Innovative Approaches' Influence on Customers' Loyalty between Many Retail Businesses in Gabes Town, Tunisia

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Abstract

Purpose: This study aimed at analyzing the effect of innovative approaches and customer loyalty among retail business in Gabes Town.

Methodology: The study used descriptive research design in the collection of data. The target population was drawn from four hundred and fifty retail business in Gabes town. Through Stratified proportionate random Sampling technique a total of one hundred and thirty five respondents was obtained.

Findings: Differentiation is a viable strategy for earning above average returns in a specific business because the resulting brand loyalty lowers customers' sensitivity to price. Differentiation creates a better entry barrier. Retail business in Gabes town use focus strategy on a particular buyer group, product segment, or geographical market.

Conclusion: This study concluded that cost leadership strategy, requires a continuous search for cost reductions in all aspects of the business.

Recommendations: The study recommended that retail business in Gabes town should ensure continued capital investment to maintain cost advantage through economies of scale and market share. The study also recommended that the businesses should develop cheaper ways to produce existing products.

Keywords: *Gabes town, innovative approach, retail business.*

1.0 INTRODUCTION

At the dawn of the second and third millennium, for firms to succeed in a competitive global environment, they need good strategies. A strategy is a firm's theory about how to compete successfully, a unifying theme that gives it coherence to its various actions (Peng, 2009). Strategic decisions are normally trying to achieve some advantages for the organization over competition. Strategy can be seen as the matching of resources and activities of an organization to the environment in which it operates (Johnson & Scholes, 2002). It is the search for strategic fit between organization's internal resources and competence on one hand and the external environment.

Modern retail business development in Africa has mostly been in the form of store-based rather than non-store retailing. The reason for this is that companies have to first establish a physical presence in a market and be visible enough before they can develop a multichannel strategy centered on internet retailing. Nonetheless, the continent has a fairly good presence of direct sellers and out-of-store transactions happen more often than might be expected. Firstly, direct sellers can access remote areas where no bricks-and mortar stores are present, while, secondly, direct selling offers local entrepreneurs an opportunity to earn extra income.

As with store-based retailing business, South Africa is the springboard for international expansion into neighboring markets. Leading players such as Avon Products Inc. and Tupperware Brands Corp are selling their products, either produced domestically or imported, in markets like Tunisia, Mozambique, Nigeria, Sudan and Uganda. Tunisian based retail businesses has developed a very modern and up market concept that appeals to urban consumers. To overcome competition in this era organizations are becoming more aggressive in using available opportunities and dealing with threats in their environment. However, an organization's strength may not always bring success they require (Brooks, 2010). Competition will determine how appropriate a firm's activities will contribute to its performance, such as a cohesive culture, innovations or a good implementation (Porter, 2012). Every organization that competes in an industry has a Innovative Approach it uses.

The strategy may have been developed through a planning process or may come up through the activities of various functional departments of the organization (Porter, 2012). A number of terms have been used as substitutes for relationship marketing or to describe similar concepts (Brooks, 2010). These include direct marketing, database marketing, customer relationship management, data driven marketing, micromarketing, one-to-one marketing, loyalty based marketing, segment of one marketing, customer partnering, dialogue marketing and interactive marketing. All this suggests that RM is also an umbrella philosophy for relational approaches in marketing.

Retail business industry in Tunisa economy over the years has been facing problems of slow growth and development (Lagat, 2011). This stampede of growth and do well performance of the retail business in Tunisa is threatening to eliminate poverty and employment generation which by implication should have led retail business and the country's economy towards sustainable performance, progress and development. The retail business competition has been very stiff with firms requiring survival of their businesses by being innovative in their operations, unique and proactive in their execution and implementation of their business. The biggest challenge facing the industry which is indisputable is lack of Innovative Approach to retain large numbers of today's modern and sophisticated customers. Innovative Approaches result in a strategic positioning which gives a firm the competitive edge (Porter, 2013).

Retaining customers requires a lot of efforts, but coming up with a strategy that best fits good customer loyalty schemes would be of significant boost to retail business. Ansoff (2002) defines Innovative Approach as the distinctive approach which a firm uses to succeed in the market. Today's Business environment is turbulent and chaotic. Firms interact with the environment and this dictate the approach and strategy to be executed to be outstanding from the competitors. This calls for proactive measures in order to outsmart their rivals in the same industry. Porter (2002) gives cost leadership, differentiation and focus strategies as generic Innovative Approaches that could be used by firms facing competition. These factors are clearly distinctive in most of the minimarkets and small retail shops. Therefore there is need for more understanding through studies to verify more on the strategies to the operating business environment.

