



UNIVERSITY OF GOTHENBURG
SCHOOL OF BUSINESS, ECONOMICS AND LAW



TURNING
FRUSTRATION
INTO
SENSATION?

BUILDING CUSTOMER LOYALTY BY SERVICE RECOVERY



Bachelor Programme in Business Studies

Bachelor Thesis in Marketing

Spring term 2010

Authors: Cecilia Nilsson
Emma Sandberg

Tutor: Annika Hallberg

Preface

Building customer loyalty by service recovery is a study of customers' behaviour in the Swedish grocery retail industry. This bachelor thesis in marketing is written at the School of Business, Economics and Law at Gothenburg University during the spring term of 2010.

Our work has preceded both prosperously and with some setbacks. But through persistent work and with support from our advisor we have managed to execute a well performed study.

We would like to thank our respondents for taking the time and effort to answer our questions and to honestly share experiences from their daily life, without them this study would not have been possible. We would also like to thank our advisor Annika Hallberg for giving us valuable advice and support. Last but not least we would like to thank other people in our surroundings that have supported us and made the journey enjoyable.

Gothenburg may 2010

Cecilia Nilsson

Emma Sandberg

Summary

Title: Building customer loyalty by service recovery – turning frustration into sensation?

Seminar Date: 2010-06-04

Course: Marketing: Thesis on Bachelor level

Authors: Cecilia Nilsson and Emma Sandberg

Advisor: Annika Hallberg

Key words: Service recovery, grocery retail industry, relations, emotional loyalty, expectations, consumer behaviour, behaviour loyalty.

Problem: The Swedish grocery retail industry consists of few actors with similar concepts and heavy competition among them. In Gothenburg grocery stores are located closely together, which makes it easy for customers to change store if not satisfied. Due to similar competitive advantages, loyalty is becoming a factor of great importance in order to keep customers. Most grocery chains have succeeded in creating behavioural loyalty, but it seems like it is more difficult to create emotional loyalty. We address service recovery as a mean to attain emotional loyalty. There is a tendency for the service recovery paradox to exist, meaning that service recovery could create more satisfaction and thereby building loyalty and goodwill towards the grocery retail industry.

Purpose: Our purpose with this essay is to explore if it is possible for grocery retail companies to create emotional loyalty by effective service recovery. Our scope is also to understand how dissatisfied customers act and to use that knowledge to further explore how negative attitudes can be transformed into positive ones, resulting in positive word of mouth and thereby creating stronger composite loyalty.

Methodology: The study begins by exploring theories regarding loyalty, the Swedish grocery retail industry and service recovery as well as building up information needs and theories through an exploratory pre-study. A combination of descriptive and causal research designs forms our main study where existing theories will be tested as well as new theories will have the possibility to grow. We use a combination of primary and secondary data, where the beginning of the essay will focus more on secondary whereas primary data will have more room in the end in shape of in-depth interviews.

Theoretical Framework: The theories we have used include the Swedish grocery retail industry, service recovery, loyalty and word of mouth. The authors to those theories include Grönroos and Zeithaml, who are authorities in the subjects.

Empirical Foundation: The empirical foundation is based on in-depth interviews with eleven customers of different background regarding age, gender and employment.

Conclusions: All dissatisfied customers do not complain, they tend to complain on product specific failures but do not on general disappointments. Dissatisfaction may instead result in switching store and spreading negative word of mouth. Customers, who complain, complain directly to frontline personnel. There are tendencies for the service recovery paradox to exist resulting in that satisfied customers spread positive word of mouth when being extraordinary treated. Customers are affected by positive word of mouth to some level. Well performed service recovery creates positive attitude towards the employee and to the store, hence emotional loyalty is created.

Contents

- 1 INTRODUCTION** 1
 - 1.1 Background..... 1
 - 1.2 The grocery retail industry 2
 - 1.3 Customer loyalty - a two-piece concept..... 3
 - 1.3.1 Customer loyalty in the Swedish grocery retail industry 4
 - 1.4 Customer satisfaction – the link between service recovery and loyalty..... 5
 - 1.5 Purpose..... 5
 - 1.6 Problem analysis..... 5
 - 1.6.1 Exploratory pre-study..... 6
 - 1.6.2 Problem definition..... 8
 - 1.6.3 Preliminary research model 9
 - 1.7 Research questions..... 10
 - 1.8 Limitations and clarifications..... 10
 - 1.9 Disposition..... 11
- 2 THEORETICAL FRAMEWORK** 12
 - 2.1 How do service failures arise?..... 12
 - 2.1.1 How customers respond to service failures 13
 - 2.1.2 Why people do and do not complain 14
 - 2.1.3 Types of complainers..... 14
 - 2.2 Service Recovery: Errors are inevitable – dissatisfied customers are not 15
 - 2.2.1 The service recovery paradox..... 15
 - 2.2.2 Elements of service recovery 16
 - 2.3 Service recovery strategies..... 18
 - 2.4 How do grocery retail companies handle complaints? 19
 - 2.4.1 How can service recovery be improved? 20
 - 2.5 The loyal customer – behaviourally or emotionally? 21
 - 2.6 Word of Mouth – one of the most powerful ways of marketing..... 23
- 3 METHODOLOGY** 24
 - 3.1 Scientific approaches..... 24
 - 3.1.1 Chosen scientific approach..... 24
 - 3.2 Research designs 25
 - 3.2.1 Chosen research design..... 26
 - 3.3 Primary- and secondary data 26

3.3.1 Chosen data.....	26
3.4 Qualitative and quantitative method.....	26
3.4.1 Qualitative method	27
3.4.2 Quantitative method.....	28
3.4.3 Differences between qualitative and quantitative methods	28
3.4.4 Chosen method	29
3.5 Target population and sampling frame.....	29
3.5.1 Target population.....	30
3.5.2 Sampling frame.....	30
3.6 The interviews	31
3.7 Credibility	32
3.7.1 Validity.....	32
3.7.2 Reliability	33
3.8 Overriding research approach.....	33
3.9 Criticism towards selected methods	34
4 RESULTS AND ANALYSIS	35
4.1 Respondents.....	35
4.2 Grocery shopping patterns.....	35
4.3 How do dissatisfied customers in the grocery retail industry act?	37
4.3.1 How do customers complain?.....	38
4.3.2 How do customers act if they are dissatisfied but do not complain?.....	39
4.3.3 What do customers complain about, and what do they not complain about?	40
4.4 Is it possible that effective service recovery in the grocery retail industry could make customers become more emotionally loyal and spread positive word of mouth?	41
4.4.1 Does the service recovery paradox exist?	41
4.4.2 Do customers spread positive word of mouth when being satisfied with their grocery store/stores?	43
4.4.3 How should a store act to make customers recommend it to their friends?	43
4.4.4 Are customers affected by positive word of mouth?.....	44
5 CONCLUSIONS, RECOMMENDATIONS AND THEORETICAL CONTRIBUTION	46
5.1 Conclusions.....	46
5.1.1 Grocery shopping patterns.....	46
5.1.2 How do dissatisfied customers in the grocery retail industry act?	46
5.1.3 Is it possible that effective service recovery in the grocery retail industry could make customers become more emotionally loyal and spread positive word of mouth?	48

5.1.4 Summary of conclusions.....	49
5.2 Recommendations.....	49
5.2.1 How do dissatisfied customers in the grocery retail industry act?	49
5.2.2 Is it possible that effective service recovery in the grocery retail industry could make customers become more emotionally loyal and spread positive word of mouth?	50
5.2.3 Summary of recommendations.....	51
5.3 Theoretical contribution.....	51
5.4 Suggestions to further research	52
REFERENCES	53

Figures

Figure 1.1 Composite loyalty.....	3
Figure 1.2 Preliminary research model.....	9
Figure 1.3 Disposition.....	11
Figure 2.1 How service failures arise.....	12
Figure 2.2 Customer complaint actions following service failures.....	13
Figure 2.3 Service recovery elements.....	17
Figure 2.4 Service recovery strategies.....	18
Figure 2.5 Customer loyalty.....	21
Figure 3.1 Advantages and disadvantages of qualitative research.....	27
Figure 3.2 Method overview.....	33
Figure 5.1 Conclusions: customer reactions.....	47
Figure 5.2 The effect of service recovery on emotional loyalty.....	51

Tables

Table 2.1 Types of loyal customers.....	22
Table 2.2 Consumer loyalty.....	22
Table 3.1 Differences between qualitative and quantitative methods.....	28
Table 4.1 Respondents.....	35

Appendices

Appendix 1A Swedish interview guide – pre-study.....	56
Appendix 1B English interview guide – pre-study.....	59
Appendix 2A Swedish interview guide – main-study.....	62
Appendix 2B English interview guide – main-study.....	65

1 Introduction



In the beginning of this essay we aim to give you an interesting introduction of the problem involving loyalty and service recovery with its background as well as our purpose with the study. The background in combination with our pre-study will result in two research questions. A preliminary research model will also be presented as well as the disposition of the essay.

1.1 Background

"Happy customers will drive your business. You must care for them, nurture them, and do whatever it takes to earn their undying loyalty. We all know that advertising can bring a customer through the doors to your business once. The challenge is to keep them coming back to you, to provide them with service that is so exceptional they wouldn't think of taking their business elsewhere. That includes solving their problems" (Tschohl, 2010).

This quote is the basis of our study and it will be our guiding star throughout the essay. Businesses have much to earn by keeping happy customers. It is less expensive to have a defensive strategy and keep existing customers than to have an offensive strategy and try to attract new customers (Mårtensson, 2009). Attracting new customers, by for instance commercials and other marketing actions, is about five times as expensive as keeping an existing one (Timm, 2001).

In a large city such as Gothenburg consumers have several options when they are about to buy groceries. Most stores offer a similar range of products to rather the same prices (Schmidt Thurow & Sköld Nilsson, 2008), consequently stores have to compete with other factors as well. A survey conducted by SIFO/Market in 2005 demonstrates that beside range and prices the most important factors when it comes to choice of grocery stores are localization, good personnel and service, and nice store environment (Schmidt Thurow & Sköld Nilsson, 2008). The fact that service is being increasingly important is not just a phenomenon observed in the grocery retail industry; it is valid for all consumer goods and services (Östgren, 2005). Some people believe it will be the main competitive device in the future since products and services are becoming increasingly similar regarding design, quality and price. Companies have also become more aware of customers having the role of ambassadors and marketers (Schmidt Thurow & Sköld Nilsson, 2008).

There are two different schools of marketing that acknowledge service and loyalty as competitive advantages. These are referred to as the American school and the Scandinavian school. The American school is about tying customers to the company by for instance loyalty cards, thereby forcing them to return and become loyal. This approach is widely spread among companies in the grocery retail industry where most companies use loyalty cards and offers special deals to club members. The Scandinavian school on the other hand focuses on creating customer satisfaction through a positive shopping experience thereby making customers voluntarily return to the store. This approach is not as common as the first approach among grocery companies, even though it is increasingly acknowledged (Nordfält, 2007).

Paul R. Timm (2001) has identified several strategies for building customer loyalty, one of them is to recover dissatisfied customers. He argues that "hearing and addressing customer complaints is a

crucial strategy in building customer loyalty" (Timm, 2001, p. 45). When recovering a dissatisfied customer, dissatisfaction is replaced with satisfaction, a concept tightly associated with loyalty (Söderlund, 2001). Addressing service recovery as a means to build customer loyalty would therefore fall under the views of the Scandinavian school.

Most companies treat complaining customers as a necessary evil (Harari, 1997). This approach results in that customers strengthen the negative association they received during the service failure with the actions the company made after the failure. By a successful service recovery effort companies can avoid such negative associations and instead create positive associations.

1.2 The grocery retail industry

The Swedish grocery retail industry is characterized by strong concentration as well as heavy competition. In the Swedish market wholesaling and retailing are highly integrated, contributing to strong concentration. The market is dominated by three national covered companies; ICA, Consumer Cooperation and Axfood. Out of these three, ICA is the largest actor. The strong concentration makes it difficult for new actors to enter the market, especially foreign actors. A few companies, such as the German company Lidl, have however managed to enter the market (Eliasson & Hagström, 2002).

There are different types of stores such as supermarkets, hypermarkets and convenience stores, which compete with each other through price, product range, opening hours, staff's knowledge and location of the store. Consumers often choose the larger stores because they usually have lower prices, a wider range of products and are easier to get to by car (Eliasson & Hagström, 2002).

A characteristic of the industry is that marketing and purchasing is handled centralised. It has also become a trend to establish own products under the company's own brand name such as "ICAs own products" (Eliasson & Hagström, 2002).

Another characteristic of the industry is that labour turnover traditionally has been very high (Danilov & Hellgren, 2010). Even though this is slowly changing the industry is still seen upon as a passage industry where people work for a short while, while waiting for other career options. This situation has arisen because of the industry's attraction of young people with limited competence (Danilov & Hellgren, 2010). These kinds of employees often have another occupation, for example studies, and only work extra in the retail industry. An effect of this situation is that it is difficult for companies in the industry to create loyalty and commitment among its employees. In the long run this creates a vicious circle since low commitment and loyalty are sources to high labour turnover. The predominance of people with limited competence in combination with low commitment results in risk of low productivity and low customer focus (Danilov & Hellgren, 2010).

The last few decades the grocery retail industry has been faced with several changes, including a changing media environment, a changing competitive environment and changing customers (Kahn & McAllister, 1997). The changing media environment includes two aspects. First, advertising has become more expensive and less effective due to the large noise in today's society, making it difficult for grocery companies to build loyalty by advertising (Kahn & McAllister, 1997). Second, public media, such as TV and newspapers, have started to show interest in the industry. During the last years several "food scandals" have occurred, beginning with the Swedish Television revealing that a couple of ICA Maxi stores had repacked minced meat and changed expiration date (Dahlin, 2008).

As we mentioned above, the changing competitive environment is mainly observed by the fact that the industry is becoming more concentrated (few actors dominate the market) and more competitive (Schmidt Thurow & Sköld Nilsson, 2008). Furthermore globalization has affected the industry both when it comes to new actors as well as new types of products and new product brands (Kahn & McAllister, 1997).

These two changes have also influenced consumers who are changing as well. First, consumers are becoming more diverse and their demands are becoming more varied (Kahn & McAllister, 1997). In general they now demand higher quality and lower prices putting high pressures on the grocery retailers. Customers of today often lack time, whereby aspects such as location, product range and additional services have greater importance (Kahn & McAllister, 1997). As a result of high competition, distances between stores are often short, which makes it easy for customer to change store if they are not satisfied with their current one.

1.3 Customer loyalty - a two-piece concept

The concept of loyalty was established during the 1940ies (Rundle-Thiele, 2005) and can be defined as "the tendency for a person to continue over time to exhibit similar attitude in situations similar to those he/she has previously encountered" (Reynolds et al 1974) in (Ha, 1998, p. 52)

Since then loyalty has also evolved into a two-pieced concept including the two notions of behavioural loyalty and emotional loyalty. Researchers argue that it is most beneficial when customers are both emotionally and behaviourally loyal (Söderlund, 2001), a view also known as composite loyalty (Rundle-Thiele, 2005). This view is illustrated in the figure below.

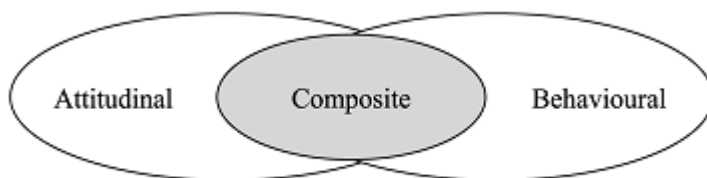


Figure 1.1 Composite loyalty (Rundle-Thiele, 2005)

The notion of behavioural loyalty is described as those customers that repeatedly purchase products from the same store. It can be measured in several different ways. We have listed Magnus Söderlund's (2001) examples below:

- Extension – how long you have been a customer.
- Frequency – how often you shop in the store.
- Depth – do the customer buy several different products from the same producer?
- Share – how much of the customers total behaviour benefit the same producer?
- Retention rate – the share of customers that is loyal to a store during a given time period.
- Non-buying behaviour – positive word of mouth.

Correspondingly, emotional loyalty can be described as feelings customers have towards the store that make them, of free will, want to return to the store. This concept can also be referred to as customer satisfaction. Magnus Söderlund (2001) also listed ways to measure and describe emotional loyalty:

- Intention – to what extent do the customer intend to repeat his/her behaviour in the future, for example repurchases.
- Attitude – towards the company.
- Preferences
- Effort – how much effort the customer is willing to make to continue being a customer. There are different types of effort such as monetary, time or convenience.
- Identification – does the customer feel any connection to the organization, share of values etcetera?
- Commitment – how important or relevant the object is to the customer.

1.3.1 Customer loyalty in the Swedish grocery retail industry

Most Swedish people are not loyal to any grocery retail store. Customers like to spread their purchase over several different stores and one fifth does not even have a main store. They both switch between chain and type of store, depending on their preferences at the given time, sometimes they prefer to cut costs, other times they prefer convenience or to save time. Once they have decided what their priority of the day is, it does not matter what chain it is (Supermarket, 1998).

This idea is also supported by Holmberg (2004), who argues that strong loyalty (loyalty to one store) is rare, primarily because customers have relatively low commitment when they choose grocery store, since rooted behaviour is more influential. Instead she argues that customers in the Swedish grocery retail industry have an average loyalty since it takes a lot of dissatisfaction before customers change store.

Another characteristic is that customers in the industry are more often behaviourally loyal than emotionally loyal, which Holmbergs (2004) study presents. Even though customers rarely change store this implication are relevant since there is a potential risk that customers change store if they are not satisfied.

1.4 Customer satisfaction – the link between service recovery and loyalty

Traditional complaint management is often an administrative process where the customer has to make a formal complaint, and the company tries to give the customer as low compensation as possible. Service recovery is a service focused view of complaint management and a strategy for how to handle mistakes, failures and problems in customer relations where the experienced quality of the service is the most important part of the process (Grönroos, 2008).

"The purpose of service recovery is to make customers satisfied despite service failures and to maintain and if possible improve the long term relationship - to keep customers as well as long term profitability instead of creating short term cost saving" (Grönroos, 2008, p. 130).

