food consumers in markets where there are so many food retailers to choose from. Consumers develop his attitude when relative advantages from a new or existing retailer or offering outweigh that from their current food retailer. Explaining why customers switch, Gourville (2003) pointed out that people are sensitive to relative advantages and disadvantages of any change and will therefore shift when the new product offered significantly better satisfaction than what the consumer is currently enjoying. Gourville (2003) explained further that people have reference points and also exhibit loss aversion. Thus the pain of giving up a benefit is much more significant than the pleasure of gaining that benefit. Jefferies (2006) pointed out that in today’s multi-channel environment consumers are increasingly aware of the power-shift in their favour and the ease with which they can switch allegiances at the click of a bottom. Customer retention...
has become a major issue and suppliers operate knowing that bad service or even perceived bad service is more likely to be met with defection.

In recent times attempts have been made to broaden the scope of marketing and retail management. Among this contribution is customer relationship management. The trend in business organizations throughout the world is to pay much attention to customer relationship management as competitive tool. Most firms are shifting resources to customer retention rather than the customer acquisition and are building relationship in place of one-off marketing transaction. The reason behind this is that today’s market is customer relationship management in order to stay ahead of the competition.

Gordon (1998) define Customer Relationship Management (CRM) as “the ongoing process of identifying and creating new value with individual customers and sharing the benefits from this over a live time of association” According to Gordon (1998), it involves the creation of new and mutual value between a supplier and individual customer thereby deepening novelty and mutuality as well as extending and prolonging the relationship To Kotler (2003), it is the process of managing detailed information about individual customers and carefully managing the entire customer ‘touchpoints’ with the aim of maximizing customer loyalty.” To Anderson (2002) it is “ a comprehensive approach for creating , maintaining and expanding customer relationships” and finally Zeithaml and Bitner (2003) defined it as “ a philosophy of doing business , a strategy orientation that focuses on keeping and improving current customers rather than acquiring new customers” Zeithaml and Bitner(2003) explained further that the primary goal of CRM is to build and maintain a base of committed customers who are profitable for the organization.  

From the above definitions all the writers have placed emphasis on “creating lasting relationship with customers” as a key issue to be considered in any successful CRM program. That is a shift from transactional marketing to a continuous and ongoing relationship between the firm and the customer. CRM thus creates and share new value with customers as well as recognizes the individual as the one who define what is value. This means that firms have to be customer focus and must design and align their business process in other to meet this individual values based on trust and loyalty. According to Zeithaml and Bitner, (2003) customers expect two levels of services; namely desired services and adequate services; desired service is the service level the customer hopes to receive or performance wish for. Adequate service on the other hand is the level or service the customer will accept. Between the two is the level of tolerance which is the extent of which customers are willing to accept variations. Performances below adequate service is unacceptable leading to dissatisfaction, complains and defection.

To Kotler (2003), customer retention may be strengthened by erecting high switching cost using high customer satisfaction. He explains further that it is no longer enough to satisfy customers but they must be delighted. This is due to the fact that customer’s perceive value and act on it. According to Kotler (2003) 96% of customers don’t complain but stop buying. He suggested that if measures are put in place for easy complains, customers will be satisfied and retention rate of 54% to 70% will be achieved. This seems to be consistent with Reichheld (2001) argument that a 5% increase in retention will result in 25% to 100% in profit principle. Throwing more light on this, Boyet and Boyet (2003) explained further that this has significant impact on customer
inventory and for this to succeed customer retention is crucial. According to them this enhances revenue, operating cost, personal referral and charging of higher premium.

Reichheld (2001) advised firms to listen hard and talk straight. By his he meant learning, being honest and adopting a two way communication. It does not mean MORE communication but BETTER communication. To buttress his point, Richheld (2001) quoted Michael Dell as saying “the best way we’ve found to stay in tune with our customers and keep them happy is to engage in a cooperative, mutually beneficial dialogue” Peters and waterman (1982) did share this opinion since to them the excellence companies were “better listener” and that most of their innovations come from the market. To Kotler (2003) listening alone is not enough; firms must act quickly and constructively. By so doing the customer is truly in partnership with the effective companies and vice versa.

Jobber and Lancanster (2000) coined the phrase “reverse marketing” to describe CRM. In their view the adoption of reverse marketing will present two benefits to providers who are willing to listen to their buyers and consider its merit. First it provides the opportunity for long lasting relationship with the customer and secondly as a source of new product development and joint problem solving with customers. Michell (2000) also pointed out that basic CRM theory is as robust as ever and for that matter a company that can involve its customers in an exchange of information can open up a powerful virtuous spiral of win-wins. That is having open dialogue and exchange of ideas with customers will help organizations to build a stronger, trustworthy and productive relationship.