2.0 LITERATURE REVIEW

2.1 Theoretical Review

2.1.1 Relationship Marketing Theory

Relationship marketing theory was proposed by Alexander (1998). The theory argues that relationship marketing is the creation and development of profitable, long-term and interactive relationship with existing and potential customers, suppliers and various interest groups. There are three types of relationship marketing namely database marketing, interaction marketing and network marketing. Database marketing as internal marketing is the use of information technology to increase customer loyalty, profits and customer satisfaction. However, this study seeks to view only one aspect of relationship marketing; customer relationship marketing.

Relationships exist when customers have interactions with the organizations. There are two things that relationship marketing paradigm considers when looking at customer retailer financial relationship (Alexander, 1998). Firstly, relationship marketing must be valuable and viable both to customers and organizations. Secondly, relationship between customers and organization will increase the importance of retailers to maintain and enhance the overall relationships that currently exist with the customers. Customers likely interact with the banks which satisfy their need (Melonakos, 2009). According to Pitta and Katsanis (2005) the profitability of a customer will be greatest during the later years of the customer relationship due to the following three reasons: incremental purchases, increase in price, and decreasing costs.

2.1.2 Customer Relationship Management Theory

Customer relationship theory was developed by Westch, (2005). According to the theory, customer relationship management is a combination of relationship marketing and customer centric where justice theory had applied in customer relationship theory. Justice theory involves the elements of trust, satisfaction and loyalty where these elements should have in the relationship between customers and organizations. There are three types of justice theories namely distributive, interactional and procedural. Distributive justice means the perception an individual holds the fairness of outcome. Interactional justice is perceived fairness of the interpersonal interaction in decision process. Finally, procedural justice is a fairness of the process.

2.1.3 Theory of Planned Behaviour

Ajzen (2005) formulated the Theory of Reasoned Action where he postulates that a person's behaviour is determined by intention to perform the behaviour and that this intention is, in turn, a function of attitude toward the behaviour and subjective norm. Behaviour is best predicted by intention. Intention is the cognitive sign of a person's readiness to perform a given behaviour, and it is considered to be the immediate precursor of behaviour. Intention is determined by three things: their attitude toward the specific behaviour, their subjective norms and their perceived behavioral control.

Ajzen (1991) developed the Theory of Planned Behaviour that holds that only specific attitudes toward the behaviour in question can be expected to predict that behaviour. In addition to measuring attitudes toward the behaviour, there is need to measure people's subjective norms which are beliefs about how people they care about will view the behaviour in question. To predict someone's intentions, knowing these beliefs can be as important as knowing the person's attitudes. In conclusion, perceived behavioral control influences intentions. Perceived behavioral control refers to people's perceptions of their ability to perform a given behaviour. These predictors lead to intention.

2.2 Empirical Review

The cost leadership strategy represents attempts by firms to generate competitive advantage by achieving the lowest cost in the industry. The focus of firms implementing a cost leadership strategy is on stringent cost control and efficiency in all areas of operation (Porter, 2012). A company that decides to follow a cost leadership strategy has the objective of being able to realize its offer at lowest possible cost. The competitive advantage of cost leadership is achieved by performing important value chain activities at lower cost than competitors (Porter, 2008). Cost leadership strategy strives to supply a standard, no-frills, high-volume product at the most competitive price to customers (Li & Li, 2008). Cost Leadership tends to be more competitors oriented rather than customer oriented (Frambach et al., 2003). Cost leadership requires a strong focus on the supply side as opposed to the demand side of the market, as this requires a high level of competitor orientation (Day & Wendley, 1988).