Customer satisfaction is often viewed as an attitude towards something and can be defined as “a customer’s generic judgement of a certain object” (Söderlund, 2001, p. 60). That implies that the degree to which customers are satisfied is dependent on the entire concept that the customers meet when purchasing a product, from the product itself to aspects such as the store environment, personnel and prices.

Kau and Loh (2006, p. 101) argue that “customer satisfaction is crucial to the survival of any business organization” in the way that a customer must be satisfied with a store to keep visiting it. Otherwise he/she would change to another store or/and spread negative word of mouth communication. In similar ways Söderlund (2001) compares customer satisfaction and customer loyalty to a seed and a plant, where customer satisfaction is the seed and customer loyalty is the plant. A seed is a necessary prerequisite for a plant to grow, however other requisites must also be added. One school of marketing, called the managerial philosophy, also puts emphasis on customer satisfaction as the means for gaining and keeping loyal customers (Encyclopaedia Britannica, 2010). Customer satisfaction and customer loyalty are consequently by no doubt tightly intertwined.

1.5 Purpose

Our purpose with this essay is to explore if it is possible for grocery retail companies to create emotional loyalty by effective service recovery. Our scope is also to understand how dissatisfied customers act and to use that knowledge to further explore how negative attitudes can be transformed into positive ones, resulting in positive word of mouth and thereby creating stronger composite loyalty.

1.6 Problem analysis

Every employee and every business makes a mistake once in a while. Unhappy customers could wreak havoc on a business. They can reduce employee moral and increase employee turnover, generate negative word of mouth and destroy the company's bottom line. (Tschohl, 2010)

Customers can express their complaints in four different ways towards the company; to complain, to reduce consumption, to stop buying or to leave the store on the benefit of a competitor (Echeverri & Edvardsson, 2002). Out of these four alternatives the only aspect that is a possibility rather than a threat to the company is if the customers complain. However, most customers do not express their complaints to the companies (Harari, 1997); therefore businesses should encourage customers to

complain to be able to save their relation. A well functioning service recovery system can additionally result in positive word of mouth and both keep customers as well as attract new ones.

It is very expensive for companies to lose a customer especially in an industry with intense competition. Each and every customer has a "life time value" which includes the total amount of income a customer generates by being a loyal customer and spreading positive word of mouth (Zineldin, 1995). About one fourth of all customers are dissatisfied with something regarding their purchase, but only 5 percent of them make a complaint to the company involved in the transaction. However, a dissatisfied customer tells between 10 to 20 others of the failure, which in their turn passes the message on to an average of five people each. To better illustrate the phenomenon imagine a company with 100 customers daily. 25 of the customers are dissatisfied, but the company only get to know one or two of them. To the company everything consequently seems fine, but the remaining 23 dissatisfied customers will on average tell a total of 274 others (Timm, 2001). Without effective service recovery efforts a situation initially involving only one customer can spread to hundreds of people. This behaviour has reached a whole new level since the development of social media such as Blogs/You Tube/Twitter/Facebook have enabled information such as negative word of mouth to reach thousands in just a second. Negative word of mouth can damage a company and result in a loss of customers and profit.

Despite all the good that service recovery may generate, most companies treat complainers as a necessary evil (Harari, 1997), that is the companies only want to get rid of such people and do not see the value of them. Instead we argue that they should see complainers as their most valuable customers since they give the company "priceless advice – free of charge" (Harari, 1997).

1.6.1 Exploratory pre-study

We decided to do an exploratory pre-study to explore how customers in the grocery retail industry think and act, and to find out their experiences regarding complaining. The insights we receive will form the basis of our information needs and in the longer run to the research questions we will address. The interviews were performed in Swedish. For the interview guide used and the translated version, see Appendices 1A and 1B.

For the pre-study we interviewed four people of different age, gender, and life situation to get an overview of customer behaviour. Two of the respondents are under the age of 30, one male and one female. The other two respondents are women, one aged 50 and one aged 80. We also contacted the Swedish Consumer Agency to find out the most common complaints, which are misleading or false price information. Other common complaints are misleading marketing of different groceries and products regarding contents, weight and origin. Other complaints are advertisement of products that the store does not have, the stores statements regarding having the cheapest products and conditions of customer cards (Konsumentverket, 2008-2010).

To get a better overview of the results from the interviews we have used three themes: behaviour, attitudes and complaining.

1.6.1.1 Behaviour

We asked our respondents about their buying behaviour. Three out of four respondents had one or two main stores. The location of the store is one of the most important factors. It must be located close to their homes or on the way between their job/school and home. However, they do not always choose the store that is closest. They seem to have an area of acceptance that the store must be located in, and within this area other factors affect the decision, to a large extent a wide range of products, good service, fresh groceries and reasonable prices. Price does not have a decisive impact, it is rather as one respondent expressed it: "it is a plus if the store has low prices".

Long-term behavioural loyalty is affected by several factors. Three out of four respondents expressed that they have a preferred chain, but long term loyalty to that chain is affected by incidents such as if the customer move or if the store is shutdown. All of the respondents intend to stay loyal to their main store/stores.

Regarding expectations and demands on the stores, it seems like customers have a level that stores must fulfil. Some respondents, especially those committed to the subject, exclude stores that do not live up to the standards demanded. Whereas others, especially young and price aware people, accept that the store may have lower standards if the prices are significantly lower.

1.6.1.2 Attitudes

Customers seem to have become more conscious and committed to the food industry in general, especially when it comes to ecological options and chemical adding. This might have a connection with the above-mentioned expectations and demands. A possible cause to this might be the food scandals that have occurred lately. Respondents acknowledge that such scandals probably would affect them in some way but they were not sure how and to what extent. The respondents made clear distinctions between producers and retailers regarding responsibility. Three out of four respondents spontaneously said that the producers have the utmost responsibility, but also stressed that retailers must put demands on the producers by controlling which products they sell.

Three out of four respondents expressed that they have relatively strong opinions regarding different grocery chains. They said that they are not influenced by others opinions regarding their main store/stores. They trust their own opinion more. Consequently the effect of negative word of mouth does not seem to have much impact. Additionally, our respondents do not talk to their friends about their positive shopping experiences.

Those respondents expressing that they are satisfied with their store also say that they want to support and favour it. When faced with the statement "if you did not have the possibility to shop in your store/stores, you would miss it", they all said yes, but for various reasons. One said it would be less convenient to change store whereas others would miss it because they are used to go to that specific store and know what to expect from it.

1.6.1.3 Complaining

All the respondents have been dissatisfied but were satisfied with how the employees handled the situation. Three out of four respondents expressed that they are aware of the fact that failures can occur and find it acceptable as long as the failure is remedied. It also seemed as the respondents only complained regarding issues they knew could be solved immediately by the employees. It seemed that they would not complain on more general issues such as not enough staff and groceries out of

stock. Such failures could in the long run, if occurring frequently result in change of store and spread of negative word of mouth. The young respondents would not hesitate to spread it on the Internet, by for example Twitter and Facebook.

As we earlier mentioned the respondents were satisfied with the complaint handling. It seems like the stores most often remedy the failure, but do not give any extra compensation and seldom apologize for the inconvenience. The respondents stated that they would like to have extra compensation depending on the failure. They also believed that the relation to the store was strengthened after the service recovery.

Regarding how complaints should be given, the respondents preferred personal contact but declared that several options should exist. They were not aware of the existence of the complaint service on the Internet, through the different stores' web sites, but thought it was a good idea. All the respondents were willing to give feedback to enable the stores to improve, in exchange for compensation.

1.6.2 Problem definition

With respect to the background discussed above as well as the pre-study we have executed we have summarized what we experience is an area of problem to the industry.

Because of the industry's intense competition, loyalty is becoming a factor of great importance in order to keep customers. This aspect is further supported by the fact that it is rather easy for customers to change store since, at least in a large city such as Gothenburg, the distance between grocery stores is relatively small. Most grocery chains have succeeded in creating behavioural loyalty, but it seems like it is more difficult to create emotional loyalty. This focus of voluntary loyalty built on satisfaction is the idea of the Scandinavian school (Nordfält, 2007).

Supported by Timm (2001) we address service recovery as a means to attain loyalty among customers. The situation of today is that front personnel do not seem to have neither authority nor the right competence to handle complaints, which customers realize and consequently they do not complain on matters they do not believe front personnel can handle (Danilov & Hellgren, 2010) (Östgren, 2005). The customers we have spoken to have all experienced failures, but often the failures have been of little importance, wherefore it has not resulted in a formal complaint. However, if several such failures occur eventually customers will be affected, which may result in change of store or negative word of mouth. There is also a tendency for failures that do not generate customer complaints to have a greater impact on customer behaviour and customer loyalty than failures that do generate complaints, which are often easy to remedy. That is why it is very important with empowerment and complaint encouragement in a successful service recovery.

Another tendency is that the service recovery paradox exists. Effective service recovery could therefore create more loyalty and goodwill towards the grocery retail company. Harari (1997) expressed that positive treatment of complaining customers will create positive associations towards the company, which is a sign of emotional loyalty according to Söderlund (2001). We would also like to explore if positive word of mouth could be an indicator of emotional loyalty since a very well handled service recovery result in satisfaction, which according to Söderlund (2001) can be compared to emotional loyalty. Therefore, when customers are satisfied they may spread positive word of mouth, wherefore we also consider positive word of as a possible indicator of emotional loyalty.

Since it is very expensive to advertise today and it is difficult to know what the advertisement will generate, an unexploited marketing channel may be to use customers to spread positive word of mouth in order to generate positive attitudes and new customers. That is however depending on what impact positive word of mouth has on customer behaviour. It seems like few customers spread positive word of mouth.

These dimensions of the problem area form the basis of our research questions and subsequent information needs. It is also these dimensions and tendencies that make the subject interesting and important for the industry.

1.6.3 Preliminary research model

We have chosen to modify Magnus Söderlund’s model regarding customer loyalty to illustrate how service recovery can affect customer loyalty. The original model will be further discussed in the theoretical chapter.

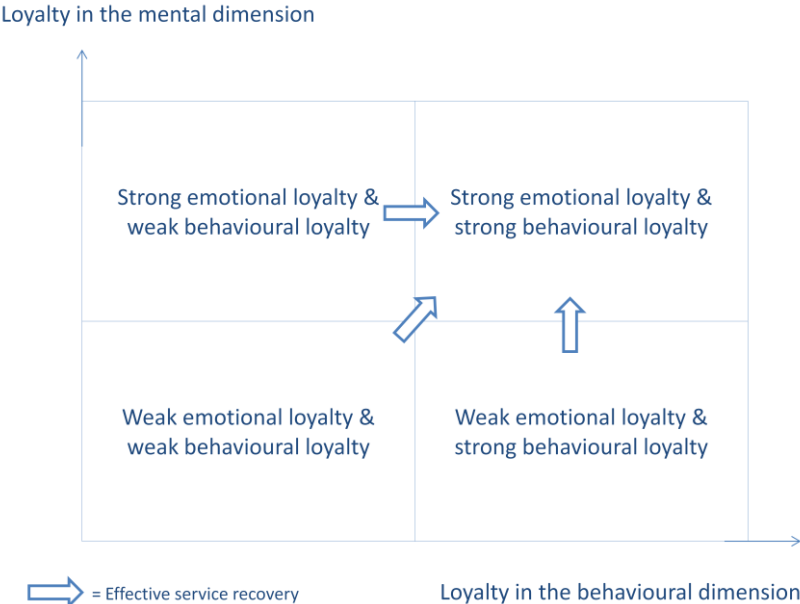


Figure 1.2 Preliminary research model. Modified from Söderlund (2001, p. 47).

As figure 1.2 shows, the most beneficial state is when customers are both strong emotionally loyal and strong behaviourally loyal, also known as composite loyalty (Rundle-Thiele, 2005). By implementing an effective service recovery system we believe that grocery stores could make customers become both stronger emotionally loyal and stronger behaviourally loyal. Customers would then move towards the upper right corner of the figure.

1.7 Research questions

1. How do dissatisfied customers in the grocery retail industry act?

- What do customers complain about, and what do they not complain about?
- How do customers complain?
- How do customers act if they are dissatisfied but do not complain?

2. Is it possible that effective service recovery in the grocery retail industry could make customers become more emotionally loyal and spread positive word of mouth?

- If customers are satisfied with their grocery store, do they spread positive word of mouth?
- Does the service recovery paradox exist?
- How should a store act to make customers recommend it to their friends?
- Are customers affected by positive word of mouth?

1.8 Limitations and clarifications

To better understand the study we would like to make some clarifications. By grocery retail industry we refer to companies selling food and necessities, such as ICA, Coop, Hemköp and Willy's. We consequently exclude companies producing food, such as Arla Foods and Lantmännen. Thereby we also limit ourselves to complaints regarding failures that grocery companies are in control of. For example grocery stores can control which products they offer, which staff they employ and how the store is organized, whereas they cannot control how product packages are designed and how ingredients are listed on the packaging. In some cases it is naturally difficult to draw a clear line between what is under the stores' control and what is not since stores always have the ability to modify their range of products, but we will hereby highlight that we are considering this aspect and that we mainly focus on failures under the grocery stores' control even though we argue that they should welcome all complaints, and then in their part turn to the specific food company.

Our study is limited to the Swedish industry and especially the central parts of Gothenburg, since areas where competition is strong and the physical distance between stores are small enable customers to change store without much effort, a condition that must be fulfilled for service recovery theories to be effective as a competitive advantage.

Our study will be based on the customers' perspective and we will therefore not study the companies' perspective. We will be basing our work on customers' experiences and perceptions regarding service recovery in the industry. The study will result in guidelines for how grocery stores should act regarding service recovery, in the consumers' point of view.

We have also decided to exclude the legal aspects of the subject. A large part of complaint management involves legal aspects, such as rights to make certain claims. This is beyond the scope of our study and we also feel that we lack knowledge of prevailing legislation to further explore that aspect. We therefore only include complaints that customers have right to make, even though we are aware of the legislative difficulties that prevail.

1.9 Disposition

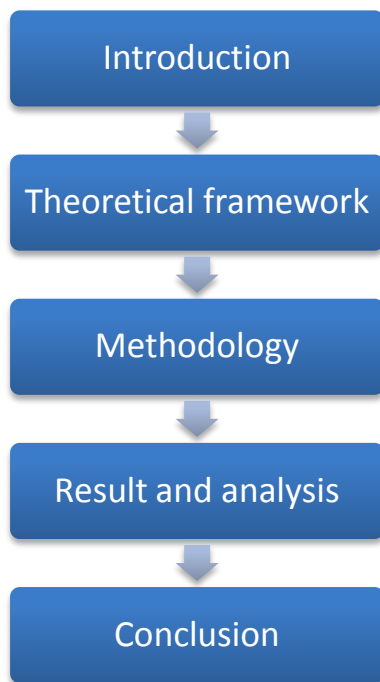


Figure 1.3 Disposition

Introduction: The essay begins with a subject background. We will shortly introduce the most important concepts and theories to our study, which will result in our purpose and research questions.

Theoretical framework: In this part we will let the reader become familiar with the theories of importance where we will both give highlights and careful explanations within the area of interest.

Methodology: The reader will easily be able to follow our method journey through the method tree. We will analyze, discuss and argue for chosen methods.

Result and analysis: One of the most existing parts of the essay is the result and analysis chapter where we will reveal and analyze our empirical findings.

Conclusion: Last but not least we will summarize our findings and give our recommendations to the Swedish grocery retail industry regarding complaint handling.

2 Theoretical framework



In this chapter we will introduce different theories regarding the concepts of loyalty, service failures, service recovery and word of mouth. Different notions will be highlighted and explained with the purpose of enhancing the reader's familiarity with the subject. The structure of the theories will follow the structure of our research questions, starting with theories regarding service failures, followed by theories regarding service recovery and loyalty. Finally the concept of word of mouth will be illustrated.

2.1 How do service failures arise?

Customers have three levels of service expectations (Zeithaml, Berry, & Parasuraman, 1991). Firstly they form a level of desired service. That is, how the service would be if it was perfect. Secondly, they form a level of adequate service, which corresponds to the level that they find reasonable for the specific situation. Thirdly, based on explicit service promises, implicit service promises, word-of-mouth communications and past experience, customers form a level of predicted service. That is a level of service that the customers believe they are likely to get.

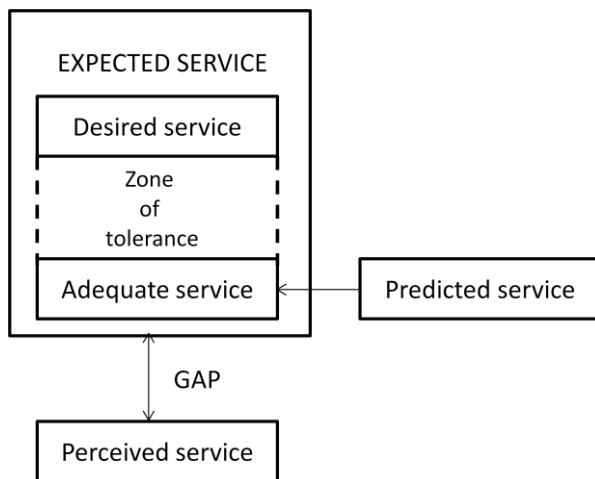


Figure 2.1 How service failures arise. Simplified from (Zeithaml, Berry, & Parasuraman, 1991, p. 12).

A service failure arises, as figure 2.1 illustrates, when the perceived service does not reach the adequate level of service expectations or if the perceived level of service does not live up to the standards of predicted service (Zeithaml, Berry, & Parasuraman, 1991). Another aspect that must be considered is that predicted service affects the level of adequate service. In other words a service failure raises customer expectations on service and increases the risk of failing when it comes to service recovery.

2.1.1 How customers respond to service failures

For a company to better handle customer dissatisfaction an important aspect is to try to predict how customers will react to failures. A dissatisfied customer can respond in several different ways. As figure 2.1 illustrates, Zeithaml, Bitner, & Gremler (2006) have mapped how customers react after a service failure has occurred.

