Does the Purchase Method Influence Customer Satisfaction? A Case Study of Online and Direct Sales in Madagascar

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Abstract: *Since 2010, the Internet has revolutionized commerce in developing countries, including Madagascar. This has as a direct consequence the emergence and rapid spread of online transactions. Because customers have complex needs and high expectations, several factors need to be considered to achieve customer satisfaction. Product quality has always been a key factor of customer satisfaction and retention in traditional trade. However, this may no longer be the case with the advent of online commerce. This article highlights the elements likely to lead to customer satisfaction, with a focus on purchasing methods. The survey was conducted among a sample of 85 people from different socio-professional categories (SPCs), including students, private sector employees, civil servants, the unemployed, liberal professionals and stay-at-home persons. The results of a Multiple Correspondence Factor Analysis (MCA) show the relationships between satisfaction levels, purchasing methods and the products. Price remains the major decisive factor in traditional trade whereas a product/service combination is more prevalent in online trade.*

Keywords: Retention, trust, marketing, e-commerce, customer

1. Introduction

Over the last few years, e-commerce has become a part of everyday life for Malagasy people. While one in ten (10 percent) respondents stated they had already made at least one online purchase in November 2017, in 2018, this proportion rose to over one in three (35 percent). The Internet is significantly lowering the cost of information search for customers (Ratchford *et al.*, 2003) and gives rise to a new method of commercial activities that take place online. The evolution of online transactions has gone hand in hand with several changes in customers' needs, which imply changes in customers' level of satisfaction.

Customer satisfaction is important to the survival of a business, and is influenced by a number of factors, including product quality, price and service quality. In Madagascar, price is generally perceived as a decisive variable. In traditional trade, price remains the main driver of exchange, since bargaining is part of the habits of Malagasy customers and it is easier to bargain when the seller is in front of you.

In online trade, complete satisfaction does not exist. Customers can be satisfied or dissatisfied with their purchase without the seller getting a direct feedback from them; however, a satisfied customer will come back.

Customer loyalty is not just a matter of satisfaction. It can stem from product quality, service quality, customer experience, the business image, and, in our study, the purchasing method. Loyalty being a result of repeated satisfaction, the following question was raised: does customer satisfaction depend upon the purchasing method? Considering the multiple factors that contribute to customer satisfaction, the main objective of this study is to identify the relationship between customer satisfaction and the purchasing method.

The following assumption was put forward: customer satisfaction is more influenced by the quality of the product than the means of obtaining it, and among other things the purchasing method. Indeed, if the cost of acquiring an item is high enough, the customer might not be satisfied despite its quality. It is expected that the study will assess the importance of goods and services quality for customers for the two purchasing methods as a first step and, as a second step, it will determine factors of customer loyalty.

2. Theoretical and conceptual framework

2.1 Customer Relationship Management

Customers are a strategic asset for a business. Several studies show that customer orientation is a performance factor (Reiman, 2009). Customer Relationship Management (CRM) is an approach that enables to identify, attract and retain the best customers, thereby helping to generate more sales and more profits (Venturi and Lefebure, 2005). Based on this

definition, CRM involves three implicit dimensions: (i) a temporal dimension with the necessary establishment of a profitable long-term relationship; (ii) a relational dimension with the desire to be as close as possible to the customer, whatever the contact point and the time chosen by the latter; and (iii) an operational dimension with the need to manage the complexity of the customer/supply/channel combination with dedicated tools.

Taking into account these three dimensions, CRM translates into the ability to build a profitable long-term relationship with the best customers by capitalizing on every contact point through an optimal allocation of resources. Customer loyalty must be viewed as a strategic objective, and definitely not as an ordinary, one-off promotional activity. Customer loyalty is a hallmark of a marketing strategy; it must also allow the best control of the business' activity and lead to increased profitability in the long term (Lehu, 2003).

From a theoretical point of view, e-CRM is a subset of CRM. CRM is intrinsically multichannel, since it manages the customer regardless of how he/she interacts with the business, including through the Internet (Cinquin, 2002). e-CRM can be defined as a set of approaches, tools and processes that address the need to know customers, allow customer analysis and segmentation, and trigger automated actions and online customer support (Rosset, 2009). In Madagascar, the emergence of *mobile money*[1] systems currently offers customers the opportunity to pay for their purchases instantly.