The generic of differentiation strategy involves creating a market position that is perceived as being unique industry-wide and that is sustainable over the long run (Porter, 2000). Such differentiation can be based upon design or brand image, distribution, and so forth (Frambach et al., 2003). In particular, differentiator firms create customer value by offering high-quality products supported by good service at premium prices (Walker & Ruekerts, 2011). The effectiveness of differentiation strategy depends on how well the firm can balance product benefits and product costs for the customer, relative to competitive offerings (Slater & Olson, 2001). Companies following a differentiation strategy strive to create and market unique products for varied customer groups. They aim to create a superior fulfillment of customer needs in one or several product attributes in order to develop customer satisfaction and loyalty, which can often in turn be used to charge a minimum price for the products (Morshett et al., 2006).

According to (Porter, 1998) companies that use focus strategies concentrate on particular niche markets and, by understanding the dynamics of that market and the unique needs of customers within it, develop uniquely low-cost or well-specified products for the market. Because they serve customers in their market uniquely well, they tend to build strong brand loyalty amongst their

customers. This makes their particular market segment less attractive to competitors. As with broad market strategies, it is still essential to decide whether company will pursue cost leadership or differentiation once company has selected a focus strategy as its main approach: Focus is not normally enough on its own. It's simply not enough to focus on only one market segment because company is too small to serve a broader market (Porter, 1998).

Much attention has been paid to customer loyalty by practitioners and through literature in recent decades (Nawaz & Usman, 2010). People in the field have used both attitudinal and behavioral measures to define and assess customer loyalty (Zeithaml, 2000). Loyalty, from an attitudinal stand point, implies a specific desire to continue a relationship with supplier and provider (Reza & Rehman, 2012). This means that a customer is loyal to a brand or firm if they have a positive and preferential attitude towards it. Whereas behavioral loyalty is when a customer repeatedly buys from the same company (Reza & Rehman, 2012) thus the customer is faithful to the company.

According to Ahmed and Moosavi (2013) "brand loyalty is the customer's willingness to stay with a brand when competitors come knocking with offers that would be considered equally attractive had not the consumer and brand shared a history. "Rahman et al., (2010) and Deng, Lu, Wei, Zhang (2010), expressed that same notion. Furthermore, Reza et al. (2012) note that customer loyalty represents the repeat purchase and referring the company to other customers. They also stated that customer loyalty is a figure that may be measured directly by measuring the actual repeated sales to customers. Additionally, due to intense competition in the market place, businesses have increased efforts to implement the customer retention strategy in order to maximize the lifetime value of customers (Boshoff & du Plessis, 2009).

It is important to note that Cheng et al., (2011) proposed that it is cost-effective to maintain existing customers than obtaining new ones. To this the authors proceeded to state that the cost of developing a new customer is between five and nine times the cost of maintaining existing customers. By the same token, (Lee, 2012; Kumar& Vandara, 2011;Boshoff and du Plessis, 2009), believe that the benefits of customer loyalty are that loyal customers are cheap to maintain, are price insensitive, spread free positive word-of mouth, always provide suggestions, and always try the company's new products. Several authors suggested that loyal customers are a competitive asset and that a way of increasing customer retention is through secure and collaborative relationship between customer and service providers (Rajeswari & Pradha, 2011; Wichai & Siriluck, 2010; Shannon, 2010). Brand loyalty takes precedence in the services sector, especially with regards to those providing services with little differentiations and ones competing in aggressive conditions, for example, the telecommunications sectors (Santouridis & Trivellas, 2010).

3.0 METHODOLOGY

The study adopted descriptive survey research design. A survey design seeks to obtain information that describes existing phenomena by asking individuals about their perception, attitude and values and describes things as they exist. The target population consisted of 450 retail businesses which are registered as retail business with ministry of trade in Gabes in year 2015. This consisted of 100 clothing shops, 84 groceries, 23 pharmacies, 8 supermarket, 45 hardware, 20 barber shops 5 filling stations, 85 restaurants and 50 cosmetics shops. Research data was collected from primary sources. Primary data was used due to its nearness to the truth and ease of control over errors. Primary data

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was collected using structured questionnaires while the secondary data was obtained from annual reports of the different retail business.