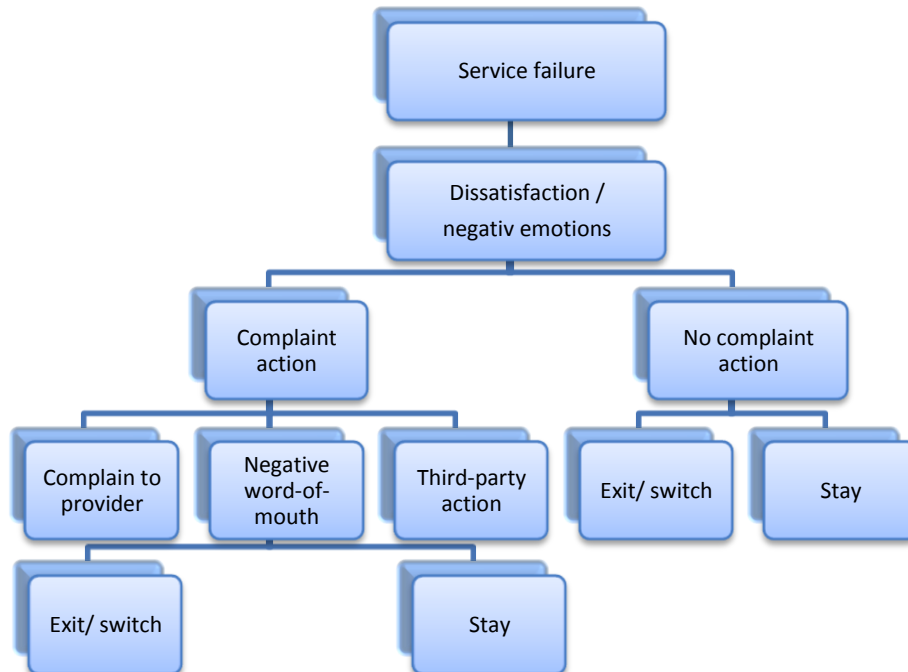


Figure 2.2 Customer complaint actions following service failures (Zeithaml, Bitner, & Gremler, 2006, p. 218)

Customers are assumed to receive some sort of negative emotions after a service failure has arisen. Depending on how strong those emotions are customers react in different ways. They can either be passive and not saying anything about it, or they can make a complaint. If they decide to be passive they can either decide to stay, or they can change store. If they on the other hand decide to make a complaint, they can either complain to the provider of the service, or they can spread negative word of mouth, or they can turn to a third party, for example the Swedish Consumer Ombudsman. Irrespective of which alternative they choose, they can either decide to stay, or they can change store (Zeithaml, Bitner, & Gremler, 2006).

How customers react to a product or service failure will also be influenced of the reasons for the failure (Folkes, 1984). To make it easier to see the links between cause and behaviour, both causes and behaviours can be categorized into three dimensions. Those dimensions follow below;

- *Stability* refers to if the failure occurs temporarily or permanent.
 - *Locus* refers to who has caused the failure, the company or the customer.
 - *Controllability* refers to if the failure was under the company's/customer's control or not.
1. Expectancy reactions
 2. Marketplace equity reactions
 3. Anger reactions

First, the stability dimension affects expectancy reactions. Permanent failures result in that customers expect failures in the future and therefore they would rather like a refund than a new product. Temporary failures enable the customer to believe that failures will not reoccur, and for that reason they would rather like a new product than a refund. Second, the locus dimension affects marketplace equity reactions. When the company is responsible for the failure customers expect to be compensated and to receive an apology. If the failure can be connected to the customer he/she should not expect any compensation. Third, the locus as well as the controllability dimension affects anger reactions. Customers become angry and want to punish the company if the failure can be traced to it and even more if the failure is under the company's control.

2.1.2 Why people do and do not complain

People complain for several different reasons and some do not complain at all. Those who do complain believe that it will have a positive outcome and that they deserve and will be compensated in some way. Sometimes they may feel a social obligation to complain so that the next customer will not experience the same thing and sometimes they just want to punish the service provider. Consumers that do not complain believe that the complaint will not have any effect and is a waste of time. Sometimes they do not know how to complain, or they blame the failure on themselves. People are more likely to complain about services that are expensive, involve high risk and have personal involvement such as vacations. They are less likely to complain about less expensive and frequently purchased services such as fast food. Just because a complaint is not made it does not mean that the consumer will not go to a competitor the next time (Zeithaml, Bitner, & Gremler, 2006).

Few dissatisfied customers complain to management or company headquarters. Most of the customers either complain to the frontline employees or do not complain at all. The situation can be compared to an iceberg, where the small share of dissatisfied customers that complain to management or company headquarters forms the tip of the iceberg (Zeithaml, Bitner, & Gremler, 2006).

2.1.3 Types of complainers

Studies have shown that different types of complainers exist. Zeithaml, Bitner, & Gremler (2006) have listed four categories of complainers based on a study where the grocery retail industry was one of the industries observed.

- *Passives*: They are not very likely to take any complaint action. They do not complain to either the provider, through word of mouth or to a third party. They believe that it will not be worth the effort to complain.
- *Voicers*: "The service provider's best friends!" (Zeithaml, Bitner, & Gremler, 2006, p. 220). The voicers are likely to complain straight to the provider and thereby giving them a second chance. They tend to believe that complaining to the provider will have positive consequences. The voicers are also less likely to spread negative word of mouth or complain to a third party.
- *Irates*: This type of complainer is more likely to spread negative word of mouth to friends and also through the Internet. They tend to be angrier with the provider and are about average

on their propensity to complain to the provider. At the same time that they believe that complaining may have social benefits. They are more likely to switch to a competitor rather than to give the provider a second chance.

- *Activists*: The activists are above average on their propensity to complain to all parties, such as the provider, friends and third party. They tend to be optimistic regarding positive consequences through all types of complaining.

2.2 Service Recovery: Errors are inevitable – dissatisfied customers are not

As the heading points out, it is almost impossible to eliminate all failures, errors will inevitably occur. Companies do however have the possibility to avoid that customers develop negative emotions and dissatisfaction, a notion called service recovery. Firms with the ability to react when mistakes are made will therefore have a much better chance to retain profitable customers (Meuter & Michel, 2008).

According to Miller et al (2000) in (Meuter & Michel, 2008) service recovery and complaint management both address service encounter failures, the difference between them is that complaint management is based on the firm's ability to react to a complaint when a mistake has been made, whereas service recovery on top of this also includes the company's ability to react on a mistake and please the customer before the customer finds it necessary to complaint. Most customers are reluctant to complaint. Therefore it is important with proactive service recovery efforts to minimize negative outcomes such as loss of customers when a mistake has been made (Meuter & Michel, 2008).

Another aspect companies must consider is that service recovery is situation specific (Boshoff & Leong, 1998). That means that a company can not rely on good records, it must perform at its best when it comes to a specific situation of service recovery. Otherwise the situation can turn the other way around and the good record can instead become a bad record.

2.2.1 The service recovery paradox

Sometimes when service failures occur a well managed service recovery effort can result in greater satisfaction than if no service failure had occurred. This phenomenon is called the recovery paradox (Zeithaml, Bitner, & Gremler, 2006).

The service recovery paradox was developed by Michael J. Etzel and Bernard I. Silverman 20 years ago (Meuter & Michel, 2008), who found that "it may be those who experience the gracious and efficient handling of a complaint who become a company's best customer" (Etzel & Silverman, 1981).

The service recovery paradox refers according to McCollough and Bharadwaj (1992) in (Johnston & Michel, 2008) to situations where the satisfaction, word of mouth intentions and repurchase rates of recovered customers exceeds those of customers that did not experience any service failures.

This paradox may tempt businesses to purposely make mistakes just to be able to deliver an extraordinary service recovery and gain more loyal customers. This could be a dangerous strategy for many reasons:

- Many customers do not complain when they experience a problem. The business must be aware of the problem to be able to compensate it.
- It may be expensive to fix mistakes.
- Reliable service is the most critical determinant of service quality across industries.
- There is no guarantee that the customer will end up more satisfied after the service recovery.

The recovery paradox is also dependent on the context and situation. Factors that businesses cannot control could influence the service recovery and make it impossible to change the dissatisfied customer. (Zeithaml, Bitner, & Gremler, 2006)

There are continuous discussions and debates regarding to which extent the service recovery paradox exists, opinions are mixed. Both Zeithaml, Bitner & Gremler (2006) as well as Meuter & Michel (2008) argue that, even though they believe that the service recovery paradox exists, in the long run the best strategy is to “doing it right the first time” (Zeithaml, Bitner, & Gremler, 2006, p. 218).

2.2.2 Elements of service recovery

The notion of service recovery includes three parts (Boshoff & Leong, 1998);

- *Attribution* – to take responsible for the failure
- *Apologizing* – to apologize for the failure
- *Empowerment* – to give front personnel the power to execute the above mentioned directly

A recent study has shown that attribution is the most important factor that customers value during a service recovery process, followed by empowerment and thereafter apologizing. The study also found evidence showing that dissatisfied customers prefer that front personnel handle the complaint and that the company takes responsible for the failure. Customers also expect an apology, although the way that the apology is delivered is not of very great importance even though most customers prefer a personal apology a head of an apology delivered by telephone or letter (Boshoff & Leong, 1998). Although the study mentioned above showed that customers do not value empowerment as high as attribution, another study performed by the American agency Small Business Administration shows that the main reason for people to stop shopping at a certain store are attitude from employees (Schmidt Thurow & Sköld Nilsson, 2008). This finding implies that it is important to educate employees about the corporate values and to give them the power to handle different kind of complaint situations since it is them who meet the customers face-to-face. That employee behaviour is of such importance has several reasons (Östgren, 2005) ;

- The intense marketing increases customer expectations and demands.
- Employees are often the weak link that is too often forgotten in marketing but gives the most powerful impression to the customer.
- As competition toughens and most products look similar and have the same prices it often comes down to employee behaviour when customers choose store.
- Different business scandals during the last few years have put the headlights on how companies act on every level.
- Stress and lack of time is increasing. More and more customers are getting used to the speed and simplicity of the Internet which increase customer demands even more.

Service recovery could also be seen in a larger context where an organization's service recovery has three different areas; customer recovery, process recovery and employee recovery. These areas create organization recovery procedures and have an impact on the company's financial performance as figure 2.2 illustrates (Johnston & Michel, 2008).

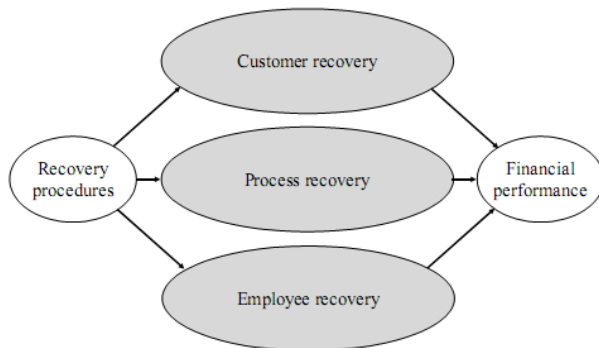


Figure 2.3 Service recovery elements. Spreng et al (1995) in (Johnston & Michel, 2008, p. 89).

Although service recovery procedures may be expensive they should be seen as a way to improve the organization. These improvements may reduce costs in the long run by removal of ineffective processes and avoidance of future service failures, and thereby contributing to minimize the number of dissatisfied customers. It is important to find the root cause, investigate the issue and improve the processes (Johnston & Michel, 2008).

Customer recovery can be executed in several different ways. Johnston & Michel (2008) have put together seven key procedures regarding customer recovering that research has lifted.

1. Acknowledgement – acknowledging that a problem has occurred
2. Empathy – Understanding the problem out of the customers point of view
3. Apologizing – to say you are sorry
4. Own the problem – take responsibility for the customer and the issue
5. Fix the problem – or at least try to for the customer
6. Provide assurance – promise that the problem will be sorted and will not occur again
7. Provide compensation – a refund, token or compensation depending on the severity of the problem

Process recovery suggests that service recovery is more than retrieving a dissatisfied customer. It is important to use the information from the failure and its consequences to improve the organization. Businesses ought to focus more on management activity that improve systems and processes instead of just focusing on the single transaction of recovering one dissatisfied customer. Such improvements will make future customers satisfied and reduce costs (Johnston & Michel, 2008).

Employee recovery involves the view that the most critical part in service recovery is the employees that have to face the complaining customers, which could both be angry and emotional. These employees often feel trapped between the dissatisfied customer and inflexible organizational procedures. This put a high level of stress on the employee who may feel powerless to help. Research has shown that employees often are not the reason for the failure but employee behaviour is

important in the customer recovery process. Employee recovery may result in a less stressed workforce with a more positive attitude and reduced staff turnover (Johnston & Michel, 2008).

2.3 Service recovery strategies

Although the first rule should be to do it right the first time, Zeithaml, Bitner, & Gremler (2006) have developed several strategies for how to recover a dissatisfied customer, which they have illustrated in the model of the service recovery wheel, see figure 2.3.



Figure 2.4 Service recovery strategies. Modified from (Zeithaml, Bitner, & Gremler, 2006, p. 382)

One strategy is to *encourage and track complaints*. For companies to have a chance to recover a customer when a service failure has occurred, the customer must complain, and as we described earlier very few customers do complain. Therefore one major management challenge is how to elicit complaints. Zeithaml, Bitner & Gremler (2006) have listed some issues/guidelines for companies to consider.

- Develop a mind-set that complaints are good: it is important that the complaining customer is not viewed upon as an enemy. Complainers should be treated as the highest priced analysts and consultants.
- Make complaining easy.
- Be an active listener.
- Ask customers about specific service issues to avoid short and simple answers such as yes or fine.

Another strategy is to *act quickly*. Studies have shown that customer satisfaction is connected to how fast the company responds. To enable quick response well developed systems and procedures are required as well as empowered employees.

The next strategy is to *provide adequate explanations*. If employees explain to the customer why the failure occurred, negative reactions may be diffused. The explanations must contain relevant information and be delivered sincerely and creditably.

Service recovery also includes *treating customers fairly*. The customers expect to be treated fairly in terms of the outcome, the process of the recovery and the interpersonal treatment from the employees that is attempting the service recovery. The customers often see apologizing and making a sincere effort to solve the problem as a fair treatment.

Companies should also *cultivate relationships with customers*. Customers that have a strong relationship to the company are often more forgiving of service failure and more open to service recovery efforts.

Another strategy is to *learn from recovery experiences*. This is valuable information of how to improve customer service. If the company manages to find the source of the problem, they may be able to prevent future failures.

Last but not least companies must *learn from lost customers*. To find the reasons for why the customers left may help prevent customer loss and failures in the future.

2.4 How do grocery retail companies handle complaints?

Failures are common in the retail industry (Kelley, Hoffman, & Davis, 1993), and therefore companies in the industry regularly deal with customer complaints.

According to Etzel and Silverman (1981), retail companies can respond to complaints in four different ways. The first alternative is to *ignore them*. In such a case the company ignores complaint letters, makes excuses, blames the manufacturer, and in general avoids responsibility. The advantage of this approach is that it does not involve any cost, but on the other hand the company may suffer if a large number of customers are dissatisfied, especially in the long run.

The second alternative that companies have is to *evaluate complaints* and to thereafter *design responses*. The responses can stretch from no adjustments to total refunds. The main advantage of this approach is fairness whereas the main disadvantage is that it demands that the company establishes a mechanism that reviews complaints, which involves high costs and large bureaucracy.

The third approach involves *acquiescence*. The company then accepts all complaints no matter how unreasonable it is, and gives partial or total refunds. Companies with this approach have the view that "a satisfied customer is a happy customer who is likely to return in the future" (Etzel & Silverman, 1981, p. 126). The main advantages are that it creates higher confidence among customers and that it does not take as extensive bureaucracy as the former alternative. The main disadvantages are that it involves high cost and that customers may take advantage of this favourable approach to gain profit, a problem often called moral hazard.

The last alternative is to *encourage complaining behaviour*. Such a company provides specialized complaining facilities and/or contacts customers to ensure satisfaction. The main advantages associated with this approach are that it improves customer attitudes and creates higher loyalty. The disadvantages are that it involves high costs both from administration and from complaints that otherwise would not occur.

Kelley, Hoffman, and Davies (1993) argue that the most common way of handling complaints in the retail industry is by replacement. That is if a customer is dissatisfied with a product the product is replaced, which would fall under what Etzel and Silverman (1981) call acquiescence or reviewing complaints. Noteworthy, the second most common way of handling complaints is to do nothing, and unacceptable recoveries, such as customer initiated corrections and unsatisfactory corrections, make up about one third of all service recovery actions made. Such approaches correspond to what Etzel and Silverman (1981) call ignoring complaints.

2.4.1 How can service recovery be improved?

Several studies have examined how to best accomplish successful service recovery efforts. Timm (2001) argues that for a company to successfully implement effective complaint management it must fulfil two basic conditions; to make it easy for customers to complain and to act upon such complaints fast and efficiently.

Schmidt Thurow and Sköld Nilsson (2008) have developed several methods for how to make it easy for customers to complain. They propose that the company could:

- conduct surveys
- interview customers in the store
- arrange gatherings/meetings
- set up a suggestion box in the store

Timm (2001, p. 48) do however argue that "creating a climate in which people give real-time, on-the-spot feedback may be more important than a printed customer feedback card, telephone follow-up, or focus group". Companies consequently ought to encourage customers to give feedback instantly when they experience a failure.

For the company to maintain a climate where the employees act upon complaints fast and efficiently, Timm (2001) suggests that the employees should:

1. feel the customers pain
2. do everything they can to resolve the problem
3. go beyond by offering "symbolic atonement"
4. keep emotion out of recovery
5. look back and learn

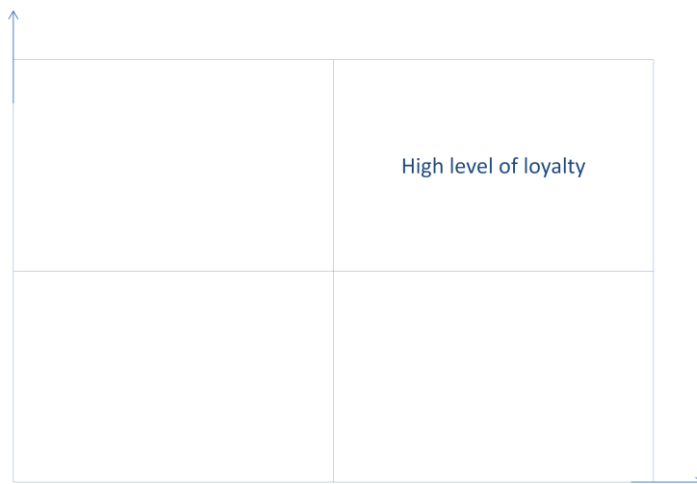
Söderlund (2001) has discussed how companies can get loyal customers, and lists three areas of how to create customer satisfaction:

- Be creative in reactions when fault occur, everything from apologizing to compensating.
- Be accommodating to customers demands of special treatment.
- "The little extra", employees' behaviour should exceed customer expectations. The employees should also care about the customers, be polite and show sympathy.

