Original Article

Impact of category management practices on customer satisfaction – Findings from Kuwaiti grocery retail sector

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ABSTRACT The article offers an insight into category management (CM) practices and their relative impact on customer satisfaction within Kuwaiti grocery retail market. A Category Management Key Variables Model incorporating six variables (that is, product assortment, product pricing, product presentation, product promotion, product availability and customer service) was tested in a Kuwaiti category managed superstore. Descriptive research approach based on quantitative research design involving questionnaire-based survey was used to collect data from 309 Kuwaiti customers. Findings indicated that customer satisfaction was largely driven by product assortment, product availability and excellence in customer service. Other CM variables (that is, product price, product presentation and product promotion) had insignificant impact on customer satisfaction.

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INTRODUCTION

In early 1990s, US and European grocery retail sectors initiated a number of strategic change processes in managing their 'retail mix' with the general aim of improving the selection, presentation and labeling of their merchandise.^{1–3} Later on, these strategic change processes were collectively termed as Category Management (CM). Fundamentally, CM, especially within the

grocery retail sector, relates to a strategic shift of focus from individual brand management to the management of entire categories where category is defined as distinct manageable group of products that consumers perceive to be related and substitutable in meeting consumer needs.⁴ Thus, CM is seen as a joint process where retailers and stakeholders (suppliers taking a prominent place in stakeholder network) manage product categories as Strategic Business Units in order to improve retailing efficiencies and returns by focusing on delivering customer centric value. Category strategies and tactics are developed based on corporate goals, the competitive

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environment and customer needs. The key objective, for improving sales and profits, is to put together an optimal mix of brands, Stock Keeping Units (SKUs) and pricing. Hence the driving force behind effective CM is customer-driven and competitively differentiated categories that take into account continuous enhancements and adjustments in pricing, promotions, customer service and category presentations.^{5,6}

In order to understand the customer behavior, access to detailed and up-to-date shopping data is fundamental. Hence a factor fueling the uptake and rapid progress of CM was the availability of detailed data from Management Information Systems such as Electronic Point Of Sale and Enterprise Resource Planning.⁷ Precise customer profiling helped with targeted product placement, product display, short-term SKUs planning, and such other considerations within the CM strategic framework.⁸ The evaluation of the information (such as basket analysis, shopper visitation frequencies, product placement, product clustering and so on) aided the positioning and arrangement of shelves to optimize product exposure to customers.⁹

RESEARCH BACKGROUND

According to some academics (to include Lempert¹⁰; Dahm¹¹), in late 1990s some superstores changed their 'big box' approach (based on low prices and high sales volumes) and started concentrating on the retailing activity required by a specific group of customers by identifying and meeting the needs of the key customer segment.¹² Hence there was a shift from prices-based discounting to segment-specific strategies, which considered value rather than cost alone. This targeted selling for some superstores produced positive outcomes in the form of reduced inventory, increased sales and enhanced profit margins, and accelerated the use of CM by involving their customers. According to ACNielsen,¹³ there were eight CM practices (Table 1) that were being primarily utilized by retailers in the US market. Proposed Category Management Key Variables (CMKV) Model is primarily based on these eight retail practices.

Table 1: Category management strategies and tactics within the US retail market

<i>Strategies and tactics</i>	<i>Manufacturers use (%)</i>	<i>Retailers' use (%)</i>
Assortment planning	90	86
Promotion planning	84	86
Shelf management	82	81
Category business planning	82	81
Everyday low pricing (EDLP)	76	67
Frequent shopper loyalty programs	41	43
Micro merchandising	31	43
Micro marketing	23	38

Source: ACNielsen.¹³

A major challenge in the grocery retail sector is the creation of 'optimal merchandise mix'.¹⁴ Appropriate assortment and product mix is always a challenge as customers differ on a number of functional, behavioral and emotional dimensions.^{5,7,15,16} However, improvements in Supply Chain and Customer Relationship Management technologies are leading to enhanced information sharing platforms and powerful data capturing and analyzing techniques that are resulting in product assortment and mixes, which are finding better match to target customer needs and wants.^{17,18}

However, a prime area of consideration (and the main focus of this research) is the involvement of customer in the retail mix formulation. This means developing a close relationship with the customer to acquire functional and behavioral data and information, which could be used for planning and delivering relevant categories and services. To fulfill this goal, a number of initiatives (to include customer loyalty programs, preferred credit card schemes, air miles and holiday accommodation allowances, in-store surveys and so on) were introduced to acquire useful and actionable information and at the same time involve customers with the CM practices.

Figure 1 depicts the retailing flows and key linkages and relationships within the CM process as applicable to a grocery retailing function.¹⁷ Different CM strategies and tactics are used by retailers to compose customer relevant actions and activities. The 'value proposition' offered to

Figure 1: CM activity flows and feedback loop.
Source: Descrochers and Nelson.¹⁸

the customer is the fundamental reason for the selection of a certain strategy or tactic. For example, some retailers use product assortment (for example, customer traffic building strategy used by Carrefour includes one stop shop and all under one roof tactics), whereas other retailers may use customer service convenience by providing facilities such as valet parking, crèche and playing area for the children. In these strategies, based on different tactics, the aim is to use fitting ‘value proposition set’ to reach and attract a specific customer segment or different customer segments. Therefore, retailers and suppliers need to understand the link between different retailing strategies and tactics to better service the targeted customer group(s).

Joint Industry Project on Efficient Consumer Response (1995), Cannondale Associates¹⁹ and Descrochers and Nelson¹⁷ stipulate that from a range of CM strategies and tactics, retailers ‘pick and choose’ according to the customer type, products being sold, the market environment (especially the competition) and similar other dynamics that are being encountered within a particular retailing environment. For example, if a retailer wants to achieve certain revenue targets (for example, generate more sales), it needs to review, evaluate and consider its current product range and services in line with nature and volume of customer traffic. Furthermore, the choice of CM tactics and strategies also depends on short-, medium- and long-term objectives retailer wants to achieve (for example, best quality, premium service, lowest prices and so on).