2.2 Purchasing methods and customer motivations

Customer satisfaction comes into play in the choice of the purchasing method. In most cases, satisfaction is based on product quality, service quality, and price. However, the priority given to each factor varies depending on the purchasing method.

2.3 Trust in online transactions

An individual's tendency to trust others is usually the consequence of life experiences, personality type and culture (Fukuyama, 1995). In the world of e-commerce, building trust between sellers and buyers is of paramount importance. The factors that contribute to building trust in online transactions undoubtedly include integrity, ability, and benevolence (Lee and Turban, 2001). Indeed, for customers, trust in online transactions contributes to reduce their vulnerability, particularly with respect to security and privacy during the transactions (Beldad *et al.,* 2010; Blut et *al.*, 2015).

2.4 Satisfaction and trust

Kotler and Dubois (2009) define satisfaction as the positive or negative impression customers have after a purchase and/or consumption experience. It results from a comparison

between their expectations of the product and its perceived performance. Satisfaction results from the customers' contentment with the buying experience with the e-seller (Anderson and Srinivasan, 2003). In addition, trust is intrinsically linked with customers' satisfaction, especially in the case of online transactions. A series of positive encounters will demonstrate that a customer has reinforced his or her trust in the e-vendor and consequently was led to a satisfactory purchase experience (Chen and Chou, 2012). Therefore, trust in the choice of the purchasing method may depend on the perceived satisfaction with the first purchase.

2.5 Assessment of satisfaction

A product is assessed on the basis of a set of attributes. In order to determine how the customer's judgement on each of these attributes is made, it is necessary to analyze the three criteria of satisfaction which are: subjectivity, relativity and scalability.
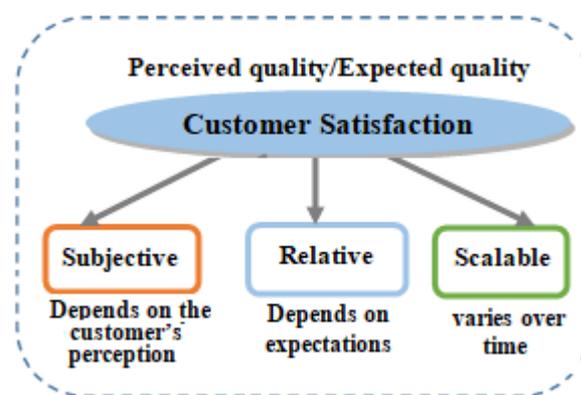
Source: Ray Daniel, 2001
Figure 1: Perceived and expected quality by customers

Satisfaction is subjective: each customer perceives the product or service differently. Satisfaction depends only on the customer's own perception, not on objective reality. It is therefore highly likely that the perception of the product or service is far from reality.

Satisfaction is relative: it depends on the customer's perception. Satisfaction varies according to the levels of expectation. If you take two customers and ask them for their opinion about a given service, their answers may well be different simply because their initial expectations of that service are not the same. What counts is not to offer the best product or service, but to offer what best suits the customers' expectations.

Satisfaction is scalable: it is rare today that a customer remains satisfied with a service or product for a long time. Satisfaction evolves over time as expectations and market standards change. It also evolves during the use cycle of the product or the service.

Businesses no longer simply offer products to their customers, but a mix of products and services (Parasuraman, 1998). We therefore consider that customer satisfaction is based on an overall judgment of the experience with the vendor, i.e. of the product(s) as well as the services offered.

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[1] In collaboration with primary banks, mobile telephone operators in Madagascar have set up systems that enable to make online instant money transactions (money transfer and savings) between users.

Accordingly, satisfaction is the result of a comparison between expectations and perceived performance.