2.5 The loyal customer – behaviourally or emotionally?

Present-day research has, as mentioned in section 1.3, divided the concept of customer loyalty into two parts, behaviour loyalty and emotional loyalty. An effect of such a division is that customers do not automatically have to be both behaviourally and emotionally loyal, they can be one of them, both of them or neither of them. That implies that a four-field matrix can be derived, see figure 2.5.

Loyalty in the mental dimension



Loyalty in the behavioural dimension

Figure 2.5 Customer loyalty (Söderlund, 2001, p. 47).

The most favourable customers for a store to have are naturally those who are both behaviourally and emotionally loyal, illustrated by the upper right corner of the model. In the behaviour dimension this foremost includes that the customer keeps coming back to the same store, emotionally this includes that the customer prefer the store and has difficulty being without it.

A customer can also be behaviourally loyal, but not emotionally loyal, often referred to as "falsely" loyal (Söderlund, 2001). That a customer can end up in this situation is caused by so called changing

barriers. In such situations customers face restrictions in their ability to freely change store. For example, a customer can be a hostage because he/she only has one store that is located in his/her surrounding.

The third possibility is that customers are satisfied (emotionally loyal) but not behaviourally loyal. This illustrates that loyalty can not only be measured in customer satisfaction, other factors also influence (Söderlund, 2001). This situation occurs primarily due to change in the relationship between the customer needs and the store offers. Customers can for example be satisfied with their grocery store regarding service but may be dissatisfied if the store does not offer ecological products, an example of how the customers needs has changed whereas the store has the same offer.

The fourth option is that customers are neither behaviourally nor emotionally loyal. Such customers have the potential to become satisfied and loyal with right efforts from the company.

Schmidt Thurow and Sköld Nilsson (2008) have the same thoughts and have developed a model on the same subject, where they have put labels on the different combinations. A dream customer is both satisfied and loyal, an indifferent customer is highly satisfied but not loyal, a sceptic customer is neither satisfied nor loyal, and hostage customer is highly loyal but not satisfied.

		Loyalty	
		Low	High
Satisfaction	High	Indifferent	Dream customer
	Low	Sceptic	Hostage

Table 2.1 Types of loyal customers. Modified from (Schmidt Thurow & Sköld Nilsson, 2008).

Other researchers have also proposed similar arguments. For example Bandyopadhyay and Martell (2007) classify customers according to their behavioural and attitudinal characteristics. They argue that there are three type of customers based on behavioural loyalty; single users, multiple users and non-users. Single users are only loyal to one brand whereas multiple users are loyal to several brands. So-called non-users are not loyal to any brand. These three categories can have either strong or weak attitudinal loyalty. Consequently six types of consumers evolve as table 2.2 illustrates.

Consumer brand loyalty classification according to their behavioral and attitudinal characteristics

Attitudinal loyalty	Behavioral loyalty		
	Single users	Multiple users	Non-users
Strong	Brand loyal	Variety seeker	Potential buyer
Weak	Constrained buyer	Deal prone	Indifferent

Table 2.2 Consumer Loyalty. (Bandyopadhyay & Martell, 2007, p. 38)

The two legs of loyalty have different influence on a company’s profitability. Behavioural loyalty leads to greater market share, that is more products sold, whereas attitudinal loyalty leads to higher relative price and thereby to larger profit marginal (Bandyopadhyay & Martell, 2007).

2.6 Word of Mouth – one of the most powerful ways of marketing

Everybody talk to friends and family about their experiences regarding products, services and brands. The attitude could be positive or negative and result in advice and recommendations that other people follow. This phenomenon is called word of mouth. With today's development of social media such as blogs, You Tube, Facebook and Twitter, word of mouth has become an even more powerful tool. When spread on the Internet, the phenomenon is called eWOM – electronically word of mouth (Cheung, Lee, & Rabjohn, 2008). Negative word of mouth that reaches the Internet can have heavy consequences for companies. It is important for businesses to be able to react to this kind of negative word of mouth and also utilize positive word of mouth as a marketing channel.

Positive word of mouth is seen as a strong indicator of loyalty since when customers recommend a certain store to friends and family they put their name and reputation on it (Söderlund, 2001) and (Reichheld, 2003) in (Rundle-Thiele, 2005). Positive word of mouth also inspires potential customers with more confidence than traditional advertising does.

On the other hand negative word of mouth is just as powerful, but on the other way around (Harari, 1997). On average every dissatisfied customer spreads negative word of mouth to between 8 and 15 others, and of them about 13 percent spread the message further (Harari, 1997) (Hocutt, Bowers, & Donovan, 2006). Service recovery is therefore not only about creating satisfied and loyal customers. It is also about minimizing the risk that negative word of mouth is spread (Hocutt, Bowers, & Donovan, 2006).

3 Methodology



This part aims to provide a description of the methods, scientific approaches and research designs chosen for our study. Advantages and disadvantages will be discussed ending in the most suited approach. In the last section we will critically discuss and evaluate the methodology used.

3.1 Scientific approaches

Scientific approaches have the role of relating theories and reality. Three such approaches exist:

- The first approach called *deductive research* implies that scientists, from a theoretical framework, derive hypotheses about reality, which they subsequently test empirically to prove correspondence. In a more formal way it is defined as “an empirical investigation that tests for hypothesized relationships between dependent variables and manipulated independent variables” (Hair, Bush, & Ortinau, 2006, p. 276). By taking existing theories as a starting point a deductive approach implies that the study will be characterized by an objective spirit and will not be influenced by the subjective opinions of the researcher. The major risk associated with using a deductive approach is that the researcher may overlook factors of great importance (Patel & Davidson, 2003).
- The second approach called *inductive research* takes its starting point in the empirical investigation in order to create new theories or extend existing theories. It is defined as “an investigation that uses causal design procedures to generate and test hypotheses that creates new theories or extends existing theories” (Hair, Bush, & Ortinau, 2006, p. 276). By adopting an inductive approach the researcher will unconsciously colour the study by his/her existing opinions, resulting in a subjective rather than objective study. On the other hand, by working unbiased by existing theories the researcher does not risk to overlook important factors to the same extent as by adopting a deductive approach.
- The third approach, called *abductive research*, is a combination of a deductive and an inductive approach. By adopting this approach the researcher studies a single case from which he/she formulates suggestions to new theories (inductive). Then the theories are tested on new cases (deductive). This approach involves risks regarding subjectivity, because of the inductive opening, as well as risks regarding overlooking of important factors, because of the deductive ending. In comparison with the two above mentioned research approaches it is also more time consuming. The major advantage is on the other hand that the approach allows the researcher to be very thorough and profound, and that it enables the researcher to be more open minded (Patel & Davidson, 2003).

3.1.1 Chosen scientific approach

We have chosen to have an abductive approach throughout our study. That will suit our study well since our structure begins by exploring theories regarding loyalty, the Swedish grocery retail industry and service recovery as well as building up information needs and theories through an exploratory pre-study. A combination of these two forms our main study where existing theories are tested as well as new theories have the possibility to grow.

An abductive approach is also most suitable since we did not have much knowledge of the subject before we began our research. It has allowed us to become more familiar with the subject and to get support from previous research as well as test these theories and new theories by empirical investigation.

A deductive study would demand much deeper studies of research and theories where we would have to establish hypotheses, this approach is too difficult since it demands much time and knowledge and would not let us to do our empirical investigation.

An inductive approach would not be possible for us since it would not let us to use previous researchers' theories, something that were crucial to us since we were not familiar with the subject before.

3.2 Research designs

Research designs describe how the study will be performed, that is how to collect and analyze data. Even though it may be difficult to categorize problems since every problem is unique, three general designs exist.

- *Exploratory research design* is defined as “research that focuses on collecting either secondary or primary data and using an unstructured format or informal procedures to interpret them” (Hair, Bush, & Ortinau, 2006, p. 63). Exploratory studies are often used to classify problems or to understand a phenomenon and are not intended to provide conclusive information to determine a course of action. It regularly involves focus-group interviews, in-depth interviews and/or pilot studies. Exploratory studies are most suited when the existing knowledge and experiences of the researcher are limited and that the scope of the study is to find out as much of the subject as possible, which involves several ways to collect data (Patel & Davidson, 2003).
- *Descriptive research design* is defined as research that uses a set of scientific methods to collect raw data and create data structures that describe the existing characteristics of a defined target population or market structure (Hair, Bush, & Ortinau, 2006, p. 63). Descriptive studies aim to portray, depict or describe certain fields of interest in order to select a course of action. Descriptive studies are most suited when the researcher already possesses knowledge about and experience from the subject, and that the scope of the study is to describe a certain field thoroughly, often only involving one way of collecting data (Patel & Davidson, 2003).
- *Causal research design* is defined as “research designed to collect raw data and create data structures and information that will allow the researcher to model cause-and-effect relationships between two or more market (or decision) variables” (Hair, Bush, & Ortinau, 2006, p. 64). Causal studies aim to explain causality between market factors to create a framework for decision makers to understand that “if ... happens, then ... will occur”. Adopting causal studies presumes that the researcher possesses a great deal of knowledge of and experience from the subject studied. It often involves a technique of collecting data that gives precise and accurate information, since only factors linked to the hypothesis want to be studied (Patel & Davidson, 2003).

3.2.1 Chosen research design

This study aims to explore and describe how customers act when dissatisfied. We also intend to explore how the phenomenon of positive word of mouth affects emotional loyalty. The study also intends to describe what effects service recovery has on emotional loyalty. Due to our scope, the main study includes elements of descriptive and causal research designs, whereas the pre-study is based on exploratory research design. We have decided not to exclude any of the three designs since we believe that all of them will help us see the problem in different aspects.

3.3 Primary- and secondary data

There are two ways of collecting data; through a primary source or through a secondary source:

- Primary data – is defined as “firsthand raw data and structures which have yet to receive any type of meaningful interpretation” (Hair, Bush, & Ortinau, 2006, p. 46). It is data collected specifically for the current research problems, often by observations, surveys and interviews. This type of data is most valuable since it can be adjusted to fit the current study. To collect this type of data, whether it is made through qualitative methods or quantitative methods, is however time consuming and costly (Hair, Bush, & Ortinau, 2006).
- Secondary data – is defined as “historical data structures of variables previously collected and assembled for some research problem or opportunity situation other than the current situation” (Hair, Bush, & Ortinau, 2006, p. 46). Secondary data is therefore not directly adjusted for the current study, and consequently the researcher must hold a critical attitude towards the data. Even though collecting secondary data demands a more critical view from the researcher it is less costly and less time consuming (Hair, Bush, & Ortinau, 2006).

3.3.1 Chosen data

We have used a combination of primary and secondary data. In the first part of our essay we used secondary data in form of theories from authorities in the subjects such as Grönroos and Zeithaml. These books and articles were found in databases such as Business Source Premier and Emerald. We have used the following key words; loyalty, word of mouth and service recovery among others. In the second part of our study we have obtained data from in-depth interviews as primary data to explore service recovery and emotional loyalty in the grocery retail industry.

3.4 Qualitative and quantitative method

To describe what type of data the researcher collects and how that data is collected research distinguishes between two methods; qualitative and quantitative. Generally quantitative methods involve statistical and numerical data, whereas qualitative methods involve “soft” data in form of interviews and analyses (Patel & Davidson, 2003).

3.4.1 Qualitative method

Qualitative research is more formally defined as “research used in exploratory designs to gain preliminary insights into decision problems and opportunities” (Hair, Bush, & Ortinau, 2006, p. 173). Qualitative studies focus on gaining detailed data from a limited sample of the population in order to gain deep knowledge about a certain behaviour or phenomenon. Below the main advantages and disadvantages associated with qualitative research are illustrated.

Advantages	Disadvantages
<ul style="list-style-type: none">• Economical and timely data collection• Richness of the data• Accuracy of recording marketplace behaviors• Preliminary insights into building models and scale measurements	<ul style="list-style-type: none">• Lack of generalizability• Inability to distinguish small differences• Lack of reliability and validity• Difficulty finding well-trained investigators, interviewers, and observers

Figure 3.1 Advantages and disadvantages of qualitative research. (Hair, Bush, & Ortinau, 2006, p. 174).

A qualitative study can be executed in several ways. Three frequently used techniques are discussed below:

- *In-depth interviews*: interviews performed face-to-face and one-on-one with purpose to gain as deep and as comprehensive insights as possible into what the respondent thinks and feels about a topic (Hair, Bush, & Ortinau, 2006). Interviews can be performed either face-to-face or by telephone. The main advantages of in-depth interviews are that it is flexible and that it helps retrieving detailed information about a certain topic. The main disadvantages are that it lacks generalizability and to some extent reliability. It can also be difficult to distinguish small differences and it may be time consuming and costly.
- *Focus Group Interviews*: interviews performed in small groups of people with the intention to facilitate interactive and spontaneous discussion of a certain topic (Hair, Bush, & Ortinau, 2006). The objective of conducting focus group interviews is to gain as much information about a topic as possible by creating a miniature society of people. One person's opinions should pass on interest and inspire the rest of the group to think further. The main advantages of using focus group interviews are that it stimulates new ideas, thoughts and feelings about a topic, it can reveal underlying reasons of behaviour, it allows customer participation, it can cover a width of topics, and it can bring together hard-to-reach respondent groups (Hair, Bush, & Ortinau, 2006). The main disadvantages of using focus group interviews are similar to other qualitative methods. The cost per participant is high, the findings lack generalizability, the reliability of the study is questionable, and the interpretation of the data is subjective.
- *Case studies*: a research technique where one or a few persons/organizations/situations are intensely investigated as an example of a larger phenomenon (Hair, Bush, & Ortinau, 2006). The objective is to observe and describe something rather than to explore something.

3.4.2 Quantitative method

Quantitative research is defined as “research that places heavy emphasis on using formalized standard questions and predetermined response options in questionnaires or surveys administered to large numbers of respondents” (Hair, Bush, & Ortinau, 2006, p. 171). Quantitative studies are most appropriate when the research problems/questions are specific and well defined, and are often associated with descriptive and causal research designs but can be used with exploratory design as well. That is because quantitative studies focus on general data from a large sample of the population. The most frequently used technique is discussed below:

- *Surveys*: a research technique where a large group of people is asked the same structured questions with the intention to obtain specific information from a large, representative sample of respondents. The main advantages of performing a survey are that the cost per participant is very low, that the findings have generalizability and reliability, that the data can be analyzed in many different ways, and that it is easy to administer. The main disadvantages of performing a survey are that it is difficult to develop a good survey questionnaire, that the flexibility is limited, that it lacks in-depth detail of data, that response rates often are low, and that it may be difficult to know whether the respondents are responding truthfully. (Hair, Bush, & Ortinau, 2006) Surveys can be performed in several ways: face-to-face, by telephone, by e-mail, on-line or by mail. Each is associated with advantages as well as disadvantages regarding responding rate, cost, time frame, administration and so on.

3.4.3 Differences between qualitative and quantitative methods

The table below illustrates the major differences between qualitative and quantitative methods.

Factors/Characteristics	Qualitative methods	Quantitative methods
Research goals/Objectives	Discovery and identification of new ideas, thoughts, feelings; preliminary insights on and understanding of ideas and objects.	Validation of facts, estimates, relationships, predictions.
Type of research	Normally exploratory designs	Descriptive and causal designs.
Type of questions	Open-ended, semi structured, unstructured, deep probing.	Mostly structured.
Time of Execution	Relatively short time frames.	Usually significantly longer time frames.
Representativeness	Small samples, limited to the sampled respondents.	Large samples, normally good representation of target population.
Type of Analyses	Debriefing, subjective, content, interpretive, semiotic analyses.	Statistical, descriptive, causal predictions and relationships.
Researcher skills	Interpersonal communications, observations, interpretive skills.	Scientific, statistical procedure, and translation skills; and some subjective interpretive skills.
Generalizability of Results	Very limited; only preliminary insights and understanding.	Usually very good; inferences about facts, estimates of relationships.

Table 3.1 Differences between qualitative and quantitative methods (Hair, Bush, & Ortinau, 2006, p. 172).

3.4.4 Chosen method

At the beginning of our essay we considered choosing focus group interviews as our main qualitative technique. However, after careful considerations we realized that we would obtain better data by performing individual in-depth interviews. We also understood that a lot of time would have to be put on finding respondents for the focus group interviews. Since we do not have the resources to provide every participant with a decent compensation we realized that we needed to have some kind of connection to the people selected, although the connection could not be too strong such as close friends or family, because of validity and reliability. That made sampling to the focus group interviews difficult to perform.

We also discussed if the topic was suitable for group discussions and came to the conclusion that we probably would get better result from one-to-one interviews since most failures occurring in the grocery retail industry result in relatively low involvement wherefore group discussions would not bring about any extra insights. After further discussion we realized that failures occurring in the grocery retail industry could be engaging to some customers, but not to others, and by interviewing both type of persons we could retrieve insights from both perspectives.

After these decisions we decided to perform an exploratory pre-study to test if the discussions we had also were true in reality. Another aim of the pre-study was to test our performance as interviewers, enabling us to use so called probing technique (Hair, Bush, & Ortinau, 2006).