Mostly, creating a balanced retailing mix (that is, product assortment, product pricing, product promotion, product availability and customer service) helps in reaching the set objectives. A key indicator of ‘achieving set business and corporate objectives’ is customer satisfaction. It is the main focus of this research. CM variables (as illustrated in Figure 1) and their relationship with customer satisfaction will be tested in Kuwaiti retail market where CM was recently introduced.

Transformation within Kuwaiti grocery retail sector

Until early 2006, Kuwaiti grocery retail sector was a seller’s market. There were limited options available to the customers in the form of state-controlled superstores or a limited number of privately owned superstores. In the government assisted non-CM superstores, the prices were kept within a certain band, product range was limited (mostly Fast Moving Consumer Goods), in-store service was elementary (help yourself) and seasonality based concessions were frequent (for example, low prices during holy month of Ramadan and religious festivals of Eid). Shelf displays were moderate to bland with ‘pile them high and sell them cheap’ approach and few premium brands were sold. These stores largely attracted low- to middle-income customers. Currently (March 2010), FMCG retail market is approximated to be around US\$1.41 billion. Growth rate of 31 per cent is forecasted between 2010 and 2014 with total sales likely to reach \$1.85 billion.²⁰

From 2006 onwards, Kuwaiti grocery retail sector started to change with foreign retailers (such as Carrefour, Casino-Geant and Lulu) entering the market. Hence Kuwaiti grocery retail sector started to transform. This initiated a change within the retail dynamics where size of the stores, product range, quality, brand choices, in-store customer service and cross-selling was reconsidered. In this changing environment, some retailers paid extra attention to functional benefits (such as offering lower prices, extended opening hours and comprehensive warranty schemes), whereas others took a more precise value-creating approach and made their services more customer-centric (for example, building a play area for kids and free car wash while you shop). Yet another approach that was utilized was CM, which was introduced into the Kuwaiti market as a new strategic retail practice whose main objective was to improve customer retention through enhanced customer satisfaction. This proactive approach was being taken as a move to counter existing and future competition (largely foreign retailers) that had entered Kuwaiti retail sector or were soon to be part of it.

Therefore, the major purpose of this study was to conduct a post implementation evaluation of the CM retail environment in Kuwait in order to establish the extent and nature of customer satisfaction. As a main contribution, this study will test the developed CMKV Model in a dynamic and fast changing Kuwaiti grocery retail sector to highlight how the retail variable mix behaved within the recently created CM environment. Furthermore, the outcome of the analysis will identify misalignments within the context of 'established CM retail environment' and 'customer satisfaction' (that is, which variables affect customer satisfaction and which do not). Hence this analysis will highlight (especially for practitioners) retail variables that may need tweaking to improve the level of customer satisfaction within a category managed retail environment.

There are number of American and European studies addressing CM and its impact on customer satisfaction.^{21,22} However, there is a total lack of CM literature related to the Gulf

Cooperation Council (GCC) region of which Kuwait is a part. As Kuwaiti retail market is culturally, socially and demographically dissimilar from European and American markets (where most of the CM studies have been conducted), the outcome and implication of these studies may not apply and hold relevant for the Kuwaiti retail market. Extensions or extrapolations of lessons learned from European and American retail markets to a socially and culturally distinct retail market such as Kuwait may be misleading and probably ill-fitting because of differences in consumer behavior, distribution of wealth, climate, size of the market, competitive dynamics, status signaling trends, shopping habits and similar other variables. This market distinctiveness warrants and supports a case for a focused and a specific study where key CM retail variables are evaluated within this unique Kuwaiti market. With this premise as a major foundation for this investigation the vital question, *How successful has CM approach been in creating customer satisfaction?* will be addressed.

OVERVIEW OF KUWAITI GROCERY RETAIL SECTOR

Pricing

As Kuwaiti grocery retail market largely (about 85 per cent) depends on foreign imports, price and its control has been a concern. Transportation adds to the cost where imported goods (mainly North American and European brands) being shipped in from long distances are marked up with a premium resulting in a significant hike in the price.

However, most Kuwaiti consumers possess high spending power and demand, and enjoy western and foreign brands high in quality and image.

Competitive dynamics

Over the last decade, technological modernization has transformed the grocery retail sector in Kuwait. Traditional family run and small- and medium-sized grocery retail operations have been overshadowed and at times replaced by super and hyper stores. Unlike North

American and Western European grocery retail markets where the competition between retailers is intense and market share is more evenly spread; in Kuwait over 50 per cent of the grocery retail market share is held by four retailers that is, Carrefour, The Sultan Centre (TSC), Lulu and Union of Consumer Cooperative Societies (UCCS).²³ Kuwaiti grocery retail sector sells an imbalanced mix of local to foreign brands. Most of the merchandise is imported and there is a limited range of local brands. The grocery market largely utilizes traditional promotional practices and uses local newspapers, billboard and poster advertising, coupons, prize draws and discount pricing as a means of creating and refreshing customer awareness. Kuwaiti grocery retail sector predominantly competes on price and quality. UCCS sells at low price and medium to low quality and attracts medium to low end of expatriate market. Privately owned Kuwaiti retail stores (such as TSC) sell at high price and high quality and attract Kuwaitis as their prime customers. International retailers (such as Lulu and Carrefour) take a mid-route and sell at medium price and medium to high quality, attracting high end of expatriate market.

Social retail environment

Grocery shopping is going through a social/cultural change in Kuwait. In pre-2000 era, consumers mostly shopped within local community stores where the store owner was personally known. Home delivery and flexible credit terms were the norm of doing business. Post 2005, because of time and cost-efficiency seeking behavior, a growing number of Kuwaiti customers are turning to grocery super and hyper stores. Hence community stores are under threat from larger retailer operations.

