Chapter 1

Introduction

1.1 Research Background

7-Eleven (or 7-11) is an international chain of convenience stores that operates primarily as a franchise. The franchise in Thailand is the CP ALL Public Company Limited, which in turn grants franchises to operators. There are 8,334 7-Eleven stores in Thailand as of 2013, with approximately 50% located in Bangkok. Thailand has the 3rd largest number of 7-Eleven stores after Japan and the United States (7-Eleven Around the World, 2015). Nowadays, customers are facing difficulty in making their decision to select from many types of stores such as grocery stores, supermarkets, discount stores, large mega stores, and hypermarkets (Chaiyasoonthorn & Suksangiam, 2011)

Customer satisfaction is an important issue for every organization. It includes the goals and surveys of the customer satisfaction. It is becoming the important factors in the modern market and the organization faces issue with respect to awareness, quality, loyalty and other important assets. The customer satisfaction is highly satisfied and is highly dependent on the company’s rule and policies. They also deal the customers with high quality and provide the range of exceptional quality goods and products. There is also full availability of the product in terms of store and this locates around the country. It also increases the sales and directly maintains the relationship. This way, it creates the pleasant place for the customers to shop and also it builds with new technology to highly satisfy the customers. Thus it consistently creates the desirable results (Cengiz, 2010)

In most small businesses, it is always important to focus on existing customers rather than achieving new customers. In most cases, the cost of acquiring new customers is always more expensive and time consuming than maintaining current customer relation. Better customer service helps to achieve customer satisfaction and increases customer loyalty. Loyal and satisfied customers are an asset to any businesses since they are willing to pay even higher prices in order to continue the services for long terms. (Kostojohn, Johnson & Paulen, 2011)
In recent years, customer satisfaction has gained a huge attention from different companies. Such companies use different customer research and analysis methods to measure the customers’ satisfaction level. Numerous customer satisfaction models and theories about customer satisfaction have been developed in order to make such research and analysis process more focused and convenient. (Angelova & Zekiri, 2011). Loyal customers are shopping frequently in their chosen hypermarkets. In fact, loyal customers repeat and increase their purchase that helps to increase sales revenue of business organizations (Li & Green, 2010)

Traditionally, products and service quality play vital roles to increase customer’s satisfaction and loyalty. Today, many companies deeply relied on distinction of goods and services to attract the customers’ satisfaction and loyalty. Conversely, business strategy is changing day by day due to vicious competition of new business companies entering the global market with rapidly developed technology to increase new designs, number of offers, innovative and imitation of new product features. In addition, the customers have their own new choice and purchase decision of products or services. They are price conscious that has forced entrepreneurs or marketers to get used to consumer oriented policy to gain more profit and sustain in the competitive market. Furthermore, the customers’ wants and needs are the fundamental key of success of any business organization (Singh, 2006), and for that particular reason, so many scholars have given attention to the significance of customers’ satisfaction, customers’ loyalty and also customer retention (Hoq & Amin, 2010; Vazifehdust & Farokhian, 2011).

In value based pricing the customers cognition is used as the key criterion in pricing and it should be noted here that the value for customer does not mean low prices for the product or the service (SarokolaeetTaghizadehetEbrati,2012).

And also Store layout is an important factor affecting consumer behaviour and a critical determinant towards the creation of store image. Well-designed layouts are extremely important because they strongly influence in-store traffic patterns, shopping atmosphere, shopping behaviour, and operational efficiency.

Customer satisfaction has been considered one of the most prominent factors in the measurement of marketing strategies and performances. On the other hand, profitability and value of firm are important indicators of companies’ financial performance (Sun, K.A.& Kim, D.Y. 2011)
1.2 Research Problem

The problems associated with the quality and the customer dissatisfaction with the product, service, pricing strategy and store layout. The important concept for the retail sector is customer satisfaction with the store. Customer satisfaction or dissatisfaction entails a comparison of customers’ expectations against their perceptions of the product, service and store layout (Silva & Giraldi, 2010). Another support value based pricing from Nähring (2011) when customers are not realizing any increase in the value of the offering, or not accepting the reasons for a price increment, they would be dissatisfied, (Nähring, 2011). A totally dissatisfied customer decreases revenue at a rate equal to 18 times (Tsodole, 2012) so what a totally satisfied customer contributes to a company. This paper is based on factors affected by 7-eleven toward customer satisfaction and the firm’s Profitability (ROE).