Before the pre-study was performed we considered using a combination of surveys and in-depth interviews, but afterwards we realized that our respondents had much to say and different answers demanded different follow-up questions. We also came to the conclusion that interviews, which allow probing technique, would give us more interesting and deeper results, especially since the pre-study revealed that the respondents demanded a great deal of probing before giving a well thought answer. The respondents had often forgotten what they were disappointed about and needed some time and probing to remember. Although it could be interesting to get a wide representation of our target populations' thoughts of the subject in a quantitative survey, the lack of flexibility and not being able to ask follow-up questions would not bring the detailed information we needed. It is also possible that respondents in a survey would answer that they were satisfied merely because they did not remember the failure at the time. Due to the framing of the interviews and lack of time we decided to exclude surveys from our study.

The insights from above resulted in a decision to use qualitative in-depth interviews from which we believed that we would obtain as much and as deep insights into the topic as possible. The decision was based on that we intended to discover and identify feelings and experiences, and to understand certain behaviours as well as to describe certain relationships.

3.5 Target population and sampling frame

A target population is defined as "a specified group of people or objects for which questions can be asked or observations made to develop required data structures and information" (Hair, Bush, & Ortinau, 2006, p. 65). The researcher can then choose to either collect data from all the members of the population, *census*, or to collect data from a *sample* of the members of the population. The sample must be objective in order to make it representative of the entire population, therefore the researcher must develop a sampling plan that identifies the possible respondents, establishes procedures for selecting the sample and determines the appropriate size of the sample. To use a

census approach is preferred when the target population is small whereas using a sample approach is preferred when the target population is large and widely spread (Hair, Bush, & Ortinau, 2006).

3.5.1 Target population

The population we wish to study is people fulfilling the criteria below;

- be over the age of 18
- live in the central parts of Gothenburg
- have an own household or be responsible for the household's grocery shopping, and
- regularly visit grocery stores.

The respondents must be of age since they must have the right to be a part of contracts. They also must live in the central parts of Gothenburg since we have limited our study to only include this area. For the respondents to be conversant with the subject they must also have an own household or be responsible for the household's grocery shopping. The respondents must also regularly visit grocery stores in order to have a relation to the store and to have experienced failures.

3.5.2 Sampling frame

The data collection method we have used is a personal interviewing approach. By interviewing people personally the respondents had the possibility to ask us if there were any misunderstandings. Personal interviews also give the possibility to ask spontaneous follow-up questions and read the expression of the respondent. The interviews were made face-to-face.

There are two types of sampling methods; probability sampling and non-probability sampling. Probability sampling refers to "a technique of drawing a sample in which each sampling unit has a known probability of being included in the sample", whereas non-probability sampling refers to "a sampling process where the probability of selecting each sampling unit is unknown" (Hair, Bush, & Ortinau, 2006, p. 330). Our target population is relatively large and it is difficult to value the probability that someone of the population will be included in the sample. We consequently use a non-probability sampling method. There are four different non-probability sampling designs (Hair, Bush, & Ortinau, 2006):

1. Convenience sampling - samples drawn at the convenience of the researcher.
2. Judgment sampling - participants are selected according to an experienced individual's belief that they will meet the requirements of the study.
3. Quota sampling - participants are selected according to specified quotas regarding demographics, attitudes, behaviours, or some other criteria.
4. Snowball sampling - a set of respondents is chosen and they help the researcher identify additional people to be included in the study.

To decide which design that was most suitable we compared the four alternatives with regard to research objectives, desired accuracy, availability of resources, time frame, knowledge of the target population, scope of the research and statistical analysis needs.

With respect to those criteria we have used a combination of a convenience sample and a judgement sample. Since we have a relatively well defined target group people must fulfil certain requirements to be in question for the sample, thereby similar to a judgement sample. Our scope is not to give a complete description of the population's behaviour when it comes to grocery shopping. It is rather to

show patterns and tendencies that can inspire to further research and investigations. Therefore we decided to use a convenience sample to relatively easy come in contact with potential respondents. Respondents of the interviews were therefore selected on the basis of friends' and family's acquaintances. To receive wider insights to the topic we tried to include people of different age, gender and life situation. We also selected respondents depending on if they were committed to the topic or not since we wanted insights from both types of people.

When deciding an appropriate amount of interviews for the study, factors such as population characteristics, level of confidence desired, precision, and timeframe were discussed. This discussion resulted in a decision to interview eleven respondents. An amount of eleven respondents allowed us to include people of different age, gender and life situation, and thereby different characteristics of the population would be obtained. An amount of eleven interviews also gave a sufficient level of confidence to our study since it is not too limited. The amount was also sufficient for us to be rather precise in our description of the topic. Due to our time frame, we also found the amount of eleven interviews suitable. As our purpose of the study was to get a rich description of a special phenomenon we decided to use what Jacobsen (2002) calls small-N-studies. Such studies shall not include much more than five to ten interviews, since it will enable the researcher to get an overview and be able to interview each respondent more deeply.

3.6 The interviews

The accomplishment of the interviews followed the structure presented by Hair, Bush, and Ortinau (2006). After deciding that in-depth interviews were the most suited method to use to gain insights into the topic we started to prepare an interview guide. To construct a good interview guide we took factors such as framing, type of questions asked and sequence of questions asked into consideration. Supported by literature dealing with the subject, we decided to open the interview with a couple of rather easy and general questions to make the respondent feel comfortable and to make him/her getting used to the situation (Wärneryd, 1990). The rest of the questions were grouped into two themes, the first involving questions related to our second research question and the second involving questions related to our first research question. The reason for the change of order was that we did not want the respondent to become too focused on dissatisfaction and complaining, thereby overlooking positive aspects. The two themes were structured from general to more specific to general. Thereby we also avoided effects of context dependent responses. Finally the interview guide was ended with some background information. We also avoided to deliberately ask leading questions or to influence the respondents to respond in a certain way.

After the interview guide was set, we discussed where the interviews should take place. Since we addressed the private role of the respondents, not their professional role, we found it most suitable to perform the interviews at the respondents' home. Thereby the respondents could feel comfortable and relaxed. Performing the interviews in their home demanded us to be flexible and to adjust to the respondents' demands, making it easier for us to find people willing to be interviewed. In some cases it was not possible to interview the respondent in his/her home, then interviews were performed at their place of work. The interviews were performed in Swedish, since that is the native language of the respondents. The quotes expressed by the respondents have therefore been translated by us when used in the result and analysis chapter. The interview guide used as well as the translated version can be found in Appendices 2A and 2B.

As earlier mentioned the respondents selected for the interviews were acquaintances to our friends and family. After the interview guide was prepared and the environment where the interviews should take place was decided we contacted the potential respondents to introduce ourselves and to provide guidelines for the interview.

The interviews were performed face-to-face. One of us had the role of interviewer whereas the other took notes. To eliminate the risk of missing aspects of the responses from the respondents or to forget certain dimensions we also recorded the interviews, with approval of the respondents. All of the respondents were promised confidentiality.

When all of the interviews were performed the responses were carefully analyzed and the findings will be presented in the next chapter.

3.7 Credibility

3.7.1 Validity

Validity refers to "the extent to which the conclusions drawn from the experiment are true" (Hair, Bush, & Ortinau, 2006, p. 276). In other words a study that is valid measures what was intended to be measured, nothing else. Validity can also be expressed as accuracy and can be separated into two parts:

- Internal validity - refers to "the extent to which the research design accurately identifies causal relationships" (Hair, Bush, & Ortinau, 2006, p. 276). It involves threats to validity caused by internal factors, such as change of administration techniques.
- External validity - refers to "the extent to which a causal relationship found in a study can be expected to be true for the entire target population" (Hair, Bush, & Ortinau, 2006, p. 278). It involves threats to validity caused by external factors, such as weather, date, time and coincidences that make the study non-representative.

To ensure that our study is valid we have reviewed common mistakes to ensure that we would not fall into the same pitfalls as others have. We have valued the responses from each respondent equally and to achieve a realistic picture of the phenomenon. We have selected respondents of different background to make sure not to idealize the situation. By acknowledging these aspects the validity can be ensured according to Jacobsen (2002). After performing the interviews we had a discussion with the respondent regarding the subject to find out if the respondent found our research model probable and if he/she recognizes himself/herself in the results presented. We have also discussed our research model as well as our thoughts and feelings regarding the subject with our advisor as well as with other people in our surroundings. Other competent researchers have reached similar conclusions in other studies regarding the same subject, for instance Holmberg (2004) and Johnston and Michel (2008).

We explored patterns and tendencies by comparing the results from different respondents. When the same aspect was brought up several times we could see tendencies of different behaviours etcetera.

3.7.2 Reliability

An experiment must be able to be repeated with similar conclusions and findings. This statement is referred to as reliability (Hair, Bush, & Ortinau, 2006). The difference from validity, which guarantees that what is supposed to be measured is measured, is that it guarantees that the result is consistent over time, and is not situation specific. It can also be expressed as precision. The main method to guarantee reliability is by performing a true sampling of the target population.

To ensure reliability we have considered effects from the interviewer and the context of the interviews. To make sure that the respondents felt comfortable we performed the interviews in the respondents' home and used interviewing techniques that would make them feel confident and safe. Even though we are not professional interviewers we felt that we managed to have an objective approach and performing interviewing techniques such as probing considerably well.

The fact that the interviews mostly occurred in the respondents' home could have affected our results. However, considering that the subject is not sensitive and that we wanted to reach the respondents personal point of view, not their professional, we found interviewing them in their home the best option. To make sure that we quoted the respondents correctly we recorded the interviews and thereafter transcribed each interview. By doing this we ensured that we had acknowledged all the information given by the respondents.

These considerations have made us feel confident that the results are not too situation specific, they rather seem to be consistent over time.

3.8 Overriding research approach

To summarize which scientific approaches, research designs and methods we are using throughout the essay the picture below illustrates the alternatives chosen.

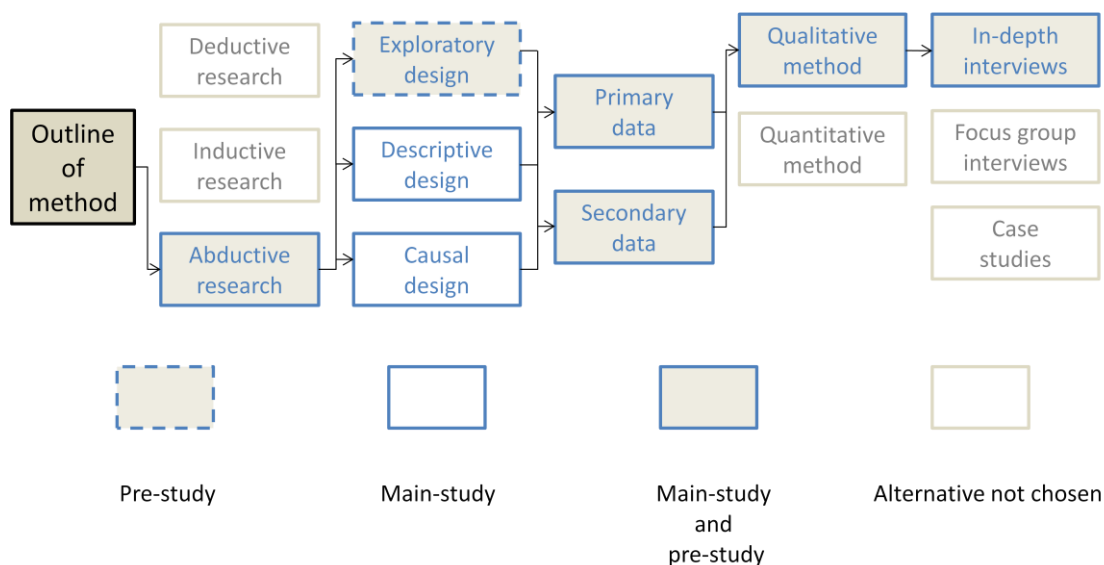


Figure 3.2 Method overview

3.9 Criticism towards selected methods

The main drawbacks with our chosen methodology are the disadvantages associated with qualitative studies. A risk is that the interpretation of the results could be subjective and that the sample of respondents is too small to make generalizations. We are aware of these weaknesses, but when performing a study of this character, interviews are the best options to gain rich and colourful descriptions, especially when probing techniques are demanded. This study is not intended to give a generalized picture of the entire industry. Rather it aims to show tendencies and patterns of certain behaviours and feelings, and to form the basis of future research.

4 Results and analysis



In this part of the essay you will enter into experiences of the respondents' daily life regarding grocery shopping as well as illustrative insights to their thoughts and feelings regarding it. To begin with we will describe the people we have interviewed and their grocery shopping patterns. Thereafter we will structure our insights from the interviews based on our research questions and information needs.

4.1 Respondents

The table below presents the people we have interviewed.

Respondent	Gender	Age	Occupation	No. of household members	Commitment
M31	Man	31	Employed	4 (wife and 2 children)	High
W63	Woman	63	Retired	2 (husband)	High
W35	Woman	35	Self-employed	4 (fiancé and 2 children)	Medium
W62	Woman	62	Retired	2 (husband)	Low
M27	Man	27	Student	2 (girlfriend)	High
W68	Woman	68	Retired	2 (husband)	High
W24	Woman	24	Student	1	Low
M68	Man	68	Retired	1	Low
M39	Man	39	Employed	5 (wife and 3 children)	Low
W52	Woman	52	Employed	2 (daughter)	High
W21	Woman	21	Employed	1	Low

Table 4.1 Respondents

4.2 Grocery shopping patterns

We began our interview by exploring our respondents' grocery shopping habits. We first wanted to find out which the most important factors are when choosing a store/stores, how often the respondents go grocery shopping, how long they have been customer in that/those stores, when and where they go grocery shopping.

- Why
- How often
- When
- How long
- Where

According to our respondents, the most important factors when choosing a grocery store are localization, a wide range of products, fresh groceries, easy to find in the store and a neat impression of the store. Respondents with small children and some of our elder respondents also requested good parking space. Product range seemed to be extra important, M31 said, "It should have everything, I don't want to run around you know. Say that you want to have desert cheese and just cereals you know".

The respondents that have children shop more often than those that do not. We could also see a pattern that those who are employed or studies mostly go grocery shopping on their way home from

school/work, whereas our retired respondents go out specifically to shop groceries. How long our respondents had been customer in their store varied a great deal. Some who were satisfied and committed to their store had been loyal customers for up to ten years. But other respondents that also were loyal could have been customer for example three years. How long the respondent had been customer depended on how long they had lived in the area and how long the store had existed in the area.

According to Supermarket (1998) 20 percent of the Swedish population do not have one main grocery store. Our study showed that four out of eleven had one main store and the rest of the respondents had two or more stores from different chains that they regularly visited. Out of these four, three of the respondents (W52, W63 and W62) chose one specific store even when they had several other stores to choose from in the same area.

Customers are often more behaviourally loyal than emotionally loyal, which is supported by Söderlund (2001) and Rundle-Thiele (2005). It is preferred when customers are both emotionally and behaviourally loyal, so-called composite loyalty, since the customer then has a strong loyalty towards the store. The aspects we have considered so far shows that most of our respondents are behaviourally loyal to one or two stores. When customers show signs of being emotional loyal, they emphasise the employees of the store. For instance W52 said that her store had such nice employees, although she liked some more than others, she felt familiar with the staff. M68 also stressed that his favourite store had very nice employees, and went rather far away from his home to shop there. It seems that when being emotionally loyal, you are being loyal to a specific store because you feel some sort of relation to that store rather than to the chain. Those respondents being loyal to a chain expressed that they know what to expect and what to get from it. That they had gotten familiar with the concept and that it is convenient to stay within the same chain.

It is rare to have strong loyalty to one store, according to Holmberg (2004) this depends on that customers have relative low commitment when they choose grocery stores. We asked our respondents if they were committed to groceries and grocery stores, and the answers were shattered. W21 expressed that "No, not at all!" whereas M31 said "I'm rather picky when I choose".

It seems according to our respondents that their commitment has increased during the last couple of years. Food has gotten more attention and customers have become more aware of ecological products and additives in food. Five of our respondents declared to have high commitment, one medium and five low. It do not seem to be a pattern regarding age, gender or occupation, if the respondent is committed or not, but it does seem to be a general trend towards commitment.

What we can see is that the commitment is directed towards groceries rather than to the stores, but due to commitment to groceries some stores, mostly cut-price stores, are eliminated from our committed respondents selection of considerable stores, simply because they do not live up to the standard regarding range of products, fresh groceries, clean stores, etcetera. It also seems that commitment may increase when having children, since only one out of four respondents with children declared to have low commitment.

Ten out of eleven respondents said that they liked their store/stores, but if they were to move, closeness to the new address was more important than a specific chain as long as the store held an equivalent standard. But if given the opportunity to choose in the new neighbourhood it seems that

at least some of the respondents would choose their current chain, because they know what to expect and chains often have similar layout of their stores.

4.3 How do dissatisfied customers in the grocery retail industry act?

Grocery stores mainly offer products, even though service is an important aspect of the delivery of the products. Customer dissatisfaction consequently often involves product failures. Seven of the respondents expressed that they become dissatisfied when products do not live up to the predetermined standards of it. For example, W68 became dissatisfied when a bottle of cider did not contain the appropriate level of carbon dioxide, which made it taste like vinegar, and W24 expressed that she became dissatisfied when avocados she intended to purchase were green so that they were uneatable.

However, grocery stores also offer a service in the aspect that they promise to offer a certain range of products. They also provide service in the store. Two of the respondents expressed that they have become dissatisfied because of a service failure and one expressed that he had become dissatisfied both because of a product failure and of a service failure. W35 expressed that she became dissatisfied because the store lacked certain products and M68 became dissatisfied because the store did not offer meat in individual portions. Several of the respondents also stated that they miss certain functions, for example some of them missed a manual delicatessen counter. Such dissatisfaction is however not a result of a certain failure, it is rather a general dissatisfaction.

These findings correspond well to the description of how service failures arise, made by Zeithaml, Berry, and Parasuraman (1991). Even though they only address service failures, not product failures, tendencies to similar behaviours occur among our respondents. When a gap between perceived standards and adequate/predicted standards is created a failure arises, irrespective of if it is a matter of products or a matter of services.

