

A Study on the Influence of Consumer Satisfaction and Trust on Consumer Loyalty while purchasing Organic Food Products

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Abstract

High competition within the target market has induced entrepreneurs to figure out the ways through which sustainability can be ensured and to attain advantage over other competing firms. Thus every business entity is organized in such a manner that it identifies and understands consumer's needs and preferences. A firm's overall success and its long term competitiveness is often influenced by the extent of satisfaction and trust possessed by the each consumers towards firm's products and services. This paper is an attempt to critically examine the relationship between consumer satisfaction and trust on consumer loyalty while purchasing organic food products. Assumptions were formulated as there exist a substantial positive connection between consumer trust and loyalty, consumer satisfaction and loyalty; and consumer satisfaction and trust. The research findings support the formulated hypothesis and states that consumer's satisfaction towards organic products has been identified as the key influencer on consumer loyalty. Moreover, consumer trust for organic products is affected by their level of satisfaction which substantiates consumer satisfaction to be a forebear of consumer trust.

Keywords: *Consumer Satisfaction, Consumer Loyalty, Consumer Trust, Organic stores, Retail marketing.*

1. INTRODUCTION

In India the organic food industry seems to be a dynamic sector subjected to increasing competition with enormous growth potential. Every organization playing a part in an aggressive business environment has to focus more on the responses obtained from final consumers over firm's products. If the satisfaction tends to be low, firms are vulnerable towards the attacks from competitors who are primed in delivering superior value. Organic retail store owners have recognized the influence of consumer loyalty and trust towards the firm's financial

performance and this has forced them to concentrate more on the creation of loyal consumer. Among the organic retail stores in Kochi, there exist lack of communication among the discontented consumers. Instead of reporting to the concerned authority, they prefer purchasing from elsewhere. The concept of consumer satisfaction, trust and loyalty plays an important role in the modern day business. "Firstly, the consumers are considered to be scarce resource and it is quite easy to obtain from an old customer than from a new one. Secondly, extend of loyalty and satisfaction showcased by the consumer positively affects

the productivity returns of the company”, Rosenberg & Czepiel (2017).

2. OBJECTIVE OF THE STUDY

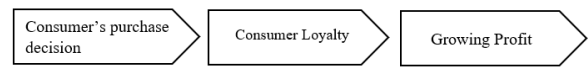
Among the past researches done, various determinants which affects consumer buying behaviour towards organic products have been identified. However, the results are not consistent and tends to differ from time to time. As the Indian Society becomes more and more concerned regarding safety, nutritional value, and production methods, it is important that we gain an understanding on consumer’s purchase pattern and preferences towards organic food products. The main objective of the study is to find out how consumer satisfaction and trust influence consumer loyalty and factors affecting consumers purchase decision.

3. LITERATURE REVIEW

3.1 Consumer loyalty

Oliver (1999) outlines loyalty as "a deeply held commitment to rebuild and re-patronize a preferred product or service in future despite situational influences and marketing efforts having the potential to cause switching behaviours". Thomas and Tobe (2013) considered consumer loyalty to be more cost-effective. This is because the expenses incurred in attracting a new consumer is much more than retaining the existing one. Conversely, the loyal consumers will inspire others to purchase the firm’s product and thereby increase the overall profit. Gremler and Brown (1999) classified the perception of consumer loyalty into three different groups which include “behaviour loyalty”, “intentional loyalty”, and “emotional loyalty”. Behaviour loyalty refers to the repeated buying behaviour possessed by the consumer while intentional loyalty denotes the possible buying intentions. Emotional loyalty is attained when a consumer feels that a particular brand resembles with his values, thoughts, and desire.

Fig 3.1.1. Model of consumer loyalty (Adapted from the loyalty model 2012.)



The above model (Fig.3.1.1) shows the extend of loyalty possessed by the consumers and it briefly divides the consumer’s satisfaction into three main groups. As per the model, the stores must focus on price, promotion, service and products in order to attain loyalty.

3.2 Consumer Trust

Patrick (2002) has viewed consumer trust as “thoughts, feelings, emotions, or behaviours manifested when consumers feel that a provider can be relied upon to act in their best interest when they give up direct control”. Ahamad and Haq (2014) underlined that, “a consumer can’t enter in loyalty set without the trust of a brand”. Gul (2014) highlighted that “when the customer is loyal towards a particular product or service he is basically trusting in it”. Morgan and Hunt, (1994) opinions that “trust establishes an important bond between the brand and customers, it is one of the determinants of brand loyalty”. Further, Ranaweera and Prabhu (2003) emphasized that “trust is a stronger emotion than satisfaction and it better predicts loyalty”. In short, the loyalty of the consumer is enriched by the trust created between the consumer and the service provider .Therefore, the following hypothesis is proposed:

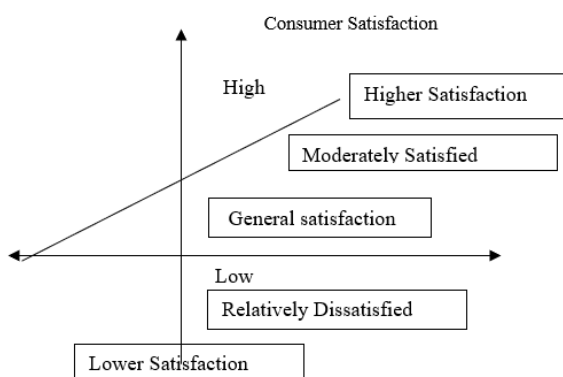
H1: There exist a significant positive relationship between consumer trust and consumer loyalty.

3.3 Consumer satisfaction

The theory of consumer satisfaction is a decisive component of a business strategy over consumer retention and product repurchase. The quality of the product, its appearances, utilities, dependability, promotions and consumer care are the most important

mandatory requirements needed to attain satisfaction of the consumers. “A standard consumer tends to seek value in the total service provided right from the internal collaborations within the department, product documentation, till the final delivery of the product”, Hill Roche & Allen (2007). From the perspective of productivity and profitability, those activities which adds value to the consumers should be endorsed. Thereby, the firms get to know their consumer much better than before. “This is the way how consumer oriented product or service can be developed”, Hill, Brierley (2003.) Tao (2014) suggested that when a consumer seems to be content with the firm’s products or services, they will purchase it repeatedly and also recommend them to other potential consumer.

Fig.3.3.1: Consumer satisfaction analysis model (Adapted from Tao 2014).



The Consumer relationship management law is been described in fig.3.3.1. This law states that,

Consumer relationship = Consumer expectations - Consumer Satisfaction

Consumer satisfaction is viewed as negatively correlated with consumer’s expectations. It clearly indicates the difference between the consumer’s experience and expectations. It is calculated on a 5 point scale indicating 1= “Higher satisfaction” and 5 = “Lower satisfaction”. When the consumer experience

meets with their expectations, satisfaction level becomes higher and if it does not meet then it results in lower consumer satisfaction. There are two ways of improving the satisfaction level. Firstly, through service improvement which enhances consumer experience and secondly through effective management of consumer expectations by decreasing the desired level. Most of the organizations prefer first approach and has achieved great success. Therefore, the following hypothesis is proposed:

H2: There exist a significant positive relationship between consumer satisfaction and consumer loyalty.

Geyskens et al. (1999) found “satisfaction to be an antecedent to trust”. Studies conducted by Yoon (2002), and Crosby et al., (1990), found a “significant positive correlation between trust and satisfaction”. On the other hand, some of the studies opposed from this and proposed that trust precedes satisfaction. Lin and Wang, (2007) argued that “the consumer’s trust the service providers based on some factors which have an effect on satisfaction”. Therefore, the literature shows bi-directional relationships between satisfaction and trust. However, the current study considers satisfaction as the predictor of trust and argues that if the consumer is satisfied with the services provided by the organic retail stores then eventually they will trust organic products. Therefore, the subsequent hypothesis is tested.

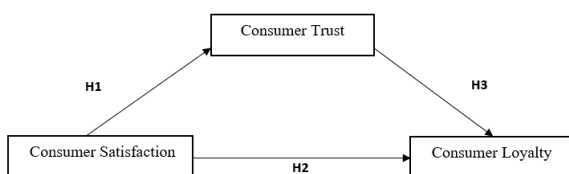
H3: There exist a significant positive relationship between consumer satisfaction and consumer trust.

4. THEORITICAL MODEL:

Based on Coyne (1986), “there are two critical thresholds affecting the link between consumer trust and consumer loyalty”. “Satisfied consumers are thus more likely to repurchase, lower their price sensitivity, engage in positive word-of-mouth recommendation, and become

loyal customers”(Chen & Wang 2009.) “Consumer trust does not automatically lead to loyalty for the firm’s product, instead it is a step by step process. It includes different phases through which a consumer goes such as awareness, exploration, expansion, commitment, and dissolution”, Arantola (2000). Consumer loyalty is considered to be a by-product of consumer satisfaction i.e. those consumer who are highly satisfied with the firm’s product seems to be more loyal than those who are merely satisfied. Hence, it is evident that there exist significant positive relationship between consumer satisfaction and loyalty. Heskett et al. (2011) conveyed that “unhappy consumer are more likely to speak out against a poorly delivered service at every opportunity”. In some instances, they even can discourage other consumers from trying out the firm’s service or products. Thus, satisfaction and trust possessed by the consumer are the main drivers of consumer loyalty (Fig 4.1).