2.6 Satisfaction and loyalty

In competitive markets, marketing investment priorities mainly focus on customer loyalty and retention because satisfied customers are not necessarily loyal. The definitions of the concept of customer loyalty vary widely. Marketing specialists have given several definitions to this term. Baynast *et al.* (2017) define customer loyalty as a set of actions related to the product, the price, to communication or promotional activities, intended to strengthen customers' loyalty to a specific brand. It is a mistake to consider satisfaction as the only reason for customer loyalty. Other factors influencing loyalty include the product's perceived quality, its relative price, the nature of the associated services, product and brand reputation, the image of the sector, the specific image of the product and the brand, knowledge and experience, mentions, specifications and other endorsements of the product, the relevance of the purchase and the perceived risk, the quality of the point of sale, the time of need and the time spent on the purchase.

In online transactions, the loyalty of the costumer depends on his or her past experience. Indeed, the voluntary commitment of a buyer to a specific vendor is the result of cumulative online experiences that have created and developed trust between the two parties, and this encourages the buyer to renew the purchase experience with the same source (Chiu *et al*., 2012). Loyalty cannot be established without trust.

3. Methodology

3.1 Structured interview

This type of interview is very similar to the questionnaire-based survey, with the difference that the information is collected orally rather than through the completion of a paper. During the interview, the interviewer asked questions according to a strict predefined protocol (the objective was to avoid that the respondent goes beyond the questions asked and the scope defined). Interviews were conducted in several highly populated locations in the city of Antananarivo, including Antanimena, Ampefiloha, 67ha, Alarobia, Ankazomanga, and Ankatso to achieve significant diversification of the responses. Structured interviews present the advantage of minimizing misunderstanding by the respondent.

3.2 Sampling and data collection

Once the characteristics of individuals have been determined based on the interviews, the next step is to determine the sample size. The basic sample size calculated using sampling formula[2] is 385 people. However, given the homogeneity of some groups, the number was adjusted downwards. The purposive sampling method was used to select the

respondents. Consequently, the number of respondents, taking into account the recommendations from the interviews, was 85 people.

3.3 Data processing

Following a literary review of the subject matter, a more pragmatic approach using sampling techniques was adopted. The results are summarized below. However, we consider it appropriate to provide following clarifications:

3.4 On the assessment of the importance of the quality of goods and services for customers

In traditional trade, customers' expectations of a product have been grouped into five categories: product quality, customer/vendor interaction, transparency of the offer, price, and lack of access to the Internet. In online trade, expectations have also been grouped into five categories: quality, accessibility, price, lack of time and originality. The importance of satisfaction is measured using Likert scale questions with four levels to avoid neutral answers. The levels of satisfaction are as follows: strongly disagree, disagree, agree, strongly agree. This exercise is of interest because it reveals the main motives that characterize each purchasing method, based on the level of acceptance by the customer of the assertions in the questionnaire.

The variables used are: satisfaction levels, priorities of the goods purchased, and motives of purchase. As these variables are not quantifiable, the appropriate analysis tools will be qualitative methods. Since the objective is to find out the relationship between these qualitative variables containing several modalities, the appropriate analysis tool is a multivariate analysis. The Multiple Correspondence Factor Analysis (MCA) was therefore applied. The results are illustrated in the form of a two-dimensional symmetrical graph displaying the two factorial axes which are most important for the studied phenomenon.

3.5 On the determination of the factors of customer loyalty

The reasoning remains focused on the characteristics of the respective satisfaction levels. The subscription to a particular vendor is a sign of loyalty for the customer; it is therefore necessary to determine the factors that make customers loyal. For each purchasing method, these factors of loyalty will be linked to the level of customer satisfaction.

The variables used are the existence of a particular vendor, the factors of loyalty and the levels of satisfaction. The variables of the study are qualitative in nature as it is impossible to assign them a numerical value. Logically with the existence of these three qualitative variables, the appropriate analysis tool is also the Multiple Correspondence Factor Analysis (MFA) to show the links between the variables. The results are presented in a two-dimensional symmetrical graph representing these different variables. The choice of the two factorial axes will depend on their importance.