We found that some of the reactions from a failure can be compared to Folkes (1984) opinions regarding the link between cause and behaviour. All of the failures brought up by our respondents were viewed as matters that the company could have prevented. Some of the respondents recognized the difficulty in deciding who is responsible for product failures, the producer or the retailer. All respondents but one did however argue that retailers always have some form of responsibility, in the way that they have the possibility to influence their range, and in that way all product failures can be blamed on the grocery store. The respondents also discussed if failures were permanent or not, but we do not see a clear link between that cause and a certain behaviour. That the different failures, in despite of who was to blame or if it was permanent or not, lead to different reactions is however apparent, and we rather see a link between situation of life and behaviour.

The thoughts and feelings that accompanied the failure differed between the respondents. However common to all respondents were that failures triggered some level of frustration. Respondents with children seemed to become more upset after a failure and M31 described a situation where he was standing by the stove and had just started to cook. The children were hungry and as usual they were running around his legs making noise. When he opened the cream he realized it was off. At that moment he said no apologies or compensations could have lessened the damage, "you just want them to bring a new cream to your house immediately, but naturally they don't do that". He also said he probably would not complain after such an incident, more likely he would change store.

Those respondents who had retired were less affected from failures and several of them stated that they did not want to complain, W68 and W52 even said they would feel ashamed if they complained. In general retirees were also more forgiving; as W68 put it “we all do mistakes”.

4.3.1 How do customers complain?

According to Zeithaml, Bitner, and Gremler (2006), dissatisfied customers can react in two ways; by complaining or by not complaining.

Six of our respondents expressed that they had complained when they were dissatisfied whereas five had not complained when they were dissatisfied. Compared to the views of Timm (2001) and Harari (1997), who argue that most dissatisfied customers do not complain, the frequency of complaining customers seems to be relatively high. This finding will be further discussed in section 4.3.3 and will therefore not be further analyzed here.

If customers decide to complain they have three different options; to turn to the provider, to turn to family and friends, or to turn to a third party (Zeithaml, Bitner, & Gremler, 2006). All of the respondents, who expressed that they had complained, complained to the provider, which is directly to the store. The complaining customers we interviewed could therefore easily be viewed as so called voicers (Zeithaml, Bitner, & Gremler, 2006), but after deeper conversation that did not seem to be true, because all of them stated that they also complained to family and friends. Thereby they rather showed tendencies to being irates (Zeithaml, Bitner, & Gremler, 2006). None of the respondents complained to a third party.

The most common way to complain seems to be to the frontline personnel. W63 had two experiences from failures that lead to a complaint. Both times she returned to the store and complained to the front line personnel, and in one case the front line personnel said she should talk to the store manager.

In similar ways, M27 took the complaining as a matter of course “As with all other products, if you are not satisfied with a certain product you have the right to return it and get a new product or have your money back”. Therefore he went back with his jar of fermented jam and confronted an employee.

W68 described another situation where she was at the store in another matter and ended up chatting with one of the personnel. They were talking about a lot of other subjects and incidentally she mentioned that she was dissatisfied with a bottle of cider. She had not really intended to complain, but as she stood there talking to the nice employee she felt confident enough to bring it up, otherwise she said she would have had to be really upset with something to make a complaint.

Some customers expressed that they complained if they were dissatisfied with something, but only under certain circumstances. They fall somewhere in between complainers and non-complainers. Typical examples of such customers are parents of small children, where for example M31 said he would only complain if he discovered the failure before he left the store.

As mentioned above another pattern is that there seems to be strong tendencies for dissatisfied grocery customers who complain, to also tell family and friends. All of the respondents, who expressed that they had complained, had also told family and friends about their bad experience. Some of them gladly expressed that they would tell family and friends, for example W63: “Yes, I

certainly have”, and W68: “Yes I have, especially when having dinner with my girl friends”. W35 were more restrictive, and said “If someone has been rude or if I have been offended, then I will spread it, but not just if the food was bad”. M27 specified that he would tell at least seven friends and he also said he would spread it on the internet, for example by Twitter and Facebook. The propensity to spread negative word of mouth therefore seems independent of age, gender and situation of life. However the propensity to spread negative word of mouth about grocery stores on the internet, so called eWOM, is overall low and, if at all, only seems to be valid among young people.

This high rate of negative word of mouth is a threat to grocery companies since Harari (1997) argues that it is one of the most powerful tools of marketing. Service recovery is therefore of great importance to grocery companies since well managed service recovery efforts reduce dissatisfaction and thereby the spread of negative word of mouth. This view is also supported by Hocutt, Bowers, and Donovan (2006).

4.3.2 How do customers act if they are dissatisfied but do not complain?

Dissatisfied customers can express their dissatisfaction in four different ways; to complain, to reduce consumption, to stop buying or to leave the store for the benefit of a competitor (Echeverri & Edvardsson, 2002). Our respondents were asked questions regarding how they respond to failures. As mentioned earlier five of them said that they had never complained. Two of the respondents who said they did not complain, did however do it in the views of Zeithaml, Bitner, and Gremler (2006), since they told family and friends about their dissatisfaction and thereby spread negative word of mouth. That leaves three respondents who never complain in any way.

Common to the respondents who did not complain was that they intended to stay with the store unless failures would occur repeatedly or if a more serious failure would occur, they thereby are so called passives (Zeithaml, Bitner, & Gremler, 2006).

The two respondents, who said they did not complain, but did complain to family and friends, can be compared to what Zeithaml, Bitner, and Gremler (2006) call irates. We do not however believe that those two respondents are true irates since they did not seem to be as angry as a typical irate. They rather seemed to have elements of both irates and passives, since they stayed with the store but told family and friends, and only in worst case changed to another store.

One of the reasons for not complaining directly to the store seem to depend on low commitment rather than being angry and not wanting to give the company a second chance, thereby showing tendencies of passivity. Some of the respondents argued that the failure was too small in relation to what effort it takes to return to the store and complain, for example as W21 put it: “I would probably never have the time and energy to go back, it is much easier not to bother” and as W52 said: “It has to cost more than 30 to 40 Swedish crowns, for me to have the time and energy to complain”.

Another reason for not complaining seemed to be that customers believe that it does not help to complain, since they want it solved directly. W24 for example said that if the store is out of a product the front line personnel cannot bring forth that product, and therefore she would not bother to complain. W35 highlighted another aspect of the situation. She said that “in some stores there is no one to complain to”, and W68 found it difficult to express her thoughts: “I don’t know if they have the ability to handle complaints. Often employees have the attitude ‘don’t complain to me, complain to someone else’, but then there are those who are nice. It is very irregular.” M31 see both

of the problems: “I don’t have energy to stand there and argue with someone at the checkout or whoever it is that is there – what are they able to do?”.

These findings support what Danilov and Hellgren (2010) discuss regarding employees of retail companies. Many customers seem to believe that employees have low commitment to improving the shopping experience for their customers. Customers also seem to have a rather short term approach to making complaints. They only care about the present situation and do not see complaining as a way to improve processes and thereby avoiding failures to arise in the future. They do not seem to have the feeling of social obligation that Zeithaml, Bitner, and Gremler (2006) discuss.

An interesting finding is that many customers were more willing to change store, rather than to complain. The propensity to change store are different from person to person. Some of the respondents said they would change store after just a small failure and saw it as a way to punish the store whereas others demanded a more serious failure to change store. This is true not only for customers that did not complain, but also for some of the customers who did complain. All customers did however say that they would change store if a serious failure occurred or if failures occurred regularly. W52 defined serious failure as “a bad treatment” and M27 referred serious failures to “scandals such as the minced meat scandal, bad health standards, bad service and if the store is a bad employer”. These findings support the model created by Johnston and Michel (2008), which illustrates the different elements of service recovery. The element called process recovery are of great importance to grocery retail stores since if problems occur regularly, customers change store.

The propensity to change store is also related to how many stores the customer regularly alters between. Those who said they would easily change store often had several stores they altered between, and those who demanded a more serious failure to change store often had one or two main stores. The phenomenon of changing store also involves aspects of short and long terms. When failures are small and not too serious respondents expressed that the change of store was temporary, whereas more serious failures lead to a permanent change of store.

The three alternatives not involving complaint, discussed by Echeverri and Edvardsson (2002), thereby seems to occur, but to different extent. To reduce consumption in combination with changing store seems to be the most frequent response to failures. To simply stop buying do not seem to occur at all. Customers want their products, and if they cannot or do not want to buy them in a certain store, they simply turn to someone else.

4.3.3 What do customers complain about, and what do they not complain about?

As mentioned earlier six of eleven respondents answered that they at sometime had complained directly to the store after a failure. With respect to earlier research this is a relatively large share (Harari, 1997) (Timm, 2001). Further interviewing did however reveal aspects that explain this pattern.

Already in the pre-study we saw tendencies for a pattern that there were differences between dissatisfactions customers complained about and dissatisfactions customer did not complain about. That was a finding that we wanted to investigate further wherefore one of the information needs questions address the tendency. The tendency revealed in the pre-study also proved to be valid in the main study.

Based on our interviews, a pattern is that customers, despite age and gender, tend to complain about and return damaged products and products that do not live up to the standards. They do however not complain about general dissatisfactions that are more crucial to their choice of grocery store. The most important part of this finding is that customers change store because of general dissatisfaction. Grocery stores consequently risk to lose customers if they do not find a way to get to know such dissatisfactions.

This finding was present in several aspects. First of all, many of the respondents who said they did complain only complained on certain matters. W35 put it like this: "I complain if I get a bad product, but I don't complain if I think that the store is bad in general, then I just change store". In other cases they changed store instead.

Those respondents who specified what they had complained about, all addressed specific products, such as a bad bottle of cider, a jar of fermented jam, a Christmas ham that was uneatable, and bad shellfish. When the respondents were asked what they were most dissatisfied with and what it would take for them to change store several answered general dissatisfactions such as bad fruit and vegetables in general, lack of a manual delicatessen counter, difficulty to find products, bad organization of the store and that employees had a bad attitude. When confronted with the question if they had complained about that dissatisfaction, neither of them said they had. M31 put it like this: "I have not complained about that my store lack a decent range of delicatessen. I purchase those products in another store instead." And W63 said "I haven't brought attention to it, I really ought to".

Another aspect was that all respondents, in despite of if they had complained or not, answered that a failure that is serious enough or failures occurring regularly would make them change store without giving the store a chance to improve.

These findings indicate that grocery stores may falsely believe that their customers are so called voicers (Zeithaml, Bitner, & Gremler, 2006), who tell the store what they are dissatisfied with enabling the store to improve. In reality the customers may instead be so called activists or irates (Zeithaml, Bitner, & Gremler, 2006), who either complain regarding certain issues but change store and spread negative word of mouth regarding other issues, or do not complain at all, just change store.

4.4 Is it possible that effective service recovery in the grocery retail industry could make customers become more emotionally loyal and spread positive word of mouth?

4.4.1 Does the service recovery paradox exist?

The service recovery paradox is a well discussed subject, and the opinions differ. Zeithaml, Bitner, and Gremler (2006), Etzel and Silverman (1981) and Johnston and Michel (2008) are some of those who support the paradox. When exploring our respondents' experiences from service recovery we found tendencies for the service recovery paradox to exist in the Swedish grocery retail industry. To find out how the service recovery was made, the respondents were asked several questions regarding how they experienced the store's actions.

Six out of the eleven respondents had complained, and five of them were satisfied with the treatment they got from their main store. Respondent W63 happily said, "I was given two extra Christmas hams of the best quality and I got my money back for the two I returned". Two out of the

five complainers had been treated badly when complaining in another store than their main stores. One of them was respondent W63 who told us about a situation when she bought shellfish and the employees had been very unfriendly when she wanted to return the shellfish that clearly was off. She both had to nag and rail at them before she got her money back. W63 said, "I will never buy shellfish there again". This indicates how important the employees' behaviour is when a service failure has occurred, which is also recognized by Östgren (2005) and Schmidt Thurow and Sköld Nilsson (2008).

Even though most of the respondents were satisfied with the treatment the store delivered, it seemed like stores often take the least possible action regarding compensating customers when service failures occur, a pattern also discussed by Harari (1997). It was clear that customers that had been very friendly met and overcompensated were more satisfied than those that just got their money back. In comparison to W63, who was very happy, another respondent, M27, although being satisfied in the end said that he felt disappointed with the cranky shop assistant's unfriendly attitude who had directed him to talk to the staff in the checkout counter instead. Luckily the employee he met there was much friendlier and gave him his money back, which made him feel satisfied with the service recovery after all. When it comes to elements of service recovery empowerment is therefore a crucial dimension of a successful service recovery effort, as Boshoff and Leong (1998) argue.

Four of the respondents that had complained said that they were more satisfied after the service recovery than they were before a situation of failure had occurred. In addition to these four, respondent W63 said she felt safer when she went grocery shopping now because she knew that the store would compensate her. She also expressed that she was very happy with the store's actions in the matter. W24, although she did not complain, said that she thought that she probably would be more satisfied with the store if being compensated after a disappointment. Only one respondent, who did complain, W35, declared that she was not more satisfied after the service recovery. W35 said that if she was to get more satisfied the employees would have to be very friendly and she should have been overcompensated. Otherwise she declared to be "too pissed off to feel any joy of how they treat me". This statement again indicates that it is more difficult to recover parents of small children. Service recovery is often depending on its context (Zeithaml, Bitner, & Gremler, 2006). If it is important for the customer that the service does not fail, as when cooking dinner to your children a stressful evening, it is more difficult to recover him/her and it will probably take more overcompensation. This also indicates that the best strategy is to make it right the first time, as supported by Zeithaml, Bitner, and Gremler (2006), but if a failure occurs anyway, well performed service recovery may create a happy customer.

When encountering a service failure the employees' behaviour during the service recovery is very important since this seems to strongly affect the customers' attitude towards the store. A well handled complaint management could create positive attitude towards the employees, illustrated by W68, who said that "her relation to the employee was strengthened". When relations to the employees are strengthened so will the relation to the store. Another example that illustrates the importance of employee behaviour is M68 who passes several stores when he is driving the extra kilometres to reach his favourite store, just because "it has such nice employees". Hence he makes extra effort to go to this specific store. Attitude and effort are both measurements of emotional loyalty (Söderlund, 2001). It thereby seems that employees are very important when making customers emotional loyal.

4.4.2 Do customers spread positive word of mouth when being satisfied with their grocery store/stores?

In general, customers seem to be satisfied with their main store/stores. When faced with a scale ranging from 1 to 10, where 1 corresponds to not satisfied and 10 corresponds to very satisfied, most respondents answered between 7 and 9. This indicates a general satisfaction, but also that most stores have areas that could become improved, a pattern also evident when respondents had to motivate why they gave their store/stores a certain grade. For example W52 said “there are always details that can be improved”.

Another indicator of that customers in general are satisfied with their grocery stores is that all but one expressed that they were satisfied enough to recommend their store/stores to family and friends. The topic did however not seem to be a subject the respondents frequently discussed and many respondents expressed that they speak well of their store/stores if the subject is brought up, but not a subject they really had to tell their friends. For example M39 said, “Yes, at the times we discuss it”, and M31 said he would tell friends who had recently moved into the neighbourhood.

Respondents were also asked if they would tell family and friends about a positive service recovery experience. Three of the respondents answered that they had told family and friends about the experience. Common to those three was that they were extraordinary satisfied with the way they were treated. They had either been overcompensated, such as W63 who both got her money back and received two new hams “of best quality”, or very friendly treated, such as W68 who were very satisfied with the way the employee had treated her. One of the respondents also told us about her friend that had gotten a value check when the shop assistant had charged her too much, showing that customers spread positive word of mouth when something out of the ordinary happens.

Spreading positive word of mouth is a strong indicator of loyalty as argued by Söderlund (2001) and Reichheld (2003) in (Rundle-Thiele, 2005), consequently by that measure an effective service recovery treatment creates satisfaction, which builds customer loyalty as argued by Kau and Loh (2006) and Timm (2001). Customers could consequently be moved from the lower right square to the upper right square of Söderlund’s (2001) model, thereby becoming what Schmidt Thurow and Sköld Nilsson (2008) call a dream customer instead of a hostage.

4.4.3 How should a store act to make customers recommend it to their friends?

The insights retrieved from the interviews are that customers that are really satisfied with their grocery store/stores and tell family and friends about it if the subject is discussed. Customers that experience outstanding service recoveries also seem to tell family and friends, even though the subject is not brought up. Grocery stores consequently have much to earn by performing service and service recovery in a satisfying way.

Despite several stories of good and friendly treatments, our respondents witness of a situation where grocery stores do not do anything actively to encourage customers to complain or give feedback. None of the respondents have seen any such activities. W63 put it like this: “I have never experienced that they ask questions, as a survey for example, to find out what you think. That is quite strange actually”.

A finding from the interviews is also that the respondents did not see complaining of general dissatisfactions as complaints. They rather viewed it as feedback or areas of improvements. Almost

all of the respondents were willing to give their stores some feedback, for free or for some compensation. Many of the respondents were very positive and came with many good ideas of how they could leave feedback or complaints as well as how the stores can improve their service regarding specific and general failures. Some of the respondent really found it strange that the stores did not do anything actively to get feedback from the customers when they started to think about it.

Another finding discussed above is that employees in grocery stores have an important role in making customers become satisfied and thereby spreading positive word of mouth, since it seems like it is the employees who make customers take extra efforts just to go to their specific store. For instance M68 passes several stores and drive rather far just because his favourite store has “such nice employees”. W52 also expressed that she is very fond of the staff in her store, and if she encounter a failure she will let them know quietly, so that no other customers can hear. Consequently the employees are important. Some of our respondents that currently did not have any closer contact with their stores’ employees would like to feel a closer relation.

The service recovery strategies discussed by Zeithaml, Bitner, and Gremler (2006) are all relevant to grocery stores. It does however seem to be most vital for grocery stores to focus on the below listed strategies:

- encourage and track complaints – a wish from our respondents is that the grocery stores should take the first move and actively encourage giving feedback.
- act quickly – grocery shopping customers do not have the time and energy to wait for certain products, or to wait for a compensation. They want it directly.
- cultivate relationships with customers – a strong relationship makes the customers more forgiving and also makes them have a more favourable approach to complaining.
- treat customers fairly – customers counts on being fairly compensated. Grocery stores should rather try to overcompensate customers to make them extraordinary satisfied and thereby emotionally loyal.