1.3 The objective of the study

This study aims to provide the findings which may be developed as a guideline for the factors affected by 7-eleven store toward customer satisfaction which related to the product quality, service quality, pricing strategy and store layout.

To study the relationship between the product quality, service quality, pricing strategy and store layout that related to fulfil the customer satisfaction and also suggest that the understanding of the customer satisfaction and financial performance in firm’s Profitability (ROE,)

To recommend ways to maximize customers’ satisfaction result helps to sustain a long-term benefit.

1.4 The scope of study

The researcher designs this research to be an in-depth interview and survey research by structured survey questionnaire to collect data which focuses on the factors affected by 7-eleven toward customer satisfaction. For making the research more successful, this is important to understand the ensuring of success of the business. Quality product and service both are required for satisfaction and retention. The overall
goal of the business is to provide the superior customer service to the customers. The customer is satisfied if his or her needs are perceived meet or fulfilled. Thus it builds the measurement techniques to meet the definitions and objectives of the business. Another thing that must be considered is to improve the service and to increase the profitability (Okumu J, 2012). So the paper will present the discussion on these issues with the help and responses of the respondents. The paper will focus on the research with the help of primary methods of research because this will help to deal with the issues in terms of products or the variety and quality as well as in other important areas, customer satisfaction will be measured.

1.5 Significant

This paper aims to examine the relationships between product quality, service quality, pricing strategy, store layout and customer satisfaction.

To highlight key success factors for the customer satisfaction especially on 7-eleven store in Siam University branch.

1. This research aim to increase service quality.

2. This research will also focus on standard product quality.

3. The research aims to resolve on the non-standard of price. So this research will also focus on threshold price that customer will satisfy with the value of product

4. This research will also focus on store layout for increasing attractive service materials that it makes customer good impression and attitude towards the store.

5. The research aims to help a business benefit in the long run. This research will also focus on return on equity (ROE) for increasing firm’s profitability

Most of the literature has focuses on the customer satisfaction as well as product and services. The finding of this paper could create a greater awareness on the benefit in the long run in 7-eleven company at Siam University.
1.6 Conceptual framework

**Independent Variable (IV)**
- Product Quality
- Service Quality
- Pricing strategy (Value-based pricing)
- Store layout

**Dependent Variable (DV)**
- Customer satisfaction
- Firm’s profitability: Return on equity (ROE)

1.7 Hypotheses

H1 There is a significant relationship between Product Quality and Customer satisfaction

H2 There is a significant relationship between Service Quality and Customer satisfaction

H3 There is a significant relationship between Value-based pricing and Customer satisfaction

H4 There is a significant relationship between Store layout and Customer satisfaction

H5 There is a significant relationship between Customer satisfaction and Return on equity

1.8 Definitions of Terms

**Service Quality** a common definition of service quality is that the service delivered should fulfill the customers’ requirements, expectations and satisfactions. Customers play an important role with regard to the perception of effect on quality of service delivered (Oyeniyi & Joachim, 2008)

**Customer satisfaction** as a mediator of the effects of service environment, interaction quality, empathy and reliability on loyalty (Osman, 2011).

**Product quality** *business dictionary* online defines the group of features and
characteristics of a saleable good which determine its desirability and which can be controlled by a manufacturer to meet certain basic requirements. Most businesses that produce goods for sale have a product quality department that monitors outgoing products or assurance for consumer acceptability.

**Pricing strategy (Value based prices)** This focuses on the price you believe customers are willing to pay, based on the benefits your business offers them. (Price your product or service, 2012)

**Store layout** A store layout is the design in which a store's interior is set up. Store layouts are well thought out to provide the best exposure possible. They are designed to create an attractive image for consumers (Store Layout Definition, n.d.).

**Return on equity** The amount of net income returned as a percentage of shareholders equity. Return on equity measures a corporation's profitability by revealing how much profit a company generates with the money shareholders have invested (Return On Equity, n.d.).