



A Study of Customer Loyalty Management in Chinese Retail Supermarket

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Abstract

The retailer style includes department store, hypermarket, supermarkets, convenience stores, cooperative union, traditional markets and shopping mall in Taiwan and China. This thesis wants from the supermarkets to make the further discussion. The study of customer loyalty, particularly customer loyalty research on Chinese retail supermarket--Wumart Group has some significance. With the increasingly furious competition, the profit margins constantly decline and it needs to find new profit growth points through customer loyalty resources mastered by the retail enterprise. At the same time, the different management strategies were to avoid brutal price wars among major retail enterprises in China. The customer loyalty provides support for differentiated strategies, such support is not only reflected in materials of the purchase information provided by the customer information, but also reflected in the learn-type relationship between the retail business and customer loyalty. Therefore, the research on customer loyalty is a required course for modern retail enterprises, especially for supermarkets.

Research will focus mainly on surveys to get data and the interviews. The second objective of the research is to identify the determinants of service loyalty in Wumart Group. Apart from assessing the extent of customer churn in the supermarket, primary research is carried out to test the proposed model of customer loyalty. This study seeks not only to examine the relationship between customer satisfaction and customer loyalty, but also to include the analysis on the areas of customer loyalty and switching behaviours influenced by loyalty club cards.

Keywords: Customer loyalty, Customer satisfaction, Loyalty club cards, Supermarket

1. Introduction

China has a growing number of large-scale chain stores, launching the so-called "loyalty programs". There are many national chains of supermarkets which introduce such loyalty cards, such as Wumart Group and Dia Tiantian. Wumart Group is the first supermarket chain to launch loyalty card system; in the short period of two years after the launch there are over 10 million customers to apply for its loyalty card members. In the fierce competition of consumer market in China, the loyalty system has become marketing tools for retailers to use. Such a system can help them, according to

these consumers' information got from the system, more accurately target consumer groups, with a view to increase sales.

Meanwhile, with the continuous improvement of people's living standards, the customer's needs have also undergone great changes. Berry (2005) says "Today's shoppers want all of the customer experience: super programs that meet their demand, respect, emotional relation, fair prices and convenience, only providing four of the five elements is not enough, retailers must provide all the elements" in the journal of Harvard Business Review. Moreover, as the extensive application of information technology, channels for customers to get access to information are more and more, when customers make purchase decisions they will take into full account of their acquired information, and they become increasingly intellectual.

Between August to October, 2007, the "supermarket customers' trend survey" was initiated by the China Chain Store and Beijing Association, and Zero Pointer information consulting firm of Chinese participated. This survey relied on 14 large chain enterprises in the China, and in 12 major cities to conduct "The trend survey of supermarkets". "the investigation report of the purchasing behaviors of Chinese supermarket customers in 2007" summarized in the survey shows that in the supermarket industry in China, customers loyalty presents low, only 18% of customers say that under normal circumstances, they only go to a supermarket regularly, and the number of customers that go to 2-3 supermarkets regularly accounts for 44.4% (Sweeney and Swait, 2007).

2. Related theories review

2.1 The meaning of the customer loyalty

Customer loyalty is the forefront area of international research of marketing theory, especially in the mid-1990s of the 20th century, the research on customer loyalty becomes another hot point after customer satisfaction. Academia has done a great deal of research on customer loyalty, scholars at home and abroad through theoretical research and empirical analyses consider enterprises' customer loyalty program.

The United States marketing consultant and expert Griffin (2002) defines that customer loyalty means customers will resist discounts provided by its competitors, and regularly purchase the company's products and services, and even will recommend to friends and peers. He raises two quantify indicators of customer loyalty: Customer maintaining degree and customer appropriation rate. Customer maintaining degree measures customer loyalty from the two dimensions of time and frequency of purchase, and the customer appropriation rate is the budget percentage rate that customers spend to this company (Smith, Sparks, Hart and Tzokas, 2003). But he also points out that customer maintaining degree and customer appropriation rate are the necessary but not sufficient conditions of customer loyalty.

Customer loyalty degree is a quantifiable indicator, and customer loyalty is a rather abstract concept, not a pointer system can be adopted by this abstract concept model to specific decomposition, and then apply to retail enterprises. How to measure the psychological and customers acts to be a customer loyalty? Through the indicators to measure customers' loyalty to a product or a brand, and analyze horizontally and vertically, so it has a certain practicality and operational significance.