## 4.0 DATA ANALYSIS, FINDINGS AND DISCUSSION

4.1 Demographic Characteristics

A total of 75 questionnaires were distributed out of which 70 questionnaires were returned giving a response rate of 93.3%. The majority (57.5%) of the respondents was male and 42.5%) female. Majority (23.3%) of the respondents were aged between 26 and 30 years, 19.2% aged between 31 and 35 years, 16.4% aged between 46 and 50 years, 11.0% aged between 20 and 25 years and 36 and 40 years respectively, 8.2% aged below 20 years and 6.8% aged between 41 and 45 years old. (37.0%) of the respondents had attained a Bachelors level of education, 27.4% Diploma level, 15.1% Post Graduate Diploma, 12.3% Secondary education and 4.1% Primary education. Majority (42.9%) of the respondents had worked for a period of more than 10 years, 27.1% between 8 and 10 years, 21.4% between 3 and 7 years and 8.6% for a less than 3 years. This is an indicator that majority of the respondents had worked for a considerable period of time and could provide adequate information to the study.

4.2 Descriptive Analysis

4.2.1 Market Focus Strategies

Majority (48.0%) agreed that market focus strategy affect customer loyalty in your retail business and 34.2% disagreed. 37.0% indicated that market focus strategy affects customer loyalty in your retail business to a very great extent, 31.5% great extent, 12.3% little extent, 8.2% No extent at all and 6.8% moderate extent. This is shown in figure 1.
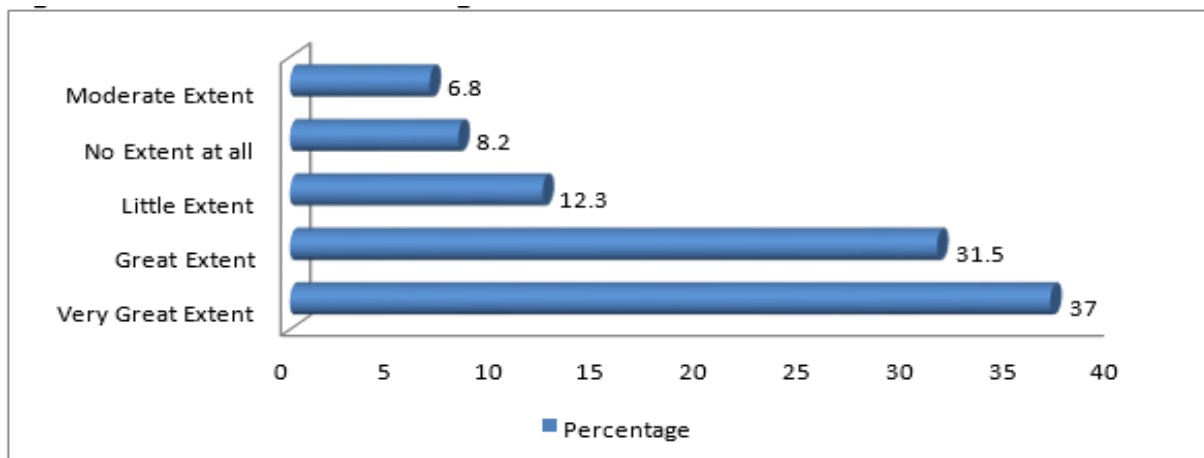
Figure 1: Market focus strategies

The respondents were given a list of statements on a five-point likert scale to indicate their extent to which they concur regarding the influence of market focus strategies on customer loyalty. These findings concur with the findings of Porter (1998) he observed that companies that use focus strategies concentrate on particular niche markets and, by understanding the dynamics of that market and the unique needs of customers within it, develop uniquely low-cost or well-specified products for the market. Because they serve customers in their market uniquely well, they tend to build strong brand loyalty amongst their customers. This makes their particular market segment

less attractive to competitors. As with broad market strategies, it is still essential to decide whether company will pursue cost leadership or differentiation once company has selected a focus strategy as its main approach: Focus is not normally enough on its own. It's simply not enough to focus on only one market segment because company is too small to serve a broader market (Porter, 1998).

4.2.2 Differentiation Strategies

Majority (60.0%) of the respondents agreed that differentiation strategies affect customer loyalty in your retail business and 40.0% disagreed. On the extent which differentiation strategies affect customer loyalty in your retail business, majority (69.0%) indicated to a very great extent, 21.0% great extent, 8.0% moderate extent and 1.0% to little extent and no extent at all. Majority (59.0%) agreed that their business sells attractive and unique brands which appeals to their customers, 23.0% strongly agreed, 14.0% disagreed and 4.0% strongly disagreed with a mean of 4.2 and a standard deviation of 0.498. Majority (56.0%) agreed that they incorporate buyer desired attributes into our products that is unique from their competitors hence attracting customers, 35.0% strongly agreed, 7.0% disagreed and 2.0% strongly disagreed with a mean of 4.5 and a standard deviation of 0.512. Majority (68.0%) strongly agreed that they create products or services that are perceived as unique by their customers hence ensuring customer loyalty, 22.0% agreed, 7.0% strongly disagreed and 3.0% disagreed with a mean of 4.0 and a standard deviation of 0.462.

