

Impact of Customer Well Being on Performance of Supermarkets in Kenya

¹Cheptum Florence Jemutai, ²Dr. Tarus Benjamin K ³Dr. Otuya Robert Ingabo

¹PhD Candidate, Phd in Business Administration, Jomo Kenyatta University of Agriculture and Technology, Kenya.

²Department of Business Management, University of Eldoret, Kenya

³School of Business and Management Sciences, University of Eldoret, Kenya

Abstract: This study established the impact of customer wellbeing on performance of Supermarkets in Kenya. Most of the studies which have been done on Performance of firms have not fully explained if at all Customer wellbeing is a factor affecting performance either in one way or another. However, this paper indicates the impact in which customer wellbeing contributes to the performance of supermarkets in Kenya. The key methodology for this study was primary research through the administration of Questionnaires which was the key mode of the Primary Research. The questionnaires were distributed among the Managers, employees and customers of Supermarkets in Kenya. Responses were analysed with the help of Statistical Package for Social Scientists and through Regression analysis. The study made the following recommendations that supermarkets should carry out extensive promotion of education of customers about products and their use. The study recommends that further studies should be carried out to analyse the impact of corporate social responsibility on economic growth in Kenya.

Keywords: Customers, performance, Supermarkets, Customer wellbeing, Customer loyalty.

1. INTRODUCTION

1.1 Background to the Study:

Performance of a firm comprises of the actual output or results of a firm as measured against its intended outputs. According to Richard *et al.*, (2009), organizational performance encompasses three specific areas of firm outcomes, financial performance consisting of profits, returns on assets and returns on investment; product market performance consisting of sales and market share and shareholder return which comprises total shareholder return and economy

ic value added. In recent years, many organizations have attempted to manage organizational performance using the balanced scorecard method where performance is tracked and measured in multiple dimensions such as: financial performance, customer service, social responsibility and employee stewardship (Richard *et al.*, 2009).

Neoclassical economists have for example argued that firms should concentrate in supplying goods and services to their customers, minimise costs and maximise profits; and all these should take place within the laws and regulations of the land ((Jamali, 2006).

In Kenya for example, Tuskys and Nakumatt supermarkets experienced some difficulties in terms of their business activities. The government of Kenya at one point had injected some funds and changed the management of the supermarket to raise the life of Uchumi supermarket. This study will therefore add to the existing literature that have discussed issues on customer wellbeing on performance such as (Friedman, 2008), (Situma, 2013), since it has discussed issues on how customer wellbeing affects performance. Findings of this study will be useful to managers of supermarkets in making prudent and financial decisions, business stakeholder, government agencies and any other interested bodies to expand their knowledge on the research topic.

1.2 Statement of the Problem:

The society is facing a number of challenges which can be alleviated by business partners as part of their roles to the society they operate in. Socially responsible firms, in terms of balancing responsibility with power, have improved their public image since it balances social responsibility with the power it enjoys (Aquino & Glavas, 2012). Furthermore, businesses argue that there is a cost implication attached to customer wellbeing that is likely to affect the profits.

Firms may need to consider the needs of the various stakeholders among them employees, customers, government, community and the general public so as to deliver services profitably. In Kenya for example Ngirachu (2013), reports that Miwani and Muhoroni sugar companies were under receivership, Uchumi Supermarket also encountered financial difficulties and was placed under receivership on June 2006 due to problems which adversely affected their financial performance and could be attributed to failure to respond to customer needs among other factors (Situma, 2013). In view of the foregoing arguments for and against customer wellbeing, this study sought to fill the gap in literature by examining the extent to which customer wellbeing affects performance of supermarkets in Kenya with aim of making recommendations on how customer wellbeing can contribute to improvement in performance of supermarkets and firms in general.

1.3 Limitations of the study:

The results of the study were limited to supermarkets in Eldoret town only and not all other firms. There is need to include other firms like the manufacturing firms.