2.2 Study variables measurement

This study uses structural and enclosed questionnaire survey when collecting data, each answer of each question is divided into five items, the respondents according to corresponding 1-5 points of the current international Likert 5 points scale to score. The higher score means that it's more affirmation correspondingly to the research objects (Sweat, 2005). This study will mainly explore the factors that impact Chinese large supermarket- Wumart Group customer loyalty and the variables are measured as follows:

2.2.1 Measure dependent variables

Wumart Group's customer loyalty is the dependent variable of this study, measurement indicators of large supermarket customer loyalty are from the predecessors' measurement of customer loyalty. Measure by using three projects: the repeating wishes to purchase of customers, mouth-to-mouth recommendations and switching intention.

2.2.2 Dependent variables measurement

Since most of the variables measurement are based on previous studies, in light of Wumart Group to set up the actual and specific contents.

2.2.3 The theory hypothesis

Referring to the previous study on customer satisfaction, customer loyalty and loyalty cards and their relationship, the author introduces his own views and the theory structure of this study is as follows

According to research aims and the literature, this paper studies service quality, customer satisfaction and the link between customer loyalties, followed by the relevant assumptions. We discuss customer loyalty may exist direct relations between customer satisfaction and customer loyalty. Therefore, this study assumes that the loyalty cards

program is the main impacting factor of customer loyalty, and loyalty cards and customer loyalty have a direct relationship. According to the former study, the author thinks that the tangible, reliability, responsiveness, assurance and empathy these five latitudes to measure loyalty cards programs, and therefore assume:

H1: loyalty cards and customer loyalty has a positive impact.

H1a: loyalty cards tangible factor has a positive effect on customer loyalty;

H1b: loyalty cards reliability factor has a positive effect on customer loyalty;

H1c: loyalty cards and respond has a positive effect on customer loyalty;

H1d: the assurance of the loyalty cards has a positive effect on customer loyalty;

H1e: Empathy of loyalty cards has a positive effect on customer loyalty;

According to the summary of the previous parts, customer satisfaction and customer loyalty doesn't connect with the degree of relations (Mägi, 2003). Although satisfaction and loyalty indeed have a certain degree of positive relations, which means that customers who are highly satisfied with the product or service may have high loyalty, but in some cases, customer satisfaction and customer loyalty may also be independent or even have negative relationship, that is to say a high degree of customer satisfaction may lead to low loyalty even without loyalty (Allaway, 2003). Therefore, combination of the actual aims of the study, the author's view is, customer satisfaction is an important impact factor on customer loyalty, customer satisfaction factors have significant effect on customer loyalty, but the relationship between the two is not necessarily positive. Therefore:

H2: customer satisfaction has a significant impact on customer loyalty.

It must be pointed out that the study of this study focuses on consumers' experience and feelings in the large supermarket and evaluates the impact of customer loyalty, but consumers' age, gender, supermarkets' geographical distribution, population and their impact on customer loyalty are not considered (Cortiñas, Elorz and Múgica, 2008).

3. Case study

3.1 Sample survey

In this research, the author chooses 150 people at random for questionnaire, and asks them some questions on Wumart Group supermarket customers' purchase, such as the factors for them to consider when they want to buy something, among which is the most important factor, etc. As for general research 100 or above 100 samples is appropriate for study and research, too many or too few are not appropriate.

The sample for this research was defined as the residents of Beijing over 18 years of age. Because the mainly loyalty program was require the participant must be 18 years old above. The survey questionnaires were sent out 150 copies of questionnaires and recoveries 126, after excluding invalid questionnaire the valid questionnaires are 100 copies, the response rate is 84% (126/150), and the questionnaire recovery efficiency is 79.4% (100/126)

As Table 3-1 shows, the sample's proportion distribution of the attributes is more reasonable, and sample structure is more reasonable, the whole objects have considerable research representation. The target objects of this investigation are mostly male, a total of 53, accounting for 53%; the age distribution of the samples is mainly concentrated in the 21-30-year-old and 31-40-year-old range, a total of the two parts are 65, accounting for 65 percent. Overall objects of research on supermarket's consumers are male, age is mainly concentrated at young and middle-aged levels of 21 to 30-year-old and 31 to 40-year-old range, this study samples is comparative appropriate.