Contrary to the findings of Aylott and Mitchell²⁴ who report shopping to be a stressful activity for a majority of customers, in Kuwait general customers tend to enjoy shopping. Shopping is considered a leisure activity. Most super/hyper stores are part of a complex (called a Mall) where apart from shopping consumers can indulge in other activities and

experiences. Because of hot Kuwaiti weather, most entertainment is sought indoors. To cater for this specific need, malls provide a diverse range of entertainment and services under one roof. Hence Kuwaiti customers can be labeled as 'activity oriented shoppers' rather than 'task oriented shoppers'.

Major grocery retail operations in Kuwait

According to Business Monitor International,²³ Kuwaiti grocery retail sector is estimated to be around \$1.3 billion in 2011. This includes 51 per cent of food-related sales. The following five grocery retail stores form a major part of Kuwaiti grocery retail sector:

1. TSC operates 13 outlets in Kuwait and is the biggest food retailer in the country. Its yearly retail sales amounts to about \$490 million.
2. Dubai-based retailer Lulu continues to increase its presence in Kuwaiti market. So far it has opened three outlets in Kuwait.
3. Casino-Geant entered the Kuwaiti retail market in 2008. It has five outlets across Kuwait. It plans to expand further with another two outlets opening in 2012.
4. Carrefour has only one outlet in Kuwait, which opened in 2007.
5. Government funded (UCCS comprises small grocery stores as well as supermarkets, convenience stores and a hypermarket. UCCS owes its relatively strong Kuwaiti market position to its exclusive right to operate in residential areas, whereas private retailers are restricted to commercial zones only.

Future trends

Kuwaiti grocery retail sector is set to expand post 2010. The overall grocery retail sector is expected to grow to \$1.62 billion by 2015 and the share of the food-related sales is expected to increase to 52.9 per cent.²² Local, regional and international grocery retailers have ambitious plans to grow aggressively in Kuwait. Especially, the large format retail outlets are set to overtake the smaller retail operations. Medium to smaller chains are most likely to compete on personal

service and specialty, whereas super/hyper stores will follow all-under-one-roof and low-price strategy. Furthermore, evolution of grocery sector in Kuwait is expected to speed up with 'modernization' of the sector setting in rapidly. In addition, hypermarket and mall-based shopping culture is expected to continue, which will keep attracting customers looking for a broader range of products and recreational activities all in one place.

RESEARCH FRAMEWORK AND HYPOTHESES

Even though ACNielsen¹³ was used as the basis of the research framework, this was further supplemented by a detailed study of research papers specifically related to category-based retailing practices within grocery and FMCG retailing sector.

Basis for this selection was relevance to customer satisfaction within category managed grocery retail sector as expressed by expert informants in the field. In addition, to maintain quality focus, papers from top tier journals (such as *Journal of Retailing* and *Journal of marketing*) were included in the review process.

ABI/Inform Complete (Proquest), EBSCO, Al-Manhal (Arabic Database containing regional Business and Economics titles), and Emerald Full Text were thoroughly searched to locate appropriate literature. Keywords such as CM, customer satisfaction, Kuwaiti retail sector, grocery retail sector were used to navigate and facilitate the search.

CMKV Model variables are supported by research papers by Huddleston *et al.*²⁰ Descrochers and Nelson,¹⁷ Dupre and Gruen,²⁵ Amine and Cadenat,²⁶ Basuroy *et al.*²⁷ and Aylott and Mitchell,²³ Huddleston *et al.*²⁰ indicated a significant impact of price, product assortment, customer service and product quality on customer satisfaction within conventional and specialty grocery stores. Descrochers and Nelson¹⁷ highlighted behavior differences when a product is placed in different categories, presented in different brands and packaged in different designs and styles. The focus of their study was to assess the impact of product

placement on customer satisfaction. Amine and Cadenat²⁵ evaluated grocery related CM disposition toward product assortment, cost efficiency and product availability. In particular, their investigation looked into the effective balance between product assortment and internal cost efficiencies to achieve an optimal CM implementation. Their results indicated that assortment range and availability of consumer-preferred brands played a significant role in creating an optimal category mix. Aylott and Mitchell²³ explored the association between retail variables (that is, staff attitude, store location, product shelving and in-store crowd density) and the level of stress caused during shopping. The findings indicated that poor staff attitude and high in-store crowd density were the major contributors to shopper stress. In the untested opinion of Dupre and Gruen,²⁴ consumer centric CM based on demographic and lifestyle variables helped sustain competitive advantage. Basuroy *et al.*²⁶ took a generic view of CM and focused on how it affects pricing and sales performance in the grocery retail sector. The study outcome suggested a positive link between practicing CM and its positive impact on pricing efficiencies and increased profitability. Table 2 shows the list of CM variables extracted from the research papers that formed part of the literature review.

Table 2 is reflective of customer-centric and market-specific variables related to CM practices within grocery retail sector. Table 2 was scrutinized to ascertain the citation distribution of key variables (presented in Table 3). On the basis of Table 3 analysis, most frequently researched variables formed part of the CMKV Model. Cut-off point for variable inclusion was set at two or more citations.

Consequently, a selection of six endogenous variables and one exogenous variable (that is, customer satisfaction) formed the set of CM variables used in the research framework (Figure 2).

Briefly, the research variables are explained and relevant hypotheses are stated.