2. LITERATURE REVIEW

Corporate social responsibility (CSR) activities have the potential to create several distinct forms of value for customers in Supermarkets. It is the customer perception of this value that mediates the relationship between CSR activities and subsequent financial performance. Investments in CSR activities are under scrutiny. Boards and shareholders are increasingly demanding that outcomes from these investments be measured to understand if and how they positively impact the profitability of the firm. A significant amount of research has been undertaken to understand the relationship between CSR and financial performance. Due to the importance of customers among business stakeholders, marketing research that examines the effects of CSR on profitability is particularly informative. CSR might lead to outcomes such as increased customer loyalty, willingness to pay premium prices, and lower reputational risks in times of crisis.

Positive customer perception about product quality and safety may lead to increased sales or decreased costs associated with stakeholder relationships. Higher product safety and quality improves the bottom line. When customers are dissatisfied with a product or its associated services, investors apprehend that dissatisfied customer reactions in the form of decreased patronage, lawsuits, or both, will directly affect the bottom line (Berman *et al.*, 1999). Studies establish that market value of a company decreases when corporate irresponsibility and illegal behaviour is observed. The news of pesticide content in Pepsi and Coca-Cola beverages in India reduced the sales of both companies by 60% (Financial Express, 2006). Continuous deterioration in quality directly affects firm performance. Hence, companies need to be careful about factors such as ethical advertising standards, customer health and safety during product use. Company policies and practices to address such issues give a positive signal about a company's responsible attitude towards its customers and can improve firm performance.

A company's customer requirements and quality system objectives should address areas of corporate citizenship and responsibility. These include business ethics, public health and safety, environment, and sharing of quality related information in the company's business and geographic communities. Health, safety, and environmental considerations need to take into account the life cycle of products and services and include factors such as waste generation. Quality planning in such cases should address adverse contingencies that may arise throughout the life cycle of production, distribution, and use of products. Plans should include problem avoidance and company response if avoidance fails, including how to maintain public trust and confidence. Inclusion of public responsibility areas within a quality system means not only meeting all local, state, and federal legal and regulatory requirements, but also treating these and related requirements as areas for continuous improvement. In addition, companies should support within reasonable limits of their resources national, industry, trade, and community activities to share non-proprietary quality related information (Kahenaman *et al.*, 2010).

Considering the customer value of almost any CSR activity, it is helpful to gain a comprehensive view of the business decisions that can be made in the realm of CSR to impact customer attitudes and behaviours. In particular, given that most firms now engage in some type of CSR, business leaders responsible for choosing activities would benefit from a greater understanding of the value creation of one CSR activity over another through empirical studies. Information availability is very important because it gives the reactions of customers. However, not all information will prompt the same degree of reaction from customers. The intensity of the message will vary, depending on certain characteristics of the information. Information intensity can be defined as the likelihood an average customer will know something about, or be aware of, a firm's performance. Three characteristics which determine the degree of intensity of CSP information are: the source of information, the degree of diffusion, and the alignment of the current CSP information content with the firm's existing CSP reputation. (Yoon *et al.*, 2003).

Customers perceive CSR information from objective, unbiased parties as more credible than that provided by the firm, such as cause-related marketing (Yoon *et al.*, 2003). A cynic may discount company-sponsored marketing as being purely self-interested, while looking to external rating agencies or the media as providing unbiased, objective information about a firm's social activities. Information about a firm's social actions will have a higher intensity for existing and potential consumers than information provided by the firm (Deephouse, 2003), Public awareness is related to the diffusion of a firm's CSR information, which speaks to the reach of the information.

3. METHODOLOGY

3.1 Research Design:

This study used the descriptive survey design since it is cost effective in enhancing fast collection of information among a large population within a short time (Awoyemi & Quartey, 2002), reported that that the descriptive survey design does more than merely uncover data for its synthesis since it integrates data and points to implications and interrelationships. (Mugenda & Mugenda 1999), also indicate that descriptive survey research seeks to obtain information that describes existing phenomena by asking questions to individuals about how they perceive an something, or a certain behaviour, and that surveys are excellent vehicles for measuring characteristics of large populations.