3.2 Questionnaire validity and reliability testing

The questionnaire reliability and validity testing is a key step for empirical research, only testing the survey data's reliability and validity, subsequent empirical research can be meaningful. Meanwhile, according to the behavior measurement's requirements, in order to ensure the reliability and validity of the questionnaire and the rationality of the questionnaire structure, it is necessary to test questionnaire survey data's reliability and validity. This study's questionnaire data and research results' reliability and validity test results are as follows:

3.2.1 Reliability Analysis

Reliability refers to the credibility of the test, and it mainly tests measurements result and measurement tools' stability and consistency. Reliability analysis is an effective analytical method in the social studies' testing questionnaire; this paper will test study data's reliability.

Cronbach' α coefficient is the most extensive measurement method of reliability. a coefficient is distributed between 0-1, on the minimum acceptable reliability coefficient, scholars are not unanimously. According to scholar Gay (1992), any test or scale's reliability coefficient is above 0.90, which shows that scale's reliability is very well; 0.80 is the minimum acceptable reliability coefficient. Other scholars, such as Nunnally (1978) and DeVellis (1991) believe that above 0.7 is acceptable reliability, if the research tools' reliability is too low, below 0.6, which should be reconsidered

amending research tools. Here we use the theoretical more common practice, namely under general circumstances, if Cronbach' α coefficient ranges between 0.80-0.90 and it is considered very good, ranges between 0.700-0.80 it is relatively good, and between 0.65-0.70 is acceptable, 0.60-0.65 is unacceptable. For not yet proven variables, as long as Cronbach' α is above 0.60, then it can be accepted.

This study is on Wumart Group's customer loyalty factors, the author uses Analyze—Scale—Reliability Analysis of SPSS14.0 statistical software, selects the Alpha Model, analyzes reliability of dependent variables and independent variables measurement indicators one by one, getting Cronbach' α values. Its internal reliability test results can be seen from Table 3-2:

From the above Table 3-2, the tangible of loyalty cards, reliability, responsiveness, assurance and empathy, customer satisfaction, customer loyalty questionnaire's reliability Cronbach' α Coefficients are 0.898,0.839,0.881, 0.858,0.834,0.866,0.836, all seven dimensions' Cronbach' α coefficients are greater than 0.8. As a result, overall, the study's variables internal stability and consistency are better, reliability is higher, which shows the study's variables corresponding measure indicators have strong relationship, that is to say the questionnaire in this study has good reliability.

3.2.2 Validity analysis

Validity refers to correctness; it means the measurement tool can correctly measure the characteristics and functions. Here we mainly test constructive validity. The factors of customer loyalty in the Wumart Group can not be directly got from the questionnaire and accordingly the questionnaire is designed different variables on the measurement indicators of these factors (research variable). To illustrate these different variables (variables measured indicator) is to explain the same factor, this study uses SPSS14.0's confirmatory component Analysis, and with Varimax to do orthogonal rotation, using menu Analyze-Data Reduction-Factor respectively on service quality, customer satisfaction, customer loyalty to do factor analysis, calculate each variable indicators' Factor Loading, thereby construct validity test, examine whether this study measuring tools (questionnaires) reflects the concepts and propositions' internal structure or not, which then measures the constructive validity of the questionnaire. Table 3-3 shows the concrete results.

Before conducting factor analysis, in order to confirm the observation variables' correlation, this study uses Bartlett spherical test that produced in 1950, and KMO (Kaiser-Meeyer-Olkin) sampling proper volume testing the various variables observed correlation. According to Kaiser (1974) study, if KMO value is less than 0.50, then it is not appropriate for factor analysis. The variables' KMO value of this study are not less than 0.70, and Bartlett spherical test's significant probability is 0.000, less than 0.001 and meets scholars' research standards, factor analysis can be carried out.

Under normal circumstances, the social behavior scientific researches think that if loading of factor is greater than 0.4 then it is considered to be Validity. From Table 3-3 research variables and measurement indicators' validity of test results, the tangible of loyalty cards, the first indicator is 0.717, whose loading factor is relatively small, but the factor loading value is greater than 0.7, far greater than 0.4, so meets the validity of the test requirements.

4. Conclusion

In the above case study, this thesis analyzes the various indicators of measure variables on the interpretation of variable degree. General speaking, in the social sciences, when the variables (variables measured indicators) of the studied variables explanation achieves more than 30 percent, on the view, these variables is effective. Table 3-3 of the test results show that with the except for the tangible of loyalty cards' explanation is blowing a low level (62.35), other indicators' interpretation degrees are greater than 70%, we can see that the design of variables' indicators' interpretation of this research is higher degree, then the validity of the questionnaire that is better, and the set research variables indicators are reasonable, the study's variables are also effective.