Product Assortment – It answers the fundamental question of what a retailer, and more importantly

Table 2: Grocery retail sector studies supporting CMKV model

Authors and year of publication	Huddleston et al ²⁰	Descrochers and Nelson ¹⁷	Dupre and Gruen ²⁵	Amine and Cadenat ²⁶	Basuroy et al ²⁷	Aylott and Mitchell ²³
Study title	Customer satisfaction in food retailing: comparing specialty and conventional grocery stores	Adding consumer behavior insights to category management: improving item placement decisions	The use of category management practices to obtain a sustainable competitive in the fast moving consumer goods industry	Efficient retailer assortment: a consumer choice evaluation perspective	The impact of category management on retailer prices and performance: theory and evidence	An exploratory study of grocery shopping stressors
Key study variables	Price, product assortment, customer service, customer satisfaction, product quality	Shelf presentation, item placement, pricing options, range of products, customer satisfaction, store image	Pricing strategies, product assortment, customer satisfaction, supplier involvement, product availability	Product assortment, cost efficiencies, product availability, brand availability, product presentation, pricing policies, store ambience, customer service	Pricing structures, promotions, product assortment, shelf management	Pricing policies, service levels, merchandise assortment, store layout, store image, store location, in-store customer crowd, staff attitude, store atmosphere, parking facilities

Table 3: Variables found in CM and customer satisfaction within grocery retail sector studies

CM variable	Citations
Product pricing	6
Product assortment (to include range of products and merchandise assortment)	6
Customer service	3
Customer satisfaction	3
Product presentation (to include shelf presentation and item placement)	3
Product promotion	2
Product availability	2
Product quality	1
Store image	1
Cost efficiencies	1
Brand availability	1
Store ambience (to include store atmosphere)	1
Store layout	1
Store location	1
In-store customer crowd	1
Staff attitude	1
Parking facilities	1

Figure 2: Category Management Key Variable (CMKV) model.

a customer, wants in a category mix.^{28,29} Traditionally, buyers used to decide on assortment based on what the manufacturer offered. Later on, a more operational and internal

‘shelf space to sales ratio’ approach became the primary tool to enhance sales.³⁰ However, after discovering that the sales volumes were not the best indicators in deciding a category mix,

retailers began to look at each product contribution in a category for which they needed to study and understand how customers shopped. For example, if the retailer already offered two brands of regular tea, would adding a brand of green tea or herbal tea or regular tea, provide an increase in customer satisfaction?

Hypothesis 1: There is a positive and significant relationship between the use of product assortment strategies and customer satisfaction within CM retail environment.

Product Pricing – assessed the basket value and application of EDLP tactics within store environment. Largely, retailers frame their pricing strategies on two perspectives:^{27,31,32}

- How can we differentiate and establish a position of customer value through pricing?
- What role will pricing play for particular categories depending on the market forces?

Customers know the prices of some basic items and they might not switch a retail store for marginal differences. They think of the difference on their total baskets as they might not buy the same items each time they shop.³³ Therefore, retailers need to price with complete categories in mind rather than item by item.

Hypothesis 2: There is a positive and significant relationship between the use of product pricing strategies and customer satisfaction within CM retail environment.

Product Presentation – evaluated the comfort of locating shopping items, nature of shelf displays and ease of mobility within the store. In addition, shelf space was a key determinant of how retailers present categories because footage is one of the few constants in retailing. Expanding one category will automatically mean shrinking another.³⁴ Shelf presentation is so critical that it either attracts purchasers or it drives them away.

Hypothesis 3: There is a positive and significant relationship between the use of product

presentation strategies and customer satisfaction within CM retail environment.

Product Promotion – considered different types of promotions, their frequency and their impact on building customer traffic. Promotions are fast becoming quick fixes that excite consumers, but may weaken a retailer's long-term retailing strategy. Regardless of the promotional tactic that retailers utilize (such as price off, promotional packs, loyalty cards, instant discounts and so on), retailers decide on the weight and frequency of their promotions based on the competition and the customer base.³⁵

Hypothesis 4: There is a positive and significant relationship between the use of product promotion strategies and customer satisfaction within CM retail environment.

Product Availability – determined the type and frequency of merchandise on display. Majority of retailers take proactive steps to improve product availability because it is one of the most critical reasons for a retailer to lose a customer through switching or defection.³⁶ One of the key reason customer visits a retail store is the product(s) they want and in most cases other considerations (such as price, promotion and presentation) come next.

Hypothesis 5: There is a positive and significant relationship between the use of product availability strategies and customer satisfaction within CM retail environment.

Customer Service – Most retailers try to increase customer satisfaction whether they apply CM or not. To achieve this, they add appropriate and customer driven services to make shopping experience and in-store time more comfortable and pleasant.³⁷ Some of the services that are important to customers are: knowledgeable and courteous sales staff, clear and visible pricing, ample car parking, valet parking facility, help with children while shopping, clear labeling and aisle signage. Referring to the sustainable competitive advantage, service is perhaps the

main differentiator as most retailers are able to acquire similar tangible merchandise.

Hypothesis 6: There is a positive and significant relationship between the use of customer service strategies and customer satisfaction within CM retail environment.

Customer satisfaction – customer satisfaction was assessed through analysis of customer reaction and attitude toward CM retail mix variables.

RESEARCH METHODOLOGY

Classification of grocery stores

The store classification was based on ACNielsen CM strategies and tactics within the US retail market (see Table 1). Store classification questionnaire (containing 10 questions) was developed and used to establish the presence or absence of variables (either strategic or tactical) that were main part of CM. After a careful analysis of the Kuwaiti grocery retail market, a total of five grocery stores were identified as

Table 4: Super and hyper grocery stores in Kuwait

Store name	Store type	Store location
The Sultan Centre	Superstore	Salimya
City Centre	Hyperstore	Shuwaikh
UCCS	Superstore	Farwaniyah
UCCS	Superstore	Nuzha
UCCS	Superstore	Fahaheel

Please note that these data were collected in 2007. At the time of data collection, Carrefour, Lulu, Casino-Geant were not operational.