3.2 Target Population:

The target population for this study was seven selected Supermarkets that were operating in Eldoret town. Both the managers, employees and the clients of the supermarkets were targeted for the study. Target population is a total set of individuals, cases or objects with some common observable characteristics of a particular nature distinct from other population (Mugenda & Mugenda, 1999). The total population was 6,335. The total number of managers was 60, total number of employees was 145 and the total number of clients was 6,130 (Author, 2015).

3.3 Sample Size and Sampling Procedure:

3.3.1 Sample Size determination:

The sample size for the managers, employees and the clients of supermarkets selected was determined using the coefficient of variation formula given by Nassiuma (2000).

3.4 Data and Data Collection Instruments:

The study used both primary and secondary data. Primary data was collected from respondents in the field by the use of questionnaire. While secondary data was obtained from financial statements, bulletins, books among other sources.

4. DATA ANALYSIS, INTERPRETATION AND DISCUSSIONS

4.1 Response Rate:

The researcher targeted 108 respondents and all the 108 questionnaires issued were filled representing 100%. Managers of supermarkets were 14, employees were 22 and clients 72.

4.2 Demographic Characteristics of the Respondents:

Respondent included 50 (46 %) males and 58(54 %) females (Table 4.1) thus indicating that more females participated in the study than males. Most of the respondents were aged 31 – 40 (42%) thus showing that a large number of those interviewed were in their youthful stages.

Over 40 % (44%) of the respondents had secondary education, (30%) had diplomas, (20%) had certificates and only (6%) had degrees. This was an indication that most of those who work in the supermarkets had access to formal education up to secondary level.

Sixty one (57%) of the respondents had experience in the supermarket as employess or customers for a period of between 0 -5 years. However, the percentage dropped to 42 (39%) at 6- 10 years and 5 (4%) above 11 years. This could indicate that most of the respondents were those who had experience of 0 to 5 years in the supermarket.

Table 4.1: Demographic characteristics of the Respondents

		F	%
Gender	Male	50	46
	Female	58	54
	TOTAL	108	100
Age	Less than 20	2	2
	20-30	14	13
	31-40	45	42
	41-50	36	33
	51-60	9	8
	More than 60	2	2
	TOTAL	108	100
Education levels	Secondary	48	44
	Certificates	22	20
	Diplomas	32	30
	Degrees	7	6
	TOTAL	108	100
Experience in the Supermarket	0-5 years	61	57
	6-10 years	42	39
	Over 11 years	5	4
	TOTAL	108	100

(Source: Field Data, 2015)

4.3 Customer Wellbeing on Performance of Supermarkets:

The study sought to ascertain the effects of customer wellbeing on performance of supermarkets and on to provide policy systems for customer satisfaction, response to this were as follows: 67.6% of the respondent agreed, 12.0 % strongly agreed, 9.3% were undecided and only 3.7% disagreed. Further results showed that customers viewed the advertising codes used by supermarkets as being standard and voluntary, the responses were as follows: 53.7% of the respondents agreed, 20.4% strongly agreed, 9.3% disagreed, 4.6% were undecided and 4.6% strongly disagreed. The supermarkets are committed to quality through well developed and wide quality programmes, the results were as follows: 37.0 % of the respondent strongly agreed, 27.8% agreed, 13.9% were undecided whereas 13.9% disagreed. When supermarkets were asked on whether it was committed to industry, majority of 75.9% of the respondent agreed, 4.6% strongly agreed, 4.6% disagree, 3.7% were undecided and 4% strongly disagreed.

On whether supermarkets are committed to Research and Development innovations, the responses were as follows: 42.6% of the respondent agreed, 31.5% were undecided, 13.9% agreed, 2.8% strongly disagreed and 1.9% disagreed. Supermarkets get involved direct to the customers by providing products to all levels of income earners, the responses were as follows: majority 72.2% of the respondent agreed and 20.6% strongly agreed. As to whether supermarkets ensure proper provision of all required information to credit rating Agencies, the responses were as follows: 27.8% of the respondent were undecided, 25.0% agreed, 21.3%strongly agreed, 13.9% disagreed and 4.6% strongly disagreed. My supermarket has regulatory mechanisms for prohibiting insider trading, the responses were as follows: majority of the respondent with 85.2% agreed and only 7.4% strongly agreed. On whether my supermarket ensures competitive prices and payment conditions for products with quality, the responses were as follows: 49.1 % of the respondent agreed, 34.3% strongly agreed, 4.6% were undecided, 2.8% strongly disagreed whereas 1.9 % of the respondent disagreed. My supermarket supports fair terms of sale, the responses were as follows: 57.4% of the respondent agreed, 18.5% strongly agreed and 16.6% were undecided. Our supermarket promotes education of customers about product and their use, the responses were as follows: 62.0% of the respondent strongly disagreed, 12.0% were undecided, 9.3% disagreed, 5.6%