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Appendix

This questionnaire is designed for a research project of my study. I would appreciate your help by filling this questionnaire. It is an anonymous survey, so you don't need to fill out your name, and it will be used for my study project only. This is not a test. There are no "right" answers and no "wrong" answers. I would like you to give your own, honest opinion.

Do you often go to the same supermarket? ()

A. yes B. No

1. Basic information

You are: () A. male B. female

How old are you: () A. <20 B. 21-30 C. 31-40 D. 41-50 E. >51

2. Please answer the following questions when you often go to a supermarket.

(1). The decoration of the loyalty cards can satisfy you:

A. very disagree B. not agree C. general D. agree E. very agree

(2). You feel the applying conditions of cards are not rigor

A. very disagree B. not agree C. general D. agree E. very agree

(3). Prices are lower enough to satisfy you

A. very disagree B. not agree C. general D. agree E. very agree

(4). Staffs' attitude is good when you apply for loyalty cards

A. very disagree B. not agree C. general D. agree E. very agree

(5). There are many favorable goods for card members and non membership can no enjoy it

A. very disagree B. not agree C. general D. agree E. very agree

(6) The design of acceleration marks and exchange methods are various and abundant

A. very disagree B. not agree C. general D. agree E. very agree

(7) Supermarket has free bus and parking lots for members

A. very disagree B. not agree C. general D. agree E. very agree

(8) Supermarket can perform its commitments of promotions for members

A. very disagree B. not agree C. general D. agree E. very agree

(9) Supermarkets will not deprive of customers' interests using the term of "ultimate explaining power".

A. very disagree B. not agree C. general D. agree E. very agree

(10) The cards' information can be rightly protected and can not be used improperly

A. very disagree B. not agree C. general D. agree E. very agree

(11) The queue time for customers to wait when you apply for loyalty cards is short

A. very disagree B. not agree C. general D. agree E. very agree

(12) When customers face problems, staffs deal with them on time

A. very disagree B. not agree C. general D. agree E. very agree

- (13) Staff can provide service to customers quickly
A. very disagree B. not agree C. general D. agree E. very agree
- (14) There are detailed tips and clues for membership customers such as promotions, lower prices
A. very disagree B. not agree C. general D. agree E. very agree
- (15) Staffs are polite to membership customers
A. very disagree B. not agree C. general D. agree E. very agree
- (16) Staffs are well knowledge and can answer membership customers' questions
A. very disagree B. not agree C. general D. agree E. very agree
- (17) Staffs can give personalized suggestions to members
A. very disagree B. not agree C. general D. agree E. very agree
- (18) When conflicts happen, staffs can deal with them to satisfy membership customers
A. very disagree B. not agree C. general D. agree E. very agree
- (19) Members can be provided added-value services
A. very disagree B. not agree C. general D. agree E. very agree
- (20) I think loyalty card can bring many benefits and it is a very important factor for me to choose supermarket
A. very disagree B. not agree C. general D. agree E. very agree
- (21) My experience in the supermarket is happy
A. very disagree B. not agree C. general D. agree E. very agree
- (22) Services provided by the supermarket is better than my expectations
A. very disagree B. not agree C. general D. agree E. very agree
- (23) Contrast on other supermarkets, I am satisfied with this
A. very disagree B. not agree C. general D. agree E. very agree
- (24) This supermarket's goods are cheap and good, I am very satisfied with it
A. very disagree B. not agree C. general D. agree E. very agree
- (25) If next time I will go to supermarket, my intention to choose this
A. very low B. low C. general D. high E. very high
- (26) The possibility for me to recommend the supermarket
A. totally impossible B. impossible C. general D. possible E. very possible
- (27) If there is new chance, I will choose this supermarket
A. totally impossible B. impossible C. general D. possible E. very possible

Table 2.1 Independent variables' measurement indicator

Table 2.2 Dependent variables indicators

Table 3.1 Samples' individual characteristics (N=100)

Table 3-2 Research variables and their measurement indicators' reliability test

Table 3-3 The variables and their measurement validity of the test

figure 2-3

Table 2.1 Independent variables’ measurement indicator

Variables	Question items	Answer score explanation
Customer loyalty	Repeating purchase intention: the intention degree whether customers will constantly go the same supermarket.	The higher the scores are, the stronger the repeating purchase intention will be.
	Mouth-to-mouth recommendation: the possibility that customers recommend the supermarket to others.	The higher the scores are, the more impossible the mouth-to-mouth recommendation will be.
	Switching intention: given the new choice to customers, whether they will still choose this supermarket.	The higher the scores are, the stronger the repeating purchase intention will be.