It also seems like the best approaches for grocery retail companies to use are to encourage complaints or to have the approach that Etzel and Silverman (1981) call acquiescence, despite the associated disadvantages. High costs are inevitable, but these may, according to us, be offset by future sales. The moral hazard problems that may arise are according to us not that relevant in the grocery retail industry. We do not believe that groceries are valuable enough for customers to systematically put time and effort onto complaining, to save a couple of bucks.

4.4.4 Are customers affected by positive word of mouth?

Our main purpose of the study is to explore if service recovery could generate emotional loyalty. We also addressed positive word of mouth as a measure of loyalty, supported by Reichheld (2003) in (Rundle-Thiele, 2005). Positive word of mouth could also function as a marketing channel. We therefore asked the respondents whether they were affected by any form of word of mouth, good or bad regarding grocery stores.

Most of the respondents declared not to be affected of what their friends said about the store that he/she shops in. All of the respondents said that they had their own opinion that weighed stronger regarding their store. Two of the respondents, M31 and M27 said that it could depend on what it

was. If their friends had been treated badly or if the store had bad employee moral they both said that they might switch store for a while, but that they probably would return soon again.

It seems that customer are more affected by word of mouth regarding other stores than their own, because all of the respondents said that they were affected by positive word of mouth regarding other stores. They all indicated that they would try the other store once and then build their own opinion. If the store was as good as their friends said it was, they might shop there once in a while. But it also seemed as if the other store was not close enough, they would not switch store, but occasionally visit it.

Nine out of eleven said that they were affected by what media says and writes about grocery stores. However, most of them added that it probably only would affect them in short term. M31 said that he was too convenient to change store and gave an example of a meat scandal that only affected him on a short term. He illustrated this by the following quote: "this god damn Danish pork tenderloin, I don't want to eat that. But all of a sudden you eat it and think; two for hundred, damn this is good!"

Word of mouth consequently seems to have different influences in the industry. Positive word of mouth can be utilized as a marketing channel to attract new customers. The store must however fulfil certain demands from new customers for them to keep returning to the store.

5 Conclusions, recommendations and theoretical contribution



In the last part of our essay we will summarize the findings of our study in order to answer the research questions addressed in the introduction and to return to the purpose of the study; to explore if it is possible for grocery retail companies to create emotional loyalty by effective service recovery. Recommendations for how that can be made will be given as well as suggestions for future research.

5.1 Conclusions

To make the theoretical contribution of our essay easier to follow our conclusions will be presented according to the research questions addressed in the introduction.

5.1.1 Grocery shopping patterns

The most important factors when customers choose a store are that the store is located conveniently, have a wide range of products and fresh groceries, a neat overall impression of the store and that it is easy to find ones way in the store.

Different types of people have different types of shopping patterns. It seems that customers with children shop food more often than those who do not have children, who consequently have smaller households. Customers who are employed or study usually shop on their way home from work/school whereas those who are retired go shopping as the main purpose. Regarding how long a person has been customer in a store depends how long the customer has lived in the area and for how long the store has been located in the area. If satisfied with the store, and with the two conditions above being fulfilled, customers can be loyal to their store for many years. It is more common to have two or more main stores than to only have one. There are tendencies for that most customers are behaviourally loyal but those who show tendencies of being emotionally loyal stress the importance of the employees. All customers seem to like their store/stores but most of them also say that there is always room for improvement.

It also seems that commitment regarding food and grocery stores has increased during the last couple of years. The reason for this seems to be all the extra attention the food industry has gotten lately from being written about in books and magazines to all sorts of TV-shows and observed in the news.

5.1.2 How do dissatisfied customers in the grocery retail industry act?

All of our respondents have experienced service failure and have consequently been dissatisfied. As good as everyone thinks that retailers have some form of responsibility regarding such failures. The common thought is that even though retailers do not produce the products, they have the responsibility regarding what they buy and consequently sell in the store. Customers do business with the store, and the stores in their turn have to do business with the producers, hence put demands on the products.

How strongly customers react when service failures occur varies a great deal. It seems that customers with children react stronger than those who are retired. Some of our retired respondents have an attitude of "we all make mistakes" whereas the more stressed out parents become very annoyed and hence put higher demands on the store. If failures occur they want the problem solved

immediately and with excellence. Consequently it seems that it takes more effort and compensation to make a customer with high demands satisfied after a service/product failure.

When service failures occur customers react in different ways. Though failures might be small most customers take part in some type of complaint action. It is a 50 percent chance that customers complain and when doing so the most common way is to complain to the frontline personnel in the main store, but customers also spread word of mouth by telling friends and family about the incident. Negative word of mouth is usual among customers since it is common even among those who do not complain to the store to spread negative word of mouth. It does however seem rare for customers to engage in eWOM, since only one of our respondents was willing to spread word of mouth on the Internet.

If customers are dissatisfied but do not complain they reduce consumption or change store, they do not however stop buying. Customers seem to want their products and if unable to get it in one store, or do not want to buy it in one specific store for some reason, they will buy it in another store.

Since most failures are small, it seems that they only have a short term effect, in other words it seems as customers forget about the failures after a while since the failures are not severe. This could however result in that customers temporarily switch store as a quiet protest. If however the failure is more severe, such as a general dissatisfaction, it could result in permanent change of store.

Customers that forget to complain when in store express that they neither have the time nor the will to make the effort to go back and complain another time, this do however not say that the customer will not tell his/her friends about it.

As figure 5.1 illustrates, the tree most common ways to complain among our respondents are to complain to the provider as well as to family and friends, to complain to family and friends as well as sometimes to temporary switch store (most of them switch back after a while) and finally some respondents choose to stay passive and stay with the store without telling anyone about their dissatisfaction. If failures are severe enough or if they occur frequently customers will eventually shift store.

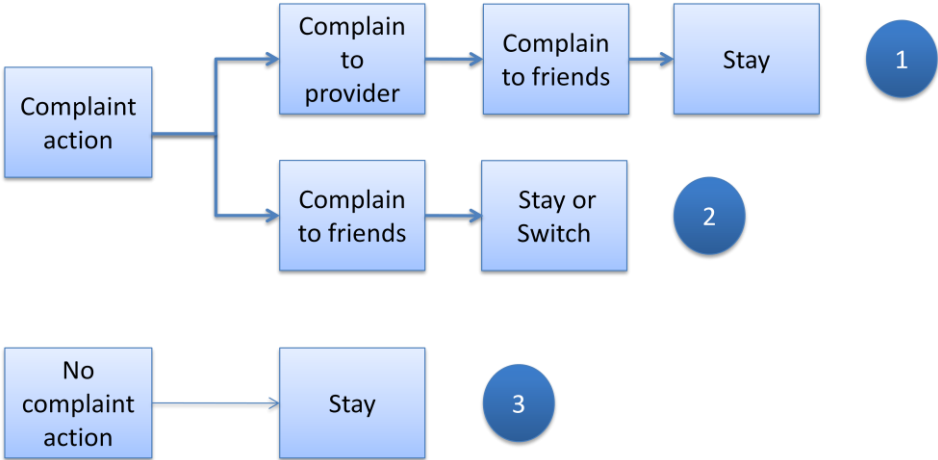


Figure 5.1 Conclusions: customer reactions

Customers that do not complain seem to have low commitment to the store and express that the failures usually are too small in comparison to the effort it takes to return to the store and complain.

Some customers also believe that it will not help to complain, they want the problem solved instantly and they do not trust that the employees will be able to help them. They feel unsure of the employees' competence and attitude. Many customers are willing to change store rather than to complain to the store but reasons behind switching store differ between customers. For more tolerant customers it would take bad attitude from the employees and that he/she had been treated badly, whereas for the more sensitive customers such as the group of parents of small children, a package of bad cream could be enough to temporarily change store. How easily customers switch store also depends on how many decent stores the customer has nearby.

Whether customers complain or not depends on what kind of failure the customers have experienced. Our study has revealed tendencies for that those customers who complain, complain about specific product failures or products that do not live up to the standards, in other word such failures that they believe could be solved instantly. Customers do however not complain on more general disappointments. Such disappointments have shown to be larger factors when considering changing store. Even customers who do complain on product failures do not complain on general failures. This is an important issue for stores to address, since today, concerned stores might believe that customers are satisfied since they do not complain. This could be dangerous since our study has shown that general failures could make customers change store without telling the store what is wrong and without giving the store a second chance to improve. More simple failures such as product failures are often redeemed when customers complain, but it seems that customers do not trust the store to redeem general failures and are therefore not willing to make the effort and give that type of feedback to the store.

5.1.3 Is it possible that effective service recovery in the grocery retail industry could make customers become more emotionally loyal and spread positive word of mouth?

In the discussion regarding the existence of the service recovery paradox, we have found tendencies for the paradox to be true. It seems that customers are in general satisfied with the service recovery actions taken by the store and most of them are even more satisfied than if no failure had occurred. Again it seems that customers with high demands, such as parents with small children, are more difficult to satisfy since the only respondent that were not satisfied was a small child parent. This also indicates that the best strategy is to do it right the first time. But since failures always occur anyway a well performed service recovery could create happy customers.

Even though most customers are satisfied, it seems that stores often take the least possible action to redeem failures. During a service recovery the employee's behaviour is very important and therefore empowerment is a crucial dimension of service recovery.

It is clear that those customers who have been very friendly met and overcompensated are happier than those who just got their money back. Employee behaviour is also very important since it affects the customers' attitudes towards the employee. There are tendencies for a well handled service recovery create positive attitude towards the employee and hence towards the store. Therefore employees are very important when making customers emotionally loyal, since both attitude and satisfaction are measures of emotional loyalty.

Another strong indicator of loyalty is when customers spread positive word of mouth. There is a tendency for positive word of mouth to occur when customers are very satisfied with their store. Customers are in general satisfied with their store and speak fondly of it when the subject is brought

up. Additionally most customers would also recommend the store to friends and family. There are also tendencies for customers to spread positive word of mouth to friends and family without the subject being brought up, a phenomenon that seems to occur when the customer has experienced an extraordinary service recovery, meaning a service recovery where the store did more than the least possible action. Such actions could be employees being extra friendly and helpful, overcompensating the customer or giving the customer value checks.

Today most stores do not seem to do anything actively to encourage feedback from customers. Most customers are willing to give feedback to the store enabling it to make general improvements either for free or in exchange for some compensation. Stores should encourage both feedback and complaints to know how to improve and to find out general disappointments that customers have to avoid that they may change store. Even though high costs for these actions are inevitable we believe that they will be offset by future sales when making customers stay in the store voluntarily and not being a hostage that will switch store when giving a chance. The actions may therefore generate income both through keeping customers by making them emotionally loyal, and by attracting new customers when loyal customers spread positive word of mouth. Our study has shown that customers are willing to try new stores when their friends and family recommend it, and if the store is good enough they may switch after building their own opinion. However, customers do not seem to be affected about word of mouth regarding their own store since they declare that their own opinion weighs stronger. Something that affects most customers to different extents is when food issues is observed by media, good or bad, it influences most customers' behaviour but only in short term.

5.1.4 Summary of conclusions

Out of the above discussion we have been able to draw the following conclusions regarding our purpose:

- All dissatisfied customers do not complain
- Customer complain on product specific failures
- Customers do not complain on general disappointments
- Most customers complain directly to the frontline personnel
- Dissatisfaction may result in switching store
- Word of mouth is common
- There are tendencies for the service recovery paradox to exist
- Satisfied customers spread positive word of mouth when being extraordinary treated
- Customers are affected by positive word of mouth to some level
- Well performed service recovery creates positive attitude towards the employee and to the store, hence tendencies of creating emotional loyalty exist

5.2 Recommendations

On the basis of the study we have performed we have formulated a couple of recommendations for how grocery stores can increase customer loyalty. With regard to the scope of our essay we mainly address recommendations for how service recovery can be improved.

5.2.1 How do dissatisfied customers in the grocery retail industry act?

Regarding specific product failures, half of our respondents complain. Those who do not complain probably would not complain even if their store encouraged complaint actions. A possibility could

despite that be to simply ask customers in the cash desk how their shopping experience have been. In the cash desks where customers who have used a self scanning system use such a question is often asked. Asking the same question in the ordinary cash desk would not cause any extra costs or efforts for the store. It would therefore be a rather easy strategy to implement. By such a simple question customers would not feel that they complain, rather that the store cares about them and wants them to feel satisfied.

Regarding more general dissatisfaction, none of our respondents complained. Grocery stores therefore should encourage customers to provide feedback. Such feedback could be retrieved in several ways. Two alternatives could be to perform surveys in the store, for example at the entrance or check out, or to invite customers to engage in regular focus-groups. All of the respondents expressed that were willing to give feedback without any compensation in return, but it would be a nice gesture to offer compensation in return for for example participating in a focus group.

Our respondents have also expressed that if stores decide to actively encourage giving feedback they must also show results of it. They could for example put up a sign that says something like "thanks to your feedback we have now employed more personnel". Grocery stores should both treat customers a source of knowledge and consequently also thank/compensate them for it.

Another wish from our respondents was for stores to establish a more personal relationship to their customers. An example to perform this could be to set up service desks for every department of the store. At the desk there should be signs showing who is in charge today and who the customers can turn to if they have any questions or complaints.

When complaining to family and friends without complaining to the store, the friends will only hear about negative aspects. If however the store had encouraged feedback, they would have been able to redeem the failure hence the friend might also hear about the positive outcome.

5.2.2 Is it possible that effective service recovery in the grocery retail industry could make customers become more emotionally loyal and spread positive word of mouth?

For customers to become satisfied enough to be emotionally loyal and thereby spread positive word of mouth our respondents expressed that the store must treat them extraordinary well after a failure or that they become overcompensated. The store consequently should improve their service recovery system since most stores only seem to replace the faulty product and not even apologizing.

Our study, as well as previous research, revealed that employees have a crucial role in the service recovery process. A problem in the industry in general seems to be that front line personnel lack the competence, approach and attitudes to create a personal relation to the customer. This problem is more of an internal organization/management challenge that grocery companies must address to be able to improve the service recovery.

Customers wish to meet personnel that are highly devoted to their store and they also want front line personnel to have the power to solve upcoming issues and to have the power to give compensations.

5.2.3 Summary of recommendations

- Encourage complaints
- Empower the employees
- Act quickly
- Apologize
- Build relationships to the customers
- Turn negative attitude to positive through service recovery
- Overcompensate – give extraordinary service recovery
- Establish service centres in store
- Ask for feedback by the cash desk
- Display improvements made possible by feedback from customers

5.3 Theoretical contribution

The patterns discovered in the empirical findings correlated to the theoretical framework have made it possible to draw some conclusions about reality. We have constructed a model that summarizes those patterns. The preliminary research model has been reconstructed into a model that more thoroughly illustrates the flow from failure to loyalty.



Figure 5.2 The effect of service recovery on emotional loyalty

A product failure creates some form of displeasure to customers, who can react in several ways, for example by complaining, by changing store or by spreading negative word of mouth. As figure 5.2 illustrates, companies can avoid that customers change store and/or spread negative word of mouth by implementing an effective service recovery system companies can avoid. Instead effective service recovery efforts make customers satisfied. A very well managed service recovery can even result in that customers become more satisfied than they were before the failure occurred and that they thereby develop positive attitudes towards the company. Such strong satisfaction and positive attitudes are according to Söderlund (2001) tightly correlated to emotional loyalty. Well managed service recovery efforts do thus generate increased emotional loyalty.

Strong satisfaction also results in that customers spread positive word of mouth, which according to Reichheld (2003) in (Rundle-Thiele, 2005) is a strong indicator of loyalty because the customers put their name and reputation on it, something that is also supported by Söderlund (2001). Although Söderlund (2001) argues that positive word of mouth is a sign of behavioural loyalty, we argue that it is an indicator of both behavioural and emotional loyalty since emotional loyalty has a very strong

connection to satisfaction, meaning that emotional loyalty and satisfaction goes hand in hand and are almost synonyms for one another in this context. We argue that for a situation to occur where the customer spread positive word of mouth regarding positive attitudes towards helpful employees, the customer has to be satisfied and has to be fond of the store and its employees, thereby being emotionally loyal. Therefore positive word of mouth can also be seen as a sign of emotional loyalty.

5.4 Suggestions to further research

Our aim with this study has been to highlight that the area of service recovery is somewhat neglected in the grocery retail industry and that by putting effort into service recovery strategies grocery stores could gain more loyal customers that would generate positive word of mouth. We also hope to inspire other researchers to further study the subject.

Since our study is limited to Gothenburg we suggest that other areas should be investigated. Since we believe that the phenomenon is most valid in larger cities a study performed in Stockholm or Malmö would be of great interest.

It would also be interesting to explore our model more thoroughly by interviewing a greater amount of customers to find out if the tendencies we have found are also valid in a larger context. We also suggest that such a study could be followed by a quantitative survey that could include a much larger sample of customers, performed on the basis of our model to further test the reliability of it.

Another form of study that we suggest is to select one or a couple of stores that could function as test stores, where a well managed service recovery system would be implemented, and thereafter compare customer satisfaction and customer loyalty in those stores with other ordinary stores.