[2] The theoretical sampling formula is $n= [z^2 \, p \, (1\text{-}p)] \, / \, [e^2]$

4. Results

4.1 Importance of the quality of goods and services

Customer satisfaction with a product may vary depending on the purchasing method. Since their degree of importance is assumed to be different, measurement scales are the main tools in determining customer motivations. The level of customer satisfaction could be related to the items purchased. There are four levels of satisfaction, ranging from unsatisfied to very satisfy. In addition, some items may be more suitable for online sales and others to direct sales.

4.2 Direct sales

In the case of direct sales, customer satisfaction comes not only from product quality, but also from service quality. Figure 1 below shows the level of customer satisfaction according to their respective priorities and motives.
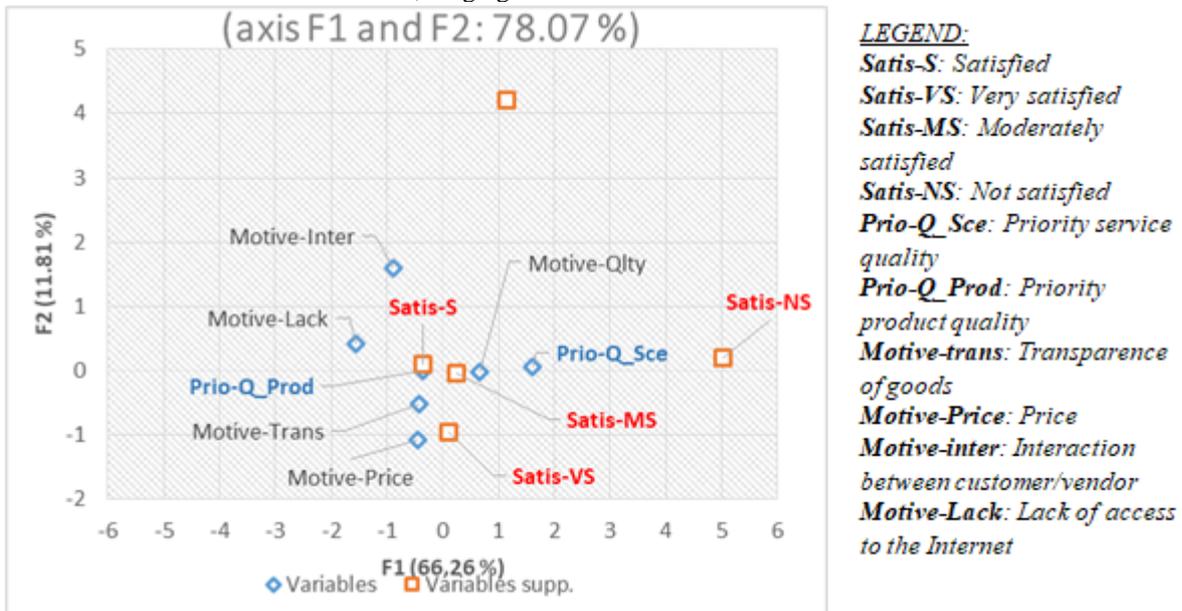

Figure 2: Levels of satisfaction for direct sales according to customers' motives

The MCA two-dimensional graphic representation shows 78 percent of the phenomenon studied with a concentration of information on the F1 factorial axis (66 percent). According to this figure, positive satisfaction levels (moderately satisfied, satisfied, very satisfied) are fairly homogeneous. In other words, product quality makes customers more satisfied than service quality. Moreover, price remains the main reason that makes a customer "very satisfied" in the direct sales.