In Gordon (1998) opinion CRM is not just another layer on the marketing onion but a discipline that helps to achieve a major breakthrough and creates new business value for customers and shareholders. Beside this it invites the customer into the company throughout the value chain operation. Doyle (2000) as quoted by Kotler (2003) argued that companies focuses on short term profit maximization rather than long – term maximization of shareholders value. This strategy leads to short term planning and underinvestment in marketing leading to current profit and market share. Kotler (2003) agreed with Doyle (2000) and warn firms that it is important to do what is strategically right than doing what is immediately profitable. This idea was re-echoed by Reichheld (2001) when he quoted Teerlink (1998) as saying “people are always our strongest source of competitive advantage”

Thus to achieve long term value for shareholders and stakeholders, investment in people, process and technology is essential. According to the model, investment and empowering of employees through training and developments increases their level of satisfaction and competence. This is translated into better customer service leading to the establishment of customer loyalty and eventually to a higher sales and profit margin. On the other hand a cost reduction on training and development of employees causes employee dissatisfaction, incompetence and high turnover. Dissatisfied employees often offer poor service delivery. This could cause customer dissatisfaction and high customer turnover with knock on effect on sales and profit margins. This eventually reduces further investment thereby initiating another iteration of the vicious cycle. As stated by Ranchhod (2004), Rust et al (2002), argued that classical marketing theory regards customers as supreme entities whose needs should be profitably satisfied by an organization.
However many organizations realize that customers could be their best ambassadors. Increasingly, therefore, organisations think of relationship marketing and of lifetime association with customers. As a philosophy for the future, it could be argued that customers should not only be satisfied but should be retained. Ranchhod (2004) advises organizations to maximize customer equity by addressing its three key drivers namely:

1. Value equity-This covers aspects of a customer’s objective assessment of the utility of a brand, based on the perceptions of the value of the exchange process (money for goods or services)

2. Brand equity-This is the customers’ subjective and tendency to stick with the brand and beyond their subjective assessment of the brand.

3. Retention equity-This he argued is due to the fact that an organization’s value lies in the lifetime value of it customer rather than just its brands and reflects the importance of the customers as stakeholders in an organization.

Explaining the value of integrating processes when building relationship with customers, Ranchhod (2004) quoted Kalakota and Robinson (1999) as arguing that as intimacy grows over time, a customer relationship can blossom. However, organizations need to implement marketing strategies speedily as the competition ‘can lock in’ potential customers. Ranchhod (2004) explains further that there are three phases of CRM, each of which demands a different relationship over time:

1. Acquiring new customers- Customers can be acquired by promoting product or service leadership that pushes performance boundaries with respect to innovation and convenience. The value proposition to the customer is the offer of a superior product backed by excellent service.

2. Enhancing the profitability of existing customers- This relationship can be encouraged by excellence in cross-selling and selling up market products and services.

3. Retailing profitable customers for life- Retention focuses on service adaptability and ascertaining customer needs. The value proposition to the customer consists of a proactive relationship that works in his or her best interest. Retaining customers costs less than acquiring new ones. Despite its acclaimed benefits, CRM has been criticized by some academics and continues to receive criticism by corporate bodies that it has not live up to expectation. Opponents of the theory also criticized the theory as woolly thinking and seductive because it only identify valuable customers and try to delight them and by so doing ‘dismarket’ the least valuable customers. In other words the approach is very discriminatory which goes against the ethics of an organization. Stacey (2001) argued that customers seek the best value and not loyalty whereas others argue that it’s a way of influencing the market and as such can best be described as ‘salesmanship’.

Despite the criticism, investment in CRM by business organizations is on the rise because of the benefits that goes with it and many more are expected to implement the practices.
METHODOLOGY

The literature review has raised some key debates on switching behaviour and CRM. From a phenomenological point that lend itself towards qualitative data, the research was conducted in two retail outlets of Iceland Food Stores in the U.K from 2004-2008 over a period of four years using a combination of different techniques that includes shop floor observations and informal discussions. The shop floor observations served as a basis for the questionnaire development that was used in the informal discussions. This helped the researcher to explore several themes generated from the observations.