Table 5: Respondents' profile for the CM classification questionnaire

Employee position	Store name	Key responsibility
Purchasing manager	City Centre	FMCGs purchasing
Merchandising manager	UCCS	Fresh food purchasing
Category management executive	The Sultan Centre	Product placement
Stock controller	UCCS	Stock room management
Shop floor operations manager	UCCS	Shelf stocking supervision
Merchandising manager	UCCS	Price and volume negotiations
Grocery operations manager	The Sultan Centre	Product displays
Purchasing manager	UCCS	Local brand purchasing
Assistant manager – sales	UCCS	External promotions
Sales and marketing director	City Centre	Internal and in-store promotions

either superstores or hyperstores (refer to Table 4 for further details). These five stores were approached for further investigation in order to establish their CM status through questionnaire-based survey.

More specifically, merchandising/purchasing management responsible for in-store operations were approached. A total of 16 employees were contacted through personal visits. Ten managers agreed to take part in the face-to-face completion of the CM classification questionnaire (detail of the respondents is given in Table 5).

On the basis of the outcome, only one store qualified as a CM practicing grocery retail operation. The name of the store has been concealed on the management request. Rest of the superstores, at the best, showed presence of some CM elements, but no coherent CM strategy (see Table 6).

Questionnaire design

The research took the form of questionnaire-based survey (Refer to the Appendix for the copy of the questionnaire). Mostly, closed questions (based on 3-point scales) were included in the questionnaire. The 3-point scale was divided into Satisfied(1), Indifferent(2) and Unsatisfied(3). In the questionnaire, these 3 points were synonymous with Yes (Satisfied), Sometimes (Indifferent) and No (Unsatisfied). The prime reason for choosing a 3-point scale (rather than a more sensitive 5- or 7-point scale) was to get a clear (and a more definitive) response to the satisfaction status of the respondent. Specifically, these were the three

Table 6: Outcome of store classification questionnaire-based survey

Variables assesses	Store 1	Store 2	Store 3	Store 4 ^a	Store 5
EDLP	Yes	Yes	No	Yes	Yes
External promotional plan	No	Yes	Yes	Yes	Yes
Internal promotional plan	No	No	No	Yes	No
Customer service charter	No	Yes	Yes	Yes	Yes
Customer loyalty scheme	No	No	No	Yes	No
Supplier relationship strategy	No	No	No	Yes	No
Customer complaint management system	Yes	No	Yes	Yes	Yes
Employee training and development plan	No	No	Yes	Yes	No
Strategic plan for using shelf space	No	No	No	Yes	Yes

^aNote that on the basis of the data collected and represented in Table 4, Store 4 was the only store classified as a CM practicing store.

fundamental reasons for using a simple and a shorter measuring scale:

- To overcome English language complexity, which may be an issue for some respondents. Nevertheless, most Kuwaitis are fluent in verbal and written English.
- Generally and culturally, Kuwaitis have restrictive orientation of time. They can be economical rather than generous with time-sharing, especially when they do not know, personally or professionally, who they are interacting with.
- As with any respondent set, participants may be unfamiliar with survey techniques and procedures. Frequently, Kuwaitis tend not to ask for clarifications if they do not understand any part of the questionnaire. Asking for clarification is considered as lack of intelligence. Extended scales (perceived as more complex) could have led to higher respondent related error.

The questionnaire was pilot tested with 25 customers. Before the final data collection phase, the questionnaire was revised in terms of language, sequence of questions, structure of questions, wording of questions, clarity of questions, number of questions and length of questions by incorporating the relevant feedback collected during the pilot stage.

Measures

All the measures were formulated by taking guidance from relevant research publications. Chiefly, measure contributions came from Descrochers and Nelson,¹⁷ Dupre and Gruen,²⁵ Amine and Cadenat,²⁶ Busuroy *et al*,²⁷ and Aylott

and Mitchell.²⁴ The details of these measures, in the form of a questionnaire, can be found in the Appendix. Thirty measures representing seven variables (that is, product assortment, product pricing, product presentation, product promotion, product availability, customer service and customer satisfaction) of the CMKV Model were initially designed or compiled. As some of the measures were similar in psychological perspective, it was considered appropriate to use Exploratory Factor Analysis (EFA) to check whether they loaded on the intended factors.³⁸ Second, as the measures were being used in a different research environment, as a cautionary step it was considered appropriate to review how the measures behaved. EFA results shown in Table 7 identified two measures with factor loadings below the acceptable threshold of 0.40 (as per Gerbing and Anderson³⁹). Because of low and unacceptable factor loadings, these two measures were removed.

Data collection

Final data collection took place during morning hours when the customer traffic was comparatively low and hence minimum disruption was caused to the retailer activity. Quantitative field study approach was deployed where two teams (with four members each) of bilingual researchers, fluent in Arabic and English, were placed near the main entrance of the CM retail superstore. Convenience sampling was used where Kuwaiti respondents were approached with a request for questionnaire completion. Data were collected over 3 days in the month of April 2007. Three consecutive Wednesdays were

Table 7: Exploratory factor analysis

Measures	Factor loading
Product assortment 1, 2, 3	0.504, 0.579, 0.593
Product availability 4, 5	0.628, 0.615
Product pricing 6, 7, 8, 9	0.782, 0.815, 0.738, 0.724
Product presentation 10, 11, 12	0.672, 0.587, 0.691
Product promotion 13, 14, 15	0.843, 0.821, 0.621
Customer service *16, 17, 18, 19, 20	0.331, 0.682, 0.819, 0.791, 0.657
Customer satisfaction 21, 22, 23, 24, 25, 26, 28, *29, 30	0.729, 0.806, 0.758, 0.687, 0.722, 0.541, 0.768, 0.831, 0.227, 0.703