agreed and only 3.7% strongly agreed. After sale services that may be required by the customers are availed by my supermarket, the responses were as follows: 54.6% of the respondent agreed, 13.9% were undecided, 10.2% agreed, 9.3% disagreed and 4.6% strongly disagreed.

We ensure proper labelling, packaging and presentation of products to the customers, the responses were as follows: 66.7% agreed, 23.1% strongly agreed and 2.8% were undecided. Finally on my supermarket conducts ample research before allowing a product on the market, the responses were as follows: 62.0% of the respondent agreed, 12.0% strongly agreed, 9.3% were undecided, 7.4% strongly disagreed whereas 1.9% disagreed.

Table 4.5: Customer Wellbeing on Performance of Supermarkets

Customer wellbeing	SD		D		UD		A		SA	
	F	%	F	%	F	%	F	%	F	%
D1. We provide policy systems for customer satisfaction.	0	0.0	4	3.7	10	9.3	73	67.6	13	12.0
D2. Our advertisement codes are standard and voluntary.	5	4.6	10	9.3	5	4.6	58	53.7	22	20.4
D3. We are committed to quality through well developed and wide quality programs.	0	0.0	15	13.9	15	13.9	30	27.8	40	37.0
D4. We are committed to industry.	4	3.7	5	4.6	4	3.7	82	75.9	5	4.6
D5. We are committed to Research and Development.	3	2.8	2	1.9	34	31.5	46	42.6	15	13.9
D6. We get involved direct to the customers by providing products to all levels of income earners.	0	0.0	0	0.0	0	0.0	78	72.2	22	20.6
D7. We provide all required information to credit rating agencies.	5	4.6	15	13.9	30	27.8	27	25.0	23	21.3
D8. We have regulatory mechanisms for prohibiting insider trading.	0	0.0	0	0.0	0	0.0	92	85.2	8	7.4
D9. We ensures competitive prices and payment conditions for products with quality.	3	2.8	2	1.9	5	4.6	53	49.1	37	34.3
D10. We support fair terms of sale.	0	0.0	0	0.0	18	16.7	62	57.4	20	18.5
D11. We promote education of customers about products and their use.	67	62.0	10	9.3	13	12.0	6	5.6	4	3.7
D12. We avail after-sale services required by our customers.	5	4.6	10	9.3	15	13.9	59	54.6	11	10.2
D13. We ensure proper labelling of products.	0	0.0	0	0.0	3	2.8	72	66.7	25	23.1
D14. We conducts ample research.	8	7.4	2	1.9	10	9.3	67	62.0	13	12.0

(Source: Field data, 2015)

5. DISCUSSIONS

It was found that supermarkets had regulatory mechanisms for prohibiting insider trading. This had led to customer confidence on products since they were sure of the products being sold in the supermarkets and hence customers had confidence to buy items from supermarkets in Eldoret town due to regulatory mechanisms governing trading. This is in tandem with the study by Rodrik (2011), who stated that corporate social responsibility in the form of product features has the potential to provide the broadest spectrum of value to stakeholders in general. Although customers are considered the relevant stakeholder type for product-related features, these CSR activities can also affect other stakeholders, such as employees. Of particular importance is the potential of product-related features for self-oriented value, this is because customers are unlikely to trade quality for more traditional, other-oriented CSR.