The data was collected when the researcher was working on the retail shop of two different stores of Iceland Foods in the U.K first as a stock assistant and later as a stock supervisor. As a marketing student at the time who has keen interest in retail marketing, the researcher became interested in development in the food retail sector and therefore decided to undertake this study to. Data was collected through participant observation. This was further backed by informal discussions with customers on the retail shop. The observation was centered on customers, colleague workers at the time, store managers, assistant store managers and the overall business processes of the stores in which the researcher was a staff. As part of this study, a first paper titled high sickness absence among part-time workers in U.K food retail sector has been published with the Journal of Business and Retail Management Research Vol. 2.

ANALYSIS AND DISCUSSION OF RESULTS

Switching Behavior by Customers

The research investigated among other things why many consumers switch from one retailer to another and the effectiveness of customer relationship management as a way of improving consumer switching behaviour especially in a competitive food retail environment where switching behaviour by customers is high. The results of the study points to the fact that this aspect of food retailing is often overlooked or underestimated not by the business organizations but at the stores level. Beside this, customer relationship management is often misperceived and wrongly implemented and this prevented organization from enjoying the full benefits that goes with it. Evidence from the study also reveals that retailers have concentrated far more on how to attract customers to patronize their products and service by continually changing their promotional offers rather than how to retain customers. Equally important is the results from the study which suggests that increasing commercial pressure from competitors is having a significant effect on consumers shopping behaviour by forcing them to frequently change their shopping pattern and choice of retail outlet because of the greater choice available to them from competitors. This phenomenon has created a culture in which consumers have become spoilt for choice. Some consumers change to other competitors because they are genuinely dissatisfied with their present experience with their current retail food supplier but others may change not because they are genuinely dissatisfied with the shopping experience and the range of product offerings available to them from their current retail food supplier but they change because they want more bargains and expect more from their current retailer as a result of the aggressive promotions and competitive offerings available to them from other competitors. These actions by
Retailers have given consumers a greater choice and a desire to look for bargains any time they go for shopping. As a result, consumers spend more time when shopping and more often prefer to make their food shopping from more than one food retailer. Thus, giving the customer the power to either accept or reject a retailer’s products and services. The consumer’s desire for bargain is also extended to other customers on the sales floor as they turn to direct other customers to other retail outlets where the price of a particular retailer is cheaper than is currently where they find themselves. Thus, consumers are becoming more generous and helpful to other customers when it comes to helping them to make a good bargain from their food shopping.

In the same way, they turn to drive away others to competitors particularly in an area where competitors are very close to each other. The desire for bargain also encourages some customers to intentionally open or damage the packaging of some product with the hope of getting a reduction to satisfy their desire for bargain. Even though the core or primary product is not damaged, it is the secondary product and not the primary product which in most cases attracts the attention of consumers rather than the primary product and the primary or the core product which does the magic of retaining consumers. The secondary product thus will very much influence or increase impulse purchase in the store environment particularly to induce purchase in; sympathetic buyers’ who buy a product on entering into a store not because they necessarily want or planned for the product (to satisfy a fulfilling need) but because on entering into the store they feel they have entered into a psychological contract with the retailer. This group of customers/consumers will normally buy less expensive items that than can easily carry. They buy because it is on display not because there is a fulfilling need to satisfy. They are mostly attracted by the bright colors and therefore tend to be attracted by the color of the secondary product.

Evidence from the research suggests that customer loyalty is determined by the type of product mostly in food retail not necessarily with the retailer. That is to say that consumer loyalty to a retailer or a retail outlet is significantly determined by the type of product in question. Consumers will travel all length to buy a particular product from a particular retailer whiles doing their main shopping with their main food retailer. Thus, customer loyalty is still in existence but it needs careful planning and implementation in this ever-changing and unpredictable retail environment in order for its full benefit to be attained. There are still some customers who are very satisfied with their current food retailer that they turn to resist competitors offering to the extent that most often than not, they even alert their current food retailer how their competitors are doing by advising them to for instance to improve on their services. In some cases they can advise on prices or offer suggestion for certain new products to be introduce because other competitors have it on display.

The commercial pressures from retailers has also made consumers to become more sophisticated and are therefore more willing to search for information regarding the best prices and quality for a range of products and services before making a purchase. This choice and varieties available to consumers makes them to carry a considerable bargaining power which enable them to choose whether or not to buy from a particular food retailer or not and also making it relatively easy for them to switch from one retailer’s product or brand to another. With improved technology, retail brochures and in-store point of sale materials (P.O.S), consumers make quicker and faster
decisions and have less time to do careful evaluation of alternatives particularly when buying convenience products as compared to buying shopping or speciality products.