Table 2.2 Dependent variables indicators

Variables	dimensionality	Question items	Answer scores explanations
Loyalty Cards Programs	Tangible of LC	Whether internal and external decoration of cards can satisfy customers.	The higher scores are, the tangible factors’ impact is larger
		Whether the applying conditions of cards are not rigor for customers.	
		Whether prices are lower enough to satisfy customers.	
		Whether Staffs’ attitude is good when customers apply for cards.	
		Whether there are many favorable goods for card members and non membership can not enjoy it.	
		Whether the design of acceleration of marks and exchange methods are various and abundant.	
		Whether there is free bus and parking lots for card members.	
	Reliability of LC	Whether Supermarket can fulfill promotional promises on time.	The higher scores are, the reliable factors’ impact is larger
		Whether supermarkets will not deprive of customers’ interests using the term of “ultimate explaining power”.	
		Whether the cards’ information can be rightly protected and can not be used improperly.	
	Responsiveness of LC	The queue time for customers to wait when they apply for loyalty cards is not long and customers can endure it.	The higher scores are, the response factors’ impact is larger
		Can salespeople deal with the problems membership customers face on time?	
		Can salespeople provide service to membership customers quickly?	
		Whether there are detailed and indicative clues for members’ prices and promotions.	
	Assurance of	Whether salespeople are polite to	The higher

	LC	membership customers.	scores are, the assurance factors' impact is larger
		Whether salespeople have rich knowledge to answer customers' questions	
		Whether salespeople can give personalized service to membership customers.	
	Empathy of LC	When there are some conflicts on membership, can staffs deal with them to satisfy customers?	The higher scores are, the empathy factors' impact is larger
		Can supermarket provide added value services (such as delivering goods freely or giving souvenirs) to membership customers.	
		Can membership settle with credit cards?	
Customer satisfaction		Whether the customers' shopping experience is happy	The higher scores are, the satisfied factors' impact is larger
		Whether the service provided by supermarket is better than customers' expectations	
		Contrast to other supermarket, whether customers are satisfied with this supermarket	
		Whether this supermarket's goods are cheap and good to let customers satisfy	

Table 3.1 Samples' individual characteristics (N=100)

Population statistical variables	Types	Population number	Percentage (%)
Gender	male	53	53%
	female	47	47%
Age	18-20	19	19%
	21-30	31	31%
	31-40	34	34%
	41-50	13	13%
	Above 50	3	3%

Table 3.2 Research variables and their measurement indicators' reliability test

Research variables	Measurement indicators	Expected values of measurement indicators	Standard	Cronbach' α
loyalty cards Tangible (LCT)	LCT1	3.2500	. 82112	0.898
	LCT2	3.1200	. 76910	
	LCT3	3.3900	. 82749	
	LCT4	3.3200	. 78993	
	LCT5	3.4600	. 78393	
	LCT6	3.3700	. 78695	
	LCT7	3.3000	. 75879	
loyalty cards reliability (LCRL)	LCRL1	3.3700	. 88369	0.839
	LCRL2	3.2600	. 73333	
	LCRL3	3.3300	. 76614	
loyalty cards Responsiveness (LCRS)	LCRS1	3.4400	. 84471	0.881
	LCRS2	3.4200	. 83097	
	LCRS3	3.4400	. 86830	
	LCRS4	3.3300	. 72551	
loyalty cards assurance (LCA)	LCA1	3.3800	. 74914	0.858
	LCA2	3.2600	. 81178	
	LCA3	3.3900	. 79003	
loyalty cards empathy (LCE)	LCE1	3.3500	. 82112	0.834
	LCE2	3.3100	. 80019	
	LCE3	3.2900	. 80773	
loyalty cards				0967
Customer satisfaction (CS)	CS1	3.3000	. 87039	0.866
	CS2	3.2800	. 76647	
	CS3	3.2900	. 80773	
	CS4	3.1600	. 81029	
Customer loyalty (CL)	CL1	3.1600	. 82536	0.836
	CL2	3.4300	. 76877	
	CL3	3.1700	. 87681	