*Measure deleted due to low factor loading of <0.4

chosen for data collection. The main reason behind this choice was that most Kuwaitis shopped on Wednesdays to prepare for social gatherings and formal feasts on the weekend, which (before May 2007) was Thursday and Friday. Hence, Wednesday was considered as a suitable day for catching sizeable grocery purchasing Kuwaiti customer traffic. In total, 309 usable questionnaires were completed and provided more than adequate cases for the Structural Equation Modeling (SEM) Analysis.⁴⁰ Furthermore, number of cases (that is, 309) is comparable to similar studies where SEM has been used to analyze the collected multivariate data.⁴¹ As data were collected through face-to-face and on-the-spot questionnaire completions, response rate was very high. Most respondents that were approached willingly participated in the survey. In addition, test of non-response bias (that is, comparison of early and late respondents; Armstrong and Overton⁴²) was deemed irrelevant as the data were collected over 3 days, which is a short time to induce a noticeable change in the early and late responses.

LIMITATIONS

Reasonable efforts were made to explain certain words in the questionnaire to respondents who were Arabic speaker and had sparse knowledge of English language. Still, it is possible that misinterpretations related to certain misunderstood

words or phrases may have led to some bias in responses.

The time of data collection (that is, morning hours) may have affected the degree of randomness related to the data collection process as shoppers may display different shopping behaviors during different times of the day. Data collection time was decided by the store management and researchers had no control over it.

As non-Kuwaitis (constituting 50 per cent population of Kuwait) were excluded from this study, this may have restricted the evaluation of customer satisfaction orientation related to Kuwaiti Grocery Retail market as a whole.

RESULTS

Reliability and validity

Reliability and validity tests were conducted to check the fitness of the items and constructs used. Bivariate correlations (that is, correlation matrix) and Cronbach's α (that is, reliability indicators) are presented in Table 8. The fact that none of the correlations approached the reliability values of the constructs was an indication of the discriminant validity. Furthermore, it can be seen that the Cronbach's α for all the constructs was above 0.60, signaling acceptable reliability according to Hair *et al.*⁴⁰ Even though Cronbach's α value for customer service variable was marginal, it was still above the threshold of acceptability. On the strength of the above evidence, overall validity and reliability of the measures was considered satisfactory.^{40,43}

SEM

As a series of interrelationships (mainly between retail mix variables and customer satisfaction) were to be explored, SEM was considered as an appropriate data analysis tool. In addition, the prime research objective was to determine the nature and strength of correlations between retail mix variables (that is, the antecedent set) and customer satisfaction (consequence). According to Hair *et al.*,⁴⁰ SEM is a suitable statistical technique for examining form and type of relationships between antecedents (exogenous constructs) and

Table 8: Descriptive statistics, reliability and correlation matrix

	Mean	Standard deviation	Cronbach's α	PA	PP	PPr	PPro	PA	CS
PA	1.50	0.77	0.819	1	—	—	—	—	—
PP	2.20	0.87	0.703	0.200	1	—	—	—	—
PPr	1.27	0.64	0.811	0.108	0.267	1	—	—	—
PPro	1.50	0.78	0.857	0.257	0.401*	0.278	1	—	—
PA	1.57	0.72	0.819	−0.091	0.032	0.479**	−0.091	1	—
CS	1.07	0.36	0.613	0.365*	0.170	0.512**	0.264*	0.112	1

*(Pearson) Correlation is significant at the 0.05 level (2-tailed); ** (Pearson) Correlation is significant at the 0.01 level (2-tailed).
 PA–Product Assortment; PP–Product Pricing; PPr–Product Presentation; PPro–Product Promotion; PA–Product Availability;
 CS–Customer Service.

Table 9: GFI indices and estimates of parameters

<i>Absolute fit measures</i>	
χ^2 , DF, <i>P</i> -value	24.39, 11, 0.08
GFI	0.913
RMSEA	0.0703
<i>Incremental fit measures</i>	
AGFI	0.903
NFI	0.972
IFI	0.964
<i>Parsimonious fit measures</i>	
Normed χ^2 (DF)	2.21

consequence (endogenous construct). AMOS 7.0 was used for data analyses and hypotheses testing.

DATA ANALYSIS AND HYPOTHESES OUTCOME

Table 9 shows the results related to goodness of fit (GFI) for the research model. Normed χ^2 (χ^2 /DF) was 2.21 and within the upper limits of acceptability (that is, between 2 and 3). *P*-value of χ^2 was above 0.05 indicating an acceptable significance. In addition, GFI Index, Normed-Fit Index (NFI) and Incremental-Fit Index (IFI) were greater than 0.90. However, the Adjusted GFI (AGFI) was just above the threshold value of 0.90 and Root of Mean Square Error of Approximation (RMSEA) was just below the threshold value of 0.08, which is considered marginal but acceptable.⁴⁴ Some authors, to include Jackson *et al.*,⁴⁵ have suggested a lower cut-off value of 0.05 for RMSEA, whereas other authors (to include Hoe⁴⁶) consider higher RMSEA cut-off values, of up to 0.08, as being acceptable. According to Hu and Bentler,⁴⁷

acceptable model fit is indicated by an RMSEA value of 0.06 or less. As per Chen *et al.*,⁴⁸ there is a little support for use of 0.05 to determine adequate model fit and reasonable error of approximation. In Chen *et al.*'s⁴⁸ view, the determination of RMSEA value depends on, and is sensitive to, a number of factors that may include type of model, degrees of freedom and sample size. Accordingly, Chen *et al.*⁴⁸ categorize RMSEA cut-off point as semi-arbitrary and influenced by a certain degree of subjectivity. In Chen *et al.*'s⁴⁸ opinion, the lower and upper levels of RMSEA acceptability lies between the values of 0.05 and 0.08.