The study also points to the fact that not all customers of a particular retailer who do not change to competitor outlet are completely satisfied with their present retailer. Even though they may have problems or are dissatisfied with the services and product ranges on offer, they still find it very difficult to switch to other retail outlets because they have created a ‘comfortable zone’ for themselves which makes it very difficult for them to switch and will therefore find it difficult to recommend the retailer to their friends and family members as they will not be happy to see them go through the same experience. One significant barrier to change for such customers is the self stabilizing code (inertia) acquired as a result of shopping with the same retailer for a considerable length of time. They will continue to shop with the retailer but will not recommend it to friends and family members. This can be very damaging and costly to the retailer or the store as they turn to drive away potential new customers and especially new customers who coincidentally try to seek their help on the sales floor as they turn to direct them to other retail outlets where they can get similar products at a supposedly lower price or good quality. This can be more damaging particularly in a situation where the competitors are very close or within a reasonable distance. When such customers eventually switch, they cannot easily be win back as they try the process of creating a ‘comfortable zone’ for themselves with a new retailer. This can be very damaging to the retailer as they find themselves in a new environment that enables them to do more damaging by discussing their experiences on the shop floor with other customers when such conversations do occur. Thus customers who might be thinking of trying something different from the retailer will be put off and the cycle continues.

As stated in the literature, increasing retention rate of customers also makes the employees job becomes easier and more satisfying leading to customer satisfaction and improving the virtuous cycle of management. This could be due to the fact that the existing or the retained customers become use to the store layout and locations of products becomes relatively easier for them hence they are less likely to be seeking assistant from store assistants giving store assistants enough time to concentrate on their job to improve the level of service quality. It can also be argued that the existing or retained customers will be more familiar with the operational culture of the store than new customers which explains why the employee’s jobs become easier and more satisfying as they are less likely to be disturbed and provoked by angry and dissatisfied customers.

The study also uncovered that the nature of the relationship between the store manager/staff and a customer, affects the customer’s switching behavior. Customers with a high propensity to switch do so when the slightest opportunity such as poor services arises whiles those customers which have created a comfort zone for themselves are less likely to switch. Such customers are more likely to accept an apology or gift from the store manager for service failure. Thus if a good relationship exists between a customer and the service providers customer complaints can be solved as and when it arises without getting out of hand. Hence the sort of relationship that exist between the customer and the manager/staff prior to a complaint very much determines how quickly the problem could be solved and the extent of damage to the customer /manager relationship after the problem is resolved making it easier for retailers to resolve customer
complaints more quickly and more efficiently in stores than in their customer complaints units in head office. With improve and ongoing training of all in store staff on service standards and customer service the volume of customer complaints that gets to head office very much get reduce giving more time for head office to concentrate on training in store staff on service standard and delivery rather than resolving customer complaints.

The Manager-Customer Relation
Evident from the present research supports the view of Evert Gummesson (2001) that the interaction with customers is the single most importance source of marketing knowledge and the cry for more market research is often a sign of failure. As discussed earlier, the store manager is very significant in alleviating the fears and worries of customers than store assistants who customers may perceive as having limited authority in handling their concerns hence their insistence on seeing the store manager anytime they have a complain to make. The store manager’s closeness to its customers through interactions on the retail sales floor provides the firsthand knowledge about customers and also gives the store manager a better understanding of what goes on in the minds of the customers. Customers have more confidence in store managers in giving true and honest answers to their questions than a store assistant. The information that the store manager could get through first hand interaction and involvement with customers on the sales floor is much richer than that obtained from store assistants as intermediaries who at times may not even send the information to the store manager or give a true account of the customer’s complaint to the store manager. The closeness of the customers to the store manager or whoever the customer finds to be more responsible helps to play a significant role in solving customers’ problems since customers put more credibility or tend to trust information received from store managers or someone perceived by the customer to be in charge of the store than the same explanation given by store assistants.

When this happens, the relationship becomes more of a relationship between the customer and the store manager rather than the customer and the retailer in general as it creates an atmosphere (environment) of ‘family feeling’. The good thing about this culture of ‘family feeling’ existing between the store manager and its customers is that occurrences of customer complaints are reduced to the bare minimum and even when they do arise they are dealt with quickly and efficiently in a manner that will not be blown out of proportion. In the end it’s the quality of the response or how professionally the complaint is handled that matters.