4.3 Online sales

It is also important for us to measure customer satisfaction levels. The consequences of technological advances are more important in the results. The following figure summarizes the levels of customer satisfaction with online sales according to their priorities and motives.
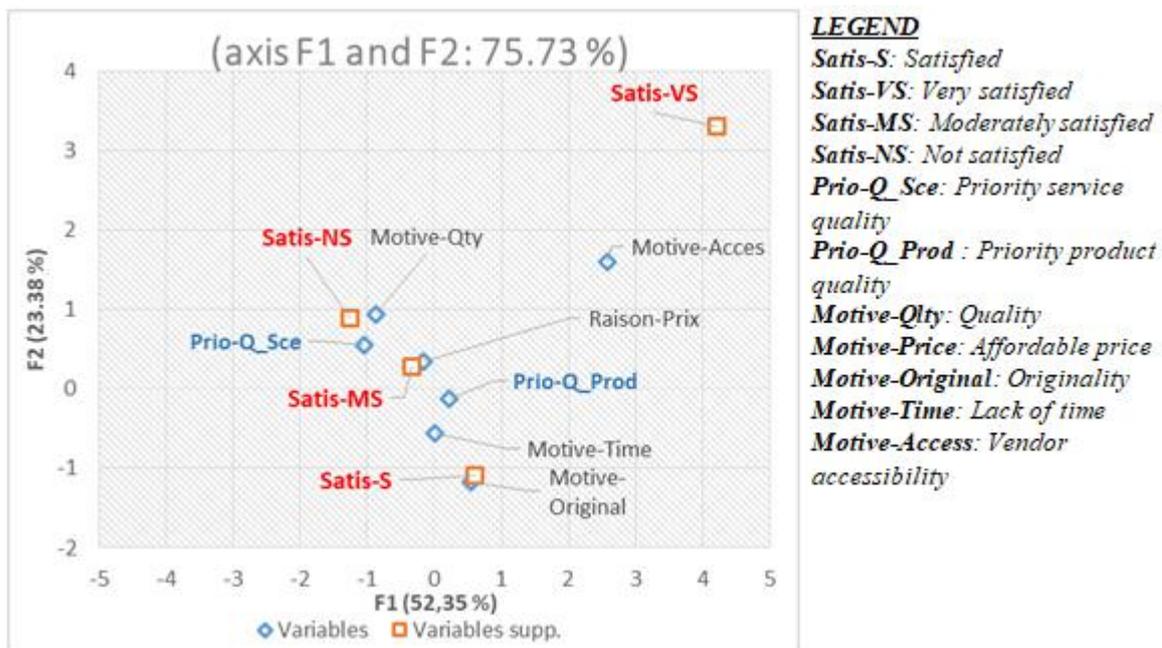
Figure 3: Levels of satisfaction for direct sales according to customers' priorities and motives

The MCA two-dimensional graphic representation shows 75 percent of the information on the phenomenon studied, 52 percent of which is concentrated on the F1 factorial axis. Figure 3 shows the heterogeneity of the different levels of satisfaction. Customers are not satisfied with the quality of service and the quality of the item itself, but they are moderately satisfied with the price. Customer satisfaction with online sales depends mainly on the originality of the product and the time it takes to make the purchase. In addition, accessibility, which is closely related to the time spent, makes them very satisfied with the online purchasing method.

4.4 Loyalty factors

Marketing is not only about finding customers, but also about how to keep them coming back. Loyalty is the logical outcome of customer satisfaction. We will look at the criteria that make customers loyal to a specific business for both direct and online sales.

4.5 Loyalty in direct sales

Loyalty criteria are centered around product quality, service quality, and price. The following figure highlights the relationships between these criteria and customer satisfaction levels as well as the type of product purchased by customers.
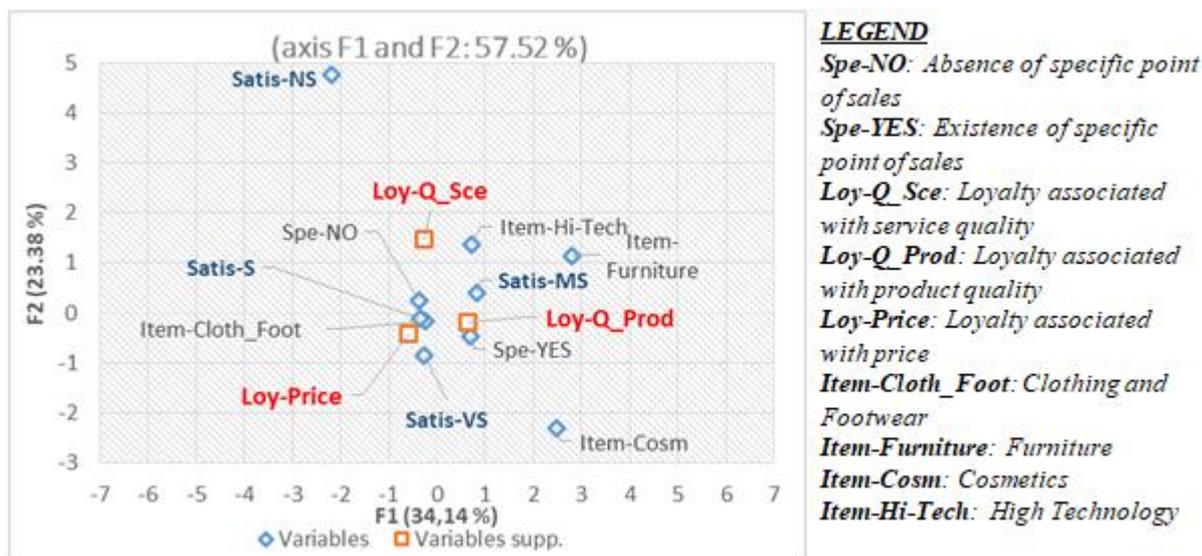