Fig 4.1, Source: Developed for study purpose



5. METHODOLOGY

5.1 SAMPLE AND PROCEDURE

There are almost 80 supermarkets and departmental stores in Kochi out of which around 30% of the shops are selling organic food products. They sell organic products that are either locally produced or transported from other states of India. Hence the retail stores for organic food products in Kochi alone are considered for the study.

The questionnaire was framed to measure the consumer’s satisfaction, trust and loyalty regarding organic food products. Quality and safety concerns, point of purchase, socio-

demographic factors, environmental concern, willingness to pay, organic certifications, purchase pattern and finally sources for organic information’s available were taken into account. Questionnaire was measured using 5-point Likert scale. The questionnaire was circulated among 100 organic consumers out of which, 80 questionnaires were returned with response. After discarding the incomplete and unusable responses 70 questionnaires were left which were used for further analysis. Data was collected from consumers who visited supermarkets either regularly or occasionally which has organic food sections in it and also from exclusive organic food stores located in Kochi. Cronbach’s alpha values were calculated to find out the consistency of the data collected. All the result values have scored above .7 and hence the collected primary information is reliable and thereby establish a high level of internal consistency among the factors. Therefore we conclude that the collected information was consistent and can be used for further analysis.

6. ANALYSIS

6.1 FACTOR ANALYSIS

In this research, factor analysis using Principal Component extraction is applied to lessen wide number of variables into fewer numbers of factors. They are:

Table 6.1.1: Rotated Component Matrix

Factors	Factor Loading
<i>Factor 1: Consumer’s satisfaction for Organic food products</i>	
My choice to avail organic fruits and vegetables is wise.	.943
Satisfaction gained from the consumption of organic produce was exactly the same as expected.	.855
My overall evaluation regarding services provided by	.700

the organic stores are highly satisfactory	
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Source: Primary Data

Table 6.1.2: Rotated Component Matrix

Factors	Factor Loading
<i>Factor 2: Consumer's trust for Organic food products</i>	
I have complete trust over organic products	.727
I feel very honest in every transaction done within organic retail store	.732
I use organic products since it justifies price and provides health benefits	.767

Source: Primary Data

Table 6.1.3: Rotated Component Matrix

Factors	Factor Loading
<i>Factor 3: Consumer's Loyalty for Organic food products</i>	
I say positive feedback about organic produce to other people	.961
I recommend organic produce to others	.862
I encourage friends and relatives to consume more of organic produce	.752
I will consume only organic produce in the next few years	.784

6.2 DESCRIPTIVE STATISTICS AND CORRELATION**Table 6.2.1 Mean, Standard Deviation, Correlation and Reliabilities**

	Mean	S.D	1	2	3	4	5	6	7
Gender	1.21	0.5							
Age	2.23	0.72	-0.21*						
Qualification	2.75	0.52	-0.08	0.33**					
Consumer	5.04	.096	0.06	0.07	0.23**	-0.05	(0.67)		

I will consider organic produce as my first choice for consumption	.755
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Source: Primary Data

INTERPRETATION

As per Table 6.1.1, respondents seems to be satisfied with the products available in organic stores located in Kochi and satisfaction gained from the same was exactly as expected with a highest factor loading of .943 and .855. Consumers seems to be moderately satisfied regarding the overall services provided by the organic stores, factor loading of .700 signifying the scope for further improvement. As per Table 6.1.2, consumers have complete trust over organic products and they trust those transactions which are done through organic retail stores with a factor loading of .727 and .732. Moreover they opinion that price of the product justifies the quality of the product by providing enhanced health benefits resulting in a factor loading of .767. As per Table 6.1.3, most of the people are willing to say positive feedback about organic produce to other people with factor loading of .961, they are interested in recommending organic products to other and also encourage friends and relatives to consume more of organic produce with .862 and .752 as factor loading. They opinion that they will consume organic produce in the next few years and organic produce will always be their first choice for consumption indicating .784 and .755 as factor loadings.

Satisfaction									
Consumer Loyalty	4.96	0.84	0.04	-0.04	0.16*	-0.03	0.33**	(0.63)	
Consumer Trust	0.55	0.055	-0.18*	0.35**	0.21*	-0.06	0.004	0.21**	(0.72)

*Correlation is significant at the 0.05 level (2-tailed). **Correlation is significant at the 0.01 level (2-tailed).

INTERPRETATION

Descriptive statistics describes the basic features of data used in the study as they provide an overall outline about the sample and the measures. In this research, the descriptive analysis results indicate that the mean age is 21 (S.D = 0.72), indicating respondents are of age between 20 to 22 years. The mean qualification of the sample represents 2.75 (S.D = 0.52), denoting most respondents are graduates.