Hence, goodness-of-fit statistics represented an acceptable overall goodness of fit for the research model. In terms of the tested pathways; Product assortment→Customer satisfaction, Product availability→Customer satisfaction and Customer service→Customer satisfaction pathways were significant, whereas Product pricing→Customer satisfaction, Product presentation→Customer satisfaction and Product promotion→Customer satisfaction pathways were insignificant.

DISCUSSION

Kuwaiti CM store seems to be providing an adequate and appropriate range of products for its customers and this strategy appears to be creating substantial customer satisfaction. This can be ascertained from the positive and significant relationship between product assortment and customer satisfaction (that is, Hypothesis 1 is retained) in Table 10. Hence, we can conclude that diverse variety of goods available to the

Table 10: Pathway analyses

Hypothesis	Tested pathways	Proposed outcome	Standardised regression weights (c.r. values)	Hypothesis status
H1	Product assortment→Customer satisfaction	Positive and significant	0.258 (2.59)*	Retained
H2	Product pricing→Customer satisfaction	Negative and significant	0.062 (0.76)	Rejected
H3	Product presentation→Customer satisfaction	Positive and significant	0.024 (0.51)	Rejected
H4	Product promotion→Customer satisfaction	Positive and significant	0.013 (0.68)	Rejected
H5	Product availability→Customer satisfaction	Positive and significant	0.137 (2.28)*	Retained
H6	Customer service→Customer satisfaction	Positive and significant	0.321 (3.07)**	Retained

Note: * $P < 0.05$; ** $P < 0.01$.

customers are rich and balanced in assortment and are leading to customer satisfaction. This outcome is supported by Huddleston *et al.*²¹ and Mogilner *et al.*²⁹ Both studies showed a significant and a positive relationship between wide variety of product availability and customer satisfaction. Aylott and Mitchell²⁴ study takes more of an impartial stance on product assortment-driven customer satisfaction. They reported that too much choice in product selection caused mild stress among 7 per cent of shoppers in the United Kingdom.

Customers do not seem to pay much attention to prices within the CM retail environment. This can be inferred by the insignificant impact of product price on customer satisfaction (that is, Hypothesis 2 rejected in Table 10). This could be the result of wider premium product range on offer (although at higher prices), high quality brands on sale and excellent customer service that largely attracts middle- to high-income customers. This insignificant focus on price also shows the strong purchasing power of Kuwaiti customers, which is the result of a high GDP/Capita (\$41 000 in 2010). The availability of large amount of disposable income (as there are no taxes, healthcare, utilities, education expenses to pay) seems to be making Kuwaiti customers less price sensitive. These findings are in contrast to American and Western European grocery retail sectors. Studies in these markets show inverse relationship between high prices and customer satisfaction.²¹

As shown in Table 10, there was an insignificant relationship between product presentation and customer satisfaction (that is, Hypothesis 3 was rejected). There is a possibility that because of frequent store visits, customers become aware of the merchandise location and can easily find products without further assistance. This finding was supported by Cottrell.⁴⁹ In his study, shelf presentation showed insignificant association with customer satisfaction, indicating that customers actually found the shopping experience more efficient and less time consuming by depending on their own in-store experience and not paying much attention to shelf labeling and sign postings. However, contrasting results are reported by Aylott and Mitchell²⁴ study in the US grocery market. They found a positive association between product presentation (to include product signage, product placement and labeling) and increased stress levels. This signifies a link between inadequate product presentation and customer dissatisfaction. In Kuwaiti grocery market, shopping is largely considered a leisure activity where time and effort efficiencies are not an important part of the shopping experience.

Table 10 showed an insignificant association between product promotion and customer satisfaction (that is, Hypothesis 4 was rejected). This implicated that most customer buying decisions were not influenced by promotions. It is highly likely that customers were not accessing the available promotional communication in order to optimize the value of their shopping

experience. This could be because of the targeting of inappropriate media sources (including local newspapers and magazines) that are not followed by a majority of customers. Another explanation of this insignificant relationship could be the Kuwaiti social and cultural setup. In this collectivist society, word – of mouth is a prime source through which information is communicated, shared and exchanged. In individualistic European and American societies, formal media (for example, TV, Newspaper, Magazines and so on) are referenced to access market-related news including grocery retail sector marketing communication. From the significant association between product availability and customer satisfaction (that is, Hypothesis 5 retained in Table 10), it can be assumed that CM practicing retailer is providing a continuous flow of products that customers want. This also links to the retailer's understanding of the fact that most customers come to the CM store because they want to buy all under one roof (that is, one stop shopping). Hence, it can be deduced that stocks, in general, are being well maintained and product shortages and unavailability are rare events.

Strong link between customer service and customer satisfaction is indicative of the strong emphasis CM customers are putting on intangibles (Hypothesis 6 in Table 10 is retained). The positive and significant results are contingent to Aylott and Mitchell²⁴ study, which indicates a positive link between bad customer service (because of poor staff attitude resulting from inappropriate recruitment and inadequate training) and increased level of shopper stress caused by resulting dissatisfaction. They suggest a high number of shoppers (around 45 per cent) suffering from stress because of experiences of poor customer service. Dupre and Gruen²⁵ label good customer service as a glue that holds the CM strategies and implementation together.

It looks that Kuwaiti CM store is providing value optimization by offering shopping support, shopping convenience and shopping comfort all of which lead to a pleasant and an enjoyable shopping experience. As Kuwaiti customers seek quality, CM practicing retailers are utilizing

premium customer service approach to enhance and add to the tangible value being offered through high-quality merchandise.

FUTURE RESEARCH

Model should be tested with different types of customers (loyal, opportunistic, infrequent, selective) in different types of retail formats (CM, non-CM and partial CM). Customers can be classified into different types based on the frequency of visitations to a retail store and quantity of purchase both in terms of number of goods and monetary value. In addition, this study could be extended to include employees (as internal customers) to investigate their influence on effective implementation and management of CM strategies and tactics. Furthermore, there are opportunities for comparative CM studies within the GCC region. Especially, CM-related customer satisfaction can be assessed across different national grocery retail sectors and similarities and differences can be evaluated and reported.