Figure 4: Loyalty and levels of satisfaction for direct sales

The MCA two-dimensional graphic representation shows 57 percent of the information on the phenomenon studied, of which 34 percent is concentrated on the factorial axis F1. According to this figure, customers are satisfied or even very satisfied with the purchase of clothing and footwear items, with price as the criterion of customer loyalty. It should also be noted that product quality is one of the criteria for customer loyalty to a specific store. By contrast, in the case of Hi-Tech items, service quality makes customers loyal although they are moderately satisfied with the purchase.

4.6 Loyalty in online sales

As with direct or traditional sales, loyalty criteria in online sales are centered around service quality, product quality or price. The following figure provides an overview of the criteria that influence loyalty.
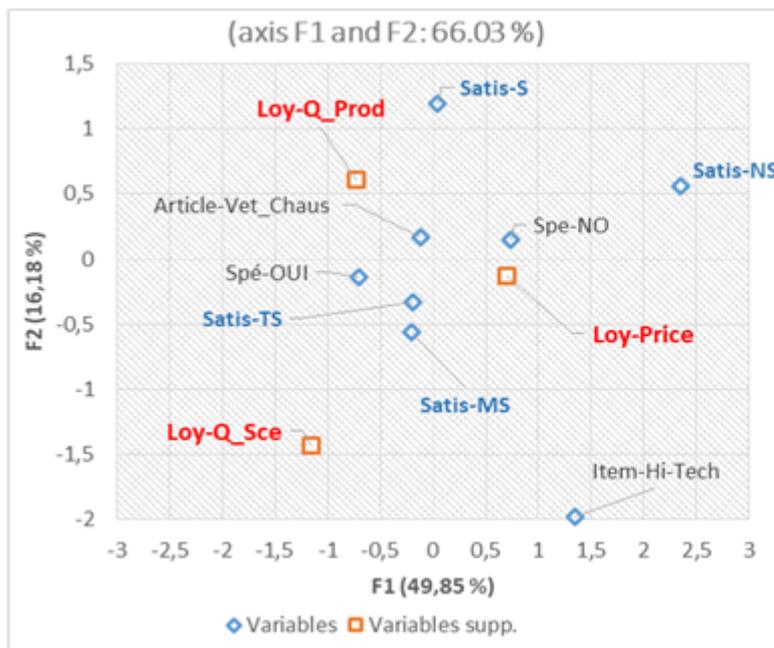
Figure 5: Loyalty and levels of satisfaction for online sales

The MCA two-dimensional graphic representation shows 66 percent of the information on the phenomenon studied, of which about 50 percent is concentrated on the factorial axis F1. According to this figure, price is not necessarily a criterion to retain a customer or to renew the act of purchase. For clothing and footwear items, customer loyalty depends on both product and service quality. However, price remains an indicator of high customer satisfaction.