The other most common category of CSR activities includes those related to the business practices of the firm. Like philanthropy, CSR activities in the form of business practices carry the potential to enhance extrinsic value for customers. For example, supporting a firm that recycles can make an individual feel that he or she is practicing good community responsibility, and can be used to define to others that one is environmentally conscious. Many of these CSR activities can also greatly enhance self-oriented stakeholder value. For example, employees perceive very favourably many employee relations policies like benefit plans, for obvious self-oriented (Deephouse, 2003).

6. CONCLUSIONS AND RECOMMENDATIONS

6.1 Conclusions:

The study concluded that supermarkets had regulatory mechanisms for prohibiting insider trading. This had led to customer confidence on products since they were sure of the products being sold in the supermarkets and hence customers had confidence to buy items from supermarkets in Eldoret town due to regulatory mechanisms governing trading.

6.2 Recommendations:

Supermarkets should carry out awareness creation and education of customers about products and their use. This will ensure customer loyalty, increased sales and good corporate image and thus earn competitive advantage.

6.2.1 Recommendations for Further Research:

1. The researcher found out that the data used in carrying out the research were obtained only from supermarkets in Eldoret town and may be limited to it only. A further study that includes all or the majority of the supermarkets in Kenya is highly recommended.
2. Further research should be conducted on the impact of corporate social responsibility on economic growth in Kenya.

REFERENCES

- [1] Aguinis, H., & Glavas, A. (2012). What we know and don't know about corporate social responsibility, A review and research agenda. *Journal of Management*, 38, 932–968.
- [2] Awoyemi, O. & Quartey O. (2002): *Research Methods in Education*, Accra, KNA B Limited.
- [3] Berman, S. L., Wicks, A. C., Kotha S., & Jones T., M. (1999). Does Stakeholder Orientation Matter? The Relationship between Stakeholder Management Models and Firm Financial Performance. *Academy of Management Journal*, 42 (5), 488–506.
- [4] Deephouse D. L. (2003). Stakeholder knowledge of corporate citizenship: Integrating reputation into the CSP/CFP debate. Paper presented at the annual meeting of the, Academy of Management, 10(5), 30-42.
- [5] Financial Express: December 19 (2006). New Norms to Gauge Toxins in Colas Soon, p. 1.
- [6] Friedman, S. (2008). The social responsibility of business in to increase its profits. *New York Times Magazines*, 13 Sept., 32-33.
- [7] Jamali, D. (2006). Insights into triple bottom line integration from a learning organization perspective. *Business Process Management Journal*, 12(6), 809-821.

- [8] Kahneman D., & Deaton, A. (2010). High income improves evaluation of life but not emotional wellbeing. *Proceedings of the National Academy of Sciences of the United States of America*, 107, 16489–16493.
- [9] Mugenda, M. O. & Mugenda, A. (1999). *Research Methods: Qualitative and Quantitative Approaches*, Acts Press, Nairobi.
- [10] Nassiuma, D.K. (2000). *Survey sampling: Theory and Methods*. Nairobi, Kenya, University of Nairobi Press.
- [11] Ngirachu, J. (2013, November 17). MPs apply brakes on shs.5.9bn relief for troubled sugar firms. *The Daily Nation*. Kenya Sunday jngirachu@ke.nationmedia.com.
- [12] Redigton, I. (2005). Making CSR happen, the contribution to people management, Edited by the Chartered Institute of Personnel and Development, 3(12), 34-40.
- [13] Richard, O. (2009). Measuring Organizational Performance: Towards Methodological Best Practice, *Journal of Management*, 32(10), 125-129.
- [14] Rodrik, D. (2011). The Future of Economic Convergence. NBER Working Paper, No 17400 Issued in September 2011.
- [15] Situma, P.S. (2013). Effects of Strategic Management Practices on Corporate Social Responsibility performance of parastatals in Kenya. Doctoral Thesis. Jomo Kenyatta University of Agriculture and Technology.
- [16] Yoon, Y., Gürhan-Canli, Z., & Schwarz N. (2003). When doing well is bad for you: Backfire effect of social responsibility (CSR) activities. Working paper, Jesse H. Jones Graduate School of Management, Rice University, and Houston.