CONCLUSIONS

Three out of six proposed pathways (as shown in Table 10) were found to be insignificant. This indicates a partially effective approach to CM implementation within Kuwaiti grocery retail sector, which raises a fundamental question, does CM practices/strategies that work in European and North American retail sectors work in a socially different retail market such as Kuwait? Even though globalization effects are consolidating behaviors toward products and brands, the key issue still remains whether behaviors are similar enough to cross apply CM models from the Western markets into the Eastern markets. This study lends support to taking a modified approach to CM implementation within culturally distinct markets through inclusion of understanding the local variables (such as lifestyles and socioeconomics) that may influence the purchasing behavior. Customer profile is usually different from one region to another region and even from one country to another country. This differentiation needs to be factored into the CM strategies and practices to achieve consumer centric solutions.

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APPENDIX

Questionnaire

Customer demographics

1. Ethnicity:
Kuwaiti ☐ Non-Kuwaiti ☐

(Continue with the rest of the questionnaire if the respondent is Kuwaiti.)

2. Male ☐ Female ☐
3. Disposable family income (\$) per month
500–1000 ☐ 1001–2000 ☐
2001–5000 ☐ 5001–8000 ☐ 8000+ ☐

Product assortment

4. Do you often find new products in this store?
Yes ☐ No ☐ Sometimes ☐
5. Do you believe that this store carries a wide assortment of products to satisfy your purchasing needs?
Yes ☐ No ☐ Sometimes ☐

6. While shopping, do you find a balanced mix of local and foreign products and brands?
Yes ☐ No ☐ Sometimes ☐

Product availability

7. Do you find products that are available at this store and not available anywhere else?
Yes ☐ No ☐ Sometimes ☐
8. Do you find items out of stock on a regular basis in this store?
Yes ☐ No ☐ Sometimes ☐

Product pricing

9. When buying a product at this store, do you believe that you are paying more than the product's value?
Yes ☐ No ☐ Sometimes ☐
10. Do you think that the total value of your shopping basket is more than the value of individual items?
Yes ☐ No ☐ Sometimes ☐
11. Do you think that this store provides lowest pricing when compared to other superstores?
Yes ☐ No ☐ Sometimes ☐
12. Are you satisfied with the pricing levels in this store?
Yes ☐ No ☐ Sometimes ☐

Product presentation

13. At this store, do you find products easily without lot of searching?
Yes ☐ No ☐ Sometimes ☐
14. Do you find the product displays in this store to be attractive and appealing?
Yes ☐ No ☐ Sometimes ☐
15. Are you able to move comfortably around this store without hindrances?
Yes ☐ No ☐ Sometimes ☐

Product promotion

16. Do you consider the types of promotions undertaken by this store to be appropriate?
Yes ☐ No ☐ Sometimes ☐
17. Do you consider the frequency of promotions by this store to be at an adequate level?
Yes ☐ No ☐ Sometimes ☐

18. Do you consider promotions by this store to be effective in capturing customer attention?
Yes ☐ No ☐ Sometimes ☐

Customer service

19. Do you find service staff in this store as and when one is needed?
Yes ☐ No ☐ Sometimes ☐
20. Do you think that the service staff in this store have adequate product and store knowledge to answer your questions and queries?
Yes ☐ No ☐ Sometimes ☐
21. Are you content with the customer complaint management program in this store?
Yes ☐ No ☐ Sometimes ☐
22. Do you think that this store follows and practices adequate safety and hygiene standards?
Yes ☐ No ☐ Sometimes ☐
23. Do you receive the service that you deserve while shopping at this store?
Yes ☐ No ☐ Sometimes ☐

Customer satisfaction

24. This store offers good variety of products
Yes ☐ No ☐ Sometimes ☐
30. This store offers better prices than other stores
Yes ☐ No ☐ Sometimes ☐
31. This store is regular and active with promotions
Yes ☐ No ☐ Sometimes ☐
32. Shelf presentations at this store are practical and attractive
Yes ☐ No ☐ Sometimes ☐
33. The products I want are always available at this store
Yes ☐ No ☐ Sometimes ☐
34. Customer service at this store is prompt and adequate
Yes ☐ No ☐ Sometimes ☐
35. Parking is never a problem at this store
Yes ☐ No ☐ Sometimes ☐

36. Sales staff is always available and helpful at this store
Yes ☐ No ☐ Sometimes ☐
37. Shopping atmosphere in this store is pleasant and organized
Yes ☐ No ☐ Sometimes ☐
38. Hygiene and cleanliness standards are high in this store
Yes ☐ No ☐ Sometimes ☐

Note: Measures/Statements 20 and 37 were removed due to inadequate factor loading

Store classification questionnaire

1. Do you use everyday low pricing strategy? Yes/No
2. Do you, as and when required, promote aggressively below competition prices Yes/No
3. Do you have a comprehensive customer service Program/charter in place Yes/No
4. Do you have a variety of customer loyalty schemes Yes/No
5. Do you allow proportionally higher space to high profit margin items Yes/No
6. Do you organize regular in-store sales promotions to create customer awareness for new brands and price changes Yes/No
7. Do you work closely with suppliers to ensure all time 'in the stock' position Yes/No
8. Do you have a formalized and documented customer complaint management system Yes/No
9. Do you have a training and development program for employees Yes/No
10. Do suppliers actively help you with shelf and stock management Yes/No

Classification key

If the answer to eight or more questions is 'yes' than the retail format is CM.

If the answer to five to seven questions is 'yes' than the retail format is semi-CM.

If answers to less than five questions is 'yes' than the retail format is non-CM.