The mean and standard deviation obtained for consumer satisfaction is 5.04 (S.D = 0.96), consumer trust is 0.55 (S.D = 0.055), consumer loyalty is 4.96 (S.D = 0.84).

The correlation between consumer satisfaction and consumer loyalty is significant at 2 tail ($r = 0.33$, $P < .05$), alpha reliability is 0.63, indicating consumer loyalty is positively related to consumer satisfaction.

The correlation between consumer satisfaction and consumer trust is not significant at 2 tail because ($r = 0.005$, NS) because the significance level is greater than the .05, alpha reliability is 0.72 representing consumer trust is not positively related to consumer satisfaction.

The descriptive analysis results reveal the relationship between consumer trust and consumer loyalty is partially significant at 2 tail that is ($r = 0.22$, $P < .05$), alpha reliability is 0.72, indicating consumer trust is positively related to consumer loyalty.

6.3 REGRESSION ANALYSIS

The hypotheses were tested using the path coefficient (β), indicating the strength of the cause-effect relationship between the research constructs using p value. The statistical significance was tested at 5% ($p < 0.05$).

Table 6.3.1: Regression Analysis

Predictors	Consumer Trust			Consumer Loyalty		
	B	R2	P	B	R2	P
Consumer Satisfaction	0.005	0.00	0.958	0.336	0.114	0.00
Consumer Trust				0.222	0.112	0.048

$P < 0.001$ ***, $P < 0.01$ **, $P < 0.05$ *

INTERPRETATION

H1: There is a significant positive relationship between consumer trust and consumer loyalty

In the first hypothesis consumer trust is independent and consumer loyalty is the dependent variable. As per the observed output, $P = 0.048$, $R^2 = 0.112$ and $B = 0.222$ indicating the existence of relationship between the variables. The value is slightly less but brings about a change in R-square. Hence the relationship is significant, and we should accept Hypothesis1. Therefore the more is consumer's trust, the more will be their loyalty towards organic products. Therefore it is

concluded that there exist a positive relationship between consumer trust and loyalty for organic products in Kochi.

H2: There is a significant positive relationship between consumer satisfaction and consumer loyalty

In the second hypothesis consumer satisfaction is independent and consumer loyalty is dependent. After the regression analysis, the observed output shows $P = 0.000$, $R^2 = 0.114$ and $B = 0.336$, indicating a true picture that the relationship between these two variables is valid as it brings a positive change. Therefore the relationship is strongly significant and thereby accept Hypothesis 2. Therefore the more is consumer's satisfaction, the more will be their loyalty towards organic products. Therefore it is concluded that there exist a positive relationship between consumer satisfaction and loyalty for organic products in Kochi.

H3: There is a significant positive relationship between consumer satisfaction and customer trust.

In the third hypothesis, consumer satisfaction is independent and trust is dependent. The observed output shows that $P = 0.958$, $R^2 = 0.00$ and $B = 0.005$, depicting the true picture that the relationship between these two variables are not bringing any change. Hence relationship is insignificant and with respect to it; we will reject Hypothesis 3.

7. DISCUSSION AND CONCLUSIONS

As per the research conducted the findings supports all the formulated hypothesis i.e. there is a significant positive relationship between consumer trust and consumer loyalty (Hypothesis 1), there is a significant positive relationship between consumer satisfaction and consumer loyalty (Hypothesis 2) and there is a significant positive relationship between consumer satisfaction and consumer trust (Hypothesis 3). From the analysing of collected

data it is evident that consumer satisfaction act as a base for consumer loyalty. If the consumers are highly satisfied with the services, then it is obvious that they are loyal too. Moreover there exist significant positive relationship between consumer trust and loyalty. Those who are not willing to trust organic products in a competitive marketplace are unlikely to be loyal. Similarly, if the consumer are satisfied with the services of the organic retail stores, they tend to be loyal. Further, a positive significant relationship exist between consumer satisfaction and consumer trust which proved that consumer satisfaction is the antecedent of trust. In other words, the more the consumer are satisfied with the organic service the more they will trust the product.

A shop owner is likely to achieve consumer loyalty if he can convince his consumers with lower prices, better shopping atmosphere and a larger variety of products offered. Therefore, consumer satisfaction influences the customer loyalty. The results from questionnaire survey reveal that all consumers are more or less satisfied with the service offered and are looking forward for more quality service than previous. However, even though the service level seems to be satisfactory, the organic stores still needs some modifications in strategies to keep the service standard high. For example, updating information and informing customer about new products still need some upgrading. Based on the study majority of consumers are satisfied with the service provided by organic stores, the company needs to understand its weakness and work hard for the improvement that could meet consumers perceived service level.

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