References

- Bandyopadhyay, S., & Martell, M. (2007). Does attitudinal loyalty influence behavioural loyalty? A theoretical and empirical study. *Journal of Retailing and Consumer Services*. Vol 14 , 35-44.
- Boshoff, C., & Leong, J. (1998). Empowerment, Attribution and Apologising As Dimensions of Service Recovery. An Experimental Study. *International Journal of Service Industry Management*. Vol. 9. No. 1 , 24-47.
- Cheung, C. M., Lee, M. K., & Rabjohn, N. (2008). The impact of electronic word-of-mouth. *Internet Research Vol: 18, Issue: 3* , 229-247.
- Dahlin, M. (2008, 02 20). *30 fall av köttfusk före avslöjandet*. Retrieved 04 15, 2010, from [www.svt.se](http://svt.se): http://svt.se/2.86423/vad_visste_ica
- Danilov, K., & Hellgren, J. (2010). *Rekryteringsstrategier inom detaljhandeln*. Stockholm: Handels Utvecklingsråd.
- Echeverri, P., & Edvardsson, B. (2002). *Marknadsföring i tjänsteekonomin*. Lund: Studentlitteratur.
- Eliasson, J., & Hagström, C.-J. (2002). *Dagligvaruhandeln - Struktur, ägarform och relation till leverantörer*. Ödeshög: Konkurrensverket.
- Encyclopaedia Britannica. (2010). *Roles of marketing*. Retrieved 05 10, 2010, from Encyclopaedia Britannica Online: <http://search.eb.com.ezproxy.ub.gu.se/eb/article-27202>
- Etzel, M. J., & Silverman, B. I. (1981). A managerial perspective on directions for retail customer dissatisfaction research. *Journal of Retailing Vol. 57 No. 3* , 124-136.
- Folkes, V. S. (1984). Consumer Reactions to Product Failure: An Attributional Approach . *The Journal of Consumer Research*, Vol. 10, No. 4 , 398-409 .
- Grönroos, C. (2008). *Service Management och Marknadsföring - Kundorienterat ledarskap i servicekonkurrensen*. Malmö: Liber.
- Ha, C. L. (1998). The theory of reasoned action applied to brand loyalty. *Journal of Product and Brand Management Vol. 7 No. 1* , 51-61.
- Hair, J. J., Bush, R. P., & Ortinau, D. J. (2006). *Marketing Research: Within a Changing Information Environment*. New York: Mc Graw-Hill/Irwin.
- Harari, O. (1997). *Thank heavens for complainers. (Good for Business)*. Retrieved 04 16, 2010, from www.accessmylibrary.com: http://www.accessmylibrary.com/coms2/summary_0286-9304609_ITM
- Hocutt, M. A., Bowers, M. R., & Donovan, T. D. (2006). The art of service recovery: fact or fiction? *The Journal of Services Marketing*. Vol. 20, No. 3 , 199-207.
- Holmberg, U. (2004). *Nöjd och trogen kund? Konsumenters lojalitet mot dagligvarubutiker*. Göteborg: BAS.
- Jacobsen, D. I. (2002). *Vad, hur och varför?* Lund: Studentlitteratur.

Johnston, R., & Michel, S. (2008). Three outcomes of service Recovery - Customer Recovery, Process Recovery and Employee Recovery. *International Journal of Operations & Production Management Vol. 28 No. 1* , 79-99.

Kahn, B. E., & McAllister, L. (1997). *Grocery Revolution - The New Focus on the Consumer*. Reading: Addison-Wesley.

Kau, A.-K., & Loh, E. W.-Y. (2006). The effects of service recovery on consumer satisfaction: a comparison between complainants and non-complainants. *Journals of Services Marketing Vol. 20 No.2* , 101-111.

Kelley, S. W., Hoffman, K. D., & Davis, M. A. (1993). A typology of retail failures and recoveries. *Journal of Retailing. Vol. 69, No. 4* , 429-453.

Konsumentverket. (2008-2010). Listor på klagomål i livsmedelsbranschen. Sverige: Registraturen.

Meuter, M. L., & Michel, S. (2008). The service recovery paradox: true but overrated. *International Journal of Service Industry Management. Vol. 19, No. 4* , 441-457.

Mårtensson, R. (2009). *Marknadskommunikation och Varumärkesstrategi*. Lund: Studentlitteratur.

Nordfält, J. (2007). *Marknadsföring i buik*. Malmö: Liber.

Patel, R., & Davidson, B. (2003). *Forskningsmetodikens grunder: Att planera, genomföra och rapportera en undersökning. 3:e upplagan*. Lund: Studentlitteratur.

Rundle-Thiele, S. (2005). Exploring Loyal Qualities: Assessing Survey-based Loyalty Measures. *Journal of Services Marketing, Vol. 19, No: 7* , 492-500.

Schmidt Thurow, H., & Sköld Nilsson, A. (2008). *ButiksBoken - För dig som jobbar inom detaljhandeln*. Malmö: Liber.

Supermarket. (1998). Kunderna sprider inköpen. *Supermarket No.6-7* , 70-71.

Söderlund, M. (2001). *Den lojala kunden*. Malmö: Liber Ekonomi.

Timm, P. R. (2001). *Seven Power Strategies for Building Customer Loyalty*. New York: AMACOM.

Tschohl, J. (2010). *Customer Service Recovery*. Retrieved 04 05, 2010, from [www.chartcourse.com: http://www.chartcourse.com/articleservicerecovery.htm](http://www.chartcourse.com/articleservicerecovery.htm)

Wärneryd, B. (1990). *Att fråga*. Stockholm: Statistiska Centralbyrån.

Zeithaml, V. A., Berry, L. L., & Parasuraman, A. (1991). *The nature and determinants of customer expectations of service*. Cambridge: Marketing Science Institute.

Zeithaml, V. A., Bitner, M. J., & Gremler, D. D. (2006). *Services marketing : integrating customer focus across the firm*. Boston: McGraw-Hill.

Zineldin, M. (1995). *Total Relationship Management*. Lund: Studentlitteratur.

Östgren, K. (2005). Upp till bevis! Avgörande att personalen lever upp till varumärket. *Supermarket* No. 6 , 11-20.

Appendix 1A – Swedish interview guide – pre-study

Tema 1: Beteendemönster

1. I vilken/ vilka butiker handlar du främst mat?
 - i samma butik eller olika?
 - vilken butikskedja?
2. Vad beror det på att du väljer just den/de butik(erna)?
3. Var ligger butiken du väljer att handla i?
4. Hur ofta handlar du?
5. Hur länge har du varit kund i din butik?
6. Rekommenderar du / talar du gott om din butik till andra

Tema 2: Attityder

7. Vad är viktigast/mest avgörande för dig för att du ska vara nöjd med/lojal mot en dagligvarubutik?
8. Hur höga krav ställer du på din butik?
 - Är det någon skillnad mellan lågprisbutiker och "vanliga" butiker?
9. Känner du att du vill gynna din butikskedja?
 - Om ja, vad beror det på?
 - Om nej, varför inte?
10. I vilken utsträckning blir du påverkad av "skandaler" kring matbutiker uppmärksammade i media?
 - om nej, varför inte?
 - om ja, hur har du blivit påverkad?
11. Hur vill du att din butik ska bemöta den typen av skandaler?
12. Hur väl stämmer detta in på dig? Om du inte kan handla i din butik så saknar du den verkligen.
13. Blir du påverkad av vad vänner och bekanta tycker om den butik du handlar i?

- om nej, varför inte?
- om ja, hur blir du påverkad?

14. Har du för avsikt att fortsätta att handla i din butik?

15. Om du skulle flytta, skulle du söka dig till samma butikskedja som du handlar i nu, eller är det andra faktorer som är viktigare, så som vilken som ligger närmast om du har valmöjligheter.

16. Har ditt engagemang för kvaliteten och utbudet på maten förändrats de senaste åren?

- varför?

17. Vem tycker du har ansvaret för produkterna, i tex fråga om innehåll och vilseledande förpackningar? Dagligvaruhandeln eller producenten?

Tema 3: Missnöje

18. Har du varit missnöjd med något i samband med att du handlat?

- om nej, på vilket sätt är du nöjd med din butik?
- om ja, vad har du varit missnöjd med?

19. Berättar du för dina vänner om du har varit missnöjd?

- Skulle du kunna tänka dig att sprida det på internet?

20. Har du framfört klagomål i samband med missnöjet till butiken?

- om nej, varför inte?
- Vilken typ av problem krävs för att du ska klaga?
- om ja, till vem?
- om ja, hur? (personligen, brev, telefon mail...)

21. Vilket bemötande fick du vid klagomålet?

- Hur hanterades ditt klagomål?
- Var du nöjd med bemötandet och hanteringen?

22. Hur hade du velat att det skulle bemötas och hanteras?

23. Känner du att du blivit mer nöjd efter klagomålshanteringen än om missnöjet inte hade uppstått?

- Tycker du att bra hantering av klagomål skulle stärka relationen till din butik?

24. Hur hade du velat gå tillväga för att klaga?

25. Vad ska inträffa för att du ska överväga att byta butik?

- Vad kan personalen i butiken göra för att förhindra det?

26. Känner du till att man kan lämna synpunkter på sin butik på de flesta av butikernas hemsidor?

- om ja, har du gjort det?
- om nej, tycker du att det är en bra idé?

27. Skulle du vara intresserad av att lämna feedback till din butik i utbyte mot någon form av kompensation?

Tema 4: Bakgrundsinformation

28. Kön:

29. Födelseår:

30. Antal personer i hushållet:

31. Anser du dig vara engagerad i frågor kring mat och dagligvarubutiker?

32. Är du lojal mot din butik?

- Om ja, varför?
- Om nej, varför inte?

Appendix 1B – English interview guide pre-study

Theme 1: Behaviour patterns

1. **In which store/stores do you mainly shop groceries?**
 - In the same store or different?
 - Which chain of stores?
2. **Why do you choose this/these stores?**
3. **Where is the store/stores located?**
4. **How often do you shop groceries?**
5. **For how long have you been customer in your store?**
6. **Do you recommend/talk fondly about your store to others?**

Theme 2: Attitudes

7. **What is most important/decisive for you to be satisfied/loyal to a grocery retail store?**
8. **How high demands do you put on your store?**
 - Are there any differences between cut-price shops and “regular” stores?
9. **Do you feel that you want to favour your chain of stores?**
 - If yes, why?
 - If no, why not?
10. **To what extent does “food scandals” observed by media affect you?**
 - If yes, how does it affect you?
 - If no, why not?
11. **How would you like your store to respond to these types of scandals?**
12. **How well do this statement correspond with you? “If you are unable to shop in your store, you really miss it”**
13. **Do friends’ opinions regarding the store/stores you shop in affect you?**
 - If yes, how does it affect you?
 - If no, why not?

14. Do you intend to continue to shop in your store/stores?

15. If you were to move, would you choose the same chain of stores you shop in today, or would other factors be more important such as localization?

16. Have your commitment towards food quality and range of food changed during the last couple of years?

- Why?

17. In your opinion, who has the responsibility of the products regarding contents, food additives, misleading packages etcetera, the grocery store or the producer?

Theme 3: Disappointment

18. Have you ever been dissatisfied with anything when grocery shopping?

- If yes, what were you disappointed about?

19. Do you tell your friends when being dissatisfied?

- Would you spread it on the Internet?

20. Have you informed anyone in the store when being dissatisfied?

- If no, why not?
- What type of problem would have to occur for you to complain?
- If yes, to whom?
- If yes, how? (Personally, letter, telephone, mail...)

21. How were you met when complaining?

- How was your complaint handled?
- Were you satisfied with the treatment?

22. How would you want to get treated?

23. Did you feel more satisfied after the service recovery than if no reason for complaint had occurred?

- Do you believe that well handled service recovery could strengthen your relation to your store?

24. In what way would you like to complain?

25. What would have had to occur for you to consider switching store?

- Could the employees have done anything to prevent it?

26. Are you aware of that you can leave feedback to most grocery stores on their websites?

- If yes, have you done it?
- If no, do you think it is a good idea?

27. Would you be interested to leave feedback to your store in exchange for some compensation?

Theme 4: Background information

28. Gender:

29. Year of birth:

30. Number of household members:

31. Would you say that you are committed regarding food and grocery stores?

32. Are you loyal towards your store?

- If yes, why?
- If no, why not?

Appendix 2A – Swedish interview guide – main-study

Tema 1 Matbutiksvanor

1. **I vilken/ vilka butiker handlar du främst mat?**
 - i samma butik eller olika?
 - Vilken butikskedja?

2. **Vad beror det på att du väljer just den/de butikerna?**
 - Vad är viktigast för dig för att du ska vara nöjd med en matbutik.

3. **Hur ofta handlar du?**

4. **När handlar du? (på väg från jobbet etc)**

5. **Hur länge har du varit kund i din butik?**

6. **Tycker du om din butik?**

7. **Om du skulle flytta, skulle du söka dig till samma butikskedja som du handlar i nu, eller är det andra faktorer som är viktigare, så som vilken som ligger närmast om du har valmöjligheter.**

8. **Anser du dig vara engagerad i frågor kring mat och dagligvarubutiker?**
 - Har ditt engagemang för kvaliteten och utbudet på maten förändrats de senaste åren?
 - varför?

Tema 2: Is it possible that through effective service recovery make customers spread positive word of mouth?

9. **Hur nöjd är du med din butik, där 10 är jättenöjd och 1 är inte nöjd alls.**

10. **Skulle du säga att du är så pass nöjd att du rekommenderar butiken till dina vänner?**
 - Varför/varför inte?
 - Skulle du göra det allmänt via internet?

11. **Blir du påverkad av vad vänner och bekanta tycker om den butik du handlar i – både positivt och negativt.**
 - om nej, varför inte?
 - om ja, hur blir du påverkad?

12. **Blir du påverkad om dina vänner hade rekommenderat eller pratat gott om en annan butik?**

13. Blir du påverkad av vad media skriver om matbutiker?

- om nej, varför inte?
- om ja, hur har du blivit påverkad?

Tema 3: Hur agerar missnöjda kunder?

14. Har du varit missnöjd med något i samband med att du handlat?

- om nej, på vilket sätt är du nöjd med din butik?
- om ja, vad har du varit missnöjd med?
- Kan du beskriva det lite mer utförligt... har det hänt flera gånger, hur allvarligt var missnöjet...

15. Vem tycker du har ansvaret för produkterna, i t.ex. fråga om innehåll och vilseledande förpackningar? Dagligvaruhandeln eller producenten?

16. Har du framfört klagomål i samband med missnöjet?

- om nej, varför inte? Trodde du inte personalen kunde hjälpa dig?
- Vilken typ av problem krävs för att du ska klaga?
- om ja, till vem?
- om ja, hur? (personligen, brev, telefon mail...)
- Hur hade du velat gå tillväga för att klaga?

17. Vilket bemötande fick du vid klagomålet?

- Hur hanterades ditt klagomål?
- Vilken attityd hade personal?
- Var du nöjd med bemötandet och hanteringen?
- Hur hade du velat att det skulle bemötas och hanteras?

18. Känner du att du blivit mer nöjd efter klagomålshanteringen än om missnöjet inte hade uppstått?

- Tycker du att bra hantering av klagomål skulle förbättra din attityd till butiken/butikerna? (relation)
- Skulle du berätta för dina vänner om den bra hanteringen?
- Vad skulle butiken behövt göra för att du skulle berättat det för dina vänner?

19. Berättar du för dina vänner om du har varit missnöjd?

- Skulle du kunna tänka dig att sprida det på internet?
- Vad skulle ha hänt för att du skulle kunna tänka dig att berätta om ditt missnöje.

20. Hade ett missnöje kunnat resultera i att du bytte butik?

- Vad skulle ha inträffat då?
- Hade personalen kunnat göra något för att påverka dit beslut?

21. Tycker du att din butik uppmuntrar till klagomål?

22. Känner du till att man kan lämna synpunkter på sin butik på de flesta av butikernas hemsidor?

- om ja, har du gjort det?
- om nej, tycker du att det är en bra idé?

23. Skulle du vara intresserad av att lämna feedback till den/de butiker du handlar i utbyte mot någon form av kompensation?

Tema 4: Bakgrundsinformation

24. Kön:

25. Födelseår:

26. Antal personer i hushållet:

27. Livssituation; barn, student, arbetar etc.?

Appendix 2B – English interview guide – main-study

Theme 1 Grocery shopping patterns

1. **In which store/stores do you mainly shop groceries?**
 - Same store or different?
 - Which grocery chain?

2. **Why do you choose this/these stores?**
 - What is most important for you to be satisfied with a grocery store?

3. **How often do you go grocery shopping?**

4. **When do you go grocery shopping? (On your way from work etc.)**

5. **How long have you been customer in your store?**

6. **Do you like your store?**

7. **If you were to move, would you seek the same grocery chain that you currently shop in, or are other factors such as localization more important if you have the possibility to choose?**

8. **Do you think that you are committed regarding food and grocery stores?**
 - Have your commitment to quality and range of products changed during the last couple of years?
 - Why?

Theme 2: Is it possible that through effective service recovery make customers spread positive word of mouth?

9. **How satisfied are you with your store/stores on a scale of 1 to 10 where 10 is very satisfied and 1 is not satisfied at all.**

10. **Are you satisfied enough to recommend the store to your friends?**
 - Why / why not?
 - Would you recommend it public on the Internet?

11. **Are you affected of what friends and family think about the store you shop in – both positive and negative?**
 - If no, why not?
 - If yes, how does it affect you?

12. Would you get affected if friends and family would recommend or talk fondly of another store?

13. Do media regarding grocery stores affect you?

- If no, why not?
- If yes, how does it affect you?

Theme 3: How do dissatisfied customers act?

14. Have you been dissatisfied with anything when grocery shopping?

- If no, how are you satisfied with your store?
- If yes, what were you dissatisfied about?
- Could you describe more...?

15. Who do you think have the responsibility of the products for instance regarding contents, the grocery store or the producer?

16. Have you complained when being dissatisfied?

- If no, why not? Did you believe the staff couldn't help you?
- What type of problem would have to occur for you to complain?
- If yes, to whom?
- If yes, how? (Personally, letter, telephone, mail...)

17. What kind of response did you get when complaining?

- How were your complaint handled?
- What kind of attitude did the employees have?
- Were you satisfied with the treatment?
- How would you have wanted to be met and treated?

18. Did you become more satisfied after the service recovery than if no reason for dissatisfaction had occurred?

- Do you believe that a well handled complaint would improve your attitude towards the store/stores?
- Would you tell your friend about the well handled situation?
- What would the store have to do for you to tell your friends?

19. Do you tell your friends if you have been dissatisfied?

- Would you consider spreading it on the Internet?
- What should have occurred for you to share your disappointment?

20. Could a disappointment result in that you switched store?

- What should have occurred for you to change store?

- Could the employees have done anything to change your decision?

21. Do you think that your store encourage complaints?

22. Are you aware of that you can leave feedback on most stores websites?

- If yes, have you done it?
- If no, do you think it is a good idea?

23. Would you be interested in leaving feedback to the store/stores that you shop in, in exchange for compensation?

Theme 4: Background information

24. Gender:

25. Year of birth:

26. Number of household members:

27. Life situation; Kids, employed, student etc.?