Table 3.3 The variables and their measurement validity of the test

Research variables	Measurement indicators	Factor loading volume	Explanation degree of variance (%)	KMO values	Bartlett ball checkup salience
loyalty cards Tangible (LCT)	LCT1	0.717	62.354	.880	.000
	LCT2	0.794			
	LCT3	0.772			
	LCT4	0.856			
	LCT5	0.772			
	LCT6	0.856.			
	LCT7	0.795			
loyalty cards reliability (LCRL)	LCRL1	0.798	75.943	.704	.000
	LCRL2	0.789			
	LCRL3	0.882			
loyalty cards Responsiveness (LCRS)	LCRS1	0.828	73.817	.833	.000
	LCRS2	0.903			
	LCRS3	0.844			
	LCRS4	0.875			
loyalty cards assurance (LCA)	LCA1	0.860	78.214	.701	.000
	LCA2	0.874			
	LCA3	0.827			
loyalty cards empathy (LCE)	LCE1	0.922	73.137	.715	.000
	LCE2	0.922			
	LCE3	0.864			
Customer satisfaction (CS)	CS1	0.866	71.586	.807	.000
	CS2	0.861			
	CS3	0.848			
	CS4	0.892			
Customer loyalty (CL)	CL1	0.870	75.529	.718	.000
	CL2	0.842			
	CL3	0.893			

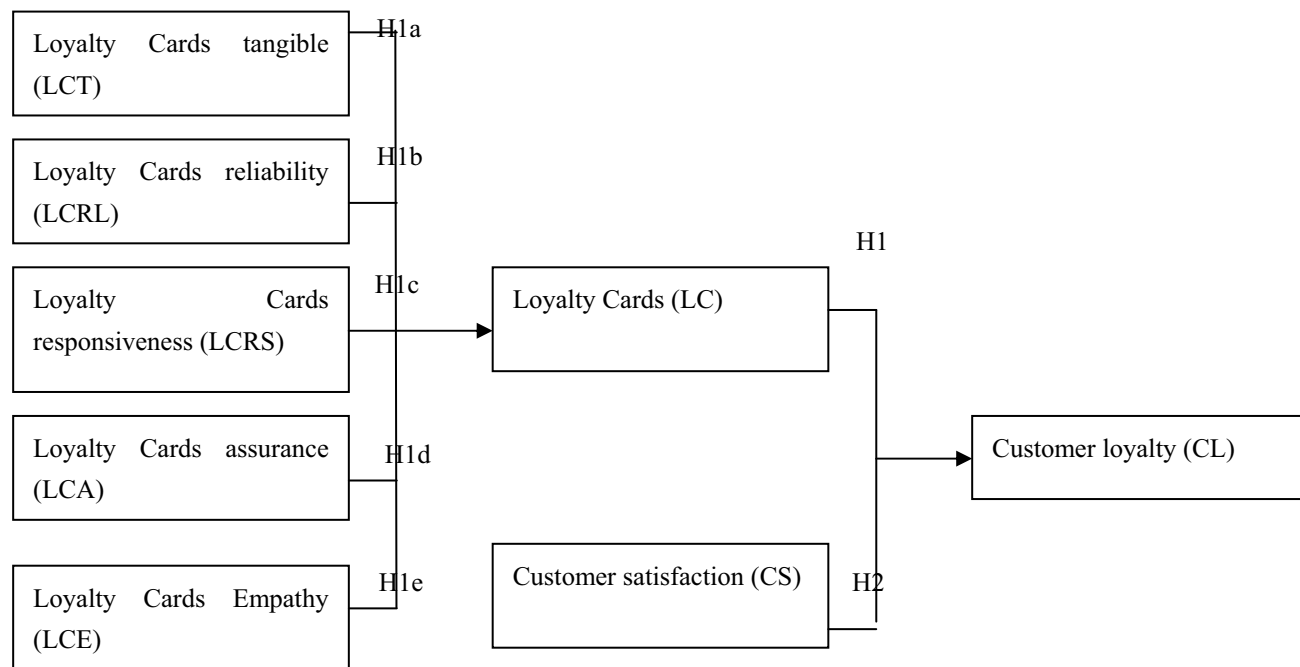


Figure 2.3