5. Discussion and Recommendations

5.1 Case of direct sales

The study identified three major loyalty factors, namely loyalty based on price, product quality and service quality. It was found from the results that the price factor remains the greatest asset of traditional trade because customers are very satisfied with their purchase if they get a good price. Furthermore, customers are moderately satisfied with product and service quality, thus product based loyalty comes second and service quality comes last (Figure 2). Parasuraman's (1998) assertion that businesses no longer simply offer products to their customers but a mix of services and products seems to have no significant impact on customer satisfaction, where price remains the main source of satisfaction. According to Figure 2, the transparency of goods contributes to customer satisfaction. Indeed, customers are not disappointed with the items they have purchased. Therefore, it can be said that customers' perceptions match with their expectations.

In order to build customer loyalty during direct purchases, price is the most decisive factor, especially when the seller does not specialize in a given product (Figure 4). Items of intermediate consumption in the clothing and accessories sector are the most demanded in this purchasing method. Nevertheless, hi-tech items require more interaction between the seller and the buyer. This could include point-of-sale advertising, technical support from salespeople, and after-sales services. Mastering CRM would be an asset in building customer loyalty in the case of tech and high-tech as well as clothing and accessories items.

5.2 Case of online sales

The accessibility of the seller and the originality of the product are the main sources of satisfaction for the buyer in online sales (Figure 3). Therefore, social networks are an effective means to showcase the creativity of sellers by focusing on product originality and reputation. In addition, dissatisfied customers are sensitive to the quality of goods and services. Products published online may not completely meet the customer's expectations without a visual inspection, which is a source of dissatisfaction. E-merchandising thus proves to be very effective for online sales at the expense of the customer's perception of the actual features of the product. The seller's sincerity is vital in online sales to win the trust of customers. It should be noted that integrity is one of the factors that contribute to building trust in online transactions (Lee and Turban, 2001).

Furthermore, e-sellers need to enhance their servuction capacity in order to build a solid relationship with buyers. This is why e-CRM exists. Unlike with direct sales, price is no longer the determining factor in customer satisfaction. Product quality is more important because the customer cannot rely on the quality of a product that is very well presented on social networks. The positive buying experience is at the heart of satisfaction (Anderson and Srinivasan, 2003). Maintaining the positive image of the e-seller by being accessible and offering original products is the key to building consumer loyalty.

In traditional trade, customers are very satisfied with the price, whereas in online trade, mistrust towards purchases is well-founded since buyers are not entirely satisfied: they are either moderately satisfied or not at all satisfied. Therefore, the hypothesis is partially confirmed due to varying degrees of satisfaction.

5.3 Study limitations

This study focused only on the diversity of results according to each category of buyers. Preliminary interviews were used to determine the proportions of each category in order to refine the sampling design. This study is therefore highly dependent on respondents, both in the choice of customer categories and their respective proportions. The dominant variables are qualitative in nature and do not account for quantitative variables.

Likert scales were used to estimate customers' satisfaction levels. The latter were linked with customers' motives, the categories of items purchased, and loyalty factors. Nevertheless, the modalities of the qualitative variables used (motives, categories of items, loyalty factors) were chosen solely on the basis of their occurrence. Other response modalities that may be useful to the study were not considered.

6. Conclusion

In light of the discussions above, businesses need to get continuously closer to customers while building relationships to strengthen the existing bond and build customer loyalty. To this end, businesses use a variety means, among which new information and communication technologies are increasingly becoming popular, particularly the Internet. Every day, new technological advances further enhance the power, the reliability and the user-friendliness of the Internet. This is a fundamental consideration, because business-customer relationship is no longer quite the same on the Internet. There is no longer a physical contact with the customer; however due to its permanent availability, the Internet is a growth vector for customer loyalty.

Commerce has evolved rapidly with the advancement of technology. Direct sales are no longer the only way of shopping as customers can also buy online. In Madagascar, online sales are synonymous with sales on social networks, particularly via Facebook. Traditional commerce is competing with the latter. However, the establishment of e-commerce faces challenges in Madagascar, where Internet penetration rate is far too low at 5.4 percent, according to a study published in 2015 by ARTEC (*authority of regulation of communication technologies*). This low penetration rate can be easily explained by the prohibitive prices charged by Malagasy Internet service providers, which continue to increase every year. This situation leads to the obvious question, "What is the future of e-commerce in Madagascar?"

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