Consumers’ Price Perception of Discontinued Products
In the words of Salami (2006), in supermarket operation price could be regarded as serving two distinct roles: as a measure of sacrifice and as signal of quality. These pricing roles have been known for a long time (Leavitt 1954). However, it is not clear when the “signal effect” of price dominates the “sacrifice effect” (Jacoby and Olson 1985, Rao and Monroe 1989, Zeithamal 1988). Evidence from this study suggests that when products particularly discontinued products are excessively reduced to clear them out of stock in order to introduce new product lines, the “signal effect” of price turns to dominate as such practices create a wrong impression in the minds of customers who turn to question the quality and use by date of the product. This suggests that excessive price reductions of food items send a wrong signal of inferior quality or out of date which again suggests that consumers to some extent associate low price to inferior
quality even though they will naturally prefer to buy food items at bargain prices. It creates mixed feelings in the minds of consumers and tends to lower the perception of quality and negative message of inferior quality rather than the intended positive message of a good bargain. There is an absolute threshold of price reduction below which consumers will tend to doubt the quality of the reduced item. Rather than the customer seeing the reduction as a good deal for their money, by inferring that the reduced product (discontinued) has the same quality as the non-reduced product, they tend to associate it with low quality or possibly the product nearing its expiring date. Though it is generally believed that consumers are looking for a bargain when they are exposed to excessive price reductions, it recreates a feeling of uncertainty in the minds of the consumer thereby forcing them to question the very bargain they yearn for. In the end they almost instantaneously negate the very logic of their own dream. Some consumers who will normally buy a particular product when not reduced or discontinued may be reluctant to buy the same product when reduced excessively for the fear of their health for the reasons stated above.

**Managerial Implications**

As much as retailers and consumers applaud the idea of introducing new products to meet their changing needs and wants to become competitive, it should be done with great strategic circumspection that is governed by marketing and consumer research. This will ensure that both the retailer and consumers gain from the introduction and not to be seen as introducing new products for the sake of it. Given enough time for customers to adapt to the new product is strategically important. If care is not taken customers could lose their interest during the transition stage if they have a bad experience with the new product and may never recover instead they will tend to the competitor as the retailer will lose the power to command their loyalty.

Evidence from the present research has shown that there is nothing that registers quickly than visual impression. As a requirement for the retailer, both discontinued and new products should be displayed together. This dual display must continue for a considerable length of time to ensure that the consumers are able to visualize the comparison between the new and the discontinued product before it is taken completely out of the shelves. This will give consumers enough time to familiarize themselves with the new products as the consequences of a bad introduction of new products to replace discontinued products can be very costly to the retailer if not managed well. To the retailer it will offer the opportunity to combine economic analysis and market research to provide a true picture of consumer behavior towards the new product to reflect the range review exercise (Discontinued exercise). It will also ensure that consumers will retain their loyalty as well as feeling of goodwill towards the new products in their shopping behavior. The new products should be marketed effectively by providing enough information about the new product which will help the consumers through a smooth adoption of the new product. To help in smooth adoption of the new products it’s important that the information is not only provide in P.O.S, brochures and advertising but such information should be made available to staff in stores through training since sales staff and cashiers provide valuable source of information to customers than may be realized and thus play a significant role in the adoption of new products. Store assistants serve as a valuable source of information to consumers. Not all customers search for information during the buying process even though it is easy and cheap to access the needed information but rather they rely on in-store recommendations, communications and store
assistants. Price reductions should be done with care as excessive reductions create a feeling of inferior quality in the minds of the consumer.

CONCLUSIONS

Current evidence from the study suggests that customers switch as a result of a process resulting from a series of decisions and experience of poor service standards and delivery over a period of time rather than one specific moment or an incident. Hence most customers switching could be avoided with the right training and professional attitude towards customer service which will help to identify and anticipate problems before it gets to such levels that could drive away customers to the competition.

The current study identified some significant factors that influenced the switching behaviour of food retail customers. Among them is the desire for bargain by consumers, increased commercials pressure from retailers, availability of choice, poor in-store service standards and delivery, attitude of cashiers and shop floor assistants. Importantly is the extent of service failure, the more serious the service failure the more likely the customer will switch even if the other factors are quite appealing. These factors as identified should be subjected to a quantitative study in the future.

REFERENCES

Boyet, J.H. and Boyet J.T (2003). The Guru Guild to Marketing, All You Need is a Customer Relationship, Pg. 99-216


Garven, Robert (2002) *Customer is the King,* Virgin Book Ltd, Pg.161


Kent, T and Ogenyi, O (2003). *Retailing,* Palgrave: Macmillan