These findings are in line with the findings of Frambach et al (2003) who noted that generic of differentiation strategy involves creating a market position that is perceived as being unique industry-wide and that is sustainable over the long run (Porter, 2000). Such differentiation can be based upon design or brand image, distribution, and so forth. In particular, differentiator firms create customer value by offering high-quality products supported by good service at premium prices (Walker & Ruekerts, 2011). The effectiveness of differentiation strategy depends on how well the firm can balance product benefits and product costs for the customer, relative to competitive offerings (Slater & Olson, 2001). Companies following a differentiation strategy strive to create and market unique products for varied customer groups. They aim to create a superior fulfillment of customer needs in one or several product attributes in order to develop customer satisfaction and loyalty, which can often in turn be used to charge a minimum price for the products (Morshett et al., 2006).

4.3 Inferential Statistical Analysis

4.3.2 Regression Analysis

A linear multiple regression analysis was used test the relationship between the three independent variables (cost leadership strategies, focus strategies and differentiation strategies) and the dependent variable (customer loyalty). Statistical Package for Social Sciences (SPSS) was applied to code, enter and compute the measurements of the multiple regressions for the study.

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Table 1: Model summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics	
					F Change	Sig. F Change
1	.623[a]	.742	.801	.4978	5.632	.001

Source: Research data (2016)

According to the findings in the table 4.8, the value of adjusted R^2 is 0.801. This indicates that a variation of 80.1 % of customer loyalty in retail business in Gabes town and the three independent variables at a confidence level of 95%. In addition other factors that were not studied in this research contribute to 19.9% of the customer loyalty in retail business in Gabes town. Therefore, further research should be conducted to investigate the other factors which contribute to that 19.9% of the customer loyalty in retail business in Gabes town.

Table 2: ANOVA results of the regression analysis

Model		Sum Squares	Df	Mean Square	F	Sig.
			ANOVA			
1	Regression	50.120	3	2.802	5.632	0.001[b]
	Residual	3.048	67	0.0437		
	Total	**53.168**	**70**			

Source: Research data (2016)

The significance value is 0.001 which is less than 0.05 thus the model is statistically significant in predicting the effects of independent variables on the dependent variable. The F critical at 5% level of significance was 2.84. The F calculated (value =5.632) was greater than the critical value (5.632>2.56) an indication that the cost leadership strategies, focus strategies and differentiation strategies affect the customer loyalty in retail business in Gabes town.

5.0 CONCLUSIONS AND RECOMMENDATIONS

5.1 Conclusion

This study concluded that maintaining cost leadership strategy, requires a continuous search for cost reductions in all aspects of the business. Cost leadership strategy defends the firm against powerful buyers because buyers can drive price down only to the level of the next most efficient producer and also defends against powerful suppliers because it provides flexibility to absorb an increase in input costs, whereas competitors may not have this flexibility.

5.2 Recommendations

On cost leadership strategy, this study recommended that retail business in Gabes town should ensure continued capital investment to maintain cost advantage through economies of scale and market share. Develop cheaper ways to produce existing products. Increase capital investment in new technology, which can lead to large market share in the long run. On differentiation strategy,

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this study recommended that achieving a successful strategy of differentiation usually requires strong marketing skills, Product innovation as opposed to process innovation, research and development, customer support, less emphasis on incentive based pay structure etc. Retail business in Gabes town can also do differentiation of their products through different design, brand image, number of features, new technology etc. On focus strategy, this study recommended that Retail business in Gabes town should embrace a focus strategy in order to gain a competitive advantage by aiming at attending to specific small niches that require special features or prices. The retail business in Gabes town should use a focus strategy by selecting a segment or a group of segments within the industry for which a strategy is tailored and also have different segments in which it can focus on or represent the impossibility to go to the broader perspective, because these are facts creating tradeoffs and so barriers to imitation.

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